BCRE

BRACK CAPITAL REAL ESTATE

Annual Report 2015

ANNUAL REPORT IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2015

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1 DIRECTORS' REPORT

Please read the following directors' report in conjunction with the audited consolidated financial statements and the notes to those statements, included elsewhere in this annual report. In addition to historical facts, this annual report contains forward-looking statements.

1.1 CHAIRMAN'S STATEMENT

Harin Thaker, Chairman, said:

"*I am pleased to present the full year results of the Group for 2015. The results highlight the value of the Company's global strategy and local platforms based business model. As the Company achieved major milestones in increasing its income producing portfolio and sourcing new investments, while its geographic diversification enabled the Group to weather to a certain extent the effect of the Russian crisis on the overall performance of the Company.*"

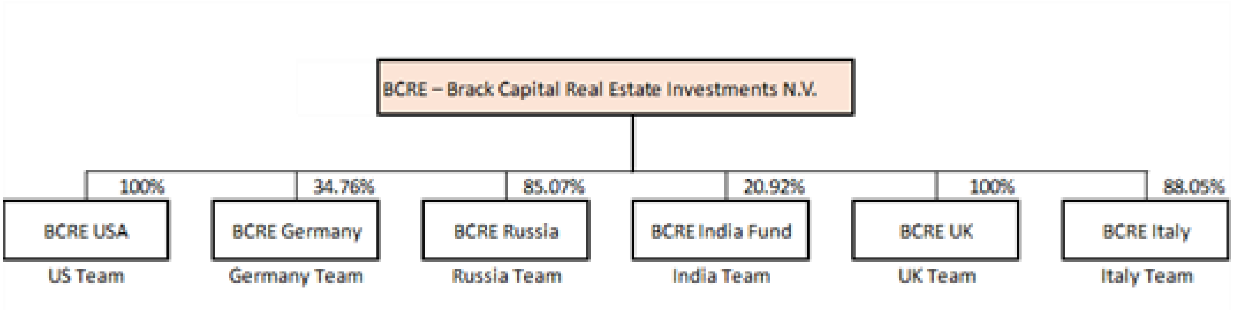
1.2 OVERVIEW

1.2.1 About us

BCRE-Brack Capital Real Estate Investments N.V. ("BCRE" or the "Company") is a public limited liability company incorporated under the laws of the Netherlands. BCRE, its subsidiaries (as defined in section 2:24a of the Dutch Civil Code) and other affiliates which are controlled by BCRE (as defined in section 2:24b of the Dutch Civil Code) are collectively referred to as the "Group". BCRE was converted from a private limited liability company into a public limited liability company on 28 May 2014, prior to the listing of the Company on the London Stock Exchange.

BCRE is an internationally active real estate investment, development and management group. The Group is part of the group of BCH – Brack Capital Holdings Ltd, established in 1992. The Group's investment and management philosophy is based on the combination of local expertise and high professional standards.

The Group's simplified corporate structure as at 31 December 2015 is shown in the chart below.



The Group operates through its key geographical platforms in the US, Germany, Russia, and India. The Group currently is interested in 10,147 income producing residential units (9,493 as at 31 December 2014 and 9,717 as at 30 June 2015) and in 40 income producing commercial properties (38 as at 31 December 2014 and 30 June 2015) across the US, Germany and Russia. Such properties have a total built area (both commercial and residential) of approximately 1,296,459m² (1,179,000m² as at 31 December 2014 and 1,196,050m² as of 30 June 2015).

The Group also has an interest in 10 residential and commercial projects (11 as at 31 December 2014 and 30 June 2015) in various stages of development and refurbishment across the US, Germany and

Russia, with a total lettable or saleable area of such properties expected to be approximately 288,000m² (approximately 375,000m² as at 31 December 2014 and 30 June 2015). The Group is also interested in approximately 349,000m² of land plots available for sale and in approximately 300 hectares of land plots available for future development.

The combined value of these properties in which the Group is interested in differing percentages was approximately €2.1 billion as at 31 December 2015.

The Group operates through highly experienced and on the ground management teams. For each property, the relevant local team performs the entire project cycle of activities; from market research and deal sourcing, negotiating and financing, to asset and property management. The Group is also active in running the development process and closely supervises the construction phase of its developments.

1.2.2 Key highlights

The key highlights for 2015 and 2016 until the signing of this annual report are as follows:

- The Group generated revenues of €75.39 million from rental income during the period (31 December 2014: €68.04 million).
- The net asset value ("NAV") of the Group amounted to €240.7 million as at 31 December 2015 (31 December 2014: €267.3 million); reflecting the expansion in the US and Germany, and the effect of the current economic situation in Russia.
- As at 31 December 2015, the aggregate value of assets in which the Company is interested (in different percentages) was approximately €2.1 billion (31 December 2014: €1.9 billion).
- The Company recently extended the programme for the issuance of bonds from $60 million to $180 million. During 2015 an amount of $3.65 million, net of expenses, has been raised completing the $60 million programme. In 1 April 2016, an amount of $17.5 million, net of expenses, has been raised.
- The Group successfully completed two major development projects, which have increased the Company's income producing portfolio, and continued balancing its global portfolio with new acquisitions and increased interest in the US and Germany.
- The Group completed the acquisition of 720 West End Avenue, a major residential building with a net area of approximately 240,000 sf in the Upper West Side of Manhattan, New York
- Opened the hotel Indigo Lower East Side, a 295 hotel, at 180 Orchard Street in Manhattan, New York, US.
- Acquired 224 residential units in Cincinnati, Ohio bringing the multifamily portfolio in the US to over 500 units. The holding of the existing multifamily residential assets and any future ones will be made through a (private) REIT structure in 2016.
- BCRE Germany purchased 430 residential units in Kiel, northern Germany for a total consideration of €24.5 million.
- Opened the 27,000m² shopping centre in Lyubertsy, Moscow region, with good occupancy levels (currently signed leases and term sheets nearing 85%) despite the challenging economic situation in Russia.

- Midroog, the credit rating agency accredited by Israel and a subsidiary of Moody's Investor Service Inc. (Midroog), reaffirmed the credit rating of the Company's Series A, B and C bonds of A2 on a local Israeli scale, changing the outlook from Credit Review with negative implications to negative outlook.

- BCRE Germany completed the purchase of 296 residential units in Northern Germany in 2016, bringing our multifamily portfolio in Germany to over 9,900 units for a total consideration of €20.4 million

- Recently, Standard & Poor's Maalot, a credit rating agency accredited by Israel, increased the credit rating of BCRE Germany and its existing debentures to ilAA- from ilA+, with stable outlook.

- The shareholders of BCRE Germany's approved at a general meeting in 2016 to distribute capital to its shareholders in a total amount of approximately €6 million. The capital distribution is expected to be carried out in early 2016.

- The shareholders of the Company approved at a general meeting in 2016 to distribute capital to its shareholders in the total amount of approximately €4.8 million. The capital distribution was paid to the shareholders on 11 April 2016.

- BCRE Germany issued 60,058 additional bonds in 2016 at a price of NIS 1,021 each. The gross proceeds in respect of the bond issuance amounted to NIS 61.3 million.

1.2.3 Investment philosophy

BCRE's investment policy includes an analytical approach to the investment decisions throughout the life cycle of a project. The Group's financial approach to portfolio allocation is focused on the continuous monitoring and adjustment of its portfolio, ensuring diversification by country, asset class, currency, specification and development to income-producing properties.

As part of our business model, we control and manage our deals by establishing our own proprietary local teams. We focus on value addition to our properties through proactive asset and property management. Rigorous research & analysis and risk management are cornerstones to our business philosophy.

1.2.4 Objective and strategy

The Group's objective is to identify and execute opportunities in local markets by leveraging off its global investment, development and management experience and to generate exceptional returns by employing expert local management teams.

The following are key components of the Group's strategy:

a. an analytical approach to investment decisions based on multi-layered risk management throughout the life cycle of a project, taking into consideration the special financial attributes of the project, including the length of the project, liquidity and transaction costs. The Group's financial approach to portfolio allocation is focussed on the continuous monitoring and adjustment of its portfolio, ensuring diversification by country, asset class, currency, specification and development to income producing properties;

b. maintaining independently managed local teams in each of its key markets;

c. focusing investment primarily on the Group's key markets;

d. benefiting from organic return growth at project level;

e. accessing quality deal flow in each local market through the strength and depth of its local platforms and their connections;

f. retaining staff with a substantial aggregate knowledge base and diversified experiences who have remained with the Group over a long period of time;

g. taking a global view on investment based on detailed knowledge of the drivers in its key markets which allows for diverse risk analysis and efficient funds allocation;

h. developing and retaining in-house research and finance capabilities including experience with M&A transactions and structured finance;

i. developing and retaining in-house development capabilities such as design coordination, procurement and property management; and

j. developing and retaining in-house construction, management, supervision, procurement and estimation capabilities by employing internal construction and engineering experts, and maintaining financial flexibility through reasonable leverage and debt duration and maturity.

1.2.5 Key strengths

Combination of local market presence and international transactional expertise

The Group combines local knowledge of, and contacts within, its key markets with international experience of research, due diligence, structuring, financing, developing and delivering large scale real estate projects to international standards. The Group considers this combination uncommon.

Focus on known markets and sectors

The Group has been active in its key markets for many years – in Manhattan since 1994 (initially, as Brack Capital Group), in Germany since 2005, in Russia since 2006 and in India since 2005. The Group focuses its attention mostly on specific sectors in these markets which it knows and understands – in Germany commercial (mainly retail) and multifamily residential income producing, in Russia development for commercial (mainly retail) and in the US on Manhattan conversion, renovation and development (recently mainly in the residential and hospitality sectors). The Company believes this enables the Group to understand its markets and to analyse the real risks and opportunities of each project in the context of those markets.

Substantial "on the ground" platforms

The Company believes that real estate is a local business and believes the foundation of its strength is real, local experience and expertise. The Group's local teams in each market are managed by dedicated, specialised, experienced and incentivised professionals with a local knowledge and an understanding of the business they are carrying out. Their capabilities and expertise are full service and include sourcing off-market deals, in-house research and analysis, underwriting budgets, timetables, sales and leases, raising finance from local and international lenders, maintaining close working relationships with local authorities, detailed, hands on, property management, development capabilities, experience of refurbishment works and improvements and lease negotiations. The Company believes this depth of knowledge, experience and contacts gives the Group a competitive advantage over other international investors in its key markets and the Company believes this enables the Group to identify and deliver transactions other international investors are often unable or unwilling to source or deliver.

Experienced management team

Most of the senior executives of the Group's platforms have years of experience in real estate transactions in their local market and most of them have been with the Group for many years. In addition, in most of the Group's platforms the Group has experienced management below these senior executives who also have been with the Group for long periods. The Group believes the depth of its management expertise in its key markets gives it a competitive advantage over its competitors and enables it to better manage its portfolio even in adverse conditions. For instance our local team in Russia has been instrumental in keeping our assets operational and in addressing various challenges on the ground.

Significant large scale development expertise

The Group has significant expertise of delivering large scale development projects and is able to use and transfer that experience to develop large scale projects in each of its key markets. Since its establishment, the Group has developed projects (across hospitality, residential, retail, office and logistics segments) with a significant lettable area.

Strong transaction structuring skills

The Group is experienced in structuring transactions so as to seek to mitigate risk. It occasionally seeks to do this as early as practicable in the transaction through co-investing with international investors or its Co-Investment Club[1], seeking pre-lets or other contractual protections wherever practicable prior to development, adopting phased development when possible in large developments and only commencing a phase when the previous phase is significantly underwritten by sales or leases. The Group adopts an analytical approach to identify the risks in its projects in accordance with international standards before acquiring a property and continues throughout the project to seek to find ways to reduce risk and realise value as early as possible through sales or refinancing.

Access to co-investors

The Group is able to leverage its operational platform by co-investing with international investors and its Co-Investment Club. This often enables it to share the risk and in many cases earn management fees and potential promote fees in addition to its equity interest in the project. The Group's relationship with its co-investors enables it to react quickly and flexibly to investment opportunities.

Good access to debt financing

The Company believes that the Group's deep connections with local and international banks enable it to secure finance for its projects either internationally or locally on favourable terms. For instance, the Group has been able to achieve financing and refinancing for its projects in Russia in the past with local banks at a time when bank lending has been difficult or almost impossible to obtain from the international financial markets. The Company believes that the depth of its relationships with both international and local banks enables it to source debt financing even when availability is relatively limited.

[1] Pursuant to a framework agreement entered into between the Company and a number of co-investors in April 2011, the Company agreed to offer its co-investors the right to participate in any new real estate deal sourced by the Group, subject to certain limitations. A number of shareholders of the Company are currently members of the Co-Investment Club. At present, members of the Co-Investment Club have interests in a number of German properties, Russian properties and US properties. All these properties are jointly held with the Group and other third parties. Members of the Co-Investment Club also participate in the Group's real estate lending activities in New York. While the obligations of the Company to offer transactions to the members of the Co-Investment Club expired in April 2014, the Group intends to continue to offer co-investment opportunities to members of the Co-Investment Club and others where appropriate.

1.3 BUSINESS OVERVIEW

1.3.1 CEO's statement

Ariel Podrojski, Chief Executive Officer, said:

"*Following the acquisition of 720 West End Avenue and completion of the Indigo Lower East Side hotel in Manhattan, New York, we have successfully managed to increase our exposure to the US market and move towards a more balanced global portfolio, as intended.*

It was a challenging year with the crisis in Russia and the overall global uncertainty. With the completion of the Lyubertsy shopping centre in the Moscow region, we have reduced our development exposure significantly.

Going forward, the Company intends to continue focusing on the US and German markets, and carry on stabilising its portfolio in Russia."

1.3.2 Our key markets

Set out below are the highlights for the period in relation to the Company's main regional platforms:

US

The Company's interest in the geographical platform BCRE USA is 100% as of 31 December 2015 and mainly focuses on residential conversions and hotel developments in Manhattan, in addition to income producing activity that includes the acquiring and owning of multifamily residential properties outside New York.

In October 2015, BCRE USA completed the acquisition of 720 West End Avenue, a major residential building with a gross area of approximately 240,000 sf in the Upper West Side of Manhattan, New York for approximately $109 million, resulting in a low acquisition base.

In 90 Morton Street, Manhattan, the property with a net area of approximately 90,000 sf, since acquisition, the Company has made important and meaningful advancement in the planning process, thus diminishing the risks associated with the project's planning.

In November 2015, BCRE completed the ground up development of an InterContinental's Indigo hotel in Manhattan's trendy Lower East Side and opened the hotel with outstanding reviews. The 25 stories, 295 rooms hotel includes a considerable food & beverage component and benefits from magnificent unobstructed views, and has been regularly ranked high on different platforms since its opening. Earlier in the period, the Group completed the sale of the garage and retail space owned by it in the project.

Our other hotels in Manhattan are also doing well. The 230 room CitizenM Hotel in Times Square achieved an average occupancy of 89% and Average Daily Rate (ADR) of $254 during the period, and is also consistently receiving good reviews on different platforms. In addition, the construction of the 300 room CitizenM Hotel at Bowery St. is progressing well and is scheduled to complete in the second half of 2017.

In line with its strategy, BCRE USA commenced about two years ago investing in the multifamily real estate market in the US (primarily in Cincinnati, Ohio), using the Group's extensive experience of this asset class in Manhattan and in other parts of the world. As at 31 December 2015, the total number of multifamily units under management in the US stands at 516. The performance of the portfolio continues to improve with an overall average occupancy of around 95% as at 31 December 2015.

The holding of the new multifamily residential assets along with the existing ones will be made through a (private) REIT structure. The properties are managed by the Group's proprietary on the ground experienced and dedicated team. BCRE USA is predominantly targeting stabilised assets in the Mid-West of the US, potentially expanding to additional hubs at a later stage, with the intention of creating value through internal management. Further value enhancement is intended through the acquisition and management of value add assets as well as portfolio premium and improved economics. BCRE is also currently looking for other opportunities in areas outside New York, offering similar value added potential. The Group intends to significantly increase its US multifamily portfolio over the next few years, among other things, to obtain the benefits of scale.

The real estate lending business, since inception, has been undertaken by BCRE USA at a relatively limited scale compared to other activities of the Group and outside the Group's core business. In light of this and with the intention of focusing on its main activities, the Group has decided to discontinue this business by not granting new loans, awaiting the conclusion of the outstanding ones.

Overall, it has been an active year with the closing of new deals and completion of a hotel development, reducing our non-core businesses, focusing on our main activities and rebalancing our global asset allocation in line with our objective of increasing BCRE's exposure to the US market.

Germany

The Company's interest in Brack Capital Properties N.V. (BCRE Germany) is 34.76% as of 31 December 2015.

The Company's German portfolio embodies a balanced business model, stable cash flow and growth. A quality player in the multifamily sector, BCRE Germany is among the large players in the retail parks sector in Germany and the leading condo developer in Dusseldorf.

During the period, BCRE Germany performed exceptionally well with the rental income growing by 10% to €66.42 million (31 December 2014: €60.51 million), net profit attributable to equity holders growing by 67% to €63.44 million (31 December 2014: €37.95 million) and funds from operations, excluding contribution from the Grafental project in Dusseldorf, increasing by 22% to €24.27 million (31 December 2014: €19.89 million).

BCRE Germany is interested in a total of 9,901 multifamily units (9,201 as at 31 December 2014 and 9,631 as of 30 June 2015) with a total leasable area of approximately 571,000m² (524,000m² as at 31 December 2014 and 553,000m² as of 30 June 2015) and overall occupancy of 96%. During the period, the multifamily residential portfolio witnessed around 4.5% annual increase in the rental income from the same assets and achieved 10% growth in the new leases.

BCRE Germany is interested in 32 commercial properties with a total lettable area of approximately 377,000m². The occupancy rate of these properties is approximately 96%, with a significant part of this portfolio benefiting from leases with major retail tenants such as OBI and Kaufland.

BCRE Germany's development projects (including a large scale development project in Dusseldorf of approximately 1,250 residential units currently being built or under planning/improvement) that are expected to drive high growth and generate attractive cash flows and profitability are also progressing well.

Recently, Standard & Poor's Maalot, a credit rating agency accredited by Israel, has increased the credit rating of BCRE Germany and its existing debentures to ilAA- from ilA+, with stable outlook.

Russia

The Company, with around 85% interest in the geographical Russian platform, is continuing with its hands-on management approach and focus on the execution of its projects in Russia. Political developments, including the range of sanctions and their extension, the drop in oil prices and the considerable depreciation of the Russian Rubble had a significant negative affect on the Russian economy during the period.

The effect of the current economic situation in Russia is being reflected in the valuations of December 2015, thus reducing the Company's exposure to this geography. However, the Group has managed to keep its assets in Russia fully operational, reduce overall risk profile by completing projects under progress and have shifted from development risk to the domain of income producing assets.

In December 2015, BCRE Russia completed a 27,000m² shopping center which accounts for the only modern shopping centre in Lyubertsy (one of Moscow region’s biggest and most densely populated cities). The shopping centre has opened with an attractive tenant mix. Shortly after the opening, the shopping centre benefits from signed leases and term sheets nearing 85%.

The Group’s wholesale and retail complex in Kazan continues to witness healthy footfall with two fully operational modules with a combined occupancy of 74% along with another module with 100% occupancy leased to an agro operator.

Despite the need to make the necessary adjustments to address the concerns of tenants in light of the overall economic situation, the Group’s other income producing properties in Russia continue to perform relatively well.

With the development completion of the shopping center in Lyubertsy all four income producing assets in Russia are yielding. Two of the assets are stabilised at approximately 100% occupancy, while the others are at ramp up stage. The Company’s strategy for this platform is to focus on the portfolio’s stabilization.

In relation to the land plot in Novosibirsk, Russia, the Company does not intend to pursue the development of the site.

Overall, it was a challenging period and uncertainty remains in Russia. However, our team in Russia with its proactive approach is well equipped to monitor and react to the various challenges on the ground. The Company believes that its efforts to maintain and stabilise its Russian position will turn fruitful in the long run.

1.4 FINANCIAL OVERVIEW

1.4.1 CFO's statement

Nansia Koutsou, Chief Financial Officer, said:

"Despite the situation in Russia and its impact on valuations, the strong performance of our US and German operations reflects the strength of our rebalanced global portfolio.

During the period, we completed the placement of bonds under series C and recently extend the programme to raise additional funds at the same rating, which was reaffirmed by the rating agency. With an increased income producing portfolio and the potential to raise additional funds under the bond programme, the Company is expected to maintain a solid liquidity".

Financial review

In €1,000 **Particulars**	**Year ended 31 December**	
	2015	**2014**
Gross rental income	75,394	68,040
Gross profit from the sale of residential units	13,793	9,799
Revaluation of investment property	143,236	112,118
Net (loss) profit for the year	(18,029)	84,352
(Loss) profit attributable to equity holders of the Company	(27,675)	30,042
Particulars	**31 December**	
	2015	**2014**
Investment property	1,618,132	1,293,358
Cash and cash equivalents	71,590	96,359
Total assets	2,086,324	1,877,127
Interest bearing loans and other borrowings	1,222,212	1,038,491
NAV attributable to equity holders of the Company	240,651	267,347
Capital investments	207,429	294,608

The Group prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and in accordance with Book 2, section 9 of the Dutch Civil Code.

The gross rental income of the Group increased by approximately 11% to €75.39 million (31 December 2014: €68.04 million) mainly due to the newly acquired income producing properties and growth from our existing properties. In addition, the Group generated a gross profit of €13.79 million (31 December 2014: profit of €9.80 million) from the sale of residential units primarily from the Grafental project in Dusseldorf, Germany. The overall administrative expenses were €12.62 million, similar to the administrative expenses for the year 2014 (31 December 2014: €12.02 million).

The loss attributable to the equity holders of the Company amounted to €27.68 million (31 December 2014: profit of €30.04 million).

Investment property of the Group increased by €324.77 million to €1,618.13 million (31 December 2014: €1,293.36 million) primarily from the new acquisitions made during the year with a total value of €146.64 million and from the revaluation gains of €146.23 million (31 December 2014: gain of €113.06 million, excluding the valuation of the asset held for sale).

Interest-bearing loans and other borrowings of the Group increased by €183.72 million to €1,222.21 (31 December 2014: €1,038.49 million) primarily for financing the acquisition of new projects. The Group continues to manage its financial liabilities and its exposure to interest rate changes. As of 31 December 2015, approximately 43% (31 December 2014: 57%) of the Group's loans and debentures are hedged.

The consolidated cash position (including restricted bank accounts and deposits) of the Group decreased by approximately 28% to €87.66 million (31 December 2014: €121.39 million) and the NAV attributable to the equity holders decreased to €240.65 million during the period (as referred to in paragraph 1.4.3 below) (31 December 2014: €267.35 million).

1.4.2 Fund raising

In June 2015, BCRE successfully raised the remaining $3.65 million net of expenses of its US60 million programme issuance of bonds (series 'C'). The proceeds are to be used to partly repay existing debt and partly for general corporate purposes, working capital and the funding of current and new developments.

The bond issuance was undertaken within the A2 rating on a local Israeli scale, by Midroog, wherein the Company could raise up to $60 million.

On 3 March 2016, BCRE has increased the bond programme to $180 million. On 1 April 2016, BCRE raised an additional amount of $17.5 million, net of expenses. The proceeds are to be used to refinance existing or future debt upon or prior to their maturity, to make investments, to on-lend and/or for general corporate purposes. The bond issuance was undertaken within the A2/negative rating on a local Israeli scale by Midroog.

Another loan agreement was entered into in December 2015 by BCRE and few of its subsidiaries, pursuant to which BCRE borrowed from various lenders $10.25 million under the terms as detailed in the agreement with a maturity date of 31 December 2018. As a security for the loan, BCRE's subsidiaries pledged their rights in BCRE Funding Holdings LLC. A trust having Shimon Weintraub as its beneficiary signed a loan agreement as lender on the same terms as the other third party lenders.

A loan agreement was entered into in December 2015 by BCRE, pursuant to which BCRE borrowed from a trust having Ronen Peled as its beneficiary the amount of $2.6 million under the terms as detailed in the agreement with a maturity date of 16 February 2017. As a security for the loan, BCRE's subsidiaries pledged its rights in BCP shares. This loan will be converted into Bonds upon the first issuance of Bonds under the Programme if still outstanding.

1.4.3 Distribution

Following a capital reduction in March 2016, the Company distributed approximately €4.8 million (€0.03 per share) to its shareholders in April 2016, in line with its dividend policy. This follows the capital reduction of €0.03 per share totalling to approximately €4.8 million made by the Company for the year 2014 and which was paid in January 2015.

1.4.4 Rating

In November 2015, Midroog has reaffirmed the credit rating of Company's Series A, B and C of A2 on a local Israeli scale, changing the outlook from Credit Review with negative implications to negative outlook.

1.5 CORPORATE GOVERNANCE STATEMENT

1.5.1 Directors and senior managers

Directors of the Company (the "Directors")

Harin Thaker (61) **Chairman** **Non-executive Director (non-independent)** **Member of Audit, Remuneration, Nomination and Investment Advisory Committees**	Harin Thaker has been with the Group since April 2013 and is currently the Chairman of the Company. He was initially appointed as an Executive Director and was re-appointed as Non-executive Director with effect from 15 May 2014. Since 2013, Harin has been Chief Executive of Aeriance Investments S.A. since 2013, which is an independent multi-strategy and multi product Debt Manager, established in 2008. Aeriance has raised €600 million of equity across 4 closed-end funds focusing on commercial and residential lending such as whole loans, stretch senior, mezzanine and bridge financing across North western countries of Europe. Harin is also a non-executive director of Secure Property Development & Investment since 2012. Prior to these appointments, Harin was Head of International Real Estate Finance at PBB Deutsche Pfandbriefbank, a specialised lender in real estate finance and public sector finance from 2008 until 2012. Harin also served as a General Manager at Hypo Real Estate Bank International, before becoming a member of its management board in 2007 (prior to its merger with Hypo Real Estate Bank in 2009). Between 2005 and 2008, he was Chief Executive – EMEA at Hypo Real Estate Bank International. In 1992, Harin joined Hypo Property holdings, a principal finance activity of the bank. Harin Thaker holds an MBA from London Guildhall University.
Jan van der Meer (77) **Non-executive Director (non-independent)** **Member of Remuneration Committee**	Jan van der Meer was initially appointed as an Executive Director in September 2007 and was reappointed as a Non-executive Director of the Company with effect from 15 May 2014. In addition, Jan van der Meer is the current Chairman of BCP. Previously, between 1998 and 2008, he was Chairman of the supervisory board of Woonstad Rotterdam, a housing corporation with 50,000 apartments, and Chairman of the supervisory board of Kuiper Compagnons, an office for urban development, architecture and landscaping. Between 1998 and 2002, Jan van der Meer was a member of the supervisory board at Rodamco UK and was CEO of the Rodamco Continental Europe division from 1991 to 1998, which had a number of investments across Western Europe. Prior to this, Jan was also the CEO of area West / South of Hollandsche Beton Maatschappij and has worked with Ballast Nedam Group. Jan van der Meer holds an engineering degree in general building construction from Technical University Delft, Netherlands.

Daniel Aalsvel (44) **Non-executive Director (independent)** **Member of Audit, Remuneration and Nomination Committees**	Daniel Aalsvel has been a Non-executive Director of the Company since 15 May 2014. Daniel is a founding partner of Coast Capital Partners (CCP), a real estate investment and development company, which was founded in London in 1995 and later expanded with the establishment of its Czech Republic and Florida offices in 2004. In the Czech Republic Daniel is developing high-end luxury residential projects, specialising in historical heritage protected buildings in Prague's old town. He also leads investments in excess of $100 million of equity in residential assets in South of Florida and is part of the investment committee of Florida Opportunity Fund, a Czech regulated real estate fund investing in Florida. Between 1995 and 2007, Daniel was managing multiple joint-ventures, running portfolios in the UK. Daniel has over 20 years of experience in the real estate industry including fund raising, investments and asset management.
Michiel Olland (56) **Executive Director** **Member of Audit and Nomination Committees**	Michiel Olland has been an Executive Director of the Company since 15 May 2014. Michiel is also the principal of MO Real Estate B.V., an investment, capital and finance services firm based in the Netherlands and is Chairman and Managing Partner of SHUMAN Capital, a real estate investment management platform based in Paris. Between 2006 and 2011, Michiel was a Managing Director International at SNS Property Finance, formerly known as Bouwfonds Property Finance, an ABN Amro subsidiary. Previously, Michiel was Executive Vice President and Global Co-head of the real estate investment division of Dutch pension fund ABP (APG) and was also Chief Financial Officer at KFN, ABP's Dutch office fund. Between 1992 and 2001, he was a real estate banker at ING Group. Michiel has been a founding member and Chairman of the board of INREV, the European association for Investors in Non-listed Real Estate Vehicles. Michiel's experience includes real estate fund management, finance and investment, capital markets, private equity, risk analysis and governance. Michiel has completed the general management program from INSEAD (CEDEP) (France) and holds a Master in Law degree from the University of Utrecht, Netherlands.
Luca Tomesani Melotti (32) **Executive Director**	Luca Tomesani Melotti has been an Executive Director of the Company since 30 June 2015. Luca has been working with the Group since January 2012. He has been involved with project management within the Group. Luca is lecturer of Real Estate Investment Strategy at LUISS Guido Carli. He holds an Executive MBA Global Network from Northwestern University in partnership with Tel Aviv University and a Master's Degree in Real Estate Finance from LUISS Guido Carli.

Senior managers

Ariel Podrojski (47) **CEO** **Member of Investment Advisory Committee**	Ariel Podrojski has been with the Group for over a decade and is currently the CEO of the Company. His key experience includes investments, financing, development and asset management and has over 19 years of professional experience predominantly in the real estate sector. Within the Group, he has been in charge, among others, for establishing the Group's operations in India and the UK, setting up and running the BCRE India Fund, which is mainly comprised of institutional investors and invested in the US and India. Prior to joining the Group, Ariel worked with Doughty Hanson & Co European Real Estate Fund where he headed the Central and Eastern European operations. Before this, Ariel worked as a lawyer where he specialised in corporate law focusing on capital markets and large-scale property transactions. Ariel received a M.Sc. in Property Investment from City University (Cass Business School), London and a LLB from the University of London.
Nansia Koutsou (35) **CFO & COO** **Member of Investment Advisory Committee**	Nansia Koutsou has been working with the Group since 2007 and is currently the CFO and COO of the Company. Her key experience includes financial reporting, budgeting, control, corporate finance, audit and international accounting and has over nine years of professional experience. Nansia is responsible for the preparation of the Group's financial reports, budgets and cash flows, leading the secretarial and legal work of the Amsterdam and Cyprus offices and facilitating payments. She is also responsible for supervising the financial operations of the Company's regional activities. Previously, Nansia worked as a Senior Associate with PricewaterhouseCoopers in Cyprus in the International Business Unit. Nansia c holds a BA in Economic Analysis from the University of Cyprus and a Master of Science in Accounting from Fairleigh Dickinson University in the US. Nansia is a member of NJ Certified Public Accountant (CPA) (in the US) since 2006, a member of AICPA (in the US) since 2007 and a member of SELK (Institute of Certified Accountants of Cyprus) since 2012.
Eyal Gutman (54) **Member of Investment Advisory Committee**	Eyal Gutman has been with the Group for over 14 years and also worked on the acquisition of Haslemere in 2002 on behalf of the consortium. His key areas of expertise include finance, economics and real estate. During the 1990s, Eyal was a consultant to a number of real estate companies and was a regular visitor to several universities and colleges as a lecturer in the area of finance, economics and real estate. Eyal holds a B.Sc. in Economics and Management from Technion, Israel Institute of Technology, a M.Sc. in Economics from Technion and a PhD from Technion and Haifa University.
Prof. Pradeep Dubey (64) **Member of Investment Advisory Committee**	Prof. Pradeep Dubey is a leading professor and coordinator at the Center for Game Theory at Stony Brook University, US, and specialises in Game Theory and Mathematical Economics. He is also a visiting professor at Yale University, and a fellow of the Econometric Society and a member of the Council of the Game Theory Society. Previously, through short academic visits, Prof. Dubey has been associated with the University Catholique de Louvain, Belgium, the Institute for Advanced Studies, Vienna, the Santa Fe Institute, US and many other reputable institutions. Prof. Dubey holds a

	B.Sc. in physics from the University of Delhi and a Ph.D. in applied mathematics from Cornell University.
Shai Shamir (41) **CEO, US Operations**	Shai Shamir has been with the Group since 2003 and is responsible for the Group's operations in the US. Recently he was appointed CEO of the Group's operations in the US. In his 13 years with the Group, he led the development of the various BCRE USA hotels, including the James New York and Orchard hotels in SoHo and the CitizenM hotel in Times Square, as well as 35th street hotel. Shai holds an M.S. degree in Real Estate from Columbia University and a B.A. in Economics. He is an Adjunct Professor at NYU and Columbia University.
Gal Tenenbaum (42) **Co-CEO, Germany Operations**	Gal has been with Brack Capital Group since 2003 and is currently the Co-CEO of BCP. He was involved in setting up BCP and is currently involved with the operation of the business with the aim of successfully implementing the long-term strategy and business plan of BCP. Gal has significant experience in real estate transactions worth over €1 billion, and a good understanding of the banking system in Germany, having performed asset purchase financing transactions and the refinancing of existing assets. Gal, along with his other team members, was instrumental in the listing of BCP on the Israeli stock exchange and its transformation into a public company, raising capital and debt (public and private). Gal holds a BA in Economics and a MBA from Tel Aviv University, Israel.
Ofir Rahamim (45) **Co-CEO, Germany Operations**	Ofir joined BCRE in 2004 and is currently the Co-CEO of BCP. He was involved in setting up BCP and is currently involved with the day-to-day management of BCP. Ofir has significant knowledge and experience having supervised a number of asset purchases and the financing and refinancing of properties worth over €1 billion. Ofir also supervises the legal, accounting, tax and other regulatory-related business management activities in Germany. Ofir, along with his other team members, was also instrumental in the listing of BCP on the Israeli stock exchange and its transformation into a public company, raising capital and debt (public and private). Ofir holds a BA in Law and Economics from the University of Haifa and a MBA from Technion in Haifa, Israel.
Yosef Levin (66) **CEO, Russia Operations**	Yosef Levin has been with the Group since 2006 and is currently heading the Russian operations for the Group. He has over 38 years of real estate experience including over 18 years of experience in Russia. Yosef, together with his Russian team, is currently involved with the Group's Russian portfolio which comprises of income producing properties across the retail and warehouse sectors and large development projects. Prior to joining the Group, Yosef held several senior positions at the Africa Israel Group, including latterly the Head of the Income producing Properties Division and Chief Engineer. In 1998, Yosef established Africa Israel's development and investment operations in Russia and was responsible for the development of a large and versatile Russian property portfolio across various real estate sectors – more than one million m² over a 10-year period. Prior to this, Yosef has also held various positions in other companies such as Solel Boneh and Even Ziv. Yosef is a qualified civil engineer from the Technion in Haifa, Israel.

