

BGP HOLDINGS PLC

Annual Report and Financial Statements 31 December 2012

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Directors' report

The directors present their report and the audited consolidated and separate financial statements for the year ended 31 December 2012.

Principal activities

The principal activities of BGP Holdings plc (the 'Company'), which are substantially unchanged since last year, are those that pertain to an investment holding company.

Review of the business

The directors expect that the Group's level of business and its financial position will continue to improve in the foreseeable future. Taking into account the Group's available cash resources and ongoing profitable operations, there are sufficient funds to meet its financial obligations as and when it falls due and its operating cost requirements.

The Group's assets are managed by a subsidiary of BGP Holdings Europe S.à r.l. and are being positioned for a medium term exit, as capital markets recover.

Results and dividends

The statement of comprehensive income is set out on page 8. In view of the losses sustained in the current year, the directors do not recommend payment of any dividend (2011: nil).

Directors

The directors of the company who held office during the year were:

Mr. Roderick Hamilton McGeoch – Chairman
Mr. Francis J. Vassallo
Dr. Ruth Agius Scicluna Buttigieg
Mr. Mark Dunstan

The company's Articles of Association do not require any directors to retire.

Directors' report (continued)

Statement of directors' responsibilities

The directors are required by the Companies Act, Cap 386 of the Laws of Malta to prepare consolidated financial statements which give a true and fair view of the state of affairs of the Group as at the end of each reporting period and of the profit or loss for that period.

In preparing the consolidated financial statements, the directors are responsible for:

- ensuring that the consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the consolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, Cap 386 of the Laws of Malta. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board of Directors,



Mark Dunstan
Director



Dr. Ruth Agius Scicluna Buttigieg
Director

Registered office
259 St Paul Street
Valletta VLT1213
Malta

5 August 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BGP HOLDINGS PLC

We have audited the accompanying financial statements of BGP Holdings PLC ("the Company") and its subsidiaries ("the Group"), as set out on pages 6 to 65 which comprise the consolidated statements of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As described in the statement of directors' responsibilities on page 3, the directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act, Cap. 386 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements:

- give a true and fair view of the financial position of the Company and the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.


INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BGP HOLDINGS PLC - continued

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Companies Act, Cap. 386 of the Laws of Malta to report to you if in our opinion:

- The information given in the directors' report is not consistent with the consolidated financial statements.
- Adequate accounting records have not been kept.
- The consolidated financial statements are not in agreement with the accounting records.
- We have not received all the information and explanations we require for our audit.
- If certain disclosures of directors' remuneration specified by law are not made in the consolidated financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.



*This copy of the audit report has been signed by
Anthony Doublet for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

5 August 2013

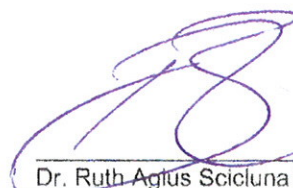
Statements of financial position as at 31 December

	Notes	2012 Group	2011 Group	2012 Company	2011 Company
		EUR	EUR	EUR	EUR
ASSETS					
Non-current assets					
Real estate portfolio					
Investments in subsidiaries	4	-	-	38,912	82,288
Investment properties	6.1, 6.4	1,322,875,664	-	-	-
Investment in joint-venture	6.2	66,379,230	-	-	-
Loans receivable	6.5	-	1,000	-	-
Total		1,389,254,894	1,000	38,912	82,288
Other non-current assets					
Deferred tax assets	10.7	16,066,898	-	-	-
Other non-current assets		3,439,647	-	-	-
Total		19,506,545	-	-	-
Total non-current assets		1,408,761,439	1,000	38,912	82,288
Current assets					
Tenants receivables	6.6	2,870,460	-	-	-
Receivables from related parties	13	112,350	-	-	-
Prepayments and other assets	6.8	22,531,152	12,278	7,132	11,098
Cash and cash equivalents	6.7	48,358,214	1,559,252	1,311,566	1,410,017
Total current assets		73,872,176	1,571,530	1,318,698	1,421,115
Assets classified as held for sale	6.3	87,803,318	-	-	-
TOTAL ASSETS		1,570,436,933	1,572,530	1,357,610	1,503,403