Lior Shmuel (41) **CEO, India Operations**	Lior Shmuel joined the Group in 2008 with over 14 years of professional experience and is currently the CEO of BCRE India. At BCRE India, Lior is involved with the development of projects in India. Besides this, he is also involved with financial planning, reporting, taxation and the budgeting aspects of the business. Prior to joining the Group, Lior worked with Gmul Investment Company Ltd, an Israel-based listed firm dealing with investments in real estate and other asset classes with interests in the US and Eastern Europe. Previously, Lior also worked with Deloitte & Touche LLP for four years. Lior holds a BA in Business Management from the College of Management (Rishon Lezion), a LLM from Bar Ilan University and is a CPA.

1.5.2 Introduction

As a company, whose shares are admitted to the standard listing segment of the Official List of the UK Listing Authority, the Company is not required to comply with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in 2014 (the "Corporate Governance Code"). However, the board of Directors of the Company (the "Board") acknowledges the importance of good corporate governance and has put in place a framework which enables the Company to voluntarily comply with some aspects of the Corporate Governance Code as described below and which, in the opinion of the Directors, is appropriate for the Group.

The Directors are committed to maintaining a high standard of corporate governance and intend to continue to comply with those aspects of the Corporate Governance Code which they consider appropriate, taking into account the size of the Company and the nature of its business.

The Company is also subject to the Dutch Corporate Governance Code, which applies, among others, to all companies whose registered offices are in the Netherlands and whose shares have been admitted to listing on a stock exchange or to trading on a regulated market, whether in the Netherlands or elsewhere.

The Corporate Governance Code and the Dutch Corporate Governance Code are mainly based upon the same or at least comparable principles of good corporate governance. However, as the Company has decided to voluntarily comply with the Corporate Governance Code, it shall not comply with the Dutch Corporate Governance Code.

The Corporate Governance Code can be found on the FRC website at: www.frc.org.uk and the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl.

1.5.3 Board composition, roles and independence

The Corporate Governance Code recommends that the board of directors of a listed company should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision making. The Corporate Governance Code also recommends that the chairman should, on appointment, be independent. The Company currently has five Directors (biographies are set out in Section 1.5.1), three of whom are non-executive Directors: Harin Thaker, Jan van der Meer and Daniel Aalsvel and two executive Directors: Michiel Olland and Luca Tomesani Melotti. One non-executive Director, Daniel Aalsvel, is regarded by the Company as being independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgement. Jan van der Meer has been on the Board since 2007 when he was first appointed as an executive Director before being appointed as a non-executive Director in 2014. Harin

Thaker (non-executive Chairman) is not technically independent given that he was appointed as an executive Director of the Company in October 2013 before being appointed as a non-executive Director in 2014, was a director of BCRE UK Limited (in relation to which he has been granted co-investment rights) and is a member of the Investment Advisory Committee. Harin Thaker also has co-investment rights in the Group's lending business. However, the Board considers that his extensive experience of European real estate makes him appropriate to be Chairman notwithstanding his other involvement in the Group's business. This and the number of independent non-executive Directors does not comply with the recommendation of the Corporate Governance Code that the chairman should on appointment be independent. Jan van der Meer is the current chairman of BCRE Germany. Luca Tomesani Melotti holds indirectly shares in the Company and has co-investment rights in the Group business.

The independence of non-executive Directors is based on criteria suggested in the Corporate Governance Code. The Corporate Governance Code recommends that the Board should appoint one of its independent non-executive Directors as Senior Independent Director. At present, the Company does not intend to appoint any Director to fulfil this role (given the limited size of the Board) but may decide to do so in the future.

The Directors of the Company, have entered into letters of appointment with the Company for an initial period ending the first day following the annual General Meeting to be held in 2015 after which their agreements are renewable upon their re-appointment. The agreements may be terminated by either the applicable Director or the Company by giving the other party three months' notice in writing. These are available for inspection at the Company's registered office during the normal business hours and are also available at annual General Meetings.

Pursuant to the articles of association of the Company ("Articles"), a Board member shall be appointed or re-appointed for a period ending on the first day following the annual General Meeting held in the year after his appointment, unless the resolution provides for a longer or shorter term. This is consistent with the Corporate Governance Code which recommends that all directors should be subject to re-election by shareholders at intervals of no more than three years after the first annual General Meeting after their appointment.

The Board has responsibility for the Group's strategic, financial policies and general business activities and meets regularly. All the Directors have access to the advice and services of the Company Secretary and are able to gain access to external independent professional advice at the Company's expense should they wish to do so in relation to their duties. The Company offers to all the Directors the possibility to regularly update and refresh their skills and knowledge. The new appointed Directors receive an induction training offered by the Company. Further details of the Board's powers and function are described in Section 1.5.13.

An appropriate balance of executive and non-executive members of the Board is maintained and the Board is supplied with regular and timely information concerning the activities of the Group in order to enable it to exercise its responsibilities and control functions in a proper and effective manner. The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption.

1.5.4 Board meetings and Committees attendance

Name	Role	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Harin Thaker[1]	Non-executive Chairman	11/11	5/5	5/5	5/5

Name	Role	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Michiel Olland[2]	Executive Director	11/11	5/5	5/5*	5/5
Jan van der Meer	Non-executive Director	11/11	3/5*	5/5	1/5*
Daniel Aalsvel[3]	Non-executive Director (independent)	11/11	5/5	5/5	5/5
Luca Tomesani Melotti[4]	Executive Director	6/11	1/5*	2/5*	N/A
Total meetings held		11	5	5	5

1. Chairman of the Remuneration Committee.
2. Chairman of the Nomination Committee.
3. Chairman of the Audit Committee.
4. Luca Tomesani Melotti was appointed on 30 June 2015. He was eligible to attend six out of the eleven meetings of the Board.

* Attended the meeting by invitation (not a Committee member)

The Board considers agenda items laid out in the notice of Board meetings and agendas which are formally circulated to the Board in advance of the Board meetings as part of the Board papers and therefore Directors may request any agenda items to be added that they consider appropriate for Board discussion. In instances when the Chairman is not present, the members of the Board present shall appoint a Director from among them to chair that meeting. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion. Each Director contributes positively to Board and where relevant Committee meeting deliberations. The primary focus at Board meetings is a review of the Company's strategy and management, regular business activities and other matters such as financing arrangements, risk management, general administration and compliance.

1.5.5 Board effectiveness

The Corporate Governance Code recommends that the board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. Taking into consideration the fact that the Board and Committees were established in May 2014, the first performance evaluation of the Board was undertaken in April 2015. On 25 February 2016, the Chairman of the Board has reviewed the performance of the current Board based on the following factors and questions: i) the appropriate composition of the Board with the right mix of knowledge and skills; ii) the internal and external Board relationships; iii) the level of interaction between non-executive and executive Directors; iv) interaction between the Board and its main committees and between the committees themselves; v) interaction between the Board and the executive management; and vi) the operation of the Board, including the conduct of Board meetings. The outcome of the Board evaluation was approved as being satisfactory. The evaluation of the individual Directors was conducted by the Board Chairman by means of phone calls to each Director and concluded during a Board meeting on 25 February 2016. The evaluation of the Chairman was led by Daniel Aalsvel in his capacity of independent non-executive director. The results of the evaluation of the individual Directors and of the Chairman were satisfactory and new targets were set. The evaluation of the Board committees was undertaken in November 2015 by means of completing a self-evaluating questionnaire by the committees and concluded by the Board as being satisfactory with some recommendations to action during 2016 sent to the committees. The results of the committees' evaluations for the year 2015 were reconfirmed by the Board and its committees on 25 February 2016.

The roles of the Chairman and the Chief Executive Officer are separate and clearly defined. The scope of these roles is approved and kept under review by the Board so that no individual has unfettered decision-making powers.

The Chairman is responsible for the leadership and governance of the Board and the Chief Executive Officer, for the management of the Group and the implementation of the Board strategy and policy on the Board's behalf. In discharging his responsibilities, the Chief Executive Officer is advised and assisted by the other members of the senior management. Biographies of the Chief Executive Officer and the other members of the senior management team are set out in Section 1.5.1.

During the financial year, the Board held eleven Board meetings. In addition, the Board held discussions with the senior management team on a regular basis during 2015. Several meetings of non-executive directors were held during 2015.

1.5.6 Directors' duties

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. Full details are set out in the Regulations for the Board of Directors, available on the BCRE website at: www.brack-capital.com

These duties cover the following areas of responsibility:

- statutory obligations and public disclosure;
- strategic matters and policy designed to achieve the Company's objectives;
- financial reporting process;
- annual budget and important capital investments;
- financing of the Company;
- oversight of management;
- risk assessment and management, including reporting;
- monitoring, governance and control; and
- corporate social responsibility issues.

These reserved powers of the Board have been adopted by the Directors to clearly demonstrate the seriousness with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

1.5.7 External appointment of Directors

Directors may hold directorships or other significant interests with companies outside of the Group which may have business relationships with the Group. Executive Directors may not be a member of a supervisory board or act as a non-executive board member of more than one other large Dutch company or FTSE 100 company. Such appointment requires approval of the Board. Nor can an executive Director be chairman of a supervisory board or one-tier board of another large Dutch company or FTSE 100 company. Other positions held by the executive Directors must be notified to the Board. A non-executive Director may not be a member of a supervisory board or non-executive director of more than four other large Dutch companies. Being chairman of a supervisory board or a one-tier board counts as double. Such membership requires approval of the Board. Other positions held by a non-executive Director must be notified to the Board.

1.5.8 Directors' indemnities and protections

The Company has arranged appropriate insurance cover in respect of any legal action against Directors and senior members of companies within the Group. In addition, according to the Articles of the Company, the Company indemnifies the Directors and officers of the Company in respect of liabilities incurred as a result of their office.

1.5.9 Board Committees

In accordance with the Corporate Governance Code, the Company has established the following Committees in order to carry out work on behalf of the Board: an Audit Committee, a Remuneration Committee and a Nomination Committee. Only the chairman and members of each of the Audit, Remuneration and Nomination Committees are entitled to attend meetings, although others may attend by invitation of the relevant committee. In addition, the Company has established an Investment Advisory Committee. Terms of reference for the Audit, Remuneration and Nomination Committees are available on BCRE's website at: www.brack-capital.com.

Audit Committee

The Audit Committee is comprised of Harin Thaker (non-executive Chairman), Michiel Olland (executive Director) and Daniel Aalsvel (independent non-executive Director). Daniel Aalsvel chairs this committee.

The Board considers that the members' substantial experience of dealing with financial matters is more than adequate to enable the Audit Committee to properly discharge its duties in light of the nature of the Company's business. Michiel Olland has recent and relevant financial experience. There have been five Audit Committee meetings during 2015.

For further details in respect of the Audit Committee's role, function and responsibilities, please refer to the Audit Committee Report in Section 1.8.

Remuneration Committee

A Remuneration Committee has been established and comprises Harin Thaker (non-executive Chairman), Daniel Aalsvel (independent non-executive Director) and Jan van der Meer (non-executive Director). Harin Thaker chairs this committee, contrary to the recommendation of the Corporate Governance Code that recommends the Chairman of the Board may be a member of, but not chair, this committee provided he was independent on appointment as Chairman.

The Remuneration Committee advises the Board on an overall remuneration policy. The Remuneration Committee also proposes individual remuneration of the Chief Executive Officer, Chief Financial Officer, the Chairman of the Board (if the Chairman is an executive Director), the executive Director, the Company secretary, and such other members of the senior management of the Company to whom the Board has extended the remit of the Remuneration Committee. The remuneration of all Directors (including non-executive Directors and members of the Remuneration Committee) shall be determined by the Board within the limits set in the Articles and within the scope of the remuneration policy of the Board adopted by the annual General Meeting on 2 February 2015, provided that no Director or senior manager shall be involved in any decisions as to his or her own remuneration. The Remuneration Committee advises the Board on an overall remuneration policy and meets as and when required. The

Remuneration Committee also determines, on behalf of the Board, the remuneration packages of the executive Directors.

There have been five Remuneration Committee meetings during 2015.

Further details in respect of the remuneration of the Directors are contained in the Remuneration Report in Section 1.7 and in Note 30 in the explanatory notes to the Consolidated financial statements.

Nomination Committee

A Nomination Committee has been established and comprises Harin Thaker (non-executive Chairman), Michiel Olland (executive Director) and Daniel Aalsvel (independent non-executive Director). Michiel Olland chairs this committee, but in accordance with the provisions of the Articles, as an executive Director, he does not take part in the decision-making process on the nomination of Board members. As such, Michiel Olland did not participate in the decision-making process relating to the nomination of Luca Tomesani Melotti to be appointed as a Board member.

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. The Nomination Committee also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes. The Nomination Committee also gives consideration to succession planning for Board members and senior management and keeps under review the leadership needs of the Company.

During 2014 and 2015, when selecting candidates for vacant seats on the Board, female candidates of the desired profile were not found. However, when filling future vacancies, the Board will continue to strive to identify female candidates and nominate them for appointment at a General Meeting.

The Company primarily considers skills, experience and background for internal appointments, ensuring that appropriate candidates are appointed.

There have been five Nomination Committee meetings during 2015.

Investment Advisory Committee

An Investment Advisory Committee has been established, (although not required under the Corporate Governance Code), to consider and provide advice only to the Board in respect of new acquisitions, asset management, financing and disposal of the Group's assets or, in relation to the German platform, the acquisition and disposal of shares in BCRE Germany. The committee provides an independent evaluation on market movements, assessing their impact on the Group's portfolio over the medium to long term and makes recommendations to the Board concerning potential investments and/or the management of risks associated with the Group's investments.

1.5.10 Communications with shareholders

The Board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the aspirations of the shareholders and equally that the shareholders understand how the actions of the Board and short-term financial performance relate to the achievement of the Company's longer-term goals.

The Board reports to the shareholders on its stewardship of the Company through the publication of interim and final results each year. Regulatory news releases are issued throughout the year and the Company maintains a website: www.brack-capital.com on which regulatory news releases and the Annual Report and Accounts are available to view. Additionally, this Annual Report contains extensive information about the Company's activities. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. The Board and senior management also discuss with major shareholders the progress of the Company and to understand their issues and concerns, as well as discussing governance and strategy.

The senior management, as necessary, provides periodic feedback to the Board following discussions with shareholders.

The annual General Meeting provides an opportunity for communication with all shareholders and the Board encourages the shareholders to attend and welcomes their participation. Members of the Board attend the annual General Meeting and are available to answer questions.

1.5.11 Internal controls

The Board has overall responsibility for the Group's system of internal control and for reviewing its adequacy and effectiveness. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement. In order to discharge that responsibility in a manner that ensures compliance with laws and regulations and promote effective and efficient operations, the Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. These are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication.

The Audit Committee reviews the adequacy and effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks.

The Group's internal control procedures include Board approval for all significant capital investment projects. All major expenditures require either senior management or Board approval at the appropriate stages of each transaction. A system of regular reporting covering both technical progress of projects and the state of the Group's financial affairs provides appropriate information to management to facilitate control. The Board reviews, identifies, evaluates and manages the significant risks that the Group faces. Section 0 1.9.2 sets out in detail the key risk factors relating to the strategy of the Company. The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Groups' process for preparing financial statements. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with the applicable accounting standards.

The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

1.5.12 Share dealing code

The Company has adopted a share dealing code which is compliant with the Dutch Financial Supervision Act and is broadly consistent with the provisions of the Model Code on directors' dealings in securities (as set out in the Listing Rules of the UK Listing Authority). The share dealing code applies to the Directors and other relevant employees of the Group.

1.5.13 Board responsibility and powers

The Articles provide that the number of directors shall be determined by the General Meeting, and shall consist of at least one and no more than four executive directors and at least two and no more than six non-executive directors. The Board members are collectively responsible for the Company's management, the general affairs of the Company's business and the general affairs of the group companies affiliated with the Company. The Board is responsible for complying with all relevant laws and regulations, for managing the risks associated with the Company activities and for financing the

Company. The division of tasks and responsibilities in the Board as well as its operating procedures are established in the Articles and the Board's regulations. The Articles and the regulations are available on BCRE's website at www.brack-capital.com.

The Board is entrusted with the management of the Company. Under Dutch law, the Board is collectively responsible for the general affairs of the Company. Pursuant to the Articles, the Board may divide its duties among its members. Tasks that have not been specifically allocated fall within the power of the Board as a whole. The distinction between executive Directors and non-executive Directors implies at least that the executive Directors shall in particular be entrusted with the day-to-day management of the Company and the enterprise connected with it and that the non-executive Directors shall have the duty of supervising the Directors performing their duties. This last duty cannot be deprived from the non-executive Directors by means of an allocation of duties. In addition, both executive Directors and non-executive Directors must perform such duties as are assigned to them pursuant to the Articles and, as applicable, the Company's board regulations. Each Director has a duty towards the Company to properly perform the duties assigned to him or her. Furthermore, each Director has a duty to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees and other stakeholders.

Pursuant to Dutch law and the Articles, an executive Director may not be allocated the tasks of: (a) serving as chairperson of the Board; (b) fixing the remuneration of the executive Directors; or (c) nominating Directors for appointment. Nor may an executive Director participate in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of executive directors. The non-executive Directors appoint a chairperson of the Board from among the non-executive Directors.

The Company may be represented by the Board. In addition, each Director shall also be authorised to represent the Company.

1.5.14 Appointment and dismissal of Directors

Appointment

Pursuant to the Articles, the Directors shall be appointed by the General Meeting from a nomination drawn up by the Board. Pursuant to Dutch law and the Articles, executive Directors may not take part in the decision-making process regarding the nomination of Directors. If and for as long as BCI – Brack Capital Investments Ltd ("BCI") holds at least 25% of the Company's shares or depositary interests representing Company's shares, it is entitled to draw up the nomination of one Board member. During 2015, BCI has not exercised this right.

Upon appointment, the General Meeting may determine whether the Director shall be appointed as an executive Director or as a non-executive Director. A nomination made in time by the Board (or BCI, as applicable) shall be binding. The General Meeting shall be free to make the appointment if the nomination has not been made within three months after the vacancy has arisen. Furthermore, the General Meeting can deprive a nomination of its binding character at any time by a resolution adopted with a majority of at least two-thirds of the votes cast, representing more than half of the issued share capital.

In the following cases, but only if BCI holds at least 25% of the Company's shares or depositary interests representing Company's shares, the binding nomination system as described above does not apply and the General Meeting is free to make the appointment of a Director:

(a) the General Meeting in which the appointment at hand is made was convened by or at the request of BCI; or

(b) the proposal to appoint the Director at hand was placed on the agenda at the request of BCI.

Suspension and dismissal

The Articles stipulate that a Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Board member requires a simple majority in the following cases:

(a) the General Meeting in which the resolution is adopted was convened by or at the request of BCI;
(b) the proposal to suspend or dismiss the Board member was placed on the agenda of the General Meeting at the request of BCI.

In all other cases a resolution to suspend or dismiss a Board member requires a majority of at least two thirds of the votes cast, representing more than half of the issued share capital.

An executive Director may also be suspended by the Board. The executive Directors shall not participate in the discussion and decision-making process of the Board on suspensions and dismissals. A suspension by the Board may be discontinued at any time by the General Meeting. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.

1.5.15 General Meeting

General Meetings of shareholders are normally convened by the Board. Furthermore, shareholders, persons with depositary receipts rights and/or holders of depositary interests together representing at least ten percent (10%) of the Company's issued capital have the right to request the Board to convene a General Meeting, clearly stating the items to be dealt with. If (i) the request was made by BCI, (ii) at the moment of the request BCI held at least twenty-five percent (25%) of the shares and/or depositary interests and (iii) within four weeks from the date of the request, the Board has not proceeded to convene a General Meeting at such request, in such way that the General Meeting can be held within eight weeks after the receipt of the request, BCI may convene a General Meeting itself.

1.5.16 Amendment of the Articles

The General Meeting may resolve to amend the Articles at the proposal of the Board. A resolution of the General Meeting to amend the Articles is adopted by absolute majority of the votes cast. The General Meeting may furthermore resolve to change the corporate form of the Company. A change of the corporate form shall require a resolution to amend the Articles at the proposal of the Board. However, a resolution to an amendment that adversely affects the rights of the holders of depositary interests under the Articles requires a majority of at least two thirds of the votes cast, representing more than half of the issued capital.

1.5.17 Issuance of Company's shares

The Articles delegate the authority to issue shares in the capital of BCRE or grant rights to subscribe for shares to the Board. This authority of the Board: (a) relates to 28,918,340 shares in the capital of the Company during the period that commenced on 28 May 2014 and ends on the day of the annual General Meeting held in 2015, and (b) relates to 18,796,921 shares in the capital of the Company during the period that commenced on 28 November 2014 and that ends on the day of the annual General Meeting held in 2015 in addition to the number of shares in the capital of the Company set out under subsection (a) of this paragraph. Such authority may be extended, either by an amendment to the

Articles, or by a resolution of the General Meeting, for a subsequent period of up to five years in each case. On 30 June 2015 the General Meeting approved to extend the authority to issue shares in the capital of BCRE or grant rights to subscribe for shares to the Board up to 10% of the issued share capital of the Company at the date of the Meeting being equivalent to 16,161,006 shares that ends on the day of the annual General Meeting held in 2016.

1.5.18 Acquisition of Company's shares

Subject to certain provisions of Dutch law and the Articles, the Company may acquire fully paid shares in its own capital if (a) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles (such excess, the "Distributable Equity"), and (b) the Company and its subsidiaries would thereafter not hold shares or hold a pledge over the Company's shares with an aggregate nominal value exceeding 50% of the Company's issued share capital. Other than shares acquired for no consideration, shares may only be acquired if the General Meeting has authorised the Board thereto. This authorization shall remain valid for a maximum of 18 months. The Board was so authorised by the General Meeting on 15 May 2014 for a period of 18 months. At the General Meeting on 30 June 2015 this authorization was approved to extend for a period that ends on the day of the Annual General Meeting which will be held in 2016.

No authorization from the General Meeting is required for the acquisition of fully paid Company's shares for the purpose of transferring these shares to employees of the Company or any other member of the Group under a scheme applicable to such employees.

1.5.19 Depositary interests and the CREST system

In order to enable the trading of the Company's shares on the London Stock Exchange main market, the Articles permit the holding of shares under the CREST system. CREST is a paperless settlement procedure enabling securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. CREST is a voluntary system and shareholders who wish to receive and retain shares will be able to do so. The Company's shares have been enabled for settlement in CREST on the date of admission to the London Stock Exchange.

To enable investors to settle the securities of non-UK registered companies through CREST, a depositary or custodian in the United Kingdom must hold the relevant securities and issue uncertificated depositary interests ("DIs") representing the underlying securities which are held in trust for the holder of the DIs. With effect from admission of BCRE to the London Stock Exchange, it is possible for CREST members to hold and transfer DIs in respect of Company's shares within CREST pursuant to a depositary interest arrangement established between the Company and Capita IRG Trustees Limited (the "Depositary"). From a practical perspective, DIs can be credited to the same member account as all of the other CREST investments of a particular investor and held and transferred in the same way as the securities of any other company participating in CREST.

Holders of DIs do not have the rights which Dutch law confers on shareholders, such as voting rights. In respect of the shares underlying the DIs those rights vest in the Depositary (or its custodian). Consequently, if the holders of DIs wish to exercise any of those rights they must rely on the Depositary (or its custodian) to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the deed poll which creates the DIs, the Depositary (or its custodian) must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant holders of DIs all rights and entitlements which it receives or is entitled to in respect of the underlying shares and which are capable of being passed on or exercised.

1.5.20 Major shareholders

The Company is aware of the following persons who are interested, directly or indirectly, in more than 3% of the shares in the Company's capital. According to the public register of the Dutch Authority of the Financial Markets, as per 14 April 2016 this interest was as follows: S. Weintraub 46.67%, Medinol Ltd. 6.72%, Warburg Pincus Real Estate I L.P. 4.92% and L.J. Schreyer 4.37%.

Shimon Weintraub is the controlling shareholder of the Company. On 21 May 2014, the Company and each of BCI, BCH - Brack Capital Holdings Limited and Shimon Weintraub entered into a controlling shareholders agreement, pursuant to which they have each undertaken to the Company to not pursue any real estate opportunities (subject to certain exceptions) without first referring them to the Company for consideration. Under the agreement, each of BCI, BCH - Brack Capital Holdings Ltd and Shimon Weintraub has agreed that all arrangements between such person and its respective associates on the one hand and each member of the Group, on the other hand, will be on arm's length terms and on a normal commercial basis.

Furthermore, the Articles stipulate that a Board member shall not participate in deliberations and the decision-making process in the event of a direct or indirect personal conflict of interest between that Board member and the Company and the enterprise connected with it. If there is such personal conflict of interest in respect of all Board members, the preceding sentence does not apply and the Board shall maintain its authority.

1.6 DECREE ARTICLE 10 TAKEOVER DIRECTIVE

With regard to the information referred to in the Decree Article 10 Takeover Directive (2004/25/EC) which is required to be provided according to Dutch law, the following can be reported:

- BCRE has an authorised share capital consisting of 700,000,000 ordinary shares. On 31 December 2015, 161,610,064 shares with a nominal value of €0.01 were issued and fully paid up. Following the decision of the General Meeting held on 15 January 2016, the nominal value of the shares has been increased from €0.01 to €0.04 on 15 January 2016 with a view to the announced distribution which will be effected by means of a capital reduction (as referred to in paragraph 1.4.3 above).

- There are no restrictions on the transfer of shares.

- Information on major shareholders can be found above in Section 1.5.20.

- If and for as long as BCI holds at least 25% of the Company's shares or depositary interests representing Company's shares, it is entitled to draw up the nomination of one Board member, please refer to Section 1.5.14.

- The Company is a party to an employee option plan pursuant to which the Board may grant options from time to time to employees of BCH – Brack Capital Holdings Ltd, BCI and S.I.B. Capital Future Market Ltd. Options may be exercised by the eligible employees to acquire shares in the Company against payment of the exercise price. For further details on employee option plans within the Group, please refer to Note 15 in the explanatory notes to the consolidated financial statements.

- There are no restrictions on voting rights on the Company's shares nor are the periods for exercising voting rights restricted.

- There are no agreements between the shareholders which are known to the Company that may result in restrictions on the transfer of securities and/or voting rights.

- The applicable provisions regarding the appointment and dismissals of the member of the Board and amendments to the Articles are set forth above, please refer to Section 1.5.14 and 1.5.16.

- The powers of the Board regarding the issue of shares and the exclusion of pre-emptive rights and the repurchase of shares are set forth above, please refer to Section 1.5.17 and 1.5.18.

- The bonds issued by the Company in November 2014 include change of control provisions. A change of control event occurs in case any person other than BCI shall become interested in (i) more than 50% of the issued share capital of the Company, or (ii) shares in the capital of the Company carrying more than 50 per cent of the voting rights normally exercisable at a General Meeting. Please refer to the bonds prospectus that is available on the Company's website at www.brack-capital.com. Under the update bond programme similar provisions apply for the new issuance of bonds.

- There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases, all because of a takeover bid.

1.7 REMUNERATION REPORT

In accordance with Dutch law and the Articles, the Company has a policy with respect to the remuneration of the Board. Executive Directors may not take part in the decision-making process in respect of the remuneration of executive Directors. The Board has established a remuneration committee of one independent non-executive Director and two non-independent non-executive Directors. The aim of the remuneration committee is to ensure that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

Executive Directors

On 30 June 2015 Luca Tomesani Melotti was appointed as an executive Director.

The remuneration package for the executive Directors is fixed and is payable monthly in arrears. Michiel Olland and Luca Tomesani Melotti are both entitled to a basic annual salary of €40,000 (less any tax and / or social security contributions).

Non-executive Directors

The remuneration packages for the non-executive Directors are fixed, except for Harin Thaker, who, in his capacity as a member of the Investment Advisory Committee, had been granted a share option (as described under section '*Variable income'* below) in addition to his fixed remuneration and co-investment rights in the US.

Harin Thaker, Jan van der Meer and Daniel Aalsvel are each entitled to a basic annual salary of €30,000 (less any tax and / or social security contributions) payable monthly in arrears. In addition, Harin Thaker, in his capacity as a member of the Investment Advisory Committee, receives an additional annual salary of €168,700 or its equivalent in any other currency and is fixed at GBP 122,500 annually.

Variable income

Harin Thaker, the Chairman of the Board, has an option to purchase 2.5% of the equity of any deal in which BCRE UK Properties B.V. ("BCRE UK") invests in accordance with the following terms: (a) term: 36 months from the closing of each deal; (b) exercise price: 2.5% of the equity invested by BCRE UK and the Co-investment Club, adjusted for distributions and additional investments; and (c) type: regular or cashless as determined by Harin Thaker at the time of the exercise.

On 8 January 2016, Harin Thaker exercised his option to purchase 2.5% equity in Fountain Court, Manchester using the cashless type. Following the sale of the Fountain Court, Harin Thaker realised a profit GBP 46,979 (€58,000).

Remuneration policy

The remuneration policy regarding the remuneration of the Board, as proposed by the Company's remuneration committee, has been adopted by the General Meeting on 2 February 2015. The remuneration policy is available on Company's website at www.brack-capital.com.

1.8 AUDIT COMMITTEE REPORT

Audit Committee

The Audit Committee is comprised of Harin Thaker (non-executive Chairman), Michiel Olland (executive Director) and Daniel Aalsvel (independent non-executive Director). Daniel Aalsvel is the chairman of this committee.

Role

The Audit Committee assists the Board in observing its responsibility of ensuring that the Group's financial systems provide accurate and up-do-date information on its financial position and that the published consolidated financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place.

The Audit Committee receives and reviews information from the Chief Financial Officer, the Company Secretary and the external auditors regularly throughout the year and upon request.

External auditors

EY Netherlands are the Company's current external auditors.

The Audit Committee considers the appointment of the external auditors and reviews their terms of appointment and negotiates fees on behalf of the Company prior to making recommendations through the Board to the shareholders to consider at the General Meeting.

EY Netherlands was recommended by the Audit Committee and proposed to the Board to be appointed as the statutory auditor starting with the audit of the financial statements for the year ended 31 December 2014 and this appointment was approved by the General Meeting on 2 February 2015. There was no tender for the audit contract. Under Dutch law there is no requirement to re-appoint the external auditor each financial year to hold office until the conclusion of the next general meeting when the accounts are laid before the meeting. An auditor, whose appointment has been approved by the general meeting of shareholders, will remain in office until such time as that auditor is replaced and the new auditor is approved at the general meeting. EY Israel is the auditor for the non-statutory accounts and EY Netherlands is the auditor for the statutory accounts.

In accordance with corporate governance requirements, the Audit Committee reviewed on 17 November 2015 the independence and objectivity of the external auditors and has reported to the Board that it considers that the external auditors' independence and objectivity have been maintained.

To analyse audit effectiveness, the Audit Committee meets with senior management to discuss the performance of the external auditors without them being present. Separate meetings are also held with the external auditors without the presence of any member of the senior management, as requested.

The Audit Committee met on 13 April 2016 for the approval of the accounts. The Audit Committee recommended to the Board that:

(a) the Consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the assets and liabilities, the financial position and profit or loss of BCRE and the undertakings included in the consolidation taken as a whole;

(b) the Company financial statements for the year ended 31 December 2015 give a true and fair view of the assets and liabilities, the financial position and profit or loss of BCRE;

(c) the additional management information report provided in the annual report gives a true and fair view of the situation on the balance sheet date and the state of affairs at BCRE during the financial year 2015 and the undertakings included in the consolidation taken as a whole; and

(d) the principal risks to which BCRE is exposed are described in the annual report. For a description of these risks, see Section 1.9 above.

No non-audit fees were paid to the external auditors during 2015.

Internal audit

The Company does not have an internal audit function. The Audit Committee will continue to monitor and review the need for an internal audit function.

Financial reporting

Prior to submission to the Board, the Audit Committee monitors the integrity of the financial statements and annual accounts and confirms that they have been properly prepared in accordance with IFRS and the requirements of Dutch law.

The Audit Committee reviews the draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the relevant senior managers, as required, and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

The Audit Committee or the Board or the senior management also reviews the reports to shareholders and any other public announcement concerning the Group's financial position and corporate governance statements.

During February 2016 and March 2016 the Audit Committee met in order to discuss and approve the valuations of all investments in Russia and the major investments in the US in relation to the 2015 Annual Report. The Audit Committee has held detailed discussions with the management and the Russia valuator in the presence of both external auditors with regards to the assumptions and methodology used in valuing these investments. The Audit Committee has also considered the auditor's approach to the valuation of these investments. The auditors did not report any significant differences between the valuations used by the Company and the work performed during the testing process. Based on their above review and analysis the Audit Committee concluded that they are satisfied with the valuation of investments.

Whistleblowing

The Company has a policy in place to receive, retain, investigate and act on employee complaints or concerns regarding accounting, internal controls and auditing matters.

Audit Committee attendance and meetings

The Audit Committee met five times during 2015 and received regular financial updates from the Chief Financial Officer on the Group's performance. All members of the Audit Committee attended all meetings. Certain other Board members also attended some of the audit committee meetings by invitation.

Throughout the year, the Audit Committee reviewed and considered the following:

- The financial information that is publicly disclosed, which included the accounts for the year ended 31 December 2015; and the interim results for the period ended 30 June 2015;
- The Annual Report 2014;

- The performance of the Group's assets throughout the year;
- The adequacy and effectiveness of the Group's internal control policies and procedures as per Section 1.5.11;
- Selection and recommendation of the external auditors; and
- Fees for the external auditors.

On behalf of the Board

Daniel Aalsvel

CHAIRMAN OF THE AUDIT COMMITTEE

1.9 RISK MANAGEMENT

The following section describes the Group's risk management and control system.

The risk management and control system forms an essential part of the business operations and reporting, and aims to ensure with a reasonable degree of certainty that the risks to which the Group is exposed are identifies and controlled adequately within the margins of a conservative risk profile

1.9.1 Risk Appetite

BCRE's approach to portfolio allocation is focused on the continuous monitoring and adjustment of its portfolio, ensuring diversification by country, asset class, currency, specification and development to income-producing properties. In addition to following an analytical approach to the investment decisions throughout the life cycle of a project, BCRE focuses on value addition to its properties through proactive asset and property management. Rigorous research & analysis and risk management are cornerstones to our business philosophy. BCRE's objective is to identify and execute, through its proprietary teams, opportunities in local markets by leveraging off its global investment, development and management experience.

BCRE, as part of its strategy which involves conservative underwriting, carries out continual high level reviews of the real estate sector in the markets in which it is present to ensure that it understands the opportunities they offer and reviews its existing portfolio in line with market movements. Our teams in the markets where the Group operates are vertically integrated and comprise of professionals with many years of experience in the real estate sector and ensures that Group operations, follow high standards of governance, procedures and documentation. The Group's highly experienced management team monitor the industry movements in their respective markets and globally to understand the impact of variables such as interest rates, investor demand, occupier demand, consumer demand and hospitality trends on our portfolio and potential opportunities under consideration.

The business in which BCRE is engaged inevitably involves risks. However, as mentioned in the Risk Management and other sections, the Company makes continuous efforts to balance and mitigate these risks through, among others , the use of different transaction and investments structuring methods. The Group has formulated guidelines for adhering to various compliance requirements and has implemented those through internal codes and regulations to ensure laws and regulations are adhered to.

The Risk Appetite of the Group varies from zero to moderate depending on the risk category as follows:

Risk Appetite Table		
Risk Category	**Category Description**	**Risk Appetite**
Strategic & Operational - Geographic	Strategic and operational focus on increasing position in the US and Germany, not seeking to increase exposure to emerging markets.	Low
Strategic & Operational – Real Estate Activity	Strategic and operational focus on increasing position in residential income producing assets and seeking development projects with low basis and hedged equity. Hedge operational risk through minimum guarantee returns where possible.	Moderate
Financial Risk – Interest Rate	Partially hedged interest rate exposure across corporate and asset level.	Low to Moderate

Financial Risk – Currency	Focus on matching currency for both sources and liabilities.	Low
Compliance Risk	Strict compliance with applicable laws and regulations. Adherence to all relevant policies and procedures.	Zero – low tolerance

1.9.2 Key business risks

The key business risk factors relating to the strategy and operating activities aspect of the Group include the following:

Risks relating to the real estate sector

The Group is exposed to a number of specific real estate factors, including all of the risks inherent in the business of acquiring, developing, owning, managing and using real estate, changes in laws and governmental regulations, property valuations and fluctuations in the property markets generally and in the local markets where the Group operates. If any of these factors were to materialise and be adverse, they could have a material adverse effect on the Group's business, financial condition and prospects. Liquidity of real estate assets differs substantially between markets, asset classes and between development and investment and during the development stage. Many of the Group's assets are less liquid due to their location (mainly in emerging markets), type (requiring intensive management and/or deterring institutional investors) and their state of development (particularly in relation to uncompleted developments). Such illiquidity may affect the Group's ability to dispose of or liquidate some projects in a timely fashion and at satisfactory prices in response to changes in the economic environment, the local real estate market or other factors. The Group operates in highly competitive markets for investment opportunities. Competition in the real estate markets in the countries in which the Group invests may reduce investment opportunities and affect sale prices and occupancy and rental rates of the Group's properties.

The Group carries out continual high level reviews of the real estate sector in the markets in which it is present to ensure that it understands the opportunities they offer and reviews its existing portfolio in line with the market movements. Regular interaction and updates are presented by the local teams to senior management to gauge economic trends and analyse its impact on the Group's portfolio. Our teams in the markets where the Group operates are vertically integrated and comprise of professionals with many years of experience in the real estate sector.

Risks relating to the Group's business

The Group's financial performance depends, amongst other things, on the economic situation in the markets in which it operates. There is uncertainty, and there will always be uncertainty, regarding whether real estate markets in these countries will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialise.

The Group's portfolio suffers from a relatively high exposure level to large developments and re-developments, which are, a retail and wholesale market development project in Kazan, Russia (the Company's part in the loss for 2015 is approximately €60 million), a residential and office development project in Düsseldorf, Germany and a conversion project in Manhattan, New York, United States (the Company's equity value as of December 2015 is approximately €37 million). A deterioration in any of these projects or local markets or economies, as well as the Group's failure to achieve its business objectives in any of them, might have a material negative effect on the Group's value, business and prospects. The Group's revenues from retail properties, Manhattan Hotels, and multifamily residential properties are exposed to the risk of changes in retail economic conditions, fluctuations in the value, occupancy levels, regulation and other factors.

The Group relies on its years of experience across asset classes and across geographies in which it is operating to manage the risks associated with the industry. The Group's highly experienced management team monitor the industry movements in their respective markets and globally to understand the impact of variables such as interest rates, investor demand, occupier demand, consumer demand and hospitality trends on our portfolio and potential opportunities under consideration.

Risks relating to property development

The real estate development projects executed by the Group require significant capital outlays for the land acquisition, the obtaining of various permits and investment preparation as well as during the construction stages. The Company's part in future development cost (to be incurred over the next few years) in the Company's current development assets is currently estimated at $250 million – $350 million (under the assumption that all developments are completed and none are sold). Hence, a 10% – 15% cost overrun in all of the development would result in an additional cost of $25 million – $50 million.

Due to extensive financing requirements, such ventures are typically associated with considerable risks. The Group relies on subcontractors for all of its construction and development activities. If the Group cannot enter into subcontracting arrangements on terms acceptable to it or at all, the Group will incur additional costs which will have an adverse effect on its business. The revenue stream in the business plan of developments is difficult to project long term, and estimation thereof exposes the Group to significant fluctuations to the projected profitability of a development project. Sites that meet the Group's criteria must be zoned for the activity designated in the business plan (such as retail, residential or any other relevant designation). In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, the Group will apply for the required zoning classifications. If the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group's costs will increase, which will have an adverse effect on the Group's business.

In particular, an important element in the success of the Group's development projects is the Group's ability to supervise the construction process and to complete its projects ahead of its budgeted completion date. The Group works across its platforms with strong and experienced management teams and keeps control over most of its projects. Project execution is controlled through in-house teams and performed through contractors / sub-contractors with proven track-records. The Group, with years of experience, maintains regular engagement with relevant authorities at regional level to ensure development proposals are in accordance with regulatory requirements.

Risks associated with the Group's investment property business

The Group's operations include the letting of business premises for commercial purposes and letting of residential units to occupiers. If the premises intended for this purpose are not completed on time, are different from those stipulated in the lease agreements, or are damaged, the Group may be exposed to the risk which may have a material adverse effect on the operations, financial standing or results of the Group. The Group may be subject to the risk in maintenance of the properties and increases in operating and other expenses. The Group may also take on additional costs and liabilities associated with existing lease obligations, and is dependent on attracting third parties to enter into lease agreements.

The Group continuously monitors its exposure to key tenants across income generating properties, including upcoming vacancies and breaks. It undertakes comprehensive analysis of the market in which properties are located with a deep understanding of market terms (such as rent, breaks, and tenant incentives.) and compare those with our properties to see the advantage and potential value addition our properties offer. The Group makes sure that its properties are offering competitive terms in the market and tenants are given incentives to continue their engagement with the Group. The Group's properties are managed internally through its dedicated highly experienced teams in order to keep control over the operations.

Risks related to the geographic markets in which the Group operates

The Group is subject to various risks related to its operations in Russia and India, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system. Operating in developing economies may be subject to various risks, which may include instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes in the terms and conditions of permits, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In addition, German legal requirements may impose additional obligations on the Group and its portfolio in Germany.

The Group, while operating in its markets ensures that its operations, follow high standards of governance, procedures and documentation. In order to achieve this, the Group utilises its years of experience and operations across geographies, and avails services of top professional advisors in each of the markets it operates.

Risks related to the hotel portfolio of the Group

The Group's revenues from hotel properties are exposed to the risk of changes in economic conditions, lodging demand, fluctuations in the value, occupancy levels and daily room rate. The hotel portfolio in which the Group is interested is subject to certain risks common to the hotel industry. The Group currently has interests in one hotel development property in Manhattan, two operating hotels in Manhattan and one operating hotel in Hamburg. The Group's operations and the results of its operations are subject to a number of factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control. The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels in the Group's hotels, or otherwise cause a reduction in the Group's rental streams generated from its hotel properties. Such factors (or a combination of them) may also adversely affect the value of the Group's hotels and in either such case would have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Group's operations in Russia

Political developments, including the range of sanctions and their extension, the drop in oil prices and the considerable depreciation of the Russian Rouble had a significant negative affect on the Russian economy over the last year. Russia's involvement in political and military conflicts in the Middle East and Eastern Europe adds to the instability in the region. Overall, the situation in Russia continues to be volatile and events can still develop in various adverse directions and magnitudes. If these were to materialise, the Russian economy could be dragged into a prolonged recession or stagnation with a significant negative effect on the business of the Group. The deterioration of economic situation in Russia could be sharp and quick with further negative consequences on general macroeconomic conditions and the willingness of international tenants to operate in Russia and/or to enter into leases, particularly US denominated leases.

The Group may be subject to various risks relating to the imposition of sanctions by various regimes on Russia. Such sanctions currently include, among others, the imposition of visa bans, the blocking of property and interests in property, trade and investment restrictions and other sanctions including sectoral sanctions against state owned banks and capital raises in the EU and the US.

The economic deterioration in Russia impacted the overall operations of our Russian assets during the period and resulted in reduction of valuation of our assets.

The Group is operating with a hands-on approach in Russia with our local team. The Group's management is closely monitoring developments at macro level in Russia and at micro level in its assets. The local team in Russia continue to work closely on ground with tenants in our properties. In light of the overall economic situation, necessary adjustments are continuing to be made with tenants.

1.9.3 Main financial risks and others

The Company's main financial risks and risk factors relating to the financial position, financial reporting and regulatory aspect of the Group can be summarised as follows:

The Group may be subject to interest rate risk

To the extent that the Group incurs floating rate indebtedness, changes in interest rates may increase its cost of borrowing, impacting on its profitability and having an adverse effect on the Group's free cash flow, property valuation and the Group's ability to pay interest and principal (as the case may be) under the bonds issued by the Group and other loans.

Currently the Group undertakes various hedging arrangements, including interest rate swaps and caps, but it does not fully hedge against interest rate fluctuations. In the case of interest rate swap arrangements, a reduction of the relevant market interest rates would cause the market value of the swap contract to become negative, with a corresponding negative effect of the Group's net value.

The Group is exposed to changes in foreign currency exchange rates

The Group's reporting currency is Euro but a number of the Group's subsidiaries and affiliates operate in jurisdictions outside the Eurozone. In many of the Group's properties and developments, particularly in the US, Russia and India, the entire cash flow of the project is denominated in non-Euro currencies, including purchase of plot or property, all the investment, development and operating costs, financing and revenues. The exchange rates between these currencies and the Euro may fluctuate significantly. Weakening of one or more of these non-Euro currencies against the Euro, and in particular the US, may have a negative impact on the financial position of the Group and results of operations.

The Group seeks to reduce these risks by matching, in each project, the currency denomination of its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals). Where such matching is not possible, the exposure of the Group to changes in currency exchange rates is even higher, and may adversely affect further the Group's profits and cash flows. In some cases, the Group may succeed in matching the currency in lease agreements to the currencies of the loans (for example, both may be in US in a Russia retail project), but the income of the tenant would still be in local currency (RUB in that example). In such cases, a weakening of the local currency, while legally not affecting the tenant's obligation to pay in US, would reduce his profitability and weaken his ability to pay rent, thus creating for the Group an additional, indirect, exposure to changes in the local exchange rates. This phenomenon occurred most recently in Russia, whereby the ability to pay rent of tenants with leases denominated in US have been severely compromised by the strong devaluation in the Rouble / US rate of exchange, creating a situation where BCRE Russia – as most other landlords – had no choice but to reduce the required payment to adjust to the market reality. There is also a risk due to a US denominated loan and income which is inherently linked to the Rouble: if the Rouble weakens, the equivalent value of the income in US terms is reduced, but the obligation to repay the principal remains constant. Additionally, the loan coverage ratio (the rent divided by the loan) is reduced.

Risks relating to regulation and taxation

The Group currently operates in several highly regulated markets. A variety of laws and regulations of local, regional, national and EU authorities, including planning, zoning, environmental, health and safety, tax and other laws and regulations must be complied with by the Group. If the Group fails to comply with these laws and regulations, it may have to pay penalties or private damage awards. In addition, changes in existing laws or regulations, or their interpretation or enforcement, could require the Group to incur additional costs in complying with those laws, alter its investment strategy, operations or accounting and reporting systems, leading to additional costs or loss of revenue, which could materially adversely affect the Group's business, results of operations and financial condition.

The Group and its subsidiaries conduct its business and structure their respective property investments in each relevant country in a manner which, based on professional advice, complies with the regulations and seeks to optimise their respective tax position in those countries.

Risks relating to the Group's borrowings

The Group's borrowings and any outstanding bonds issued by the Company could have a significant impact on the Group's business, financial condition and/or results of operations. 25% of the principal of Series C bonds will be repaid by December 2018. During this period, approximately €57 million will be redeemed under the Series A Notes and Series B Notes.

The Group's existing bank borrowings could have a significant impact on the Group's business, financial condition and/or results of operations. The ability of the Group to operate its business largely depends on being able to raise funds. There can be no assurance that the Group will be able to find lenders who are willing to lend on similar terms to those which apply to existing financing arrangements, or at all, or that existing financing arrangements will be able to be refinanced on similar terms, or at all, upon maturity. The Group operates at a certain level of leverage which it assesses to be suitable to its needs. An increase in the leverage could cause the risk level of the Group's business to increase.

However, the Group maintains relationships with a wide range of both banking and non-banking institutions/lenders, in each of its markets. Long-term relationships established in our main markets i.e. the USA, Germany and Russia, assists the Group to achieve financing for its assets. Our assets, especially in BCRE Germany, are leveraged at an appropriate LTV (loan to value) levels and with sufficient coverage ratios, and hence on maturity are attractive for refinance.

For further details on the bonds issued by the Company and BCRE Germany, please refer to Note 16 in the explanatory notes to the consolidated financial statements.

Risks relating to the Group's Financial Reporting

The Group operates across many financial jurisdictions and ensuring that all financial departments within the Group are reporting based on the same financial policies and delivering the same quality of reporting with trained, experienced finance staff is very important. The consolidated financial reports of the Group are being prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS as adopted by the EU). A material mispresentation of the Group's financial performance and reports may cause restatements on the financial reports which can have severe impact on our Group's reputation.

Some important risks which are associated with the preparation of the financial reports of the Group are the revenue recognition (revenues may be subject to improper recognition, inflating or misappropriating), the measurement of the fair value of investment property and investment property under construction and the meeting of the loan covenants.

Maintaining a sound financial control system over the financial reporting, setting up clear accounting policies within the Group and hiring professional finance staff can assist to reduce the risk that the financial reporting does not contain any errors of material importance.

Please note that the risks that the Company may incur are not limited to the risks as set forth in the Risk Management section. For further details, please refer to the Company's bonds prospectus dated 3 March 2016 and the Company's listing prospectus dated 21 May 2014 as available on the Company's website at www.brack-capital.com.

1.9.4 Risk and Control Framework

The set-up and functioning of the related internal risk management and control systems are periodically evaluated and discussed with the Audit Committee and the Board. Our risk management framework is transparent capturing the main risks which are relevant to our business. We continuously reassess the methodologies used in our risk management framework.

The Board is in the process of creating a Risk Matrix and a control process of continuous update and monitoring in order to ensure that all the risks are being identified and dealt with on time.

1.10 STATEMENTS

1.10.1 Going concern

The Board has reviewed the current and projected financial position of the Group, making reasonable assumptions about future performance. After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. This has led the Board to conclude that it is appropriate to prepare the 2015 financial statements on a going concern basis.

1.10.2 Viability statement

In addition to the going concern assessment, the Board has considered the viability of its business. Provision C2.2 of the 2014 Code requires that the Board assess the prospects of the Group over an appropriate period of time selected by the Board. The Board has considered whether the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period from approval of this Annual Report, taking into account the Group's current position, business plan and budgets relevant to the Group's projects ('Business Plan'') and the main risks stated in the risk management section above.

The assessment, which reflects the Group's strategy, Business Plan and associated main risks of the various business units across the Group, is underpinned by a detailed financial model which is based on a variety of assumptions about the key drivers of profit and cash flow. The financial model has been subject to sensitivity testing, which involves flexing a number of the main assumptions underlying the Business Plan and evaluation of the potential impact of the Group's main risks. Against these stress scenarios, the potential mitigation actions, which are expected to be available to the Group over the relevant timeframe, have also been considered. The sensitivity testing described above allows testing of both the cash flow and balance sheet outlook with respect to the Company's solvency, financial covenants and general performance based on a range of scenarios.

On this basis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they mature over the three year period from approval of this Annual Report.

1.10.3 Directors' statement

The Board confirms that to the best of its knowledge the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Furthermore, in view of all the above and with reference to the EU Transparency Directive (2004/109/EC), as amended by Directive (2013/50/EU), and section 5:25c paragraph 2 under c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Board declares that to the best of its knowledge:

(e) the Consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the assets and liabilities, the financial position and profit or loss of BCRE and the undertakings included in the consolidation taken as a whole;

(f) the Company financial statements for the year ended 31 December 2015 give a true and fair view of the assets and liabilities, the financial position and profit or loss of BCRE;

(g) the additional management information report provided in the annual report gives a true and fair view of the situation on the balance sheet date and the state of affairs at BCRE during the financial year 2015 and the undertakings included in the consolidation taken as a whole; and

(h) the principal risks to which BCRE is exposed are described in the annual report. For a description of these risks, see Section 1.9 above.

Shareholder enquiries

For information about the management of shareholdings please contact:

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Annual reports, half year reports and shared information are all available on our website.

BCRE – BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

STATUTORY FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2015	2014
	Note	Euro in thousand	
ASSETS:			
Non-current assets:			
Investment property	3	1,618,132	1,293,358
Investments and loans to associates and joint ventures	5	146,231	222,824
Property, plant and equipment, net	8	17,191	1,725
Inventory of land, inventory of apartments under construction and other inventory	7b	25,591	37,576
Other investments and loans	9a	27,673	49,770
Restricted bank accounts and deposits	9c	4,757	2,035
Deferred tax assets	10d	9,240	7,689
Total non-current assets		1,848,815	1,614,977
Current assets:			
Inventory of land, inventory of apartments under construction and other inventory	7a	69,326	77,952
Trade and other receivables	12	26,131	21,598
Other investments and loans	9b	50,860	21,451
Restricted bank accounts and deposits	9c	11,315	22,995
Marketable securities and other short-term investments	11	2,090	5,465
Cash and cash equivalents	13	71,590	96,359
Total current assets		231,312	245,820
Assets classified as held for sale	3	6,197	16,330
Total assets		2,086,324	1,877,127

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015	31 December 2014
		Euro in thousand	
EQUITY:			
Attributable to the equity holders of the Company:			
Share capital and premium	14	149,020	149,020
Convertible loan	14	16,575	16,575
Other reserves		(68,491)	(69,470)
Retained earnings		143,547	171,222
		240,651	267,347
Non-controlling interests	4	458,049	437,020
Total equity		698,700	704,367
LIABILITIES:			
Non-current liabilities:			
Derivative financial instruments and other liabilities measured at fair value	17	8,763	542
Interest-bearing loans and other borrowings	16	978,415	966,832
Other non-current liabilities	18	4,781	8,472
Deferred tax liabilities	10d	79,658	47,942
Total non-current liabilities		1,071,617	1,023,788
Current liabilities:			
Tax provision		301	90
Trade and other payables	19	35,597	33,511
Interest-bearing loans and other borrowings	16	243,797	71,659
Advances from buyers	7c	35,919	43,446
Derivative financial instruments and other liabilities measured at fair value	17	393	266
Total current liabilities		316,007	148,972
Total liabilities		1,387,624	1,172,760
Total equity and liabilities		2,086,324	1,877,127

The accompanying notes are an integral part of the consolidated financial statements.

14 April 2016			
Date of approval of the consolidated financial statements	Ariel Podrojski CEO	Harin Thaker Chairman of Board	Nansia Koutsou CFO

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015	2014
		Euro in thousand (except for per share data)	
Gross rental income		75,394	68,040
Service charge, management and other income	20	32,260	*) 25,178
Property operating and other expenses	21	(56,563)	*) (43,340)
Rental and management income, net		51,091	49,878
Proceeds from sale of residential units		72,662	72,539
Cost of sales of residential units		(58,869)	(62,740)
Gross profit from sale of residential units		13,793	9,799
Interest and other related income from lending business		2,684	1,615
Costs related to lending business		(471)	(680)
Gross profit from lending business		2,213	935
Total gross profit		67,097	60,612
Revaluation of investment property, net	3	143,236	112,118
Gain from bargain purchase	22	-	16,328
Administrative expenses	23	(12,380)	(10,977)
Administrative expenses relating to inventory under development, sales and marketing in Germany	23	(242)	(367)
Other income/(expenses), net	26	(15,665)	526
Share based payments	15	(1,851)	(2,880)
Share of profit/(loss) of associates and joint ventures	5	(103,854)	2,497
Operating profit		76,341	177,857
Financial income	24	25,995	11,026
Financial expenses	25	(40,108)	(43,632)
Exchange rate differences, net		(47,031)	(50,970)
Financial expenses, net		(61,144)	(83,576)
Profit before tax		15,197	94,281
Tax expense	10b	(33,226)	(9,929)
Net profit/(loss) for the year		(18,029)	84,352
Profit/(loss) for the year attributable to:			
Equity holders of the Company		(27,675)	30,042
Non-controlling interests		9,646	54,310
		(18,029)	84,352
(Losses)/earnings per share attributable to equity holders of the Company	28		
Basic		(0.17)	0.19
Diluted		(0.21)	0.17

*) Retrospective application due to change in presentation, see note 2ac.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Profit/(loss) for the year	(18,029)	84,352
Other comprehensive profit/(loss):		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net	9,230	(9,699)
Share of other comprehensive loss of associates and joint ventures	(8,639)	(50,158)
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive profit/(loss) of associates and joint ventures	23,479	-
Total other comprehensive profit/(loss)	24,070	(59,857)
Total comprehensive income for the year	6,041	24,495
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	(24,870)	(6,106)
Non-controlling interests	30,911	30,601
	6,041	24,495

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to the equity holders of the Company										
	Share capital and premium	Convertible shareholders' capital notes	Convertible loan	Foreign currency translation reserve	Share-based payment reserve	Reserves from transactions with non-controlling interests	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Euro in thousand										
Balance as at 1 January 2014	68,726	59,585	-	(25,091)	1,517	(13,609)	-	141,180	232,308	405,034	637,342
Profit for the year	-	-	-	-	-	-	-	30,042	30,042	54,310	84,352
Other comprehensive loss	-	-	-	(36,148)	-	-	-	-	(36,148)	(23,709)	(59,857)
Total comprehensive income/(loss)	-	-	-	(36,148)	-	-	-	30,042	(6,106)	30,601	24,495
Capital notes conversion (1)	59,585	(59,585)	-	-	-	-	-	-	-	-	-
Issuance of shares (1)	25,530	-	-	-	-	-	-	-	25,530	-	25,530
Issuance of convertible loan (1)	-	-	16,575	-	-	-	-	-	16,575	-	16,575
Capital reduction (1)	(4,821)	-	-	-	-	-	-	-	(4,821)	-	(4,821)
Share based payments	-	-	-	-	1,313	-	-	-	1,313	1,567	2,880
Transactions with non-controlling interests, net (1)	-	-	-	-	-	2,548	-	-	2,548	(5,430)	(2,882)
Receipts from non-controlling interests, net	-	-	-	-	-	-	-	-	-	16,466	16,466
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(11,218)	(11,218)
Balance as at 31 December 2014	149,020	-	16,575	(61,239)	2,830	(11,061)	-	171,222	267,347	437,020	704,367
Profit/(loss) for the year	-	-	-	-	-	-	-	(27,675)	(27,675)	9,646	(18,029)
Other comprehensive income/(loss)	-	-	-	(2,590)	-	-	5,395	-	2,805	21,265	24,070
Total comprehensive income/(loss)	-	-	-	(2,590)	-	-	5,395	(27,675)	(24,870)	30,911	6,041
Share based payments	-	-	-	-	326	-	-	-	326	1,525	1,851
Transactions with non-controlling interests, net (1)	-	-	-	-	-	(2,152)	-	-	(2,152)	1,432	(720)
Distribution to non-controlling interests, net	-	-	-	-	-	-	-	-	-	(8,054)	(8,054)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,785)	(4,785)
Balance as at 31 December 2015	149,020	-	16,575	(63,829)	3,156	(13,213)	5,395	143,547	240,651	458,049	698,700

(1) See Note 14.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Cash flows from operating activities:		
Net profit/(loss) for the year	(18,029)	84,352
Adjustments for:		
Depreciation	243	189
Gain from bargain purchase, net	-	(16,328)
Revaluation of investment property, net	(143,236)	(112,118)
Share of profit/(loss) of associates and joint ventures	103,854	(2,497)
Deferred taxes, net	31,363	10,175
Tax provision	252	(1,662)
Share based payments	1,851	2,880
Other expenses	5,741	2,111
Financial expenses, net	61,144	83,576
Cash flow from operating profit before changes in working capital and provisions	43,183	50,678
Decrease in advances from buyers	(7,527)	(96)
Decrease in inventories of apartments under construction	24,068	22,062
Increase in trade and other receivables	(1,599)	(2,226)
Increase in trade and other payables	10,603	1,282
	25,545	21,022
Cash flows provided by operating activities	68,728	71,700
Cash flows from investing activities:		
Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method, net (a)	(3,700)	(4,327)
Investment and loans to associates and jointly controlled entities, net	-	5,430
Changes in investments, net	2,709	(17,106)
Acquisition and additions to property, plant and equipment	(3,630)	(1,205)
Acquisitions of investment property	(129,918)	(218,124)
Additions to investment property	(47,637)	(40,722)
Changes in short-term and long-term deposits, net	8,957	(21,155)
Interest received	2,746	1,440
Proceeds from sale of investment property	153	-
Repayment of other non-current liabilities	(7,891)	-
Proceeds from disposal of marketable securities	3,424	-
Disposal of asset held for sale	16,061	-
Loans to related parties, net	(5,990)	(6,647)
Cash flows used in investing activities	(164,716)	(302,416)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Cash flows from financing activities:		
Share capital issuance, net	-	25,530
Issuance of convertible loans	-	16,575
Repayment of capital note	-	(2,294)
Repayment of capital reduction liability	(4,821)	-
Receipt of loans, net	188,303	353,470
Issuance of debentures, net	3,288	80,334
Repayment of long-term loans and debentures	(69,090)	(181,014)
Interest paid	(43,618)	(33,328)
Contributions from non-controlling interests, net	6,152	22,869
Purchase of rights from non-controlling interests of subsidiaries	(4,029)	(10,125)
Loans received from associates	-	361
Distribution to non-controlling interests	(14,205)	(9,633)
Dividends to non-controlling interests	(4,785)	(11,218)
Exercise of stock options	717	-
Repayment of swap transaction, transaction costs and sale of derivatives, net	7,141	(3,418)
Cash flows provided by financing activities	65,053	248,109
Increase/(decrease) in cash and cash equivalents	(30,935)	17,393
Foreign exchange differences, net	6,166	2,043
Cash and cash equivalents at the beginning of the year	96,359	76,923
Cash and cash equivalents at the end of the year	71,590	96,359

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2015	2014
	Euro in thousand	
(a) Acquisition of newly consolidated subsidiaries and obtaining control in companies previously accounted for using equity method:		
Assets and liabilities of newly consolidated subsidiaries on the purchase date:		
Working capital (excluding cash and cash equivalents), net	3,251	(2,011)
Fixed assets	-	(232)
Other investments and loans	-	(1,712)
Deferred tax assets	-	(2,107)
Investment property	(12,198)	-
Investments in associates	1,117	(1,002)
Interest bearing loans and borrowings	2,930	3,701
Loss from obtaining control	-	(2,111)
Loan receivable netted off with consideration	1,200	-
Non-controlling interests	-	1,147
	(3,700)	(4,327)

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

a. The Company is a public limited company listed on the London Stock Exchange and incorporated and domiciled in The Netherlands. The address of its registered office is 201 Barbara Strozzilaan, 1083HN, Amsterdam, The Netherlands.