The financial statements on pages 6 to 65 were authorised for issue by the board on 5 August 2013 and were signed on its behalf by:



Mark Dunstan
Director



Dr. Ruth Agius Scicluna Buttigieg
Director

Statements of financial position as at 31 December (continued)

	Notes	2012 Group	2011 Group	2012 Company	2011 Company
		EUR	EUR	EUR	EUR
EQUITY					
Capital and reserves attributable to the owners of the Company					
Share capital	7.1	99,999	99,999	99,999	99,999
Share premium	7.2	166,606,786	166,606,786	166,606,786	166,606,786
Reserves		2,570	-	-	-
Retained earnings		224,815,941	(165,250,617)	(165,425,964)	(165,226,941)
Total equity attributable to the owners of the Company		391,525,296	1,456,168	1,280,821	1,479,844
Non-controlling interests		706,081	-	-	-
Total Equity		392,231,377	1,456,168	1,280,821	1,479,844
LIABILITIES					
Non-current liabilities					
Loans from banks	7.3(a)	311,601,687	-	-	-
Loans from related parties	13	561,068	-	39,167	-
Finance lease		2,639,291	-	-	-
Derivative financial instruments	9.5	47,134,447	-	-	-
Deferred tax liabilities	10.7	40,340,845	-	-	-
Total non-current liabilities		402,277,338	-	39,167	-
Current liabilities					
Loans from banks	7.3(a)	664,550,041	-	-	-
Finance lease		39,803	-	-	-
Accrued interest payable to banks	7.3(a)	6,268,888	-	-	-
Accrued interest payable to related parties	13	-	-	489	-
Derivative financial instruments	9.5	18,394	-	-	-
Accounts payable and accrued expenses	7.4	39,793,042	85,329	37,133	23,559
Income taxes payable	10.7	1,689	31,033	-	-
Total current liabilities		710,671,857	116,362	37,622	23,559
Liabilities directly associated with the assets classified as held for sale	6.3	65,256,361	-	-	-
Total Liabilities		1,178,205,556	116,362	76,789	23,559
TOTAL EQUITY AND LIABILITIES		1,570,436,933	1,572,530	1,357,610	1,503,403

Statements of comprehensive income for the year ended 31 December

	Notes	2012	2011	2012	2011
		Group	Group	Company	Company
		EUR	EUR	EUR	EUR
Revenue from investment properties	10.1	154,422,513	-	-	-
Expenses related to investment properties	10.2	(81,462,364)	-	-	-
Profit related to investment properties		72,960,149	-	-	-
Corporate expenses	10.3	(7,267,580)	(259,950)	(184,468)	(165,067)
Other operating expenses	10.4	(679,835)	-	(43,376)	(36,861)
Other operating income	10.4	3,060,618	-	-	-
Net other expenses		(4,886,797)	(259,950)	(227,844)	(201,928)
Gain on acquisition of shares in subsidiary	5.1	210,501,115	-	-	-
Gains on sale of investment properties	6.1	45,058	-	-	-
Gains on sale of shares in subsidiaries	5.2 (a)-(b)	557,978	-	-	-
Gain on loss of control of subsidiary	5.3	9,039,583	-	-	-
Gain on portfolio disposal		9,642,619	-	-	-
Net unrealised / realised gain on investment properties	10.6	194,097,780	-	-	-
Operating profit/(loss)		482,314,866	(259,950)	(227,844)	(201,928)
Finance income	10.5	1,612,066	32,808	34,933	30,865
Finance costs	10.5	(53,582,413)	(649)	(777)	(369)
Net gains on derivatives	9.5	12,160,900	-	-	-
Net finance (expenses)/income		(39,809,447)	32,159	34,156	30,496
Share of result from joint ventures	6.2	(21,963,749)	-	-	-
Net profit/(loss) before tax		420,541,670	(227,791)	(193,688)	(171,432)
Current income tax	10.7	(272,565)	(6,597)	(5,335)	(4,498)
Deferred income tax	10.7	(30,213,231)	-	-	-
Net profit/(loss) for the year		390,055,874	(234,388)	(199,023)	(175,930)
Other comprehensive income for the year, net of tax		-	-	-	-
Currency translation difference		143	-	-	-
Total comprehensive income for the year, net of tax		390,056,017	(234,388)	(199,023)	(175,930)
Losses attributable to:		-	(234,388)	(199,023)	(175,930)
- Owners of the Company		-	(234,388)	(199,023)	(175,930)
- Non-controlling interests		-	-	-	-
Total comprehensive income attributable to:		390,056,017	-	-	-
- Owners of the Company		390,066,558	-	-	-
- Non-controlling interests		(10,541)	-	-	-