The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associates and joint arrangements which are accounted for using the equity method. The Group is international development and investment group interested in, develops and operates an international portfolio of real estate assets predominantly located in the US, Germany, Russia and India.

b. Definitions:

In these consolidated financial statements:

The Company	- BCRE - Brack Capital Real Estate Investments N.V.
The Group	- The Company and its investees (significant investees are listed in the accompanying appendix).
Subsidiaries	- Companies that are controlled by the Group (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
BCP	- Brack Capital Properties N.V. A subsidiary of the Company.
Entities under joint control	- Companies owned by various entities that have a contractual arrangement for joint control and are accounted for using the equity method.
Associates	- Companies over which the Group has significant influence and which are accounted for using the equity method.
Investees	- Subsidiaries, associates and entities under joint control.
The parent company	- Brack Capital Investments Ltd. A company incorporated and domiciled in Israel.
Euro	- €
United States dollars	- $
United Kingdom pound	- £
New Israel Shekels	- NIS

c. The statutory consolidated financial statements were authorized in accordance with a resolution of the Board of Directors on 14 April 2016.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS as adopted by the EU) and with Part 9, Book 2 of the Nethrlands Civil Code.

b. Measurement basis:

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments (including derivative financial instruments) measured at fair value through profit or loss, available for sale financial assets, investment property and property, plant and equipment measured at fair value.

The Company has elected to present the consolidated income statement using the function of expense method.

c. Consistent accounting policies:

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented.

d. Significant accounting judgments, estimates and assumptions:

1. Estimates and assumptions:

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate. The key assumptions made in the consolidated financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the consolidated financial statements are discussed below.

- Investment property and property, plant and equipment:

  Investment property (which also includes investment property under development that can be reliably measured) and property, plant and equipment (which are measured using revaluation model) are presented at fair value at the reporting date. Changes in its fair value are recognized in profit or loss and revaluation reserve, respectively. Fair value is determined generally by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued property.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Significant accounting judgments, estimates and assumptions (Cont.):

1. Estimates and assumptions (Cont.):

- Investment property (Cont.):

In determining the fair value of investment property, valuation specialists and the Group's management are required to use certain assumptions in order to estimate the future cash flows from the properties, the required yield rates on the Group's properties, the future rental rates, occupancy rates, lease renewals, the probability of leasing vacant spaces, property operating expenses, the financial strength of tenants and the implications of any investments for future development. Any change in these assumptions would be affecting the fair value of investment property. See also Note 3.

- Determining the fair value of an unquoted financial asset and financial liability:

The fair value of unquoted financial assets and liabilities classified as Level 3 is determined using valuation techniques including projected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The projected future cash flows and discount rates are subject to uncertainty and include consideration of inputs such as liquidity risk, credit risk and volatility. See also Note 16.

2. Judgments:

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Recognizing revenue on a gross or net basis:

In cases where the Group acts as agent without bearing any of the risks and rewards derived from the transaction, revenue is presented on a net basis. In contrast, if the Group acts as the principal and bears the risks and rewards derived from the transaction, revenue is presented on a gross basis.

- Acquisition of subsidiaries that are not business combinations:

According to IFRS 3 "Business combination" at the time of acquisition of subsidiaries and activities, the Group considers whether the acquisition represents a business combination pursuant to IFRS 3. The following criteria which indicate acquisition of a business are considered to determine if an acquisition represents a business combination: the number of assets acquired and the complexity of the management of the property.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Significant accounting judgments, estimates and assumptions (Cont.):

2. Judgments (Cont.):

- Classification of properties as inventory, fixed assets or investment property:

  The Group evaluates whether an asset or property should be classified as inventory based on IAS 2, fixed assets based on IAS 16 or investment property based on IAS 40, in particular an asset is accounted for as an investment property when its being held to earn rentals or for capital appreciation or both.

e. Consolidated financial statements:

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies of the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Specifically, the Group controls an investee if and only if the Group has a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee, and c) the ability to use its power over the investee to affect its returns. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Although the Group directly holds as of 31 December 2015, 34.76% of the voting rights of BCP, the Group has determined that it has de facto control in BCP due to the size of its voting rights and including voting rights held by companies controlled by the Group's parent company, which companies are considered de facto agents of the Group. The size of the Group's holding in voting rights relative to the size or dispersion of the holdings of the other shareholders of BCP has enabled the Group to exercise a majority of the voting power that participates in the shareholder's meetings and appoints a majority of the directors and indirectly, the senior management of BCP.

Profit or loss and each component of other comprehensive income (OCI) are attributable to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency is separately determined for each Group's entity and is used to measure its financial position and operating results. The functional currency of the Company is the Euro. In addition, the consolidated financial statements are presented in Euro. All values are rounded to the nearest thousand (€000), except when otherwise indicated.

When the functional currency of an entity within the Group differs from the Group's presentation currency that entity represents a foreign operation whose financial statements are translated to the Group's presentation currency so that they can be included in the consolidated financial statements.

Upon the partial disposal of a subsidiary which disposal results in the loss of control of the subsidiary, the cumulative gain/(loss) recognized in other comprehensive income is transferred to profit or loss whereas upon the partial disposal of a subsidiary that is a foreign operation which disposal results in the retention of control, the relative portion of the cumulative amount is reattributed to non-controlling interests. Intergroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are recognized in profit or loss.

3. Index-linked monetary items:

The Group has debentures that are linked to the Israeli Consumer Price Index ("Israeli CPI"). Monetary assets and liabilities linked to the changes in the Israeli CPI are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Interest in joint arrangements and associates:

Under IFRS 11 the Group classifies its joint arrangements as joint ventures based on the contractual rights and obligations. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group does not have an interest in a joint operation.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Unrealized gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

Certain investees provide for profits interests in excess of the investor's ownership. The Company has adopted the hypothetical liquidation approach in determining the allocation of earnings. The investor's share of the investee's earnings is calculated assuming that the investee has recognized and/or distributed the assets based on their book value, taking into consideration other distributions and investments made.

The financial statements of associates and joint ventures are prepared for the same reporting period as the Group. Accounting policies have been changed were necessary to ensure consistency with the policies adopted by the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates and joint ventures. At each reporting date, the Group determines whether there is objective evidence that these investments are impaired. See also i.

Losses of an associate in amounts which exceed its equity are recognized by the Group to the extent of its investment in the associate plus any losses that the Group may incur as a result of a guarantee or other financial support provided in respect of the associate. The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or upon classification as held-for-sale.

h. Derivative financial instruments not designated as hedges:

The Group entered into contracts for derivative financial instruments such as interest rate swaps and CAP transactions to hedge risks associated with interest rate fluctuations. Such derivative financial instruments are measured at fair value. Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The following criteria are applied in assessing impairment of these specific assets:

Investment in associate or joint ventures:

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Group determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

j. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling the asset to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities,

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Borrowing costs in respect of qualifying assets:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, comprising of inventories and investment property that require a substantial period of time to bring them to a saleable condition or for its intended use.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.

The amount of borrowing costs capitalized in the reported period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

l. Inventories of buildings and apartments for sale:

Cost of inventories of buildings and apartments for sale comprises identifiable direct costs of land such as taxes, fees and duties and construction costs. The Group also capitalizes borrowing costs as part of the cost of inventories of buildings and apartments for sale from the period in which the Group commenced development of the land.

Inventories of buildings and apartments for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

m. The operating cycle:

The Group's normal operating cycle is one year. With respect to construction work the operating cycle can last between two and three years. Accordingly, the current assets and current liabilities include items that are held and are expected to be realized by the end of the Group's normal operating cycle. If the operating cycle exceeds one year, the assets and liabilities attributed to this activity are classified in the consolidated statement of financial position as current assets and liabilities based on the operating cycle.

n. Investment property:

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise. Investment property is not systematically depreciated.

The fair value model is also applied to property under construction for future use as investment property when fair value can be reliably measured.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Investment property (Cont.):

Fair value is determined generally by external independent valuation specialists using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimates of the suitable discount rate for these cash flows. Investment property under development also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued property.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal.

o. Property, plant and equipment:

Property, plant and equipment comprise mainly of operating hotels and owner occupied commercial center which are measured using revaluation model. Other property, plant and equipment items such as machinery equipment are measured at cost less depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates.

A revaluation of a revalued asset is recognized directly in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any additional reduction, if any, is recognized in profit or loss. If an asset's carrying amount is increased as a result of the revaluation, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. Any subsequent increase is carried to a revaluation reserve.

All other property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment. Depreciation is calculated on a straight-line basis, over the estimated useful life of the equipment.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

a) Financial assets at fair value through profit or loss:

The Group has financial assets at fair value through profit or loss comprising financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract.

b) Loans and receivables:

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost using the effective interest method.

c) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recognized and subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired the accumulated fair value adjustments are included in the consolidated income statement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Financial instruments (Cont.):

2. Impairment of financial assets:

The Group assesses, at the end of each reporting period, whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

Financial assets carried at amortized cost:

There is objective evidence of impairment of debt instruments, loans and receivables carried at amortized cost as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows.

Assets classified as available-for-sale:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

3. Financial liabilities:

a) Financial liabilities measured at amortized cost:

Interest-bearing loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured based on their terms at amortized cost using the effective interest method.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

4. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Financial instruments (Cont.):

5. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

q. Trade and other receivables:

Trade receivables are recognized and carried at original amounts less an allowance for any uncollectible amounts. An allowance for doubtful debts is recorded when collection of the amount is no longer probable.

r. Cash and short-term deposits:

Cash and short-term deposits in the consolidated statement of cash flows comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

s. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Provisions (Cont.):

Following are the types of provisions included in the consolidated financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

t. Revenue recognition:

The specific criteria for revenue recognition for the following types of revenues are:

Revenues from the sale of residential apartments:

Revenues from the sale of residential apartments are recognized when the principal risks and rewards of ownership have passed to the buyer. Revenues are recognized when significant uncertainties regarding the collection of the consideration no longer exist, the related costs are known and there is no continuing managerial involvement with the residential apartment delivered. These criteria are usually met when construction has effectively been completed, the residential apartment has been delivered to the buyer and the buyer has paid the entire consideration for the apartment.

Rental income from operating lease:

Rental income is recognized on a straight-line basis over the lease term. Fixed increases in rent over the term of the contract are recognized as income on a straight-line basis over the lease period. The aggregate cost of lease incentives granted is recognized as a reduction of rental income on a straight-line basis over the lease term.

Interest income:

Interest income on financial assets is recognized as it accrues using the effective interest method.

Reporting revenues using gross basis or net basis:

In cases where the Group acts as an agent without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to the risks and rewards associated with the transaction, its revenues are presented on a gross basis. Service revenues include, inter alia, real-estate tax, water supply, cleaning, electricity, heating. With respect to change in presentation, see note 2ac bellow.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Leases:

The basis for classifying leases as finance or operating depend on the substance of the agreements and classification is made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

1. Finance leases:

Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The Group as lessor:

2. Operating leases:

Lease agreements where the Group does not transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Rental income is recognized in profit or loss on a straight-line basis over the lease term.

v. Business combinations:

Business combinations are accounted for by applying the acquisition method. Under this method, the identifiable assets and liabilities of the acquired business are recognized at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets transferred, liabilities incurred and equity interests issued by the acquirer on the date of acquisition.

In respect of business combinations, non-controlling interests are measured at fair value on the acquisition date or at the proportionate share of the non-controlling interests in the acquiree’s net identifiable assets. For business combinations direct acquisition costs are recognized as an expense in profit or loss.

Acquisitions of subsidiaries that are not business combinations:

Upon the acquisition of subsidiaries and activities that do not constitute a business, the consideration paid is allocated among the subsidiary’s identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes. The non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Taxes on income:

Taxes on income in the consolidated income statement comprise current and deferred taxes. Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

2. Deferred taxes:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realized or the liability is settled.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

x. Share based payment transactions:

The Group's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard option pricing model.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Assets held for sale:

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair values less cost to sell.

z. Earnings per share:

Earnings per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted number of ordinary shares outstanding during the period. Basic earnings/(losses) per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations.

aa. Convertible loans:

Convertible loans issued by the Company are classified as equity as there is no contractual obligation for the Company to deliver cash or any other financial asset under the terms of the loans.

ab. New standards and interpretations issued but not yet effective:

A number of new standards, amendments to standards and interpretations have been issued but not yet been endorsed by the EU therefore have not been applied in preparing these consolidated financial statements. Following are the significant standards that when adopted could have an impact on the consolidated financial statements:

IFRS 15 “Revenue from Contracts with Customers”:

IFRS 15 (“the Standard”) was issued by the IASB in May 2014.The Standard introduces the five-step model that applies to revenue from contracts with customers.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Company is evaluating the possible impact of the amendment to IFRS 15 but is presently unable to assess its effect, if any, on the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ab. New standards and interpretations issued but not yet effective (Cont.):

IFRS 9 "Financial Instruments":

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all phases of the financial instruments project and replace IAS 39 "Financial Instruments: Recognition and Measurement" and all previous of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Company is evaluating the possible impact of the amendment to IFRS 9 but is presently unable to assess its effect, if any, on the consolidated financial statements.

IFRS 16 "Leases":

In January 2016, the IASB issued IFRS 16 "Leases" (the "new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. According to the new Standard:

a) Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17 "Leases".

b) The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 "Revenue from Contracts with Customers", is applied concurrently.

For leases existing at the date of transition, the new Standard permits lessees to use either a full retrospective approach, or a modified retrospective approach, with certain transition relief whereby restatement of comparative data is not required.

The Company is evaluating the possible effects of the new Standard. The adoption of the new Standard will have no impact on the financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ac. Change in presentation:

During the year the Company, changed its presentation in respect of service charges from tenants in Germany, which were previously presented on net basis, to a gross basis presentation. The Company is of the opinion that the new form of presentation is more in line with current market approach and provides a more relevant information to the users of the financial statements.

The effects of the change in presentation in view of the above on the Group's consolidated financial statements are as follows:

In the consolidated income statement for the year ended 31 December 2014:

	As previously reported	Change	As currently presented
	Euro in thousand		
Service charge, management and other income	3,059	22,119	25,178
Property operating and other expenses	(21,221)	(22,119)	(43,340)

The change in presentation does not have any effect on the profit for the year and on the earning per share attributable to the equity holders of the Company.

NOTE 3:- INVESTMENT PROPERTY

a. Movement:

	31 December 2015	31 December 2014
	Euro in thousand	
Balance at the beginning of the year	1,293,358	960,423
Initial consolidation of newly consolidated subsidiaries and acquisitions of investment property (1), (2), (3) and (4)	146,636	219,517
Additions	60,437	49,305
Revaluation of investment property, net	146,228	113,064
Foreign exchange differences	(4,433)	(48,951)
Realization of investment property	(153)	-
Reclassified to property, plant and equipment	(17,377)	-
Reclassified to inventory	(367)	-
Reclassified as held for sale (5)	(6,197)	-
Balance at the end of the year	1,618,132	1,293,358
Location:		
Germany	1,081,281	990,585
Russia	137,827	160,182
USA	387,513	139,267
UK (5)	-	3,324
Italy (4)	11,511	-
	1,618,132	1,293,358

NOTE 3:- INVESTMENT PROPERTY (Cont.)

a. Movement (Cont.):

(1) On 7 April 2015, an indirect subsidiary of the Company in USA has acquired a new rented multifamily residential property ("Century Lakes") in Cincinnati, Ohio comprising of 224 residential units, for a total consideration, including related transaction costs, of $15.65 million (€14.1 million). For the financing of the purchase see Note 16(8).

(2) On 16 October 2015, an indirect subsidiary of the Company in USA closed a transaction entered into during 2013 to acquire a significant leased residential building with a gross internal area of approximately 240,000 square feet in the Upper West Side of Manhattan, New York for a total consideration of $109.3 million (€95.5 million) (including related transaction costs), after obtaining the approval of the state supreme court for the transaction. For the financing of the purchase see Note 16(9).

(3) On 29 May 2015, an indirect subsidiary of BCP acquired 430 residential units in Kiel, northern Germany for a total consideration of €24.5 million (including related transaction costs). For the financing of the purchase see Note 16(5).

(4) On 12 November 2015, an indirect subsidiary of the Company signed an agreement with a third party to acquire its entire share capital (80%) of a former associate company held by the Company for a total consideration of €5 million. The associate company owns a property located in Italy having a fair value of €11.5 million.

(5) On 8 January 2016, an indirect subsidiary of the Group in UK signed a contract for the sale of the Fountain Court, a property located in Manchester, for a total consideration of £4.65 million (€6.2 million). The property was classified as held for sale in the consolidated statement of financial position as of 31 December 2015.

b. Some investment properties in Germany and the two multifamily platforms in the USA consist of income generating residential real estate with lease agreements shorter than one year. As of 31 December 2015, the Group's residential lease agreements represent annual revenues of approximately €36.7 million (2014: €32.2 million). In addition, the Group owns through its subsidiaries in Germany and Russia, income generating commercial real estate consisting of assets leased to third parties. The future minimum revenues from existing tenants in the income generating commercial real estate is as follows:

	31 December	
	2015	2014
	Euro in thousand	
First year	41,821	37,181
Second year to the fifth year	128,714	118,542
Sixth year and onwards	127,868	117,996
	298,403	273,719

c. Securities:

All the properties with the total carrying amount of €1,618 million are subject to registered pledges to secure bank loans (see also Note 16).

NOTE 3:- INVESTMENT PROPERTY (Cont.)

d. Reconciliation of fair value:

	Investment property				
	Germany			Russia	
	Residential properties	Commercial properties	Property for development	Commercial properties under construction	Commercial properties
	Euro in thousand				
Balance as of 1 January 2015	411,594	500,958	78,033	120,611	39,571
Additions and acquisitions	37,660	7,180	2,119	17,664	474
Revaluation	9,948	13,423	20,886	2,381	(65)
Reclassifications	(367)	-	-	(120,811)	103,434
Realization	(153)	-	-	-	-
Foreign exchange differences	-	-	-	(19,845)	(5,587)
Balance as of 31 December 2015	458,682	521,561	101,038	-	137,827

	Investment property			
	UK	USA		Italy
	Property for development	Residential properties	Properties for capital appreciation	Property for development
	Euro in thousand			
Balance as of 1 January 2015	3,324	17,096	122,171	-
Additions and acquisitions	657	14,901	114,223	12,195
Revaluation	2,128	-	98,211	(684)
Reclassifications	(6,197)	-	-	-
Foreign exchange differences	88	2,225	18,686	-
Balance as of 31 December 2015	-	34,222	353,291	11,511

Description of valuation techniques used and key inputs used in the valuation of investment properties as of 31 December 2015 and 31 December 2014 are as follows:

	Valuation technique	Significant unobservable inputs	2015	2014
			Weighted average	
Germany				
Residential properties	DCF	Representative monthly rental fees per sq m (in €)	5.73	5.41
		Long-term vacancy rent (%)	2.4	2.1
		Discount rate (%)	5.97	6
		Cap rate (%)	5.4	5.5
Commercial properties	DCF	Representative monthly rental fees per sq m (in €)	8.47	8.26
		Discount rate (%)	6.43	6.8
		Cap rate (%)	6.46	6.8
Property for development *)	Residual method	Representative monthly rental fees per residential sq m (in €)	14.54	14.5
		Projected construction costs per sq m (in €)	2,411	1,300
		Discount rate (%)	6	9

NOTE 3:- INVESTMENT PROPERTY (Cont.)

d. Reconciliation of fair value (Cont.):

*) The 2014 valuation was based on the assumption of office development, while the valuation as of 31 December 2015 was based on the assumption of residential development. It is noted that no decision on the actual purpose of the development of the land was taken yet.

	Valuation technique	Significant unobservable inputs	2015 Weighted average	2014 Weighted average
Russia				
Commercial properties under construction	Residual method	Estimated rental value per sq m per month (in €)	-	52.71
		Rent growth p.a. (%)	-	3
		Discount rate (%)	-	16.5
		Cap rate (%)	-	11
Commercial properties	DCF	Estimated rental value per sq m per month (in €)	32.43	8.23
		Rent growth p.a. (%)	2.1	2.34
		Discount rate (%)	14.56	13.25
		Cap rate (%)	11.25	12
UK				
Property for development	Residual method	Estimated average rental income per sq ft (in £)	*)	17
		Cap rate (%)	*)	6.25
		Construction cost per sq ft (in £)	*)	75
USA				
Residential properties	DCF	Estimated average net rental income per sq ft (in $)	11.33	5.51
		Cap rate (%)	6.75	7.24
Properties for capital appreciation **)	Residual method	Projected net sellout per sq ft (in $)	2,546	2,350
		Construction costs per sq ft (in $)	642	673
		Discount rate (%)	7	6

*) The 2015 value is based on the value as reflected from sale transaction. The UK and Italy properties are categorized within Level 2 of the fair value hierarchy as it were based on recent transactions.
**) It is noted that no decision on the actual purpose of the development of the properties was taken yet.

<u>Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy:</u>
The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the portfolios of investment property are (a) the Estimated Residual Value ("ERV"), (b) the rental growth, (c) the long-term vacancy rate, and (d) the discount rate/yield. Significant increases/(decreases) in the ERV (per sq m p.a.) and the rental growth p.a. in isolation would result in a significantly higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a significantly lower/(higher) fair value measurement.

Generally, a change in the assumption made for the ERV (per sq m p.a.) is accompanied by:

1. A similar change in the rental growth p.a. and discount rate (and exit yield); and
2. An opposite change in the long term vacancy rate.

NOTE 3:- INVESTMENT PROPERTY (Cont.)

d. Reconciliation of fair value (Cont.):

Sensitivity analysis:

a. Germany:

The following is a sensitivity analysis of investment property at capitalization rate based on standardized NOI:

Based on NOI of €61 million (standardized NOI) any change of 25 points at the capitalization rate results to a fair value adjustment of €39 million.

b. USA:

Regarding properties for capital appreciation, any change of $100 per sq ft in the net sellout per sq ft results to a fair value adjustment of $20.3 million (€18.6 million).

c. Russia:

Regarding commercial properties, any change in the capitalization rate of 25 points results to a fair value adjustment of $5 million (€4.6 million).

NOTE 4:- SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

		31 December	
Name	**Country of incorporation**	**2015**	**2014**
Brack Capital Properties N.V.	The Netherlands	65.24%	65.37%

	31 December	
	2015	**2014**
	Euro in thousand	
Accumulated balances of material non-controlling interest	327,172	275,837

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Profit allocated to material non-controlling interest:	55,393	33,673

The Company has consolidated the financial statements of BCP due to de facto control as defined in IFRS 10 (see also note 2e). As of 31 December 2015 and 31 December 2014 the Group holds 34.76% and 34.63% respectively, of BCP's share capital and voting rights.

NOTE 4:- SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Cont.)

During February 2014, Brack Capital Zeta B.V. (a subsidiary of the parent company) agreed, irrevocably, to exercise its voting rights (6.16%) in the shareholders' meetings of BCP in accordance with the direct instructions of the Company until July 2017.

During 2015, BCP distributed to its non-controlling interests €4,785 thousands. In addition, as of December 2015, a subsidiary of the Company provided additional loans to subsidiaries of BCH in the amount of €6.2 million, secured by 108,113 shares of BCP (1.64% of the issued share capital of BCP). For all these loans, as per the agreed terms, the subsidiary has the option to acquire the pledged shares of BCP instead of receiving the principal amount of the loan and accrued interest. See also Note 30c(1).

The fair value of the Group's investment in BCP as of 31 December 2015 is approximately €131.5 million (2014: €105.4 million).

The summarized financial information of BCP is provided below. This information is based on amounts as presented in the consolidated financial statements of BCP.

Summarized statement of comprehensive income:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Gross rental income	66,415	60,512
Net income from property management and other	2,205	718
Gain from sale of apartments, net	13,735	12,434
Property operating expenses, net	(8,105)	(6,331)
General and administrative expenses	(14,656)	(13,328)
Revaluation of investment property, net	44,256	23,304
Finance costs, net	(11,633)	(23,825)
Profit before tax	92,217	53,484
Tax expense	(14,725)	(6,029)
Profit for the year	77,492	47,455
Total comprehensive income	77,492	47,455
Attributable to non-controlling interests on Group's level	55,393	33,673
Dividends paid to non –controlling interests	4,785	11,218

NOTE 4:- SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Cont.)

Summarized statement of financial position:

	31 December	
	2015	2014
	Euro in thousand	
Inventory of buildings under construction	59,589	64,901
Cash and cash equivalents	55,820	60,205
Other current assets	43,176	30,518
Investment property	1,081,281	990,585
Inventory of real estate	25,591	37,576
Other non-current assets	15,611	14,484
Other current liabilities	(56,153)	(59,452)
Interest-bearing loans and borrowings	(715,577)	(720,387)
Other non-current liabilities	(55,238)	(39,249)
Total equity	454,100	379,181
Attributable to (on Group's level):		
Equity holders of parent	126,928	103,344
Non-controlling interests	327,172	275,837

Summarized statement of cash flows information:

	31 December	
	2015	2014
	Euro in thousand	
Operating activities	80,048	70,484
Investing activities	(45,246)	(133,530)
Financing activities	(39,187)	89,291
Net increase/(decrease) in cash and cash equivalents	(4,385)	26,245

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES

a. The Group has the following investments in associates and joint ventures:

Investment in associates and joint ventures located in	Share of profit/(loss) of associates and joint ventures		Investment in associates and joint ventures	
	Year ended 31 December		31 December	
	2015	2014	2015	2014
	Euro in thousand			
Russia (b)	(103,513)	96	56,661	158,797
USA (3)	(303)	2,226	71,611	42,914
Italy (2)	(59)	-	-	1,002
India (1)	21	175	12,954	15,106
Germany	-	-	5,005	5,005
	(103,854)	2,497	146,231	222,824

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

a. The Group has the following investments in associates and joint ventures (Cont.):

(1) Investment of 20.92% in BCRE India Fund (2014: 20%) which invests in real estate in India and USA (the "Fund"). With respect to the commitment made to invest in the Fund see also Note 29b(1). The Fund measures its investment in associates in its financial statements at fair value through profit or loss. The Company (through a wholly own subsidiary) and its shareholders are members of the Board of the general partners' in the Fund. All investment decisions are being made through majority of the Fund's investors. The Company accounts for its investment in the Fund using the equity method. One project located in India, is also being held (25%) directly through a Cypriot indirect subsidiary of the Company.

(2) Investment in Brack Capital Italy (Netherlands) B.V. has become a wholly owned subsidiary during the year ended 31 December 2015, following the acquisition of the remaining 80% shareholding rights (See Note 3(4)).

(3) During 2015, the construction of a hotel owned by an associate of the Company in the USA was completed. The associate as of 31 December 2015, has chosen the revaluation model and as a result recognized during 2015 a revaluation gain, net of deferred taxes, of €47 million (Group's share of €5.4 million).

b. Interest in a joint venture:

Part of the investment in associates and joint ventures located in Russia relates to the following:

The Group has effective share in Siletia Fund LLP (the "joint venture") of approximately 38% (2014: approximately 38%), a jointly controlled entity which holds together with its partners a project company in Kazan, Republic of Tatarstan, Russia. The Company's interest in the joint venture is accounted for using the equity method.

During the first half of 2012, the joint venture has been chosen to develop and operate a large, modern, multi-phase wholesale market complex in Kazan (including 5 pavilions and other auxiliary commercial areas), designated by the Republic of Tatarstan and the City of Kazan to replace several markets that are being closed and evacuated within the city. Accordingly a 49 year leasehold for a total of approximately 200 hectares, with right to buy the freehold was secured by the joint venture. The total consideration paid by the Joint venture was approximately €19.8 million ($25 million).

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

b. Interest in a joint venture (Cont.):

The Group's value of the investment in the project amounted to €54 million (including loans given to joint venture in the amount of €19 million) and €154 million (including loans given to joint venture in the amount of €8 million) as of 31 December 2015 and 31 December 2014, respectively. After deducting the non-controlling interest, the Group's effective share in the project amounted to €34 million and €99 million as of 31 December 2015 and 31 December 2014, respectively. The construction of pavilion 1, pavilion 2 and pavilion 3 of the project were completed in December 2012, August 2013 and August 2014, respectively. In May 2013, pavilion 1 was destroyed by fire. The reconstruction of pavilion 1, which is to be used for agricultural retail was completed during 2015 and leased to an agro operator.

The land plot and the constructed pavilions are being revaluated based on external valuation received by the Group for pavilions 1, 2 and 3. The fair value was determined based on discounted estimated future revenues expected from the completed project, using yields in line with relevant significant risk, including rental risk. These are higher than current yields for similar investment property. For the land of pavilions 4 and 5 the sales comparable method was used to determine the fair value of this land. In computing the fair value, the valuators used a discount rate within the range of 20-24% (2014: 20% - 29%) and a capitalization rate on reversion of 17% (2014: 17%). During 2015, the joint venture has recorded a revaluation loss of €170 million mainly due to the decrease in rental income levels due to discounts provided to current tenant and the due to the effect of the current economic situation in Russia and on the ability to develop the other phases of the project.

In August 2012, a construction loan was signed for the first 2 stages out of a total of 5. The construction loan, in the amount of €33.8 million, for pavilion 1 and 2 was refinanced by a new loan of €72.3 million ($94 million) in three tranches, the last tranche of which was received in November 2013. In December 2013, a facility loan agreement of €23.8 million ($31 million) for the construction of pavilion 3 was signed. As of 31 December 2015, the total amount of the loans have been withdrawn. The securities provided for these borrowings were the retail-warehouse complex of pavilion 2, property rights in pavilion 3 and lease rights for the land plot. During 2015, the terms of the two loans were changed as follows: a) interest on the facilities was increased from 9% per annum to 9.5% per annum, b) amortization until the second quarter of 2016 will relate only to payment of accrued interest and c) an additional guarantee by the Company of $12.8 million was provided to the lender. The changes in the terms of the facility during 2015, were not considered as substantial modification of terms as per IAS 39.

The Company had secured the borrower's obligation under the Facility Agreement (for pavilions 2 and 3) to pay interests, commissions and forfeit accrued on the loan. The guarantee shall not exceed the amount of $17 million (€15.5 million) (2014: €3 million) (see also note 29(17)).

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

b. Interest in a joint venture (Cont.):

On 30 December 2014, the Group acquired additional 10% in the joint venture, increasing its effective shareholding from 28% to 38% in return for the liability to fund the project with an estimated amount of $8.7 million (€7.2 million) (see also note 18) over a period of the next two years. The liability as of 31 December 2015 is €4 million (see Note 19). The liability was calculated based on the fair value of the obligation. The joint venture agreement has not changed as a result of this acquisition. Due to this acquisition the Group recorded during 2014 a gain from bargain purchase amounting to €16.3 million, see also Note 22.

During 2014, mainly in the second half of the year, the Russian economy was subject to sanctions imposed on it and in the last quarter of 2014, the Russian economy experienced a serious deterioration which resulted, inter alia, in the weakening of Russian Rouble in relation to the US dollar by about 72%. In the second half of 2014 and principally in December of that year, due to the decline in oil prices, the aggravation of the sanctions imposed by the West due to Geopolitical instability in the East Ukraine and the devaluation of the Russian Rouble, the Central Bank of Russia raised the interbank interest rate from 5.5% in January 2014 to 17%. International rating agencies (S&P Moody’s and Fitch Ratings) gradually lowered Russia's credit rating to BB+/Baa3 with a negative outlook.

During 2015, the Russian economy experienced a further deterioration resulted, inter alia, in the weakening of Russian Rouble in relation to the US dollar (which was set at a level of 72.88 as of 31 December 2015), mainly due to the decline in oil prices and the aggravation of the sanctions imposed by the West.

During 2015, the Central Bank of Russia decreased the interbank interest rate from 17% to 11% as of December 2015. Russian foreign currency reserves are continuing to drop during 2015 by 25% from $501 billion to $368 billion (CBR) as of 31 December 2015. The deterioration of the economic conditions in Russia could have further negative consequences on general macroeconomic conditions and the willingness of international tenants to operate in Russia and/or to enter into leases, particularly US dollar denominated leases. After the consolidated financial statements date, the Russian Rouble has strengthen against the US dollar and as at the date of approval of the consolidated financial statements the exchange rate between Russian Rouble and US dollar is 66.73.

The movement in the investment in the joint venture for the year ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Balance at the beginning of the year	154,132	190,638
Additional investment	10,252	24,080
Repayment of loan	-	(4,772)
Share in loss for the year	(101,949)	(3,064)
Foreign exchange differences	(8,205)	(52,750)
Balance at the end of the year	54,230	154,132

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

b. Interest in a joint venture (Cont.):

Summarized financial information of the joint venture, based on its financial information, and reconciliation with the carrying amount of the investment in consolidated financial information are set out below:

	31 December	
	2015	2014
	Euro in thousand	
Current assets, including cash and cash equivalents and prepayments	3,094	4,695
Non-current assets	215,684	413,459
Current liabilities, including tax payable	38,786	19,234
Non-current liabilities, including deferred tax liabilities and long-term borrowing	113,647	137,795
Non-controlling interests	6,830	26,269
Equity	59,515	234,856
Group's share in equity of the joint venture	35,336	146,204
Loans provided to the joint venture	18,894	7,928
Group's investment in the joint venture	54,230	154,132
Proportion of the Group's ownership after the deduction of non-controlling interests	33,794	98,578

As of 31 December 2015, the Company had examined the need to record an impairment on the investment in the joint venture based on, among others, the fair value of the underlying assets and liabilities of the joint venture. The Company had concluded that there is no need to record an impairment.

Summarized statement of profit or loss of the joint venture:

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Gross rental income and service charge	11,917	13,480
Operating expenses	(2,437)	(2,420)
Revaluation of investment property	(170,027)	57,850
General and administrative expenses	(6,256)	(5,977)
Finance expenses, net	(34,785)	(51,756)
Other income/(expenses)	167	(429)
Profit/(loss) before tax	(201,421)	10,748
Tax benefit/(income tax expense)	27,778	(3,340)
Profit/(loss) for the year	(173,643)	7,408
Group's share of profit/(loss) for the year in the joint venture	(101,949)	(3,064)
Proportion of the Group's share after the deduction of non-controlling interests	(60,154)	(1,859)

NOTE 5:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

c. Summarized financial information in aggregate for immaterial entities accounted for using the equity method (Cont.):

	31 December 2015	31 December 2014
	Euro in thousand	
Carrying amount of the investments	92,001	68,692

	Year ended 31 December 2015	Year ended 31 December 2014
	Euro in thousand	
(Loss)/profit from continuing operations	(2,188)	5,561
Other comprehensive income	28,786	2,592
Total comprehensive income	26,558	8,153

NOTE 6:- FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2015:

		Fair value hierarchy			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Euro in thousand			
Assets measured at fair value:					
Investment property	31 December 2015	1,618,132	-	11,511	1,606,621
Assets classified as held for sale	31 December 2015	6,197	-	6,197	-
Derivatives	31 December 2015	25,761	-	25,761	-
Marketable securities and other short-term investments	31 December 2015	2,090	2,090	-	-
Liabilities measured at fair value:					
Derivatives	31 December 2015	9,156	-	970	8,186
Interest-bearing loans and borrowings	31 December 2015	245,509	-	-	245,509
Liabilities for which fair values are disclosed	31 December 2015	209,800	156,751	-	53,049

NOTE 6:- FAIR VALUE MEASUREMENT (Cont.)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2014:

			Fair value hierarchy		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Euro in thousand			
Assets measured at fair value:					
Investment property	31 December 2014	1,293,358	-	-	1,293,358
Assets classified as held for sale	31 December 2015	16,330	-	16,330	-
Derivatives	31 December 2014	10,408	-	10,408	-
Marketable securities and other short-term investments	31 December 2014	5,465	5,465	-	-
Liabilities measured at fair value:					
Derivatives	31 December 2014	808	-	808	-
Interest-bearing loans and borrowings	31 December 2014	320,430	-	-	320,430
Liabilities for which fair values are disclosed	31 December 2014	204,963	157,908	-	47,055

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2014 and 2015.

NOTE 7:- INVENTORY OF LAND, INVENTORY OF APARTMENTS UNDER CONSTRUCTION AND OTHER INVENTORY

a. Current assets:

	31 December 2015	31 December 2014
	Euro in thousand	
Cost of land	27,925	31,467
Construction costs and tax (1)	40,198	46,485
Merchandise	1,203	-
	69,326	77,952

(1) Include accumulated capitalized borrowing costs of approximately €nil thousand as at 31 December 2015 (€185 thousand as at 31 December 2014).

b. Non-current assets:

	31 December 2015	31 December 2014
	Euro in thousand	
Cost of land	21,518	30,946
Construction costs and tax	4,073	6,630
	25,591	37,576

NOTE 7:- INVENTORY OF LAND, INVENTORY OF APARTMENTS UNDER CONSTRUCTION AND OTHER INVENTORY (Cont.)

c. Inventory of apartments under construction and inventory of land mainly includes a project in Düsseldorf, Germany undertaken by BCP, to build approximately 1,000 residential units. Until 31 December 2015, BCP delivered 344 residential units and 713 sq m for commercial use. As of 31 December 2015, BCP has 45 residential units that were not yet delivered other than parking spaces of immaterial amounts. Apartments and advances are expected to be realised during the next financial year.

The remaining apartments of the project are in various construction stages.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT, NET

	2015	2014
	Euro in thousand	
Cost		
Balance at the beginning of the year	2,099	800
Additions	3,630	1,205
Reclassified from investment property (1)	17,377	-
Impairment loss (1)	(5,670)	-
Foreign exchange differences	440	94
Balance at the end of the year	17,876	2,099
Accumulated depreciation		
Balance at the beginning of the year	374	165
Depreciation	243	189
Foreign exchange differences	68	20
Balance at the end of the year	685	374
Net book value	17,191	1,725

(1) During 2015, the construction of a project owned by an indirect subsidiary of the Company in Russia was completed. Part of the property is owner occupied and as result the related value corresponding to the area used by the Group was reclassified to “property, plant and equipment, net” in accordance with the requirements of IAS 16. During the period an impairment loss was recognized as part of “other income/(expenses), net” in the amount of €5.7 million, inter alia, due to the current economic situation in Russia which impacted the expect NOI. With respect to the valuation significant unobservable inputs see Note 3d.

NOTE 9:- OTHER INVESTMENTS AND LOANS

a. Composition of long term investments and loans:

	31 December	
	2015	2014
	Euro in thousand	
Derivative financial instruments (1)	792	10,408
Employees (2)	7,530	9,098
Loans to companies investing in real estate projects (3)	4,543	4,075
Other investments and loans	6,352	6,825
Advance payment for investment property (4)	-	8,391
Related parties (5)	8,456	10,973
	27,673	49,770

NOTE 9:- OTHER INVESTMENTS AND LOANS (Cont.)

a. Composition of long term investments and loans (Cont.):

(1) See Note 27.

(2) Represents recourse loans to employees also secured by their portion in the Group investments. Part of the loans have a non-recourse mechanism that allows the loans to be classified as non-recourse with the pledged assets being the only security, upon a Loan to Value ("LTV") ratio of 67% or below, based on market value, or the Net Assets Value ("NAV") of the pledged assets. The loans bear an annual interest rate of 3.5% - 4% and are repayable within 5 - 7 years (see also note 9b(3)).

(3) Loans granted by the Group to third parties which intend to finance real estate projects. The loans bear an annual interest rate of 10% - 12% (see also note 9b(2)).

(4) The amount related to an advance payment made by the Company in connection with the purchase of a building located in the Upper West Side of Manhattan, New York. The closing of the purchase occurred on 16 October 2015 (see also note 3a(2)).

(5) Loans provided to shareholders and other related parties, see also Note 30c.

b. Composition of short term investments and current maturities of long term loans:

	31 December	
	2015	2014
	Euro in thousand	
Derivative financial instruments (1)	24,969	-
Loans to companies investing in real estate projects (2)	17,140	18,525
Employees (3)	-	2,926
Related parties (4)	8,751	-
	50,860	21,451

(1) See Note 27.

(2) In April 2013, the Group established, BCRE Lending LLC, a US indirect subsidiary that specializes in providing short-term senior construction loans. The loan liabilities provided by the subsidiary are short term loans which bear annual interest within the range of 10% - 12% and are collateralized primarily by small residential development assets in the New York Metropolitan Area with a maximum of 50% LTV ratio. As of 31 December 2015, the Group together with other co-investors had committed to loan liabilities amounting to €27.5 million ($30 million) (2014: €17.4 million) out of which €22.9 million ($25 million) (2014: €16.8 million) had been drawn. All loans are senior loans and are secured by personal guarantees and/or equity pledges.

NOTE 9:- OTHER INVESTMENTS AND LOANS (Cont.)

b. Composition of short term investments and current maturities of long term loans (Cont.):

(3) The subsidiary of the Group, BCP has provided senior executives with non-recourse loans bearing annual interest at a rate of Euribor plus 1.3% (on the basis of 3-month Euribor), which were repayable no later than 30 November 2015. As collateral for the loans, it was determined that severance pay deposited in pension funds and advanced study funds on behalf of the borrowers and future salary payments (including bonus payments) would be used as collateral for the repayment of the debt; the borrowers did not provide BCP with any additional collateral for the loans granted. It was also agreed that, at their discretion, the borrowers may sell option warrants and/or shares owned by them, and the proceeds will be used to repay the loan, insofar as it has not been repaid on the date of sale. The balance of the loans as of 31 December 2015 and 31 December 2014 was nil and €2,926 thousand, respectively. The joint managers of BCP are entitled to receive additional loans from BCP under the same terms of the existing loans as long as the balance of the loans in the future does not exceed 50% of their holdings in BCP and in BCP’s subsidiary which owns the site in Düsseldorf.

(4) Loan provided to an associate company and other related parties, see also Note 30c.

c. Restricted bank accounts and deposits:

	31 December	
	2015	2014
	Euro in thousand	
Restricted bank accounts and deposits (1)	16,072	25,030
Less: current maturities	(11,315)	(22,995)
Total non-current restricted bank accounts and deposits	4,757	2,035

(1) Short term and long term restricted bank accounts and deposits bear an annual interest rate within the range of 0% - 0.1% (2014: 0% - 0.25%).

NOTE 10:- TAX EXPENSE

a. The following are the tax rates applicable to the Company and its key subsidiaries:

The Netherlands	- Tax rate: 25% (2014: 25%)
U.S.A - Federal tax	- Tax rate: 35% (calculated on a gradated basis), state and city taxes also apply (2014: 35%)
Cyprus	- Tax rate: 12.5% (2014: 12.5%)
Germany (1)	- Corporate income tax rate: 15.825% (2014: 15.825%)
Russia	- Tax rate: 20% (15.5% in certain instances) (2014: 20%)
Luxembourg	- Tax rate: 29.22% (including surcharge and municipal business tax) (2014: 29.22%)

(1) Earnings from the sale of apartments are subject to local business tax in Germany. The corporate tax and local business tax rate amount to 31.225% (2014: 31.225%).

NOTE 10:- TAX EXPENSE (Cont.)

b. Taxes on income included in the consolidated income statement:

	Year ended 31 December 2015	2014
	Euro in thousand	
Current income tax	(1,904)	(529)
Deferred tax	(31,363)	(10,175)
Prior year's taxes	41	775
Total tax expense	(33,226)	(9,929)

c. Reconciliation between the tax expense in the consolidated income statement and the profit before tax, multiplied by the current tax rate, can be explained as follows:

	Year ended 31 December 2015	2014
	Euro in thousand	
Profit before tax	15,197	94,281
Statutory tax rate (25%)	3,800	23,570
Increase/(decrease) in respect of:		
Company's share in loss/(earnings) of associates (1)	21,071	(378)
Effect of different tax rates in foreign subsidiaries	1,253	(10,893)
Differences for which deferred tax assets were not recorded	7,143	422
Gain from bargain purchases	-	(2,041)
Effect of non-deductible expenses	-	24
Previous year's tax and others	(41)	(775)
Tax charge	33,226	9,929

(1) See also note 5 with respect to material decrease in the fair value of investment property owned by a joint venture of the Group.

d. Deferred taxes:

Composition:

	31 December 2015	2014
	Euro in thousand	
Deferred tax liabilities:		
Measurement of loans and debentures at fair value	(926)	(661)
Measurement of investment property and inventory of land at fair value upon business combination	(104,629)	(63,056)
Measurement of derivative financial instruments at fair value	(8,044)	(3,114)
Deferred tax assets:		
Others	199	845
Carry forward tax losses	42,982	25,733
Deferred tax liabilities, net	(70,418)	(40,253)

NOTE 10:- TAX EXPENSE (Cont.)

d. Deferred taxes (Cont.):

Losses carried forward:

The Company has tax losses of €54.9 million (2014: €26 million) as reported to tax authorities, that are available for a period of 9 years from the year that the losses were generated for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits, there are no other tax planning opportunities or other evidence of recoverability in the near future. Other Dutch and Cypriot entities have tax losses carried forward, which deferred taxes were not recorded for, since there is no evidence of recoverability in the near future.

As of 31 December 2015, BCP and its subsidiaries have business losses and capital losses carried forward for tax purposes for a period of 9 years amounting approximately to €104.4 million (2014: €60.5 million). In respect of these carried forward losses, deferred tax assets have been recognized in the consolidated financial statements as of 31 December 2015 in the amount of approximately €23 million (2014: €12 million). Deferred taxes on losses carried forward were not created for losses in the total amount of €13 million

As of 31 December 2015, the Russian companies of the Group have business losses and capital losses carried forward for tax purposes amounting approximately €77.7 million (2014: €52 million). In respect of these carried forward losses, deferred tax assets have been recognized in the consolidated financial statements as of 31 December 2015 and 31 December 2014 in the amount of approximately €15.7 and €15.5 million respectively. As of 31 December 2015, there are additional €5 million (2014: €5 million) tax losses, for which no deferred taxes were recorded.

NOTE 11:- MARKETABLE SECURITIES AND OTHER SHORT-TERM INVESTMENTS

	31 December	
	2015	**2014**
	Euro in thousand	
Other short term investments	-	184
Debentures	-	863
Other marketable securities	2,090	4,418
	2,090	5,465

NOTE 12:- TRADE AND OTHER RECEIVABLES

	31 December	
	2015	2014
	Euro in thousand	
Government authorities	8,393	6,978
Trade receivables (1)	8,449	5,999
Prepaid expenses	2,350	1,237
Related parties (2)	1,875	1,330
Other receivables	5,064	6,054
	26,131	21,598

(1) Trade receivables are presented after the deduction of provision for doubtful debts in the amount of €3,849 thousand (2014: €2,763 thousand).

(2) See Note 30e.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

NOTE 13:- CASH AND CASH EQUIVALENTS

a. Composition:

	31 December	
	2015	2014
	Euro in thousand	
Bank balances (1)	58,884	65,519
Deposits (2)	12,706	30,840
Cash and cash equivalents	71,590	96,359

(1) Cash at banks earn interest at floating rates based on daily bank deposit rates.
(2) Short-term deposits bear average yearly interest of 0% - 0.2% (2014: 0.1% -0.75%).

b. By currency:

	31 December	
	2015	2014
	Euro in thousand	
In NIS	4,857	24,894
In Euro, or linked to Euro	51,250	39,641
In US dollar, or linked to US dollar	14,599	31,720
Other	884	104
	71,590	96,359

NOTE 14:- EQUITY

a. Composition of share capital:

	31 December 2015		31 December 2014	
	Authorized	Issued and fully paid	Authorized	Issued and fully paid
Ordinary shares of €0.01 (2014: €0.04) each (1) and (2)	700,000,000	161,610,064	700,000,000	161,610,064

(1) On 8 January 2015, a capital reduction was performed, on which accordingly each share reduced to €0.01, see also b(5) below.

(2) On 15 January 2016, the nominal value of each share was increased to €0.04 and subsequently, on 29 March 2016, the nominal value of each share was reduced from €0.04 to €0.01. The capital reduction amounted in total to €4.8 million, see also b(6) below.

b. Ordinary shares issued and fully paid:

	Number of shares	In Euro
At 1 January 2014	1,445,917	144,592
Issued during 2014, net (1) and (4)	17,018,364	170,184
Conversion and split (2)	143,145,783	1,301,325
Conversion (3)	-	4,848,302
Capital reduction (5)	-	(4,848,302)
At 31 December 2014 / 31 December 2015	161,610,064	1,616,101

1. On 28 May 2014, the Company's entire issued ordinary share capital was admitted to the standard listing segment of the Official List of UK Listing Authority for trading on the main market of listed securities of London Stock Exchange Plc.

   The Company has raised approximately €24 million, net of issuance expenses of €2.1 million, through the placing of 16,097,883 new ordinary shares at €1.62 per share.

   Following the admission, the total amount of €59.6 million of capital notes was converted to share premium.

2. On 28 May 2014, the nominal value of each share in the Company's share capital was firstly increased from €0.10 to €1 per share and subsequently on the same date, each share (with a nominal value of €1) was converted into 100 shares with a nominal value of €0.01. The difference of €1.3 million from the increase of the nominal value from €0.10 to €1 was debited in the share premium account.

3. On 14 October 2014, the Company increased the nominal value of the ordinary shares from €0.01 to €0.04 per share. The difference of €4.8 million was debited in the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14:- EQUITY (Cont.)

b. Ordinary shares issued and fully paid (Cont.):

4. On 23 December 2014, the Company has raised approximately €1.5 million pursuant to the issuance of 920,481 new ordinary shares at an issue price of €1.66 per share. In addition, the Company raised €16.6 million, net of expenses, pursuant to the issuance of the Convertible Loan Notes.

   The Convertible Loan Notes bear 2.25% annual compounded interest and will have a term maturing on 14 November 2016. The Convertible Loan Notes (including accrued interest) will be convertible in whole into ordinary shares (i) at the holder's option at any time up to the end of the term, and (ii) at the Company's option on the maturity date. The conversion price shall be €1.68 per share following the Capital Reduction (see also 5 below). Furthermore, the conversion price shall be reduced to the lowest effective price per share paid for any share or securities convertible into shares following the date of the convertible loan agreement (save for certain customary exceptions).

5. On 24 December 2014, the Board of Directors approved the capital reduction which reduced the nominal value of each share from €0.04 to €0.01 totaling to €4.8 million which was paid to shareholders on 8 January 2015. The respective liability of €4.8 million in relation to the capital reduction was recognized in these consolidated financial statements for the year ended 31 December 2014 (see also Note 19).

6. On 15 January 2016, the shareholders approved the capital increase in the nominal value of each share from €0.01 to €0.04 per share and the subsequent reduction of €0.03 in the nominal value of each share from €0.04 to €0.01 totaling to €4.8 million.

7. On 28 May 2014, the authorized share capital of the Company was changed from 2,500,000 shares of €0.1 each to 700,000,000 shares of €0.01 each.

   On 14 October 2014, the authorized share capital of the Company was changed from 700,000,000 shares of €0.01 each to 700,000,000 shares of €0.04 each.

   On 24 December 2014, the authorized share capital of the Company was changed from 700,000,000 shares of €0.04 each into 700,000,000 shares of €0.01 each.

   On 15 January 2016, the authorized share capital of the Company was changed from 700,000,000 shares of €0.01 each into 700,000,000 shares of €0.04 each.

c. Dividend policy:

Subject to compliance with Dutch law and depending on the extent of a receipt of a distribution from BCP, the Company intends to make an annual distribution to its shareholders (either in the form of a cash dividend or in any other form available under Dutch law) of around 2.5% of the Company's end-of-year Net Asset Value ("NAV") commencing in 2014, assuming no change to the issued share capital of the Company. However, there can be no assurance that the Company will generate sufficient earnings to allow it to make distributions and if it does, the Board of Directors may elect to reinvest the entire profit instead of making distributions.

NOTE 14:- EQUITY (Cont.)

d. Nature and purpose of reserves:

Reserves from transactions with non-controlling interest:

1. During 2015, on various days, the Company through a subsidiary has acquired 61,704 shares of BCP at an average price of NIS267 per share. As a result, the Company recorded a loss amounting to €1.1 million within "Reserves from transactions with non-controlling interests".

2. During 2015, the employees and officers of the Group exercised at various dates 155,017 options into 155,017 shares of BCP. The consideration received for those options exercised amounted to €717 thousand. As a result, the Company recorded a loss amounting to €1.3 million within "Reserves from transactions with non-controlling interests".

3. During 2015, the Company, through its indirect subsidiaries has entered into various transactions with non-controlling shareholders in relation to the acquisition of their shareholding in subsidiaries. As a result of these transactions the Company recorded a gain of €0.3 million within "Reserves from transactions with non-controlling interests".

e. Classifications according to Dutch law - statutory capital reserve

In accordance with Dutch law provisions applicable to the Company, gains from fair value adjustments, which have not been realized, cannot be distributed as dividends. In addition, earnings of associates cannot be distributed as dividends, unless distributed by the associates themselves. At the same time, according to Dutch law, these earnings can be distributed only after their conversion into share capital and a reduction in equity as a result of the dividend distribution.

NOTE 15:- SHARE BASED PAYMENTS

1. Warrants 1 **-** On 4 February 2010, BCP allocated option warrants, exercisable in five years from the date of allocation, into 313,171 BCP's shares, to the Group's employees. The exercise prices of such warrants are within the range of €0 **-** €20.1 per share (the exercise prices of some of the warrants are adjusted by cumulative yearly interest within the range of 8% **-** 12%). In addition, on 26 August 2010, BCP's Board of Directors approved the allocation of option warrants to eight employees, exercisable to 158,593 BCP's shares, at an exercise price within the range of €3.91 **-** €20.10 and $15.63 per share plus 8% annual interest. As of 31 December 2015 all warrants were exercised.

NOTE 15:- SHARE BASED PAYMENTS (Cont.)

2. Warrants 2 **-** On 29 June 2009 BCRE Russian Properties Limited ("BRP"), an indirect subsidiary of the Company, granted warrants to the employees of the Group exercisable into 584,658 BRP shares. The exercise prices of the warrants are within the range of €11.7 **-** €37 per share (the exercise prices of some of the warrants are adjusted by cumulative yearly interest within the range of 8% **-** 12%). The warrants were immediately vested and can be exercised to shares in five years from the grant date. On 29 November 2012, the BRP's Board of Directors approved the extension of the exercise period from 5 years to 10 years since the grant date. The change in the terms of the warrants did not have material effect on the Group's results.

3. Warrants 3 **-** On 30 November 2009, BCP granted to its joint CEOs, 101,608 warrants (representing 1.59% of the BCP's share capital at that point of time assuming full dilution), exercisable from grant date and until five years and seven months from the date of grant as follows: 50,804 exercisable 31 months from the date of allocation and 50,804 exercisable 43 months from the date of allocation. The warrants exercise price is €17.5 per share plus 7.5% compounded annual interest. On 15 July 2010, BCP granted warrants exercisable into 188,701 shares of BCP (representing about 3.5% of the BCP's share capital at that point of time assuming full dilution), to BCP second joint CEO and to additional employees, who were employed by BCP's subsidiaries, at an exercise price of approximately €17.97 per share plus 7.5% compounded annual interest. One half of these warrants is exercisable 24 months after the allocation date and the other half is exercisable 36 months after the allocation date. As of 31 December 2015, the remaining unexercised warrants are exercisable into BCP's shares. The warrants are fully vested.

4. Warrants 4 **-** During 2012, the Company's Board of Directors approved the issuance of fully vested warrants exercisable into Company's shares (representing 3% of the Company's share capital at that point of time) to an investment committee member. The exercise price of the warrants is €1.32 per share. The fair value of the option granted is approximately €1,517 thousand.

5. Warrants 5 **-** During 2013, BCP's Audit Committee members and the Board of Directors approved the issuance of 441,524 warrants exercisable into 441,524 of BCP's shares which will be allocated to BCP's officers, including the joint CEOs and the CEO of a subsidiary who serves also as a Director in BCP. On 29 October 2013, the general meeting of BCP's shareholders approved the aforesaid resolutions. The fair value of the warrants is approximately €5,883 thousand.

6. Warrants 6 **-** On 2 July 2013, the managing Board of Brack Capital USA B.V. ("BCRE USA"), an indirect subsidiary of the Company, granted to employees of the Group 480,278 warrants exercisable into 13.8% of BCRE USA's share capital, at an exercise price within the range $13.78 **-** $27.11 per share. 55% out of the warrants granted are vested upon grand, 10%, 15% and 20% of the warrants granted are vested at each year thereafter. The fair value of the warrants granted is approximately €1,258 thousand.

NOTE 15:- SHARE BASED PAYMENTS (Cont.)

7. Warrants 7 **-** On 28 May 2014, an entity beneficially owned by the family of senior manager A was granted 2,862,155 warrants under a warrant agreement entered into between the Company and the relevant entity, exercisable (subject to the warrants having vested) from the date of grant within seven years, to 2,862,155 shares. 50% of these warrants can be exercised at an exercise price of €1.4565 ("A Warrants"). The remaining 50% of the warrants can be exercised at an exercise price of €1.7801 ("B Warrants"). The warrant agreement also provides for a cashless exercise, at the option of the holder of the warrants. 50% of the A Warrants and 50% of the B Warrants vested immediately and 50% of the A Warrants and 50% of the B Warrants vested one year after the grant of the warrants. The holder of warrants is protected against dilution in the case of a bonus payment, rights offering, distribution of a cash dividend or any other distribution by the Company. The fair value of these warrants is approximately €1,413 thousand.

   On 28 May 2014, senior manager B was granted 483,519 warrants under a warrant agreement entered into with the Company, exercisable (subject to the warrants having vested) from the date of grant within seven years, to 483,519 shares. These warrants can be exercised at an exercise price of €1.6183. 1/3rd of these warrants vested immediately, 1/3rd vested one year after the date of the grant of the warrants and the remaining 1/3rd shall vest two years after the date of the grant of the warrants. The warrant agreement also provides for a cashless exercise, at the option of the holder of the warrants. The holder of warrants is protected against dilution in the case of a bonus payment, rights offering, distribution of a cash dividend or any other distribution by the Company. The fair value of these warrants is approximately €241 thousand.

8. Expense recognized in the consolidated financial statements:

   The expense recognized in the consolidated financial statements for services received from Group's employees is presented in the following table:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Equity-settled share-based payment plan	1,851	2,880

NOTE 15:- SHARE BASED PAYMENTS (Cont.)

9. Movement during the year:

The following table illustrates the number and the weighted average exercise prices (WAEP) of, and the movement in, share options during the year:

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding at 1 January	9,176,212	4.85	1,988,624	21.20
Granted during the year	-	-	3,345,674	1.62
Share split	-	-	4,045,932	1.32
Exercised during the year	(237,278)	22.74	(204,018)	13.45
Outstanding at 31 December	8,938,934	4.64	9,176,212	4.85

The following table lists the inputs to the models used for the seven share based plans:

	Warrants 1	Warrants 2	Warrants 3
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	32%-36%	28%-29%	35%
Risk-free interest rate (%)	0.4%-4.12%	0.18%-2.53%	0.47%-3.23%
Early Exercise Factor-EEF (%)	150%-300%	150%-250%	150%
Weighted average share price (€)	€7.83	€39.46	€25.22
Model used	Binomial	Binomial	Binomial

	Warrants 4	Warrants 5	Warrants 6
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	23%-30%	21%-26%	26%
Risk-free interest rate (%)	0.21%-1.48%	0.02%-2.78%	0.14%-0.64%
Early Exercise Factor-EEF (%)	250%	75%-150%	150%-250%
Weighted average share price (€)	€505.66 per 1% of Company's equity	€40.09	€13.31
Model used	Binomial	Binomial	Binomial

	Warrants 7
Dividend yield (%)	0%
Expected volatility (%)	20% - 34%
Risk-free interest rate (%)	0.09% - 1.11%
Early Exercise Factor-EEF (%)	150%
Weighted average share price (€)	€1.62
Model used	Binomial

The expected life of the warrants is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the warrants is indicative of future trends, which may not necessarily be the actual outcome.

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS

Below is information about the contractual terms of the Group's interest-bearing loans and borrowings.

	31 December	
	2015	2014
	Euro in thousand	
Euro		
Bank loans (1), (5), (6), (18), (19), (20) and (21)	574,808	575,615
US dollar		
Bank loans, debentures, bonds and others (3), (4), (7), (8), (9), (10), (11) , (12), (13), (14), (22), (23) and (24)	447,347	250,686
Russian Rouble		
Bank loan and others	3,164	4,737
NIS		
Debentures (2), (15) and (16)	196,893	207,453
Total interest-bearing loans and borrowings	1,222,212	1,038,491
Less - current maturities	243,797	71,659
Total non-current interest-bearing loans and borrowings	978,415	966,832

(1) Due to designation of loans at fair value through profit or loss to avoid accounting mis-match, €245,509 thousand out of the balance of the Euro bank loans as of 31 December 2015 are presented at fair value (€320,430 thousand as at 31 December 2014).

(2) Debentures (series A) amounting to €53.2 million (226 million NIS) (2014: €62.7 million (297 million NIS)), of which €17.8 million (76 million NIS) (2014: €15.8 million (75 million NIS)) are presented as current maturities, are linked to the Israeli CPI, bear annual interest of 6.504% and are to be repaid in 7 annual instalments, commencing in December 2012.

(3) In November 2013, the Company had issued an additional series of debentures (series B) for a nominal value of $25 million (€22.9 million). The debentures were issued to private investors and are denominated in US dollar, bearing interest rate of 7% per annum. The debentures' amount is repayable in seven annual payments of unequal amounts on 31 December of each year from 2015 to 2021 (inclusive). Each of the first four repayments constitutes 6.25% of the debenture's amount and each of the last three payments will equal 25% of the debenture's amount. The debentures are secured by BCP shares. With respect to debenture's covenants see Note 29a(7).

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(4) On 5 December 2014, the Company issued bonds (series C) with an aggregate principal amount of $56,350 thousand (€51.7 million). In June 2015, the Company made an additional issue of bonds (series C) with an aggregate principal amount of $3,650 thousand (€3.3 million) The bonds bear interest rate of 6.5% per annum which is subject to adjustments of 0.25% - 0.5% (up to a maximum of 1%) in the case of changes in the bonds’ rating. The amount of bonds is repayable in eight annual payments of unequal amounts on 5 December of each year from 2015 to 2022 (inclusive). Each of the first two payments constitute 5% of the bonds’ amount, the third and fourth payments constitute 10% each of the bonds’ amount and each of the last four payments constitutes 17.5% of the bonds’ amount. With respect to the bonds covenants see Note 29a(8).

(5) On 29 May 2015, for the purpose of financing the purchase of residential units in Germany as described in Note 3a(3), an indirect subsidiary of BCP entered into an agreement with a German bank for receiving 2 loans in the amount of €17.6 million in total under non-recourse terms which their final repayment date is 5 years from the date of extending the loans. The first loan of €14 million bears an annual interest of 1.85% payable in each quarter. The second loan of €3.6 million bears annual interest of Euribor for 6 months plus a margin of 1.5% payable in each quarter. Both loans will be repaid quarterly at annual rate of 2.2% until the final repayment date in which the unsettled principal balances are paid.

(6) On 20 August 2015, indirect subsidiaries of BCP entered into agreements with a German bank to extend 2 existing loans, the first one for the Titan portfolio (6 assets) and the second for the Mars portfolio (2 assets). All of these assets are leased entirely to the retail chain OBI (the agreements, “loan 1” and “loan 2” respectively). Loan 1 (at a total amount of €49.5 million) was extended until 15 March 2023 bearing an interest margin of 1.39% per annum (on the Euribor for 3 months) and is repayable at an annual rate of 3.75% where the interest and principal are payable every quarter until the final repayment date in which the unsettled principal balance is paid. Loan 2 (at a total amount of €13 million) was extended until 15 April 2020 with an option for an additional 2 years extension bearing an interest margin of 1.33% per annum (on the Euribor for 3 months) and is repayable at an annual rate of 4.60% where the interest and principal are payable every quarter until the final repayment date in which the unsettled principal balance is paid.

(7) On 30 December 2015, an associate of the Company in the USA, entered into a financing agreement with an institution for the refinancing of its existing construction loan amounting to $69 million (€63 million) for the development of a property in the USA to a $103 million loan (€94 million). The facility bears interest equal to 1 month Libor plus a margin of 3.25% per annum, reducing to a margin of 2.50% when certain debt yields are achieved. Interest is payable to the financing institution through monthly interest payments up until maturity of the facility on 1 January 2021. Principal is also repayable by monthly instalments, commencing on 1 January 2019 and up until maturity. For the guarantees in respect to this agreement see Note 29a(6).