Statements of changes in equity

Group	Attributable to the Group's Owners							Total equity
	Share capital	Share Premium	Translation reserve	Retained earnings	Shareholders' Equity	Non-controlling interests		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2010	99,999	166,606,786	-	(165,016,229)	1,690,556	-	-	1,690,556
Currency translation differences	-	-	-	-	-	-	-	-
Net income and expense for the year recognised directly in equity	-	-	-	-	-	-	-	-
Net loss for the year	-	-	-	(234,388)	(234,388)	-	-	(234,388)
Total income and expense for the year	-	-	-	(234,388)	(234,388)	-	-	(234,388)
Changes in non-controlling interests	-	-	-	-	-	-	-	-
Balance at 31 December 2011	99,999	166,606,786	-	(165,250,617)	1,456,168	-	-	1,456,168
Change of scope	-	-	2,427	-	2,427	716,622	-	719,049
Currency translation differences	-	-	143	-	143	-	-	143
Net income and expense for the year recognised directly in equity	-	-	-	-	-	-	-	-
Net loss for the year	-	-	-	390,066,558	390,066,558	(10,541)	-	390,056,017
Total income and expense for the year	-	-	2,570	390,066,558	390,069,128	706,081	-	390,775,209
Changes in non-controlling interests	-	-	-	-	-	-	-	-
Balance at 31 December 2012	99,999	166,606,786	2,570	224,815,941	391,525,296	706,081	-	392,231,377

The notes on pages 13 to 65 are an integral part of these financial statements.

Statements of changes in equity (continued)

Company	Attributable to the Company's Owners					
	Share Capital	Share Premium	Retained Earnings	Shareholders' Equity	Total Equity	
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2010	99,999	166,606,786	(165,051,011)	1,655,774	1,655,774	
Currency translation differences	-	-	-	-	-	
Net income and expense for the year recognised directly in equity	-	-	-	-	-	
Net loss for the year	-	-	(175,930)	(175,930)	(175,930)	
Total income and expense for the year	-	-	(175,930)	(175,930)	(175,930)	
Changes in non-controlling interests	-	-	-	-	-	
Balance at 31 December 2011	99,999	166,606,786	(165,226,941)	1,479,844	1,479,844	
Currency translation differences	-	-	-	-	-	
Net income and expense for the year recognised directly in equity	-	-	-	-	-	
Net loss for the year	-	-	(199,023)	(199,023)	(199,023)	
Total income and expense for the year	-	-	(199,023)	(199,023)	(199,023)	
Changes in non-controlling interests	-	-	-	-	-	
Balance at 31 December 2012	99,999	166,606,786	(165,425,964)	1,280,821	1,280,821	

Statements of cash flows

	Notes	2012 Group	2011 Group	2012 Company	2011 Company
		EUR	EUR	EUR	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(Loss) before income tax		420,541,670	(227,791)	(193,688)	(171,432)
Adjustments for:					
Gain on acquisition	5.1	(210,501,115)	-	-	-
Amortisation of borrowing costs on loans	10.5	1,663,942	-	-	-
Realised gain on disposal of financial assets	5.2 & 5.3	(9,642,619)	-	-	-
Fair value gains on investment properties	6.1 & 10.6	(194,097,780)	-	-	-
Gains from fair value adjustment on derivatives	9.5	(12,160,900)	-	-	-
Net foreign exchange gains		(17,145)	-	-	-
Unrealised losses on financial assets	4	-	-	43,376	36,861
Interest expense	10.5	51,191,823	-	-	-
Interest income	10.5	(206,577)	-	-	-
Shares of result from joint ventures	6.2	21,963,749	-	-	-
Changes in working capital:					
Tenants receivables, prepayments and other assets		4,524,600	82,183	3,966	(52,131)
Accounts payables, accrued expenses and other liabilities		(4,666,478)	(27,341)	14,063	80,849
Tenants deposits		(118,552)	-	-	-
Tax paid		(563,792)	(6,597)	(5,335)	(4,498)
Net cash generated from/(used in) operating activities		67,910,826	(179,546)	(137,618)	(110,351)
CASH FLOW FROM INVESTING ACTIVITIES					
Change in scope of consolidation	5.1	56,720,338	-	-	-
Capital expenditure of investment properties	6.1	(12,826,410)	-	-	-
Additional investment in joint-ventures	6.2	(1,730,053)	-	-	-
Cash held by entities sold		(1,916,165)	-	-	-
Proceeds from sale of investment properties	6.1	10,757,697	-	-	-
Proceeds from sale of shares in subsidiaries		1,509,690	-	-	-
Interest received		206,577	-	-	-
Net cash generated from investing activities		52,721,674	-	-	-

Statements of cash flows (continued)

	Notes	2012 Group	2011 Group	2012 Company	2011 Company
		EUR	EUR	EUR	EUR
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of bank loans		(27,379,324)	-	-	-
Loan from Group company		-	-	39,167	-
Interest paid		(43,937,958)	-	-	-
Net cash (used in) / generated from financing activities		(71,317,282)	-	39,167	-
Net increase/(decrease) in cash and cash equivalents		49,315,218	(179,546)	(98,451)	(110,351)
Cash and cash equivalents at beginning of the year	6.7	1,559,252	1,738,798	1,410,017	1,520,368
Cash included in assets classified as held for sale	6.3	(2,516,256)	-	-	-
Cash and cash equivalents at the end of the year	6.7	48,358,214	1,559,252	1,311,566	1,410,017

Note 1 - General information

BGP Holdings plc (the "Company") is a Maltese public limited liability company incorporated on 20 June 2005. The Company underwent a Group restructuring in August 2009. Further to the restructuring of BGP Investment S.à r.l., an investment joint venture between GPT Group and Babcock & Brown, investing in European real estate, the Company became the new parent company of the BGP Group (the "Group") on 12 August 2009. As from 12 August 2009, the Company indirectly holds interests in portfolios of European real estate held through BGP Holdings 2 Limited and BGP Holdings Europe S.à r.l.

On 2 January 2012, BGP Holdings plc through its subsidiary BGP Holdings Europe S.à r.l. became the sole parent company of the BGP Investment S.à r.l. (refer to notes 5.1 and 6.2 for further details).

These consolidated financial statements have been approved for issue by the Board of Directors on 5 August 2013.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and the Maltese Companies Act, Cap 386 of the Laws of Malta. These financial statements have been prepared under the historical cost convention, in accordance with those IFRS and IFRIC interpretations issued and effective as at the reporting date of these statements (31 December 2012). As the restructuring of the BGP Group occurred on 12 August 2009, the Company prepared consolidated financial statements for the first time in 2009 for the period from 12 August 2009 to 31 December 2009.

The accounting policies adopted are consistent with those of previous financial year except for matters disclosed here below in "Changes in accounting policy disclosures".