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(8) On 7 April 2015, for the purpose of financing the acquisition of a multifamily residential property as described in Note 3a(1), an indirect subsidiary of the Company in USA obtained a bank loan of $11.2 million (€10.11 million). The principal balance of the loan is payable on the loan maturity date on 6 May 2025. The facility carries interest at 4.07% per annum and is payable by monthly instalments. For the guarantees in respect to this agreement see Note 29a(10).

(9) On 16 October 2015, for the purpose of financing the acquisition of a residential building as described in Note 3a(2), an indirect subsidiary of the Company in USA entered into two loan facilities, Note A with a financing institution for the total amount of $55 million (€49.6 million) and Note B with the existing tenant of the property for the total amount of $38.8 million (€34.9 million). As per the agreed terms Note A will bear interest equal to 1 month Libor (subject to a cap of 0.25%) plus a margin of 10.5% per annum and Note B will bear interest equal to 6% per annum. Interest on Note A will be repayable with monthly instalments during the loan term until the maturity of the facility on 1 November 2018 when the principal amount shall also be repaid. Interest on Note B will be repayable with monthly instalments during the loan term until the maturity of the facility which shall occur on the earlier of 31 December 2050 or of 90 days after the termination of the lease agreement between the subsidiary and the existing tenant. Upon the maturity, the subsidiary shall also pay the existing tenant the outstanding principal amount of Note B. For the guarantees in respect of Note A see Note 29a(11).

(10) On 22 September 2015, an indirect subsidiary of the Company, entered into a loan agreement with a financing bank for obtaining a facility amounting to $15 million (€13.51 million). The facility carries interest equal to 3 months Libor plus a margin of 4.25%, capped at 4.5%. Interest shall be paid to the financing bank quarterly along with principal payments of $250 thousand (€225 thousand) each quarter. The facility matures on 30 September 2017, on which date the outstanding principal amount is fully payable with a balloon payment. For the guarantees and the financial covenants provided in respect to this agreement see Note 29a(14).

(11) On 10 December 2015, the Company entered into a loan agreement with a group of lenders for obtaining a loan facility amounting to $10.25 million (€9.2 million). The facility bears interest of 6.5% per annum which is payable semi-annually until the maturity of the facility on 31 December 2018, when the principal amount shall be also repaid in full. Part of the group of lenders were related parties of the Company, who entered into the loan agreement in the same terms as per the other group of lenders in the total amount of $1.7 million (€1.5 million). See Note 30c. For the guarantees in respect to this agreement see Note 29a(15).

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(12) During 2015, an indirect subsidiary of the Company in the USA, entered into financing agreements with individual lenders in the total amount of $36.5 million (€32.8 million) as at 31 December 2015. These financing agreements provided that the loan amount advanced to the Company's subsidiary shall be either payable in full on the 8th anniversary of each financing agreement or, at the discretion of each individual lender, shall be converted into the designated units in the residential building acquired by another Company's subsidiary as described in Note 3a(2) during 2015. Up until maturity or conversion, the amounts advanced by the individual lenders bear interest of 0.5% per annum (or 1.5% per annum if not converted). For the conversion option, see Note17c. For the guarantees in respect to this agreement see Note 29a(13).

(13) On 28 December 2015, the Company entered into a financing agreement with a related party for the provision to the Company a facility amounting to $2.6 million (€2.4 million). As per the financing agreement, the terms of this facility are identical to the terms of bonds (series C) issued by the Company, as described in Note 16(4). Upon the issuance of new bonds by the Company and provided that the loan amount is still outstanding, the terms of the facility will be automatically replaced by the terms of the new bonds. For the covenants in respect to this agreement see Note 29a(16) (see also Note 30(c)).

(14) On 17 December 2015, an indirect subsidiary of the Company in the USA, entered into a financing agreement with individual lenders in the total amount of $11.64 million (€10.49 million). The outstanding balance of the facilities provided to the subsidiary as at 31 December 2015 amounted to $6.94 million (€6.25 million). The financing agreement provided that the loan amount advanced to the Company's subsidiary shall be either payable in full on the 5th anniversary of the agreement or, at the discretion of the lender, shall be converted into a designated unit in the residential building owned by another Company's subsidiary. Up until maturity or conversion, the amounts advanced by the individual lenders bear interest of 0.5% per annum (or 1.5% per annum if not converted). For the conversion option, see Note 17d. For the guarantees in respect to this agreement see Note 29a(13).

(15) On 27 January 2014, BCP issued 72,000,000 debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors by expanding the existing debenture series of BCP. The debentures bear annual interest of 3.29% (subject to adjustments in the event of a change in the rating of debentures) (effective interest rate is approximately 3.489% per annum) and will be repaid in unequal 12 yearly instalments starting 2013 until 2014.

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(16) In July 2014, BCP completed the issuance to the public in Israel new series (series C) of non-convertible debentures of NIS125,000,000 par value with a duration of 8.5 years. The debentures were offered by way of a uniform offer as prescribed in the securities regulations (manner of offering securities to the public) – 2007 in 125,000 units by way of tender on the annual interest rate to be borne by the debentures. The annual interest rate of these debentures is 3.3% (effective interest rate is approximately 3.517% per annum). The interest on the debentures is payable in two semiannual installments on 20 January and 20 July on each of the years 2015 through 2026 (inclusive) effective from 20 January 2015. On 22 July 2014, BCP allocated according to the outcome of the issuance, NIS102,165,000 par value of debentures. On 24 July 2014, trading has commenced for the above securities in the Tel Aviv Stock Exchange. The debentures are linked to the Israeli CPI and payable (principal) in 12 annual installments of unequal amounts on 20 July of each of the years 2015 through 2026 (inclusive) such that each payment of the first 9 payments will constitute 2% of the principal of the total par value of the debentures, the tenth payment will constitute 17% of the principal of the total par value of the debentures and each payment of the last 2 payments will constitute 32.5% of the principal of the total par value of the debentures.

(17) During 2014, an indirect subsidiary of the Company in USA financed approximately 68% of the purchase of Cobblestone Grove Apartments, with a bank loan in the amount of $12.8 million (€9.3 million). The loan has a term of 10 years and bears fixed interest rate of 4.9% per annum.

(18) For the purpose of financing the purchase of residential units in Germany BCP entered into an agreement with a German bank for a non-recourse loan of €42.3 million with final repayment date of 1 May 2019. The loan bears six months Euribor interest rate plus a margin of 1.7% payable every quarter. The loan is payable quarterly at an annual rate of 2.5% until the final repayment date where the unsettled principal balance should be paid in full.

(19) In December 2013, two subsidiaries of BCP ("the asset companies") entered into a loan agreement with a German bank in a total amount of €30 million. In respect of this loan facility a lien was placed on two income generating real estate properties in Germany. The new loan was mainly used to repay existing loans of €20 million obtained from another bank, under which a lien was placed on one of the assets. The bank financing has the following principle terms: a non-recourse loan with final repayment date of 31 December 2018. The loan bears three months Euribor interest rate plus a margin of 2.35%. Interest payments are payable quarterly. The loan is payable quarterly at an annual rate of 2.7% until the final repayment date on which the unsettled principal balance should be paid in full. The loan was received in January 2014.

NOTE 16:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(20) On 4 February 2014, 13 subsidiaries of BCP (the "asset companies") entered into a loan agreement with a German bank in a total amount of €125 million. In respect of this loan facility a lien was placed on 13 income generating real estate properties in Germany spanning over a total area of 158 thousand square meters. The new loan was received in February 2014. The new loan was mainly used to repay an existing loan from another bank in the amount of € 100 million, under which a lien was placed on the same assets. The bank financing has the following principle terms: a non-recourse loan with final repayment date of 30 December 2018. The loan bears three months Euribor interest rate plus a margin of 2.3%. Interest payments are payable quarterly. The loan is payable quarterly at an annual rate of 3% until the final repayment date on which the unsettled principal balance should be paid in full.

(21) For the purpose of financing the purchase of real estate in Germany BCP entered into an agreement with German banks pursuant to the following term: a non-recourse loan of €38.4 million with final repayment date between 4 to 5 years from the date the loan was granted. The loans bear Euribor interest rate for three or six months plus a margin of 1.5% - 2.25%. The loans will be paid quarterly at an annual rate of 0%-2.5% until the final repayment date in which the unsettled principal balance should be paid in full.

(22) In November 2014, an indirect subsidiary of the Group in USA entered into a loan agreement with two banks for obtaining two loan facilities, Note A amounting to $67 million (€55 million) and Note B amounting to $20 million (€16.5 million). As per the agreed terms, Note A bears variable interest and Note B bears interest of 5.5% per annum. Interest shall be payable by monthly instalments commencing on 1 January 2015 until the maturity of the facility on 1 June 2016. The principal amounts of Note A and Note B are payable in one instalment on the loan maturity date. For the guarantees in respect to this agreement see Note 29a(19).

(23) In August 2014, a Group's indirect subsidiary entered into a loan agreement with a group of lenders for obtaining a loan facility amounting to $12 million (€10 million). The purpose of the facility is the finance of the development of a commercial shopping center in Lyubertsy, Moscow region, Russia owned by this subsidiary of the Group. The facility bears a fixed interest of 13% per annum and is payable in one instalment, including accrued interest and principal amount, in February 2018. For the guarantees in respect to this agreement see Note 29a(22).

(24) On 18 December 2014, the Company entered into a loan agreement with a financing bank for the amount of $5.1 million (€4.2 million). The loan facility bears fixed interest of 5.27% per annum and is repayable by quarterly instalments of $255 thousand (€210 thousand) plus accrued interest, commencing on 30 March 2015 up until the loan maturity date on 30 December 2019. For the guarantees and loan covenants in respect to this agreement see Note 29a(25).

NOTE 17:- DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER LIABILITIES MEASURED AT FAIR VALUE

	31 December	
	2015	**2014**
	Euro in thousand	
Interest rate derivative measured at fair value *) (a) and (b)	970	808
Fair value of lenders' conversion option rights (c) and (d)	8,186	-
	9,156	808

*) Amounts of €393 thousand and €266 thousand were recorded as current liabilities as of 31 December 2015 and 31 December 2014, respectively.

a. Some of the German subsidiaries that own investment properties and related loans, has entered into interest rate swap agreements. In these agreements, the subsidiary hedges its exposure to future changes in variable interest rates on cash flows, by swapping it for a fixed interest rate. The change in the fair value of the hedging instrument (not designated as a cash flow hedging for accounting purposes) is recognised in profit or loss. As of 31 December 2015 and 31 December 2014, the fixed interest rate (with no margin) was 0.5%.

b. Some of the German subsidiaries that own investment properties took out loans with maximum interest ceiling. In addition, these subsidiaries entered into agreements to fix the interest rate ceiling (CAP). In those agreements, each subsidiary hedges its exposure to future changes in variable interest on cash flows, by fixing a ceiling rate for the payment of interest. The change in the fair value of instrument was charged directly in profit or loss. As of 31 December 2015 the ceiling interest rates are between 3% and 4.5% (2014: 3% and 4.5%).

c. As described in Note 16(12), during 2015 an indirect subsidiary of the Company in the USA, entered into financing agreements with individual lenders. These financing agreements provide to the lenders the option to convert the amounts advanced to the subsidiary to designated units in the residential building acquired by another Company's subsidiary as described in Note 3a(2). Accordingly the fair value of these conversion option rights granted to the lenders as at 31 December 2015 amounted to $8 million (€7.3 million). During 2015, the Company recorded a revaluation loss amounting to $3.2 million (€2.9 million), which was recognised as part of "Revaluation of investment property, net" item in the consolidated income statement. The fair value of options was calculated using the "Black and Scholes" option pricing model.

d. Further to an acquisition made by an indirect subsidiary of the Company in the USA during 2014, another subsidiary of the Company in the USA entered into financing agreements with individual lenders, as described in Note 16(14). These financing agreements provide to the lenders the option to convert the amounts advanced to the subsidiary to designated units in the residential building acquired during 2014. Accordingly the fair value of these conversion option rights granted to the lenders as at 31 December 2015 amounted to $0.9 million (€0.8 million). The fair value of options was calculated using the "Black and Scholes" option pricing model.

NOTE 18:- OTHER NON-CURRENT LIABILITIES

	31 December	
	2015	2014
	Euro in thousand	
Finance lease liability (1)	3,147	3,186
Tenant deposits	1,634	1,738
Other liabilities (2)	-	7,158
Less - current maturities	-	(3,610)
	4,781	8,472

(1) The financial lease liability refers to an investment property asset leased from a local authority until 2047 (see also Note 29c).

(2) See Note 5b.

NOTE 19:- TRADE AND OTHER PAYABLES

	31 December	
	2015	2014
	Euro in thousand	
Trade payables	4,787	2,717
Real estate taxes and other tax payable	962	758
Tenant deposits	5,124	3,903
Accrued expenses	12,962	7,819
Advances received from tenants and others	1,766	3,959
Other payables	4,652	4,437
Amounts payable to partner upon acquisition of interest in investees	4,788	4,329
Liability for capital reduction (1)	-	4,821
Related parties (2)	556	768
	35,597	33,511

(1) See Note 14b(5).

(2) See Note 30e.

NOTE 20:- SERVICE CHARGE, MANAGEMENT AND OTHER INCOME

	Year ended December 31	
	2015	2014
	Euro in thousand	
Service charge from tenants	29,038	22,170
Management, advisory fee and other income	3,222	3,008
	32,260	*) 25,178

*) Retrospective application due to change in presentation, see note 2ac.

NOTE 21:- PROPERTY OPERATING AND OTHER EXPENSES

	Year ended December 31	
	2015	2014
	Euro in thousand	
Service charge expenses	27,671	22,119
Property management and salary expenses	10,897	6,629
Property taxes and fees	1,477	992
Maintenance, repairs and renewals	2,236	3,552
Letting expenses	3,384	3,777
Professional and consulting fees	1,741	679
Insurance expenses	477	160
Marketing expenses	2,554	824
Other expenses	6,126	4,608
	56,563	*) 43,340

*) Retrospective application due to change in presentation, see note 2ac.

NOTE 22:- GAIN FROM BARGAIN PURCHASE

	Year ended December 31	
	2015	2014
	Euro in thousand	
Gain from bargain purchase	-	16,328

NOTE 23:- ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Wages and salaries	5,255	5,022
Legal expenses and other professional services	4,087	3,746
Office rent and maintenance	644	689
Other administrative expenses	2,636	1,887
	12,622	11,344

NOTE 24:- FINANCIAL INCOME

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Marketable securities	82	206
Interest income on loans, receivables and deposits	25,913	10,820
	25,995	11,026

NOTE 25:- FINANCIAL EXPENSES

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Finance expenses on interest bearing loans and other borrowings	39,782	42,663
Bank charges and others	326	969
	40,108	43,632

NOTE 26:- OTHER INCOME/(EXPENSES), NET

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Loss from purchase of investee	-	(2,111)
Measurement of liability for additional investment in joint venture (1)	(4,119)	-
Impairment charge of property, plant and equipment (2)	(5,670)	-
Other income/(expenses), net	(5,876)	2,637
	(15,665)	526

(1) See Note 5b.

(2) See Note 8.

NOTE 27:- FINANCIAL INSTRUMENTS

Classification of financial assets and financial liabilities:

	31 December	
	2015	2014
	Euro in thousand	
Loans and receivables at amortized cost:		
Cash and cash equivalents	71,590	96,359
Current maturities of long term loans	50,860	21,451
Trade and other receivables (1)	23,781	20,361
Marketable securities and other short-term investments	2,090	5,465
Restricted deposits	16,072	25,030
Other investments and loans	27,673	49,770
	192,066	218,436
Financial liabilities at fair value through profit or loss:		
Interest-bearing loans and borrowings	(245,509)	(320,430)
Derivative financial instruments and other liabilities measured at fair value (4)	(970)	(808)
	(246,479)	(321,238)
Other financial liabilities at amortized cost:		
Interest-bearing loans and borrowings	(976,703)	(710,979)
Trade and other payables (2)	(28,707)	(25,649)
Other non-current liabilities (3)	(3,147)	(6,734)
	(1,008,557)	(743,362)

(1) With the exception of prepaid expenses.

(2) With the exception of tenant deposits and advances from customers.

(3) With the exception of tenant deposits.

(4) With the exception of fair value of lenders' conversion option rights.

NOTE 27:- FINANCIAL INSTRUMENTS (Cont.)

Classification of financial assets and financial liabilities (Cont.):

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's, financial performance. The Group's uses derivative financial instruments to hedge certain risk exposures.

Also the Group designates part of the bank loans to be measured at fair value through profit or loss in order to decrease the effect of changes in assets fair value which was financed by those loans.

The Group's management reviews and agrees on policies for managing each of the risks.

Credit risk

Management has a credit policy in place and monitors the exposure to credit risk on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. The Group is exposed to credit risk with regard to its trade receivables, cash and cash equivalents, restricted deposits and other financial assets (including loans granted).

The Group's companies regularly monitor the credit status of their customers and debtors and record appropriate provisions for the possibility of losses that may be incurred from the provision of credit, in respect of specific debts of which collection is doubtful. As a result, the Group exposure to bad debts is insignificant.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is presented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation and that at all times the Group does not breach the borrowing limits or covenants or any of its borrowing facilities. As of 31 December 2015 the Group has a negative working capital in the amount of €78.5 million mainly due to loans classified to short term based on contractual repayment schedule. After the year end, BCP had signed a refinance agreement for a loan facility in the amount of €57.5 million (see also note 32d), which are classified within current liabilities in the consolidated financial statements. The Group is of the opinion that it will be able to negotiate the prolongation of other loan facilities.

NOTE 27:- FINANCIAL INSTRUMENTS (Cont.)

Liquidity risk (Cont.)

The table below summarizes the maturity profile of the Group financial liabilities at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments:

	31 December 2015						
	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	Euro in thousand						
Interest-bearing loans and borrowings	262,536	138,823	471,332	129,904	93,769	314,954	1,411,318
Financial liabilities and other long-term liabilities	403	855	644	225	237	6,062	8,426
Trade and other payables	28,707	-	-	-	-	-	28,707
	291,646	139,678	471,976	130,129	94,006	321,016	1,448,451

	31 December 2014						
	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	Euro in thousand						
Interest-bearing loans and borrowings	100,711	285,817	103,171	404,908	114,698	210,744	1,220,049
Financial liabilities and other long-term liabilities	215	3,794	215	215	215	5,927	10,581
Trade and other payables	25,649	-	-	-	-	-	25,649
	126,575	289,611	103,386	405,123	114,913	216,671	1,256,279

Cash flow and fair value interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable rate interest because of changes in interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest rate swap agreements or CAP agreements, to reduce exposure to interest rate changes. As of the report date, approximately 43% of the Group’s loans and debentures are hedged.

Hedging and derivative instruments

(1) Derivative instruments:

As of 31 December 2015, the Group has an interest rate swap agreement (SWAP) in the principal amount of €58,750 thousand (2014: €60,625 thousand) according to which the Group pays a fixed interest rate of 0.5% and receives variable interest at a rate equal to Euribor for one month.

As of 31 December 2015, the Group has CAP options on loan principals in the principal amount of approximately €41,008 thousand (2014: €106,016 thousand) to fix a Euribor interest rate within the range of 1.9% - 2.5%.

NOTE 27:- FINANCIAL INSTRUMENTS (Cont.)

Hedging and derivative instruments (Cont.)

(1) Derivative instruments (Cont.):

In addition, as of 31 December 2015, the Group has CAP option to fix loan agreements amounting to €115,234 thousand (2014: €114,868 thousand) such that the total interest will not exceed the range of 4.5% - 6%.

The hedge transactions are not designated as cash flow hedges for accounting purposes and therefore changes in fair value are recorded in the consolidated income statement.

(2) Currency exchange transactions:

As of 31 December 2015, the Group has various agreements for a future sale of € against future purchases of US dollar in the total amount of €90 million (2014: €110 million) and at average forward rate of €1.13 (2014: €1.36) to the US dollar. The currency exchange transactions are not designated as cash flow hedges for accounting purposes and therefore changes in fair value are recorded in the consolidated income statement.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Russian Roubles and NIS. The Group incurs foreign currency risk on income, purchases and borrowings that are denominated in a currency other than the Euro.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. With respect to the deterioration in the Russian economy, which resulted in the weakening of Russian Rouble, see note 5b.

The Group seeks to reduce its currency risks by matching, in each project, the currency denomination of its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals).

NOTE 27:- FINANCIAL INSTRUMENTS (Cont.)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the relevant variable, with all other variables held constant, of the Group's profit before tax:

	Sensitivity to change in Euro/NIS	
	Effect on profit or loss	
	NIS strengthened by 5%	NIS weakened by 5%
	Euro in thousand	
2015	(9,497)	9,497
2014	(10,267)	10,267

	Sensitivity to change in USD/RUB	
	Effect on profit or loss	
	RUB strengthened by 20%	RUB weakened by 20%
	Euro in thousand	
2015	20,698	(20,698)
2014	15,892	(15,892)

	Sensitivity to change in Euribor	
	Effect on profit or loss	
	+200 basis points	-200 basis points
	Euro in thousand	
2015	12,450	(12,716)
2014	19,114	(13,219)

Reasonably possible changes in the EUR/USD expect to have an immaterial effect on the profit or loss.

Fair value

Set out below, are the carrying amounts and the fair value of the Group's financial instruments that are not presented in the consolidated financial statements at fair value:

	Carrying amount		Fair value	
	31 December		31 December	
	Euro in thousand			
	2015	2014	2015	2014
Financial liabilities:				
Debentures and interest payable on debentures	197,194	193,220	209,800	215,103

The carrying amount of cash and cash equivalents, restricted deposits and other short-term investments, trade receivables, other accounts receivable, trade payables and other payables and interest-bearing loans and borrowing presented at amortized cost approximates their fair value.
Fair value of the quoted debentures is based on price quotations at the reporting date and is classified as Level 1 in the fair value hierarchy.

NOTE 27:- FINANCIAL INSTRUMENTS (Cont.)

Fair value (Cont.)

Description of unobservable material data that are used in valuation:

	Valuation technique	Unobservable material data	Range (weighted average)	Sensitivity of fair value to change in data
Financial Liabilities:				
Loans (*)	DCF	Discount interest	Euribor for 3 months plus 2.05%-2.5%	2% increase/decrease in discount rate will result in increase/decrease in fair value up to €9.5 million
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to €3.3 million

(*) Loans are categorized within Level 3 of the fair value hierarchy. During 2015, the Company signed a refinance agreement for a loan in the total amount of €67 million which was designated at cost, repaid an amount of €9 million and recorded a loss due to revaluation of the loans to fair value amounting to €0.9 million which was recorded as a part of “financial expenses” in the consolidated income statement. As of 31 December, 2015 the fair value of loans measured at fair value summed to €246 million (2014: €320 million).

As of the data for the determination of the fair value of investment property, see note 3.

Capital management

For the purpose of the Group’s capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group’s capital management is to maximize the shareholder value.

In order to achieve this overall objective, the Group’s capital management, amongst other things, aims to ensure that it meets financial covenants attached to its loans that define capital structure requirements as breaches in meeting the financial covenants might, in some cases, permit the lender to seek for immediate repayment of the defaulting loan. In relation to the financial covenants of financing facilities see Note 29a.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sells assets to reduce debt.

NOTE 28:- EARNINGS PER SHARE (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 December	
	2015	2014
	Euro in thousand	
Net profit/(loss) for the year attributable to equity holders of the Company for basic EPS	(27,675)	30,042
Adjustment due to share of diluted earnings of investees (*)	-	(2,622)
Net profit/(loss) for the year attributable to equity holders of the Company for diluted EPS	(27,675)	27,420

	31 December	
	2015	2014
	Number of shares	
Weighted average number of ordinary shares for basic EPS	161,610,064	154,515,053
Effect of dilution:		
Warrants (*)	-	9,761
Weighted average number of ordinary shares adjusted for diluted EPS	161,610,064	154,524,814

(*) For the year 2015 and as per the accounting policy in Note 2z, the Company has excluded potential ordinary shares (including convertible loans and options to employees) in the computation of diluted earnings per share, as these decrease loss per share from continuing operations.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

NOTE 29:- COMMITMENTS AND CONTINGENCIES

a. Liens and guarantees:

The investment properties of the Group, each owned by a separate subsidiary, are subject to registered debentures to secure the related bank loans. The lien on the assets is the only guarantee that was submitted to secure the bank loans, except for the following in relation to BCP:

1. As collateral for non-recourse loans from banking corporations, liens have been also registered on the bank accounts into which rental fees are received (see also note 9c), on rights in respect of insurance policies, a lien on the shares of the company holding the asset etc. Each property is owned by a consolidated Special Purpose Vehicle ("SPV") company of BCP. In respect of some of the properties, a cross-guarantee secures credit facilities taken for the acquisition of the properties.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

Some of the loan agreements also contain "negative lien" provisions, whereby the borrowers are prohibited from creating additional liens on the encumbered assets and revenues, without receiving the prior explicit consent of the lender. BCP is entitled to direct the relevant activities of those SPVs, and accordingly BCP consolidates the financial statements of those SPVs.

2. As part of the loan agreement signed in November 2013 with a German bank for the purpose of obtaining €101.4 million for financing Stage B of the project in Dusseldorf, BCP extended a guarantee of €13.9 million (2014: €15.9 million), out of which an autonomous guarantee of €8.9 million is in favor of the local authority to secure the liabilities of the project's companies according to the development agreement entered into with the local authority. The remaining guarantee balance of €7 million (2014: €7 million) will be used for issuing guarantees to performing contractors and others. The annual interest of the guarantee is 1.25% and is calculated only in respect of the amount actually extended as guarantee. The balance of guarantee as of 31 December 2015 amounted to €6.9 million.

3. The German credit facility agreements with banking corporations contain several financial covenants that must be complied with. These are the Loan to Value ("LTV") ratio, which shall be within the range of 70% to 80%, the Interest Cover Ratio ("ICR") which must be higher than a range of 150% to 160% and the Debt Service Cover Ratio ("DSCR") which must be higher than a range of 120% to 145%. BCP's steady cash flow enables BCP to meet the ICR and DSCR covenants. In addition, all of the BCP facilities are non-recourse with no cross default among the facilities. Therefore failure to comply with the terms of one of the frameworks does not constitute violation of the other frameworks.

   As of 31 December 2015, the Group's companies meet all the covenants.

4. BCP has undertaken that so long as the debentures (series A) are still outstanding:

   (a) BCP's equity attributable to BCP's shareholders shall not fall below €80 million.
   (b) BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding non-controlling interests) will be reduced below €80 million.
   (c) The ratio between the equity attributed to BCP's shareholders at the end of each quarter to the net financial debt (financial liabilities less cash, cash equivalents and short-term investments) according to the financial information attributed to BCP (stand-alone) shall not fall below 187.5%.
   (d) The ratio between BCP's total net financial liabilities less cash, cash equivalents and short-term investments, and BCP's total equity (including non-controlling rights) shall not exceed 90%.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

(e) The ratio of the value of Brack German Properties B.V. ("BGP") pledged shares calculated on the basis of the subsidiary's equity (attributed to BCP's shareholders), to the outstanding principal plus interest and accumulated linkage not yet paid, shall not fall below 175%.

As of 31 December 2015, BCP meets all the covenants.

5. BCP has undertaken that so long as the debentures (series B) are still outstanding:

(a) BCP's equity attributable to BCP's shareholders shall not fall below €150 million.
(b) BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding non-controlling interests) will be reduced below €160 million or the ratio described in (c) below will exceed 70%.
(c) The ratio between BCP's total net financial liabilities less cash, cash equivalents and short-term investments, and BCP's total equity (including non-controlling rights) shall not exceed 75%.
(d) The ratio of the value of BGP pledged shares calculated on the basis of the subsidiary's equity (attributed to BCP's shareholders) to the outstanding principal plus interest and accumulated linkage not yet paid, shall not fall below 175%.

As of 31 December 2015, BCP meets all the covenants.

6. A guaranty was provided by the Company, jointly and equally with its partner, with regards to a refinancing of the construction loan for the development of a property in the USA, as described in Note 16(7), obtained by a Group's associate company as follows:

(a) Principal Payment Guaranty equal to 12.5% of the outstanding amount of the loan, then decreasing to 5% after property achieves a 10.5% debt yield and then reducing to nil once the property achieves 11% debt yield.
(b) Debt Service Guaranty throughout the Loan term covering interest payments (not principal) for the first 3 year loan term and then for years 4 to 5 covering both interest and principal payments.
(c) Standard "bad-boy" carve-outs throughout the term of the Loan.
(d) Standard environmental indemnity.

Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees.

As of 31 December 2015, all of the above covenants are met.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

7. The Company had undertaken, the following covenants with respect to series B debentures:

   (a) The Company will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of the Company (excluding non-controlling interests) will be reduced below $200 million or the ratio described in (d) below will exceed 37.5%.
   (b) The Company's equity attributable to its shareholders (excluding non-controlling interests) shall not fall below $140 million.
   (c) BCP's equity attributable to BCP's shareholders shall not fall below €135 million.
   (d) The ratio between the net financial debt to the total capital and debt (CAP) of the Company's shall not exceed 36.5%.
   (e) The net financial debt to CAP ratio of BCP shall not exceed 45%.

   The facility is also secured by BCP shares. As of 31 December 2015, the Company meets all the covenants.

8. The Company had undertaken, the following covenants with respect to series C debentures:

   (a) The Company's equity attributable to its shareholders (excluding non-controlling interests) shall not fall below $140 million.
   (b) The ratio between the net financial debt to the total assets of the Company's shall not exceed 75%.
   (c) The Company will not make any distribution of dividends to its shareholders if, as a result of such distributions the equity of the Company (excluding non-controlling interests) will be reduced below $150 million or the ratio described in (b) above will exceed 70%.

   The facility is also secured by BCP shares. As of 31 December 2015, the Company meets all the covenants.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

9. BCP has undertaken that so long as the debentures (series C) are still outstanding:

(a) BCP's equity attributable to BCP's shareholders shall not fall below €190 million.
(b) BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding non-controlling interests) will be reduced below €200 million.
(c) The ratio between BCP's total net financial liabilities less cash, cash equivalents and short-term investments, and BCP's total equity (including non-controlling rights) shall not exceed 75%.
(d) The ratio of the value of BGP's pledged shares is calculated, on the basis of the subsidiary's equity (attributed to BCP's shareholders) to the outstanding principal plus interest and accumulated linkage not yet paid, shall not fall below 175%.

As of 31 December 2015, BCP meets all the covenants.

10. Pursuant to the loan agreement entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a multifamily residential property (see Note 16(8)), the Company has provided a guarantee in the favor of the bank as follows: (1) standard environmental indemnity and (2) standard "bad boy" carve-outs. The Company further undertaken to maintain a minimum net worth of $11.2 million (€10.3 million) and minimum liquid assets of $1.2 million (€1.1 million). Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees. As of 31 December 2015, all of the above covenants are met.

11. Pursuant to the first loan facility entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a residential building (see Note 16(9)), the Company has provided a guarantee in the favor of the lender as follows: (1) standard environmental indemnity, (2) standard "bad boy" carve-outs and (3) carry guarantee for the property. Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

12. Within the framework of two agreements entered into by subsidiaries of BCP for the acquisition of three residential properties, the acquiring subsidiary companies gave an undertaking to the sellers (a government housing corporation), inter alia, not to sell more than 25% of the acquired apartments over a period of 10 years (and not more than 2.5% per year), to fulfill capital investments in the acquired properties of a minimum of €8.5 to €11 per square meter per annum over a period of 10 years, to meet certain limitations regarding rent increases for residents living in the property on the acquisition date. The commitments are undertaken in order to uphold the terms of sale determined by the federal government controlling the seller. The undertakings are secured by a guarantee given by the ultimate parent company, in the amount of approximately €10 million.

    On 18 November 2010, BCP granted indemnification letter to the ultimate parent company under which BCP shall compensate the ultimate parent company for any demand to exercise the above guarantees, if at all.

13. Pursuant to the financing agreements entered into by two indirect subsidiaries of the Company in the USA with individual lenders (see Note 16(12) and 16(14)), the Company has provided to these lenders payment guarantees for the amounts advanced to the subsidiaries.