The consolidated financial statements have been prepared under historical cost convention except for:

- investment properties, investments designated as fair value through profit and loss and derivative financial instruments that are all measured at fair market value through the statement of comprehensive income.
- investment in joint ventures that are measured as a percentage of the net equity of the joint venture.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The accounting policies have been consistently applied by the Group's entities.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

a. Changes in accounting policy and disclosures

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning 1 January 2012 or after, as specified hereafter :

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

b. New standards and interpretations not applied

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2013 or later periods, but the Group has not early adopted them:

On 12 May 2011, the IASB completed its improvements to the accounting requirements for off balance sheet activities and joint arrangements by issuing IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities':

- **IFRS 10 'Consolidated Financial Statements'** builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC 12, 'Consolidation – special purpose entities';

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b. New standards and interpretations not applied (continued)

- **IFRS 11 'Joint Arrangements'** provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.
- **IFRS 12 'Disclosure of Interests in Other Entities'** is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10, 'Consolidated financial statements', and IFRS 11, 'Joint arrangements'; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and It requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The standards are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, the standards have not yet been endorsed by the EU.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2013 and has been no effect on the Group's financial position, performance or its disclosures.

IAS 27 Consolidated and Separate Financial statements as revised in 2011

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b. New standards and interpretations not applied (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance of how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013. However, the standards have not yet been endorsed by the EU.

2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the consolidated statement of comprehensive income.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Company's owners. Acquisitions of non-controlling interests are accounted for using parent-entity method, whereby the difference between the carrying value of non-controlling interests and the consideration paid is recognised in "Other reserves".

Prior to 1 January 2010 the following principal differences applied:

- transaction costs attributable to the acquisition formed part of the acquisition costs,
- the non-controlling interests (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets,
- contingent consideration was recognised if, and only if, the Group had a present obligation, an economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Note 2 - Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates which is the functional currency. The consolidated financial statements are presented in EUR which is the company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Finance income" or "Finance costs".

Translation differences on investment properties, investments in joint-ventures and associates and derivatives are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the statement of comprehensive income as part of the gain or loss on the sale.

Note 2 - Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used for translation are as follows:

Currency	Country	Exchange rates at 31 December 2012		Exchange rates at 31 December 2011	
		EUR	EUR	EUR	EUR
		Closing	Average	Closing	Average
DKK	Denmark	7.4606	7.4441	7.4339	7.4512
SEK	Sweden	8.6159	8.7113	8.9303	9.0362

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both and that is not occupied by the Group is classified as investment property

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

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by independent experts. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Investment property under construction is also valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method.

Changes in fair values are recognised in the consolidated statement of comprehensive income.

Note 2 - Summary of significant accounting policies (continued)

2.5 Investment in joint ventures

Joint ventures are jointly controlled entities whereby the venturers have contractual arrangements that establish joint control over the economic activities of the entities.

The Group's investment in joint ventures is accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture.

Where there has been a change recognised directly in other comprehensive income of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures. The Group determines at each end of reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of comprehensive income.

2.6 Investments in subsidiaries

Company

Investments in subsidiaries are accounted for by the cost method of accounting.

Provisions are recorded where, in the opinion of the directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified. The results of the subsidiaries are reflected in these financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Note 2 - Summary of significant accounting policies (continued)

2.7 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within one year, otherwise, they are classified as non-current.

Derivative financial instruments are also categorised as held for trading if they do not meet the hedge accounting criteria as defined by IAS 39.

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received or made under an operating lease are recognised in income over the lease term. Tenancies for real estate are operating leases by this definition.

Leases which transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee are classified as finance leases.

Where the Group is the lessee and the leased asset is an investment property, it recognises such leases at the commencement of the lease term as assets at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is apportioned between finance charge and reduction of outstanding liability so as to produce a constant rate of interest on the liability. The liability is reported in other liabilities. The finance charge is recognised in expenses in the consolidated statement of comprehensive income.

Where the Group is the lessor, it recognises the present value of lease payments for finance leases as a receivable. Any difference between the gross receivable and the present value of the receivable is recognised in net interest and investment income over the lease term. Finance income is recognised over the lease term using the annuity method, reflecting a constant annual return. So far, the Group is not party to any such leases, either as a lessor or lessee.

2.9 Loans and tenants receivables

Loans and tenants receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised when the Group provides a debtor directly with money, goods or services without any intention of trading the debt.

They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and tenants receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and tenant receivables is established when there is objective evidence that the

Group will not be able to collect all amounts due according to the original terms of the loans and tenant receivables.

Note 2 - Summary of significant accounting policies (continued)

2.9 Loans and tenants receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "Finance costs".

When a tenant receivable is uncollectible, it is written off against the allowance account for tenant receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

2.10 Cash and short-term deposit

Cash and short-term deposit includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position. For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

2.11 Non-currents assets held for sale

Non-current assets (except investment properties) and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Investment properties are measured at fair value as described in section 2.4. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.12 Loans and accounts payable

Loan and accounts payables are measured initially at fair value, net of transaction costs incurred, and subsequently at amortised cost using the effective interest method. Any difference between the amount of a loan (after deduction of transaction costs) and the amount repaid is recognised in the consolidated statement of comprehensive income over the loan term using the effective interest rate method.

Loan and accounts payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2.13 Derivative financial instruments

The Group has entered into interest rate swaps and collars. Such derivatives are initially recognised in the consolidated statement of financial position at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value using pricing quotes from recognised banks or brokers with reference to observable market dates.

Note 2 - Summary of significant accounting policies (continued)

2.13 Derivative financial instruments (continued)

The Group holds such instruments to economically hedge interest rate risks but does not designate any derivative as hedging instrument in accordance with IAS 39. Therefore, changes in the fair value are recognised immediately in the statement of comprehensive income in interest income or interest expenses.

Where management holds a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the end of reporting period, the derivative shall be classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Derivatives are presented at the end of reporting period under current assets when fair value is positive or under current liabilities when fair value is negative.

2.14 Provisions

Provisions for legal claims and other obligations are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses unless they related to onerous contracts.

Provisions are measured at the present value of the expenditures expected to be require to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

Revenue comprises:

- rental income,
- service charges recoverable from tenants,
- interest income.

Rental income:

Rental income is recognised on a straight line basis over the lease term and includes rents charged to the tenants in accordance with the terms of the related lease agreements taking into account any rent free periods and other lease incentives, net of any sales taxes.

The lease term is the non-cancellable period of the lease together with any further terms for which the tenant has the option to continue to lease the asset when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Note 2 - Summary of significant accounting policies (continued)

2.15 Revenue recognition (continued)

Services charges recoverable from tenants:

Service charges recoverable from tenants represent income receivable from tenants for the services of utilities, warden and property caretakers. When the Group is acting as an agent of the tenants, the service charges income is presented net of the related expenses. Service charges recharged to tenants are recognised on an accrual basis in the period to which these relate and in which that expense can be contractually recovered.

Interest income:

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.16 Taxation

Tax expense for the reporting period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Note 3 - Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

3.1 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities.

Actual amounts may differ from these estimates. In particular, management must make estimates and assumptions in the following areas:

Company

Investments in Group undertakings are accounted for at cost and assessed for impairment by the directors. In making this judgement, the directors evaluate, among other factors, the financial health of and near-term business outlook for the investee companies, (including factors such as industry and investee projected performance and operational and financing cash flow). Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. In line with the treatment adopted in previous years, the book value of the investment in subsidiary has been written down to reflect the subsidiary's net equity position as at 31 December 2012 (Note 4).

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Group

(a) Estimate of fair value of investment properties

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

Investment property under construction is also valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009 and, to a lesser extent, into 2010. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

Note 3 - Critical accounting estimates and judgement (continued)

Group (continued)

(a) Estimate of fair value of investment properties (continued)

The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in Note 6.4.

Techniques used for valuing investment property:

The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market- derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings.

A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

(b) Estimate of fair value of derivatives

Where the fair value of derivatives recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivatives.

The carrying values of these estimates are presented on the face of the consolidated statement of financial position.

(c) Income taxes

The Group is subject to income tax in different jurisdictions. Significant estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax consequences based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

The carrying values of these estimates are presented on the face of the consolidated statement of financial position.