14. Pursuant to the loan agreement entered into by an indirect subsidiary of the Company (Brack Capital USA B.V.) with a financing bank, as described in Note 16(10), a full payment guarantee was given to the financing bank, jointly by the Company and another wholly owned subsidiary of the Company. In addition, the Company and its wholly owned subsidiary guaranteeing this facility, have also undertaken that so long as the facility is still outstanding:

    (a) Brack Capital USA B.V. should maintain a minimum net equity of $45 million.
    (b) Brack Capital USA B.V. should maintain a minimum of shareholders' funds of $30 million.
    (c) Brack Capital USA B.V. should maintain a minimum gross cash flow from operations of $5 million for the first year of the loan term, then increasing to $10 million for the remaining term.
    (d) The Company should maintain a minimum net equity of $140 million.
    (e) The ratio between the net financial debt of the Company to its total assets shall be maintained during the loan term within 0.75 to 1.00.

    The above covenants relate to the consolidated financial statements of Brack Capital USA B.V. and of the Company, where applicable.

    As of 31 December 2015, Brack Capital USA B.V. and the Company meet all the covenants.

15. Pursuant to the loan agreement entered into by the Company and a group of lenders during the year, as described in Note 16(11), Company's subsidiaries pledged their rights in BCRE Funding Holdings LLC, an indirect subsidiary of the Company in the USA.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

16. In relation to the loan agreement entered into by the Company and a related party during the year, as described in Note 16(13), the Company had undertaken to the related party the same financial covenants as those undertaken for the Company's series C debentures, as described in Note 29a(8).

17. Pursuant to the financing agreements entered into by an associate of the Company in Russia for the amounts of $29 million (€26.6 million) and $87 million (€79.8 million), the Company has provided payment guarantees in the amount of $4.2 million (€3.9 million) in respect of the first facility and $12.8 million (€11.7 million) for both facilities. In addition, the Company had secured the associate's obligation to pay interests, commissions and forfeit accrued on the facilities. The total guarantees for both facilities shall not exceed the amount of $17 million (€15.6 million). The partner participating in this project, has provided to the Company a guarantee amounting to $6.8 million (€6.2 million) in relation to the above.

18. Pursuant to the financing agreements entered into by an indirect subsidiary of the Company in Russia for the amounts of $12 million (€11 million) and $70 million (€64 million), the Company has provided payment guarantees in the amount of $1.7 million (€1.6 million) and $13.9 million (€12.7 million), respectively. In addition, the Company had secured the subsidiary's obligation to pay interests, commissions and forfeit accrued on the facilities.

19. Pursuant to the financing agreements entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a property in November 2014 for the amount of $87 million (€80 million) (Note A $60 million (€55 million) and Note B $20 million (€16.5 million)), as described in Note 16(22), the Company provided a guarantee to the lenders in respect of the following: (1) standard environmental indemnity, (2) standard "bad-boy" carve-outs throughout the term of the Loan agreement and (3) a payment guaranty on the Note B of the facility. Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees.

20. Pursuant to a loan agreement entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a multifamily residential property for the amount of $12.8 million (€9.3 million) during 2014, the Company provided a guaranty in favour of the bank as follows: (1) standard "bad-boy" carve-outs and (2) Standard Environmental Indemnity. The Company further undertaken to maintain $12.8 million (€10.5 million) of net worth and $1.28 million (€1.05 million) of liquid assets. Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees. As of 31 December 2015, all of the above covenants are met.

21. Pursuant to the financing agreement entered into by an indirect subsidiary of the Company for the amount of $10.5 million (€9.6 million), the Company has provided to the lenders, jointly with another indirect subsidiary, a full payment guarantee. The facility is secured by BCP shares.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

a. Liens and guarantees (Cont.):

22. Pursuant to the financial covenants set forth in the loan agreement entered in August 2014 between a Group's indirect subsidiary and a group of lenders amounting to \$14.5 million (€13.3 million) as of 31 December 2015, the equity of the guarantor for this loan facility, BCRE Russian Properties Limited, shall not fall below 10 times of the outstanding loan amount including any accrued interest. In case the covenant is breached and upon demand of 50% of the group of lenders, the guarantor will be obliged to pay to the lenders such amount so as to furnish for the breach. As of 31 December 2015, the above covenant is not met and in this respect an amount of \$8 million (€7.3 million) has been classified within current liabilities.

23. Pursuant to the financing agreement entered into by an associate of the Group and a financing bank in Russia amounting to \$37.8 million (€34.6 million) as of 31 December 2015, the associate undertaken to maintain a Loan to Value ratio of 70% and a Debt Service Ratio of 1.2. As of 31 December 2015, the covenants were not met and the outstanding loan balance has been classified within current liabilities in the financial statements of the associate. The financing bank has provided a waiver to the associate company for the default of these covenants subsequent to the year end.

24. Pursuant to the financing agreement entered into by an indirect subsidiary of the Group and a financing bank in Russia amounting to \$32.7 million (€30 million) as of 31 December 2015, the subsidiary undertaken to maintain a Loan to Value ratio of 70% and a Debt Service Ratio of 1.2. As of 31 December 2015, the covenants were not met and the outstanding loan balance has been classified within current liabilities of the consolidated financial statements. The financing bank has provided a waiver to the indirect subsidiary for the default of these covenants subsequent to the year end.

25. Pursuant to the loan agreement entered into by the Company and a financing bank in December 2014 for the amount of \$5.1 million (€4.2 million), as described in Note 16(24), the Company undertaken the following throughout the loan term:

    (a) The Company shall maintain a minimum of NIS20 million liquid assets.
    (b) The Company shall maintain a minimum of \$140 million.
    (c) The Company shall ensure that BCP maintains a minimum equity of €135 million.
    (d) The Company shall ensure that the ratio between its net solo financial debt to the total solo capital and debt will not exceed 36.5%.
    (e) The Company shall ensure that the net solo financial debt to CAP ratio of BCP will not exceed 45%.
    (f) The Company will not make any distribution to its shareholders, if as a result of such distribution the equity of the Company (excluding non-controlling interests) will be reduced below \$200 million or the ratio described in (e) above will exceed 37.5%.

As of 31 December 2015, the Company meets all the covenants.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

b. Commitments:

1. During 2007, the Company committed to invest in India through investing in the BCRE India Fund (the "Fund") an amount of $21.8 million which reflects 20% of the total Fund's commitments. The Group has a 20.92% (2014: 20%) equity interest in the Fund and receives a management fee and a performance fee on all of the investments made by the Fund. In 2009, following an amendment to the terms and conditions of the Fund, it was decided that the Fund will cease making new investments in India (but would continue supporting existing investments) and will direct new investment activity to the USA. As of 31 December 2015 and 31 December 2014 the Company has invested in the Fund €19.4 million ($21.2 million) and €18.2 million ($19.9 million), respectively. The Fund does not intend to make new investments and plans to use these amounts to make follow-on investments (as required) and to cover the Fund's related expenses.

2. When shareholders of the Company and other investors are joining the Group in real estate investments, the relevant subsidiary of the Group which manages the investment, is entitled to a promote of 20% to 30% of the investors' share in the profit made by the investment, after full return of the investment plus an annual yield within the range of 8% to 15%. The IRR threshold and the promote mechanism are dependent upon the location of the investment.

3. With respect to some of the BCP's assets, the BCP entered into agreements with various investors (the investors) for the purpose of investments in joint ventures such that the BCP's share in the joint ventures amounts to 51% - 57% and the investors' share amounts to 43% - 49%. To the best knowledge of the BCP, these investors are members of the "investors' club" that was established by the ultimate parent company and some of the investors are related parties in the Company.

The following are the main terms of the joint venture commitment:

1. The BCP shall be, at anytime, the managing partner and the controlling shareholder in the joint venture.

2. The joint venture shall pay the BCP management fees of 2.5% of the rental income.

3. BCP shall be entitled to 20% of the investors' share in the profit after the full return of their investment plus an annual yield of 8% on their investment.

4. For their relative share in the joint ventures, the investors shall pay BCP their relative share of the total purchase cost.

The share of the investors is presented in non-controlling interests and their investment balance, as of 31 December 2015, amounts to € 90.4 million.

NOTE 29:- COMMITMENTS AND CONTINGENCIES (Cont.)

c. Finance lease:

	2015		2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	Euro in thousand			
Within one year	215	36	215	31
After one year but not more than five years	862	129	860	125
More than five years	5,710	2,982	5,927	3,030
Total minimum lease payments	6,787	3,147	7,002	3,186
Less amounts representing finance charges	(3,640)	-	(3,816)	-
Present value of minimum lease payments	3,147	3,147	3,186	3,186

d. Legal claims:

No material claims were filed against the Group.

NOTE 30:- RELATED PARTIES

a. Transactions with related parties:

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Interest income from related parties	339	429
Interest expenses to related parties	(158)	(134)
Management fees expenses to related parties (1) and (2)	(1,006)	(969)
Reimbursement of expenses (1)	(1,308)	(1,279)
Management fees – income from related parties	104	185

(1) The Group is supported by BCH – Brack Capital Holdings Limited ("BCH") through the provision of services by the employees of BCH, which are paid for on cost basis and the provision of rating, investor relations and other financial services for a fixed amount of $1.1 million (€1 million). In addition, the Company paid to BCH reimbursement of expenses in the amount of $1.4 million (€1.3 million).

(2) The Group is receiving advisory services from B Joel Advisors Limited, a company owned by a related party, payable on a monthly basis. The expense in the amount of approximately €0.2 million was recorded in the income statement.

NOTE 30:- RELATED PARTIES (Cont.)

b. Transactions with entities accounted for using the equity method:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Management fees income from related parties	610	342
Interest income from related parties (1)	995	826
Interest expenses to related parties (2)	(742)	(597)

(1) See section d(1).

(2) See section d(2).

c. Balances with related parties:

	31 December	
	2015	**2014**
	Euro in thousand	
Loans granted to related parties (1)	14,962	10,973
Loans granted by related parties (2) and (3)	(6,250)	(2,055)

(1) The loans granted to related parties bear annual interest rate in the range of 3% to 4.5% per annum and are repayable on May 2016, February 2017, June 2017 and September 2017 depending on the terms of each loan and the date the loan was granted. Loans amounting to €6.2 million are secured by 108,113 BCP shares. The subsidiary that entered in these financial agreements has the option to acquire these pledge shares of BCP instead of receiving the loan and interest.

Upon initial recognition of the loans, the fair value of the options included in the instruments was determined to be immaterial. None of the above options has been exercised as of 31 December 2015.

(2) Loans granted by Melody Trust in the amount of €4,691 as of 31 December 2015, a company owned by a related party, bear annual interest within the range of 6.5% - 7% per annum. See also Notes 16(3),16(4) and 16(13).

(3) Loans granted by related parties in the amount of $1.7 million (€1.5 million) bear interest of 6.5% per annum. See also Note 16(11).

NOTE 30:- RELATED PARTIES (Cont.)

d. Balances with entities accounted for using the equity method:

	31 December 2015	31 December 2014
	Euro in thousand	
Loans granted to related parties (1)	61,309	53,355
Loans granted by related parties (2)	(12,075)	(10,097)

(1) The Group provided various loans to entities accounted for using the equity method as follows:

(a) Loans in the total amount of €23.2 million (2014: €32.9 million) bear no interest and are repayable on demand.

(b) Loans in the amount of €19 million (2014: €8 million) bear interest at the rate of 4% to 8% per annum and are repayable within 5 years from the date of grant. The loans were granted during the years from 2013 to 2015.

(c) Loan in the amount of €1 million (2014: €1 million) bears interest at the rate of 12% per annum and is repayable within 5 years from the date of grant. The loan was granted during 2011.

(d) Loan in the amount of €12.9 million (2014: €9.3 million), granted to a project in USA, bears interest at the rate of 1.5% per annum and is repayable in 2016. The Company at its option may convert the loan prior to the maturity date for a 74.31% equity interest in the borrower (which is the holding company of the associate) on a fully diluted basis.

(e) Loan in the amount of €5 million bears interest at 10% and is repayable on demand.

(2) The loan received from the associate which is accounted for using the equity method, in the amount of €12 million bears annual interest rate of 12% and is repayable in 2016.

e. Balances with companies under joint control and associates:

	31 December 2015	31 December 2014
	Euro in thousand	
Loans to associates (1)	858	-
Receivable from companies under joint control and associates (2)	3,263	1,330
Payable to companies under joint control (2)	(556)	(768)

(1) The loans to associate bear interest at the rate of 5% per annum and are repayable on 12 October 2016. The associate has the option to extend the maturity of the loan for an additional term of one year.

(2) The above balances bear no interest and are repayable on demand.

NOTE 30:- RELATED PARTIES (Cont.)

f. Balances with key management personnel:

	31 December 2015	31 December 2014
	Euro in thousand	
Loans granted to key management personnel (1)	3,951	4,575

(1) Loans granted to key management personnel of the Group bear interest of 0% to 3.5% per annum and are repayable on demand.

g. Compensation of key management personnel of the Group:

	Year ended 31 December 2015	Year ended 31 December 2014
	Euro in thousand	
Share – based payments transactions (1)	1,318	2,403
Salaries (2)	3,029	2,839
Directors fees (3)	463	381
Other compensation (4)	1,000	-

(1) See also note 15.

(2) The Chairman of the Board, has an option to purchase 2.5% of the equity of any deal in which BCRE UK invests in accordance with the following terms: (a) term: 36 months from the closing of each deal; (b) exercise price: 2.5% of the equity invested by BCRE UK and the co-investment club, adjusted for distributions and additional investments; and (c) type: regular or cashless as determined by the chairman at the time of the exercise. In addition the Chairman of the Board is entitled for an additional annual salary of £122,500 (€168,700) in his capacity as a member of the Investment Advisory Committee (beside his salary as a non-executive director). As of 31 December 2015, there is one deal closed by BCRE UK Properties BV entitling the Chairman of the Board to purchase equity of the deal in accordance with the terms described above. With respect to realization after the year end of UK deal see Note 3a(5). The Chairman exercised this option following the year end and realized a profit of £46,979 (€58,800) from this transaction. In addition, during 2015 the Chairman of the Board received additional fees in the total amount £90,000 (€123,900) in relation to the provision of additional services within the investment advisory committee.

(3) Relates to the Company's Director remuneration.

(4) During 2015, key employees received supplementary remuneration in the total amount of €1 million.

NOTE 31: SEGMENT INFORMATION

Due to the current situation in Russia, as described in Note 5(b), the continued investment in USA and Germany and the organization structure of the Group, during 2015, the Group had changed its composition of its reportable segments to geographical based, as mentioned below, which better reflects the information provided to the Management and to the Board of Directors. Prior period information was presented in order to reflect the change occurred during the period.

For management purposes, the Group is organized into business units based on its geographical segments, as follows:

- Germany
- Russia
- USA
- Other segments

No operating segments have been aggregated to form the above reportable operating segments.
The Management and the Board of Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit including revaluation of investment properties and share in profit of associates and joint ventures. Also, the Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Year ended 31 December 2015	Germany	Russia	USA	Others	Total
			Euro in thousand		
Gross rental income	66,415	5,616	3,363	-	75,394
Service charge, management and other income	26,277	2,047	2,997	939	32,260
Proceeds from sale of residential units	68,372	4,290	-	-	72,662
Cost of sales of residential units	(54,637)	(4,232)	-	-	(58,869)
Interest and other related income from lending business	-	-	2,684	-	2,684
Costs related to lending business	-	-	(471)	-	(471)
Property operating and other expenses	(40,136)	(5,063)	(9,032)	(2,332)	(56,563)
Gross profit	66,291	2,658	(459)	(1,393)	67,097
Revaluation of investment property, net	44,256	2,317	95,219	1,444	143,236
Share of profit/(loss) of associates and joint ventures	-	(98,782)	(282)	(4,790)	(103,854)
Segment results	110,547	(93,807)	94,478	(4,739)	106,479
Administrative and other expenses, net					(30,138)
Finance expenses, net					(61,144)
Profit before tax					15,197

NOTE 31: SEGMENT INFORMATION (Cont.)

Year ended 31 December 2014	Germany	Russia	USA	Others	Total
	Euro in thousands				
Gross rental income	60,512	5,855	1,673	-	68,040
Service charge, management and other income	23,735	51	303	1,089	*) 25,178
Proceeds from sale of residential units	70,933	1,606	-	-	72,539
Cost of sales of residential units	(58,499)	(4,241)	-	-	(62,740)
Interest and other related income from lending business	-	-	1,615	-	1,615
Costs related to lending business	-	-	(680)	-	(680)
Property operating and other expenses	(36,741)	(3,340)	(3,240)	(19)	*) (43,340)
Gross profit	59,940	(69)	(329)	1,070	60,612
Revaluation of investment property and gains from bargain purchase	23,304	72,666	32,265	211	128,446
Share of profit of associates and joint ventures	-	96	2,363	38	2,497
Segment results	83,244	72,693	34,299	1,319	191,555
Administrative and other expenses, net					(13,698)
Finance expenses, net					(83,576)
Profit before tax					94,281

*) Retrospective application due to change in presentation, see note 2ac.

As of 31 December 2015	Germany	Russia	USA	Other	Total
	Euro in thousands				
Segment assets	1,174,735	218,474	477,409	19,812	1,890,430
Unallocated assets (*)					195,894
Total assets as per the consolidated statement of financial position					2,086,324
Segment liabilities	611,682	104,776	235,149	14,753	966,360
Unallocated liabilities (*)					421,264
Total liabilities as per the consolidated statement of financial position					1,387,624

As of 31 December 2014	Germany	Russia	USA	Other	Total
	Euro in thousands				
Segment assets	1,098,067	328,739	198,461	22,773	1,648,040
Unallocated assets (*)					229,087
Total assets as per the consolidated statement of financial position					1,877,127
Segment liabilities	623,058	94,225	80,922	13,573	811,778
Unallocated liabilities (*)					360,982
Total liabilities as per the consolidated statement of financial position					1,172,760

(*) Unallocated assets and liabilities include other balance sheet items not directly allocated to the reportable segments above.

NOTE 31: SEGMENT INFORMATION (Cont.)

The Group has decided to disclose the following additional information:

Year ended 31 December 2015	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousand					
Gross rental income	39,872	35,110	412	-	-	75,394
Service charge, management and other income	10,574	18,621	70	-	2,995	32,260
Proceeds from sale of residential units	-	-	-	72,662	-	72,662
Cost of sales of residential units	-	-	-	(58,869)	-	(58,869)
Interest and other related income from lending business	-	-	-	-	2,684	2,684
Costs related to lending business	-	-	-	-	(471)	(471)
Property operating and other expenses	(16,028)	(23,316)	(2,107)	(779)	(14,333)	(56,563)
Gross profit	34,418	30,415	(1,625)	13,014	(9,125)	67,097
Revaluation of investment property, net	15,740	9,948	117,548	-	-	143,236
Share of profit/(loss) of associates and joint ventures	(99,899)	-	835	-	(4,790)	(103,854)
Segment results	(49,741)	40,363	116,758	13,014	(13,915)	106,479
Administrative and other expenses, net						(30,138)
Finance expenses, net						(61,144)
Profit before tax						15,197

Year ended 31 December 2014	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousand					
Gross rental income	39,731	27,919	390	-	-	68,040
Service charge, management and other income	7,202	15,764	55	-	2,157	*) 25,178
Proceeds from sale of residential units	-	-	-	72,539	-	72,539
Cost of sales of residential units	-	-	-	(62,740)	-	(62,740)
Interest and other related income from lending business	-	-	-	-	1,615	1,615
Costs related to lending business	-	-	-	-	(680)	(680)
Property operating and other expenses	(15,188)	(20,246)	(712)	(225)	(6,969)	*) (43,340)
Gross profit	31,745	23,437	(267)	9,574	(3,877)	60,612
Revaluation of investment property and gains from bargain purchase	38,973	11,619	78,798	-	(944)	128,446
Share of profit of associates and joint ventures	887	-	2,479	-	(869)	2,497
Segment results	71,605	35,056	81,010	9,574	(5,690)	191,555
Administrative and other expenses, net						(13,698)
Finance expenses, net						(83,576)
Profit before tax						94,281

*) Retrospective application due to change in presentation, see note 2ac.

NOTE 31: SEGMENT INFORMATION (Cont.)

As of 31 December 2015	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousand					
Segment assets	786,059	493,099	472,036	102,431	36,805	1,890,430
Unallocated assets (*)						195,894
Total assets as per the consolidated statement of financial position						2,086,324
Segment liabilities (*)	421,708	270,620	220,124	42,085	11,823	966,360
Unallocated liabilities						421,264
Total liabilities as per the consolidated statement of financial position						1,387,624

As of 31 December 2014	Income producing commercial real estate	Income producing residential real estate	Property held for appreciation	Residential development	Other	Total
	Euro in thousand					
Segment assets	707,048	428,691	343,054	115,527	53,720	1,648,040
Unallocated assets (*)						229,087
Total assets as per the consolidated statement of financial position						1,877,127
Segment liabilities (*)	355,444	247,242	138,849	63,828	6,415	811,778
Unallocated liabilities						360,982
Total liabilities as per the consolidated statement of financial position						1,172,760

(*) Unallocated assets and liabilities include other balance sheet items not directly allocated to the reportable segments above.

NOTE 32: SUBSEQUENT EVENTS

a. In January 2016, BCP addressed investors holding ventures offering them to sell to BCP the entire rights in these joint ventures. Investors holding a total 17% of the joint ventures accepted BCP's proposal and in the second quarter of 2016, such rights will be purchased for €8.65 million. The transaction price for this acquisition is derived from the fair value of the assets held by the joint ventures, according to the valuations of external valuers and the other benefits to which the Company is entitled.

b. On 11 January 2016, BCP's general meeting of shareholders approve to distribute capital to BCP's shareholders in a total amount of €6,041 thousand. The capital distribution is expected to be carried out by BCP in early 2016.

c. On 15 January 2016 the shareholders of the Company approved the capital reduction which reduced the nominal value of each share from €0.04 to €0.01 amounting to €4.8 million which was paid to shareholders on 11 April 2016 (see also Note 14(7)).

NOTE 32: SUBSEQUENT EVENTS (Cont.)

d. On 1 February 2016, BCP entered into a refinancing agreement for a major portion of the Leipzig portfolio (about 2,790 residential units - not including Leipzig Am Zoo) for 7 years. The new loan of €57.5 million (similar to the unsettled principal balance of the loan from 2011) has a loan repayment date on 30 April 2023 and bears a fixed interest for 5 years of 1.12% per annum, with an annual principal repayment of 2% of the original loan amount. Under the refinancing, a credit facility of €17.4 million was approved for the Company until 2023. The withdrawn part of this facility will bear a variable interest plus a margin of 1% per annum.

e. On 26 February 2016, an indirect subsidiary of BCP acquired the ownership rights over a land in the city of Aachen in Germany. BCP and its partner intend to work collaboratively to change the zoning of the land into residential zoning such it would be feasible to construct 180 to 220 residential units after demolishing of the existing building which resides on the property. BCP's share in the total consideration for the acquisition, which amounts to €6 million and shall be paid on the completion date, will be €3 million.

f. On 18 December 2015, an indirect subsidiary of BCP entered into a sale agreement to acquire 296 residential units in Kiel, northern Germany for a total consideration of €20.4 million (including related transaction costs). The assets were legally handed over to the indirect subsidiary of BCP on 1 March 2016. For the purpose of financing the purchase, the indirect subsidiary of BCP entered into an agreement with a German bank for receiving a loan in the amount of €14 million under non-recourse terms which its final repayment date is 5 years from the date of extending the loan.

g. On 3 March 2016, the Company has increased the issuance limit of the series C bonds from $60 million (€54 million) (which was fully issued as of 31 December 2015) to $180 million (€162 million). On 1 April 2016, an additional amount of $18.4 million out of which $17.5 million remains outstanding (€16.3 million out of which €15.5 million remains outstanding) has been issued in relation to this series of bonds.

h. In March 2016, an indirect subsidiary of BCP entered into a sale agreement for the sale of ownership rights over a building located in Dusseldorf, Germany. The consideration was set at €5,050 thousand. The transaction is expected to take place in July 2016.

i. In March 2016, an indirect subsidiary of BCP acquired 287 residential units in northern Germany for a total consideration of €36 million (including related transaction costs). For the purpose of financing the purchase, the indirect subsidiary of BCP is in advanced negotiations with a German bank to obtain a loan of €25 million under non-recourse terms with final repayment date being 5 years from the date of the loan. The transaction is expected to be completed on 1 July 2016.

j. In March 2016, an indirect subsidiary of BCP acquired 31 residential units and 5 office units in Hannover, Germany for a total consideration of €7.8 million.

k. On 5 April 2016, BCP issued 60,058 additional bonds series C out of the 75,000 bonds offered in tender, at a price of NIS 1,021 each. The gross proceeds in respect of the bond issue amounted to NIS 61.3 million.

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

LIST OF SIGNIFICANT INVESTEES

Significant investees	Investee	Country of incorporation	Ownership interest 31 December 2015	Ownership interest 31 December 2014
Brack Capital Properties N.V.	Subsidiary	The Netherlands	34.76%	34.63%
Brack Capital First B.V.	Subsidiary	The Netherlands	100%	100%
BCRE Russian Properties Ltd	Subsidiary	Cyprus	85.07%	85.07%
Brack Capital USA B.V.	Subsidiary	The Netherlands	100%	100%
BCRE India B.V.	Subsidiary	The Netherlands	100%	100%

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COMPANY FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

COMPANY STATEMENT OF FINANCIAL POSITION (AFTER PROFIT APPROPRIATION)

	Note	31 December 2015	31 December 2014
		Euro in thousand	
ASSETS			
Property, plant and equipment		4	3
Financial fixed assets	**1**	363,577	341,418
Total non-current assets		363,581	341,421
Loan to related party	**2**	5,072	4,422
Other receivables	**3**	5,883	8,343
Amounts due from related parties	**4**	27,817	19,276
Marketable securities and other investments		901	3,350
Restricted cash	**5**	-	13,451
Cash and cash equivalents	**6**	3,716	24,614
Total current assets		43,389	73,456
Total assets		406,970	414,877
EQUITY			
Share capital	**7**	1,616	1,616
Share premium	**7**	147,404	147,404
Capital notes	**7**	-	-
Convertible loan	**7**	16,575	16,575
Legal reserves of subsidiaries	**7**	279,895	276,342
Company's share in reserves of investees	**7**	(13,213)	(11,061)
Share based payment reserve	**15**	3,156	2,830
Accumulated losses	**7**	(194,782)	(166,359)
Total equity		240,651	267,347
LIABILITIES			
Debentures	**8**	103,892	110,032
Bank loan	**9**	2,916	3,356
Other loans	**8**	11,657	-
Total non-current liabilities		118,465	113,388
Debentures	**8**	24,219	19,388
Bank loan	**9**	825	840
Other loans	**8**	166	-
Amounts due to related parties	**10**	21,115	7,761
Trade and other payables	**11**	1,529	6,153
Total current liabilities		47,854	34,142
Total equity and liabilities		406,970	414,877

The accompanying notes form an integral part of these Company financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	Euro in thousand	
Other results after tax	(27,441)	(11,457)
Share of profit/(loss) of financial fixed assets	(235)	41,499
Net profit/(loss) for the year	(27,676)	30,042
Other comprehensive income/(loss):		
Share of other comprehensive loss of financial fixed assets	2,806	(36,148)
Total other comprehensive income/(loss)	2,806	(36,148)
Total comprehensive loss for the year	(24,870)	(6,106)

The accompanying notes form an integral part of these Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General

The Company has its official seat in Amsterdam, the Netherlands, registered with the Dutch trade register under number 34217263. The address of the Company's registered office is 201 Barbara Strozzilaan, 1083HN, Amsterdam, The Netherlands and the Company's main activity is the holding of investments including any other interest-earning activities.

The consolidated financial statements form an integral part of the statutory financial statements of the Company for the year ended 31 December 2015. If there is no further explanation provided to the items included in the statement of financial position and the statement of comprehensive income of the Company, please refer to the related notes in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of other comprehensive income.

With regard to the income statement, the Company applies the exemption of article 2:402 BW.

Currency

The exchange rates used in these Company financial statements are:	31 December 2015	31 December 2014
EUR : USD	1.0906	1.2155
EUR : ILS	4.2499	4.7454
EUR : GBP	0.7367	0.7825

Accounting policies

The Company financial statements of BCRE - Brack Capital Real Estate Investments N.V. (the "Company") have been prepared in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code.

The same principles governing valuation and the determination of results (including the principles governing the classification of financial instruments as equity or liability) have been applied in compilation of the Company's financial statements as in compilation of the consolidated financial statements, as permitted by Article 2:362, clause 8, of the Civil Code.

In these Company's financial statements the investments in subsidiaries are measured at net asset value. The net asset value of a participating interest is determined by valuing the assets, provisions and liabilities and calculating the result using the accounting principles applied to the consolidated financial statements. When the Company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment), the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the Company will recognize a provision.

Pursuant to Article 402, Book 2, of the Netherlands Civil Code, the Company's income statement has been presented in abridged form.

NOTE 1:- FINANCIAL FIXED ASSETS

a. Movement in investments in subsidiaries:

	31 December 2015	31 December 2014
	Euro in thousand	
Balance at beginning of year	338,024	285,391
Additions	42,094	83,115
Repayments	(21,169)	(38,407)
Transfer from loans to indirect subsidiaries (1)	4,166	-
Share of profit	(51)	41,525
Share of translation reserve	2,806	(36,148)
Transactions with non-controlling interests	(2,152)	2,548
Balance at end of year	363,718	338,024

b. Movement in investment in associate:

	31 December 2015	31 December 2014
	Euro in thousand	
Balance at beginning of year	43	69
Share of loss	(184)	(26)
Balance at end of year	(141)	43

c. Loans to indirect subsidiaries:

	31 December 2015	31 December 2014
	Euro in thousand	
Balance at beginning of year	3,351	2,425
Interest on loans	147	237
Exchange differences	668	689
Transfer to direct investments (1)	(4,166)	-
Balance at end of year	-	3,351

(1) During the year, the Company's direct shareholding of 16.95% in BCRE Russian Properties Limited has been transferred to Brack Capital First B.V. at net asset value, a 100% direct subsidiary of the Company.

d. Investments in subsidiaries and associate can be specified as follows:

Name	31 December 2015	31 December 2014
	Euro in thousand	
Brack Capital First B.V. (Subsidiary)	353,854	315,300
BCRE Capital B.V. (ex BCRE Izaki B.V.) (Subsidiary)	8,755	2,251
Brack Capital Cyprus Management Limited (Subsidiary)	1,190	1,377
Seaband Limited (Associate)	(141)	43
BCRE Russian Properties Limited (Subsidiary) (1)	-	19,177
Brack Maraconi (Netherlands) B.V. (Subsidiary)	(81)	(81)
	363,577	338,067

NOTE 1:- FINANCIAL FIXED ASSETS (Cont.)

e. The Company holds the following direct financial interests:

Company name	City and Country of incorporation	Share in issued capital %
Brack Capital First B.V.	Amsterdam, The Netherlands	100%
BCRE Capital B.V. (ex BCRE Izaki B.V.)	Amsterdam, The Netherlands	100%
Brack Capital Cyprus Management Limited	Limassol, Cyprus	100%
Seaband Limited	Limassol, Cyprus	30.49%
Brack Maraconi (Netherlands) B.V.	Amsterdam, The Netherlands	3.40%

f. The Company holds the following significant indirect financial interests:

Company name	City and Country of incorporation	Share in issued capital %
BCRE India B.V.	Amsterdam, The Netherlands	100%
BCRE UK Properties B.V.	Amsterdam, The Netherlands	100%
Brack Capital Gamma B.V.	Amsterdam, The Netherlands	100%
Brack Capital USA B.V.	Amsterdam, The Netherlands	100%
Brack Capital Properties N.V. ("BCP")	Amsterdam, The Netherlands	34.76%
Brack Maraconi (Netherlands) B.V.	Amsterdam, The Netherlands	84.65%

g. Additional disclosure of financial information for financial fixed assets:

Company name	Net asset/(liability) value attributable to equity holders Euro in thousand	Profit/(loss) for the year attributable to equity holders Euro in thousand
Seaband Limited	(462)	(603)
Brack Maraconi (Netherlands) B.V.	8,591	(226)
Brack Capital Properties N.V.	345,523	63,439

NOTE 2:- LOAN TO RELATED PARTY

The loan granted to Brack Capital Holdings Limited bears annual interest of 3% (2014: 3%), is unsecured and is repayable in May 2016.

NOTE 3:- OTHER RECEIVABLES

Other receivables represent loans granted to employees and to third party investors secured by their portion in the Group's investments. Loans granted to employees and to third party investors bear interest of 3% - 4.5% (2014: 3% - 4.5%) per annum, are secured by their portion in the Group's investments and are repayable on demand.

NOTE 4:- AMOUNTS DUE FROM RELATED PARTIES

Amounts due from related parties represent various short term loans given to Group's companies.

Amount due from indirect subsidiary, BCRE Manchester 1 B.V., in the amount of €3.1 million (2014: €2.7 million) bore interest of 7% per annum, was unsecured and was repaid in January 2016.

Amount due from parent company, Brack Capital Investments Ltd, in the amount of €2.6 million bears interest of 4.5% (2014: nil) per annum and will be repaid in April 2016.

All the remaining short term loans given to Group's companies do not bear any interest and are repayable on demand.

NOTE 5:- RESTRICTED CASH

	31 December	
	2015	2014
	Euro in thousand	
Restricted cash	-	13,451

(1) Restricted cash has been provided as collateral for the series C bonds issued by the Company. See Note 8a(3).

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at banks earn interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are free from any pledges and any other securities.

NOTE 7:- EQUITY

The composition of the Company’s equity is as follows:

	Share capital	Share premium	Capital notes	Convertible loan	Share based payment	Legal reserves of subsidiaries	Company's share in reserves of investees	Accu-mulated losses	Total
	Euro in thousand								
Balance as at 1 January 2014	145	68,581	59,585	-	1,517	215,031	(13,609)	(98,942)	232,308
Result for the period	-	-	-	-	-	97,459	-	(67,417)	30,042
Other comprehensive loss	-	-	-	-	-	(36,148)	-	-	(36,148)
Total other comprehensive loss	-	-	-	-	-	61,311	-	(67,417)	(6,106)
Capital notes conversion	-	59,585	(59,585)	-	-	-	-	-	-
Conversion and split	1,301	(1,301)	-	-	-	-	-	-	-
Issue of shares	170	25,360	-	-	-	-	-	-	25,530
Capital reduction	-	(4,821)	-	-	-	-	-	-	(4,821)
Issuance of convertible loans	-	-	-	16,575	-	-	-	-	16,575
Share based payments transactions	-	-	-	-	1,313	-	-	-	1,313
Transactions with non-controlling interests, net	-	-	-	-	-	-	2,548	-	2,548
Balance as at 31 December 2014 / 1 January 2015	1,616	147,404	-	16,575	2,830	276,342	(11,061)	(166,359)	267,347
Result for the period	-	-	-	-	-	747	-	(28,423)	(27,676)
Other comprehensive income	-	-	-	-	-	2,806	-	-	2,806
Total other comprehensive income/(loss)	-	-	-	-	-	3,553	-	(28,423)	(24,870)
Share based payments transactions	-	-	-	-	326	-	-	-	326
Transactions with non-controlling interests, net	-	-	-	-	-	-	(2,152)		(2,152)
Balance as at 31 December 2015	1,616	147,404	-	16,575	3,156	279,895	(13,213)	(194,782)	240,651

The legal reserves of subsidiaries are not distributable reserves and cannot be utilized for the distribution of dividends to shareholders.

NOTE 7:- EQUITY (Cont.)

Authorized and issued share capital

	31 December 2015		31 December 2014	
	Authorized	**Issued and fully paid**	**Authorized**	**Issued and fully paid**
Ordinary shares of €0.01 (2014: €0.04) each	700,000,000	161,610,064	700,000,000	161,610,064

On 28 May 2014, the authorized share capital of the Company was changed from 2,500,000 shares of €0.1 each to 700,000,000 shares of €0.01 each.

On 14 October 2014, the authorized share capital of the Company was changed from 700,000,000 shares of €0.01 each to 700,000,000 shares of €0.04 each.

On 24 December 2014 the Board of Directors approved the capital reduction which reduced the nominal value of each share from €0.04 to €0.01 totaling to €4.8 million which was paid to shareholders on 8 January 2015. The respective liability of €4.8 million in relation to the capital reduction was recognized in these Company financial statements for the year ended 31 December 2014. As a result on 24 December 2014, the authorized share capital of the Company was changed from 700,000,000 shares of €0.04 each into 700,000,000 shares of €0.01 each.

On 15 January 2016 the shareholders of the Company approved the capital increase in the nominal value of each share €0.01 to €0.04 per share from and the subsequent reduction of €0.03 in the nominal value of each share from €0.04 to €0.01 amounting to €4.8 million.

Accordingly, by notarial deed the Articles of Association were amended on 15 January 2016 and the authorized share capital of the Company was changed from 700,000,000 shares of €0.01 each into 700,000,000 shares of €0.04 each.

Share premium

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares.

Capital notes

The capital notes were denominated in Euro. The Company could force conversion at maturity (fixed conversion rate). The shareholders have the right to force the conversion at any time. The capital notes were subordinated to all the liabilities of the Company, including, but not limited to contingent liabilities.

Following the admission of the Company's entire issued ordinary share capital to the standard listing segment of the Official List of UK Listing Authority for trading the total amount of €59.6 million of capital notes was converted to share premium.

Convertible loan

The Convertible Loan Notes bear 2.25% (2014: 2.25%) annual compounded interest and have a term maturing on 14 November 2016. Refer also to Note 14b(4) in the consolidated financial statements.

NOTE 7:- EQUITY (Cont.)

Legal reserves of subsidiaries

The legal reserves of subsidiaries include the following reserves:

1. Reserve for participating interests amounting to €95,081 thousand (2014: €73,113 thousand)
2. Translation reserve amounting to €(50,272) thousand (2014: €(46,570) thousand)
3. Revaluation reserve amounting to €235,086 thousand (2014: €249,799 thousand)

The reserve for participating interests relates to reserves for which the Company cannot secure payment of dividend.

The translation reserve relates to the Company's investment in foreign subsidiaries that are translated into Euro at the exchange rate as of year-end.

The revaluation reserve relates to the unrealized result of the revaluation of investment properties held by subsidiary and associate companies.

In accordance with Dutch law provisions applicable to the Company, gains from fair value adjustments, which have not been realized, cannot be distributed as dividends. In addition, earnings of associates cannot be distributed as dividends, unless distributed by the associates themselves. At the same time, according to Dutch law, these earnings can be distributed only after their conversion into share capital and a reduction in equity as a result of the dividend distribution.

Result for the period / Accumulated losses

The Board of Directors proposes to the General Meeting of the shareholders to add the 2015 result: an amount of €27,676 thousand to be deducted from the other reserves.

NOTE 8:- NON-CURRENT LIABILITIES

a. Debentures

Below is information about the contractual terms of the debentures issued by the Company:

(1) Debentures (series A) amounting to €53.2 million (226 million NIS) (2014: €62.7 million (297 million NIS)), of which €17.8 million (76 million NIS) (2014: €15.8 million (75 million NIS)) are presented as current maturities, are linked to the Israeli CPI, bear annual interest of 6.504% (2014: 6.504%) and are to be repaid in 7 annual instalments, commencing in December 2012.

NOTE 8:- NON-CURRENT LIABILITIES (Cont.)

a. Debentures (Cont.)

(2) In November 2013, the Company had issued an additional series of debentures (series B) for a nominal value of $25 million (€22.9 million). The outstanding balance as of 31 December 2015 amounted to €23.3 million. The debentures were issued to private investors and are denominated in US dollar, bearing interest rate of 7% (2014: 7%) per annum. The debentures' amount is repayable in seven annual payments of unequal amounts on 31 December of each year from 2015 to 2021 (inclusive). Each of the first four repayments constitutes 6.25% of the debentures' amount and each of the last three payments will equal 25% of the debentures' amount. The debentures are secured by BCP shares.

The Company had undertaken, the following covenants with respect to series B debentures:

(a) The Company will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of the Company (excluding non-controlling interests) will be reduced below $200 million or the ratio described in (d) below will exceed 37.5%.
(b) The Company's equity attributable to its shareholders (excluding non-controlling interests) shall not fall below $140 million.
(c) BCP's equity attributable to BCP's shareholders shall not fall below €135 million.
(d) The ratio between the net financial debt to the total capital and debt (CAP) of the Company's shall not exceed 36.5%.
(e) The net financial debt to CAP ratio of BCP shall not exceed 45%.

As of 31 December 2015, the Company meets all the covenants.

(3) On 5 December 2014, the Company issued bonds (series C) with an aggregate principal amount of $56,350 thousand (€51.7 million). In June 2015, the Company made an additional issue of bonds (series C) with an aggregate principal amount of $3,650 thousand (€3.3 million). The outstanding balance as of 31 December 2015 amounted to €51.6 million. The bonds bear interest rate of 6.5% (2014: 6.5%) per annum which is subject to adjustments of 0.25%-0.5% (up to a maximum of 1%) in the case of changes in the bonds' rating. The amount of bonds is repayable in eight annual payments of unequal amounts on 5 December of each year from 2015 to 2022 (inclusive). Each of the first two payments constitute 5% of the bonds' amount, the third and fourth payments constitute 10% each of the bonds' amount and each of the last four payments constitutes 17.5% of the bonds' amount.

The Company had undertaken, the following covenants with respect to series C debentures:

(a) The Company's equity attributable to its shareholders (excluding non-controlling interests) shall not fall below $140 million.
(b) The ratio between the net financial debt to the total assets of the Company's shall not exceed 75%.
(c) The Company will not make any distribution of dividends to its shareholders if, as a result of such distributions the equity of the Company (excluding non-controlling interests) will be reduced below $150 million or the ratio described in (b) above will exceed 70%.

As of 31 December 2015, the Company meets all the covenants.

NOTE 8:- NON-CURRENT LIABILITIES (Cont.)

b. Other Loans

(1) On 10 December 2015, the Company entered into a loan agreement with a group of lenders for obtaining a loan facility amounting to $10.25 million (€9.2 million). The facility bears interest of 6.5% per annum which is payable semi-annually until the maturity of the facility on 31 December 2018, when the principal amount shall be also repaid in full. As a security for the loan, Company's subsidiaries pledged their rights in BCRE Funding Holdings LLC, an indirect subsidiary of the Company in the USA. Part of the group of lenders were related parties of the Company, who entered into the loan agreement in the same terms as per the other group of lenders in the total amount of US$1.7 million (€1.5 million). Refer also to Note 16(11) in the consolidated financial statements.

(2) On 28 December 2015, the Company entered into a financing agreement with a related party for the provision to the Company of a facility amounting to $2.6 million (€2.4 million). As per the financing agreement, the terms of this facility are identical to the terms of bonds (series C) issued by the Company, as described in Note 8a(3). Upon the issuance of new bonds by the Company and provided that the loan amount is still outstanding, the terms of the facility will be automatically replaced by the terms of the new bonds. In relation to the loan agreement entered into by the Company and a related party during the year, the Company had undertaken to the related party the same financial covenants as those undertaken for the Company's series C debentures, as also described in Note 8a(3) above.

NOTE 9:- BANK LOAN

On 18 December 2014, the Company entered into a loan agreement with a financing bank for the amount of $5.1 million (€4.2 million). The loan facility bears fixed interest of 5.27% (2014: 5.27%) per annum and is repayable by quarterly instalments of $255 thousand (€210 thousand) plus accrued interest, commencing on 30 March 2015 up until the loan maturity date on 30 December 2019. The outstanding balance as of 31 December 2015 amounted to €3.7 million.

Pursuant to the financial covenants set forth in the loan agreement, throughout the loan term (1) the Company shall maintain liquid assets in an amount of no less than NIS20 million, (2) the Company shall ensure that its equity will not be less than $140 million, (3) the Company shall ensure that the equity of BCP will not be less than €135 million, (4) the Company shall ensure that the ratio between the net solo financial debt to the total solo capital and debt (CAP) of the Company will not exceed 36.5%, (5) the Company shall ensure that the net solo financial debt to CAP ratio of BCP shall not exceed 45% and (6) the Company shall not pay any forms of distributions to its present or future shareholders, if as a result of such distributions the Company's equity is reduced below $200 million or if the net financial debt to CAP ratio of the Company exceeds 37.5%.

As of 31 December 2015, the Company meets all the above mentioned covenants.

NOTE 10:- AMOUNTS DUE TO RELATED PARTIES

Amounts due to related parties represents various short term loans received from other Group companies that do not bear any interest and are repayable on demand.

NOTE 11:- TRADE AND OTHER PAYABLES

	31 December	
	2015	**2014**
	Euro in thousand	
Capital reduction liability	-	4,821
Provision for employees compensation	820	-
Accounts payable to suppliers and trade creditors	118	509
Other liabilities	591	823
	1,529	6,153

NOTE 12:- CORPORATE INCOME TAX

The corporate income tax return for the fiscal year 2014 will be filed by the end of 30 April 2016.

NOTE 13:- AUDIT FEES

With reference to section 2:382a (1) and (2) of the Netherlands Civil Code, the following audit fees for the financial year ended 31 December 2015 have been charged to the Company, its subsidiaries and other consolidated entities:

	Ernst & Young Accountants LLP, The Netherlands	**Ernst & Young, Israel**
	Euro in thousand	**Euro in thousand**
Audit and assurance services	76	391

For the financial year ended 31 December 2014, the following audit fees have been charged to the Company, its subsidiaries and other consolidated entities:

	Ernst & Young Accountants LLP, The Netherlands	**Ernst & Young, Israel**
	Euro in thousand	**Euro in thousand**
Audit and assurance services	38	260

NOTE 14:- EMOLUMENTS OF DIRECTORS

The emoluments, as intended in section 2:383 (1) of the Netherlands Civil Code, amounted to €463,000 (2014: €130,000) for Directors. The composition of Directors emoluments is as follows:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Michiel Olland (executive)	40	40
Luca Tomesani Melotti (executive)	40	-
Jan van Der Meer (non-executive)	30	30
Harin Thaker (non-executive)	323	131
Daniel Aalsvel (non-executive)	30	30
	463	231

Director fees in relation to Company’s subsidiaries for the year ended 31 December 2015 amounted to €264 thousand (2014: €146 thousand).

NOTE 14:- EMOLUMENTS OF DIRECTORS (Cont.)

The Chairman of the Board, Mr. Harin Thaker, has an option to purchase 2.5% of the equity of any deal in which BCRE UK invests in accordance with the following terms: (a) term: 36 months from the closing of each deal; (b) exercise price: 2.5% of the equity invested by BCRE UK and the co-investment club, adjusted for distributions and additional investments; and (c) type: regular or cashless as determined by the chairman at the time of the exercise. In addition the Chairman of the Board is entitled for an additional annual salary of £122,500 (€168,700) in his capacity as a member of the Investment Advisory Committee (beside his salary as a non-executive director). As of 31 December 2015, there is one deal closed by BCRE UK Properties BV entitling the Chairman of the Board to purchase equity of the deal. The Chairman exercised this option following the year end and realized a profit of £46,979 (€58,800) from this transaction. In addition, during 2015 the Chairman of the Board received additional fees in the total amount of £90,000 (€123,900) in relation to the provision of additional services within the investment advisory committee.

NOTE 15:- SHARE BASED PAYMENTS

During 2012, the Company’s Board of Directors approved the issuance of fully vested warrants exercisable into Company’s shares representing 3% of the Company's share capital to an investment committee member. The exercise price of the warrants is €1.32 per share. The fair value of the option granted is approximately €1,517 thousand (2014: €1,517 thousand).

On 28 May 2014, an entity beneficially owned by the family of senior manager A was granted 2,862,155 warrants under a warrant agreement entered into between the Company and the relevant entity, exercisable (subject to the warrants having vested) from the date of grant within seven years, to 2,862,155 shares. 50% of these warrants can be exercised at an exercise price of €1.4565 (“A Warrants”). The remaining 50% of the warrants can be exercised at an exercise price of €1.7801 (“B Warrants”). The warrant agreement also provides for a cashless exercise, at the option of the holder of the warrants. 50% of the A Warrants and 50% of the B Warrants vested immediately and 50% of the A Warrants and 50% of the B Warrants vested one year after the grant of the warrants. The holder of warrants is protected against dilution in the case of a bonus payment, rights offering, distribution of a cash dividend or any other distribution by the Company. The fair value of these warrants is approximately €1,413 thousand.

On 28 May 2014, senior manager B was granted 483,519 warrants under a warrant agreement entered into with the Company, exercisable (subject to the warrants having vested) from the date of grant within seven years, to 483,519 shares. These warrants can be exercised against an exercise price of €1.6183. 1/3rd of these warrants vested immediately, 1/3rd vested one year after the date of the grant of the warrants and the remaining 1/3rd shall vest two years after the date of the grant of the warrants. The warrant agreement also provides for a cashless exercise, at the option of the holder of the warrants. The holder of warrants is protected against dilution in the case of a bonus payment, rights offering, distribution of a cash dividend or any other distribution by the Company. The fair value of these warrants is approximately €241 thousand.

The expenses recognized in the Company’s financial statements for the years ended 31 December 2015 and 31 December 2014, for the warrants granted are as follows:

	Year ended 31 December	
	2015	**2014**
	Euro in thousand	
Share – based payments transactions	327	1,313

NOTE 16:- GUARANTEES PROVIDED BY THE COMPANY IN RELATION TO THE LIABILITIES OF OTHER GROUP COMPANIES

(1) Pursuant to the financing agreements entered into by two indirect subsidiaries of the Company in the USA with individual lenders for the amount of $36.5 (€32.8 million) in respect of the first subsidiary and the amount of amount of US$11.64 million (€10.49 million) for the second, the Company has provided to these lenders payment guarantees for the amounts advanced to the indirect subsidiaries. The outstanding balance of the facilities provided to the second subsidiary as at 31 December 2015 amounted to US$6.94 million (€6.25 million). Refer also to Notes 16(12) and 16(14) in the consolidated financial statements.

(2) Pursuant to the loan agreement entered into by an indirect subsidiary of the Company (Brack Capital USA B.V.) with a financing bank for the amount of US$15 million (€13.51 million), a full payment guarantee was given to the financing bank, jointly by the Company and another wholly owned direct subsidiary of the Company. In addition, the Company and its wholly owned subsidiary guaranteeing this facility, have also undertaken that so long as the facility is still outstanding:

(a) Brack Capital USA B.V. should maintain a minimum net equity of $45 million.
(b) Brack Capital USA B.V. should maintain a minimum of shareholders' funds of $30 million.
(c) Brack Capital USA B.V. should maintain a minimum gross cash flow from operations of $5 million for the first year of the loan term, then increasing to $10 million for the remaining term.
(d) The Company should maintain a minimum net equity of $140 million.
(e) The ratio between the net financial debt of the Company to its total assets shall be maintained during the loan term within 0.75 to 1.00.

The above covenants relate to the consolidated financial statements of Brack Capital USA B.V. and of the Company, where applicable.

As of 31 December 2015, the Company and its subsidiary meet all the covenants.

(3) A guaranty was provided by the Company, jointly and equally with its partner for the related project, with regards to a refinancing of the construction loan for the development of a property obtained by a an associate of the Company in the USA for a total amount of US$103 million (€94 million) as follows:

(a) Principal Payment Guaranty equal to 12.5% of the outstanding amount of the loan, then decreasing to 5% after property achieves a 10.5% debt yield and then reducing to nil once the property achieves 11% debt yield.
(b) Debt Service Guaranty throughout the Loan term covering interest payments (not principal) for the first 3 year loan term and then for years 4 to 5 covering both interest and principal payments
(c) Standard "bad-boy" carve-outs throughout the term of the Loan.
(d) Standard environmental indemnity.
(e) The Company and its partner must jointly maintain $100 million of net worth and $15 million of liquid assets.

Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees. As of 31 December 2015, all of the above covenants are met.

NOTE 16:- GUARANTEES PROVIDED BY THE COMPANY IN RELATION TO THE LIABILITIES OF OTHER GROUP COMPANIES (Cont.)

(4) Pursuant to a loan agreement entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a multifamily residential property for the amount of $11.2 million (€10.09 million), the Company has provided a guarantee in the favor of the bank as follows: (1) standard environmental indemnity and (2) standard "bad boy" carve-outs. The Company further undertaken to maintain a minimum net worth of $11.2 million (€10.3 million) and minimum liquid assets of $1.2 million (€1.1 million). Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees. As of 31 December 2015, all of the above covenants are met.

(5) Pursuant to the first loan facility entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a residential building for the total amount of $55 million (€49.6 million), the Company has provided a guarantee in the favor of the lender as follows: (1) standard environmental indemnity, (2) standard "bad boy" carve-outs and (3) carry guarantee for the property.

(6) Pursuant to a loan agreement entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a multifamily residential property for the amount of $12.8 million (€9.3 million) during 2014, the Company provided a guaranty in favor of the bank as follows: (1) standard "bad-boy" carve-outs and (2) Standard Environmental Indemnity. The Company further undertaken to maintain $12.8 million (€10.5 million) of net worth and $1.28 million (€1.05 million) of liquid assets. Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees. As of 31 December 2015, all of the above covenants are met.

(7) Pursuant to the financing agreements entered into by an indirect subsidiary of the Company in the USA to finance the acquisition of a property in November 2014 for the amount of $87 million (Note A $60 million and Note B $20 million), the Company provided a guarantee to the lenders in respect of the following: (1) standard environmental indemnity, (2) standard "bad-boy" carve-outs and (3) a payment guaranty on the Note B of the facility. Each investor participating in this project, is severally and not jointly responsible to the Company for his/her pro-rata portion in relation to the above guarantees.

(8) Pursuant to the financing agreements entered into by an associate of the Company in Russia for the amounts of $29 million (€26.6 million) and $87 million (€79.8 million), the Company has provided payment guarantees in the amount of $4.2 million (€3.9 million) in respect of the first facility and $12.8 million (€11.7 million) for both facilities. In addition, the Company had secured the associate's obligation to pay interests, commissions and forfeit accrued on the facilities. The total guarantees for both facilities shall not exceed the amount of $17 million (€15.6 million). The partner participating in this project, has provided to the Company a guarantee amounting to $6.8 million (€6.2 million) in relation to the above.

(9) Pursuant to the financing agreements entered into by an indirect subsidiary of the Company in Russia for the amounts of $12 million (€11 million) and $70 million (€64 million), the Company has provided payment guarantees in the amount of $1.7 million (€1.6 million) and $13.9 million (€12.7 million), respectively. In addition, the Company had secured the subsidiary's obligation to pay interests, commissions and forfeit accrued on the facilities.

(10) Pursuant to the financing agreement entered into by an indirect subsidiary of the Company for the amount of $10.5 million (€9.6 million), the Company has provided to the lenders, jointly with another indirect subsidiary, a full payment guarantee. The facility is secured by BCP shares.

NOTE 16:- STAFF

During the year the average number of employees in the group amounted to 56 (2014: 60), of which 53 (2014: 56) were employed outside The Netherlands.

Amsterdam, 14 April 2016

Board of Directors

Harin Thaker	Jan van der Meer	Michiel Olland	Daniel Aalsvel	Luca Tomesani Melotti

OTHER INFORMATION

Provisions in the Articles of Association governing the appropriation of profit

In accordance with article 30 of the Company’s Articles of Association, the Company’s Board of Directors may determine which part of the profits shall be reserved. The part of the profit remaining after reservation shall be put at the disposal of the General Meeting.

Proposal for appropriation of the result

It is proposed by the Board of Directors to the General Meeting of the shareholders to deduct the 2015 result: an amount of €27,676 thousand from the other reserves. The Company financial statements have been prepared after appropriation of result.

Subsequent events

In January 2016, BCP addressed investors holding ventures offering them to sell to BCP the entire rights in these joint ventures. Investors holding a total 17% of the joint ventures accepted BCP’s proposal and in the second quarter of 2016, such rights will be purchased for €8.65 million. The transaction price for this acquisition is derived from the fair value of the assets held by the joint ventures, according to the valuations of external valuers and the other benefits to which the Company is entitled.

On 11 January 2016, BCP’s general meeting of shareholders approve to distribute capital to BCP’s shareholders in a total amount of €6,041 thousand. The capital distribution is expected to be carried out by BCP in early 2016.

On 15 January 2016 the shareholders of the Company approved the capital reduction which reduced the nominal value of each share from €0.04 to €0.01 amounting to €4.8 million which was paid to shareholders on 11 April 2016 (see also Note 7).

On 1 February 2016, BCP entered into a refinancing agreement for a major portion of the Leipzig portfolio (about 2,790 residential units - not including Leipzig Am Zoo) for 7 years. The new loan of €57.5 million (similar to the unsettled principal balance of the loan from 2011) has a loan repayment date on 30 April 2023 and bears a fixed interest for 5 years of 1.12% per annum, with an annual principal repayment of 2% of the original loan amount. Under the refinancing, a credit facility of €17.4 million was approved for the Company until 2023. The withdrawn part of this facility will bear a variable interest plus a margin of 1% per annum.

On 26 February 2016, an indirect subsidiary of BCP acquired the ownership rights over a land in the city of Aachen in Germany. BCP and its partner intend to work collaboratively to change the zoning of the land into residential zoning such it would be feasible to construct 180 to 220 residential units after demolishing of the existing building which resides on the property. BCP's share in the total consideration for the acquisition, which amounts to €6 million and shall be paid on the completion date, will be €3 million.

On 18 December 2015, an indirect subsidiary of BCP entered into a sale agreement to acquire 296 residential units in Kiel, northern Germany for a total consideration of €20.4 million (including related transaction costs). The assets were legally handed over to the indirect subsidiary of BCP on 1 March 2016. For the purpose of financing the purchase, the indirect subsidiary of BCP entered into an agreement with a German bank for receiving a loan in the amount of €14 million under non-recourse terms which its final repayment date is 5 years from the date of extending the loan.

Subsequent events (Cont.)

On 3 March 2016, the Company has increased the issuance limit of the series C bonds from $60 million (€54 million) (which was fully issued as of 31 December 2015) to $180 million (€162 million). On 1 April 2016, an additional amount of $18.4 million out of which $17.5 million remains outstanding (€16.3 million out of which €15.5 million remains outstanding) has been issued in relation to this series of bonds.

In March 16, an indirect subsidiary of BCP acquired 287 residential units in northern Germany for a total consideration of €36 million (including related transaction costs). For the purpose of financing the purchase, the indirect subsidiary of BCP is in advanced negotiations with a German bank to obtain a loan of €25 million under non-recourse terms with final repayment date being 5 years from the date of the loan. The transaction is expected to be completed on 1 July 2016.

In March 2016, an indirect subsidiary of BCP entered into a sale agreement for the sale of ownership rights over a building located in Dusseldorf, Germany. The consideration was set at €5,050 thousand. The transaction is expected to take place in July 2016.

In March 2016, an indirect subsidiary of BCP acquired 31 residential units and 5 office units in Hannover, Germany for a total consideration of €7.8 million.

On 5 April 2016, BCP issued 60,058 additional bonds series C out of the 75,000 bonds offered in tender, at a price of NIS 1,021 each. The gross proceeds in respect of the bond issue amounted to NIS 61.3 million.

Independent auditor's report

To: the shareholders and board of directors of BCRE – Brack Capital Real Estate Investments N.V.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of BCRE – Brack Capital Real Estate Investments N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of BCRE – Brack Capital Real Estate Investments N.V. as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of BCRE – Brack Capital Real Estate Investments N.V. as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2015;
- the following statements for 2015: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2015;
- the company statement of comprehensive income for 2015;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of BCRE – Brack Capital Real Estate Investments N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Materiality	€10.5 million

Benchmark applied	Approximately 0.5% of total assets
Explanation	Based on our professional judgment and taken into account the users of the financial statements.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €525 thousands, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

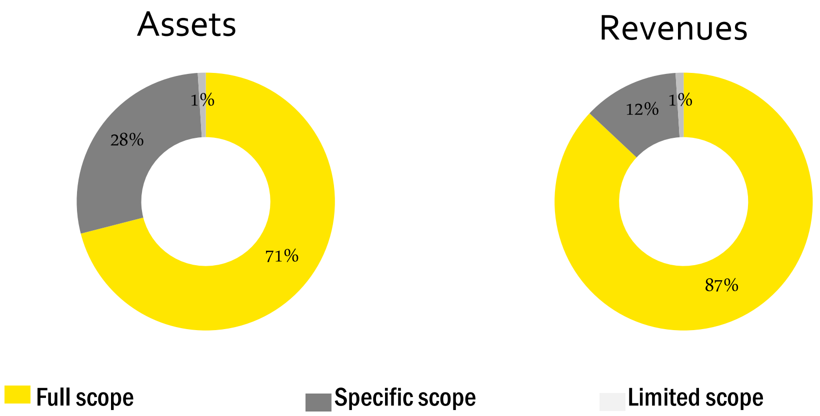
Scope of the group audit

BCRE – Brack Capital Real Estate Investments N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of
BCRE – Brack Capital Real Estate Investments N.V.

Our group audit mainly focused on significant group entities based on the relative size of the group entity on the total assets, including the size of the investment properties, inventory of land and apartments under construction and interest bearing loans and borrowings. Significant group entities are also determined based on specific risks of material misstatements. The group is organized on a country basis and we identified the German entities, and the Russian entities as a full scope location and the US entities as a specific scope location. In joint operation with our local team in Israel we have:

- performed audit procedures ourselves at group entity
  BCRE – Brack Capital Real Estate Investments N.V.;
- performed audit procedures for the significant group entities;
- performed review procedures or specific audit procedures at the other group entities.

In total these procedures represent 99% of the group's total assets and 99% of gross revenues.



By performing the procedures mentioned above for the group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach
Valuation of investment properties (see notes 2d-1, 2n and 3)	
The valuation of the investment properties, including the investment properties held by investments in associates and joint ventures, is important to our audit as it represents a significant judgment area and an important part of the total assets of the company. The valuation of the investment properties is highly dependent on estimates. We therefore identified the valuation of investment properties as a significant risk. The group policy is that property valuations are performed by external experts at least once a year. These valuations are amongst others based on assumptions, such as estimated rental revenues, discount rates, occupancy rates, historical transactions, market knowledge, developers risk and historical transactions.	Amongst others, we considered the objectivity, independence and expertise of the external appraisers. We furthermore audited the correctness of the property related data as used as input for the valuations and utilized our real estate valuation specialists to assist us in analyzing the valuations and challenging the underlying assumptions. We further focused on the adequacy of the disclosures on the valuation of investment property.

Risk	Our audit approach
Unfavourable economic conditions in Russia (see notes 2d-1, 2g, 2i, 2n, 2p-3, 3, 5, 16, 29 and 31)	
Starting the second half of 2014 and during 2015 as well, the Russian economy experienced a serious deterioration which resulted, inter alia, in the weakening of the Russian Rouble in relation to the US dollar. The unfavourable economic conditions in Russia could have a significant impact on the company's valuations of the Russian investment properties, investments in associates and joint ventures and the recoverability of accounts receivables. Consequently, a risk also exist that the loan covenants are not met. We therefore identified the unfavourable economic conditions in Russia and its impact on the valuation and/or financing of certain assets as a significant risk.	Our audit procedures included amongst others a detailed review of the valuations of the Russian investment properties, investments in associates and joint ventures, verifying the recoverability of account receivables and assessing whether the companies met the covenants as stated in the loan agreements. We further focused on the adequacy of the disclosures on the unfavourable economic conditions in Russia.
De facto control Brack Capital Properties N.V. (see notes 2e and 4)	
The group has 34.76% of the voting rights of Brack Capital Properties N.V., a Dutch company with its shares traded on the Tel Aviv stock exchange. As in prior year the group has determined that it has de facto control in Brack Capital Properties NV due to the size of its voting rights and including the voting rights held by companies controlled by the group's parent company, which companies are considered de facto agents of the group. The size of the group's holding in voting rights relative to the size or dispersion of the holdings of the other shareholders of Brack Capital Properties NV has enabled the group to exercise a majority of the voting power that participates in the shareholder's meeting and can appoint the majority of the directors and indirectly, the senior management of Brack Capital Properties N.V.	Our audit procedures included amongst others an assessment of whether the facts and circumstances and the minutes of shareholder's meetings substantiate accounting for the participation in Brack Capital Properties NV as a consolidated subsidiary based on de facto control.

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive board of directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,
  as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,
  to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,
related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the directors' board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the board of directors as auditor of BCRE – Brack Capital Real Estate Investments N.V. on 2 February 2015, as of the audit for the year 2014 and have operated as statutory auditor since that date.

Zwolle, 14 April 2016

Ernst & Young Accountants LLP

Signed by M. Rooks

BCRE – Brack Capital Real Estate Investments N.V.

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