Note 3 - Critical accounting estimates and judgement (continued)

(d) Acquisitions of property companies

The Group acquired subsidiaries that own investment properties. At the time of each acquisition, the Group considers whether or not the acquisition represents an integrated set of activities and assets to conclude whether the acquisition is a business combination. More specifically, the following criteria are considered:

- a. the number of items of land and buildings owned by the subsidiary,
- b. the extent of ancillary services provided by the subsidiary (eg. maintenance, cleaning, security, bookkeeping, hotel services etc.),
- c. whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information),
- d. whether the management of the investment property is a complex process.

When the acquired subsidiaries do not represent an integrated set of activities and assets, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill nor deferred tax resulting from the allocation of the cost of acquisition is recognised. The Group accounts for acquisition of subsidiaries as a business combination where an integrated set of activities is acquired in addition to the properties.

(e) Operating Lease Commitments – Group as Lessor

The Group entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of each individual arrangement, that it retains all the significant risks and rewards of ownership of these properties and as a consequence accounts for the contracts as operating leases.

(f) Going concern assessment

The Group's consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its financial obligations as and when they fall due. This is despite the fact that the consolidated financial statements show that the Group has EUR 664,550,041 of loans from banks maturing in 2013.

As of 31 December 2012, the loans from banks classified as current due to maturity (EUR 365,495,285) and covenant breaches (EUR 292,614,720) amounts to EUR 658,110,005 with the associated fair value of the investment properties amounting to EUR 905,529,361.

Management has finalised negotiating the refinancing of the maturing loans from banks amounting to EUR 365,495,285. As of 31 December 2012, the details are as follows:

- The fair value of the respective investment properties to be refinanced amounts to EUR 648,915,999 with the associated loans from banks amounting to EUR 365,495,285.
- Negotiations are finalised with terms sheets and the financing structure is being set up

For the remaining loans from banks classified as current amounting to EUR 292,614,720 with associated investment properties at a fair value being EUR 256,613,362, management are in negotiations with the financial lenders to dispose of the investment properties and repay the associated loans. These loans are all non recourse in nature and are not cross collateralised with any of the Group's other assets and in the opinion of the Board of Directors will have no impact on the Group's going concern.

Note 3 - Critical accounting estimates and judgement (continued)

However, despite the above uncertainties the Board of Directors are of the opinion that the Group is a going concern based on the reasons set out below:

- The Group prepares cash flow forecasts to demonstrate that it has adequate resources available to continue in operation for the foreseeable future. In these forecasts the Board of Directors specifically consider anticipated future market conditions and the Group's principal risks and uncertainties. These forecasts take into consideration the Group's projected operating cash flows and expected proceeds from the disposal of certain properties.
- The Group is dependent upon its core bank loan facilities, which have to comply with certain debt covenants. The Group has complied with all its loan covenants as at 31 December 2012, with the exception of Lancelotland BV, HBI Denmark Propco ApS, HBI France Propco ApS and Babcock & Brown Otto Portfolio 2 S.à r.l. & Co KG. As these loans are all non recourse in nature and are not cross collateralised with any of the Groups other assets and in the opinion of the Board of Directors will have no impact on the Groups going concern.
- Given the non-recourse nature of the Group's financing structure at a subsidiary level, and the fact that the Group has adequate cash reserves, the Board of Directors is of the opinion that the maturing bank debts do not change their assessment that the Group is a going concern.

Having taken into account the above matters, the Board of Directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board of Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The consolidated financial statements do not therefore include any adjustments that could result from the basis of preparation being inappropriate.

Note 4 - Investments in group undertakings

As at 31 December 2012, BGP Group, including the Company (BGP Holdings plc, the parent company of the Group) encompassed a total of 118 business entities.

	Ownership interest (%) <u>31 December 2012</u>	Ownership interest (%) <u>31 December 2011</u>	<u>Profile</u>
BGP Holdings plc	-	-	Parent company
BGP Holdings 2 Limited	100	100	Investment Holding Co.
BGP Holdings Europe S.à r.l	100	100	Investment Holding Co.
BGP Investment S.à r.l.	100	50	Investment Holding Co.

(Numerous property holding and intermediate holding companies disclosed in note 16)

Company

	2012 EUR	2011 EUR
Opening carrying amount	82,288	119,149
Impairment provision	(43,376)	(36,861)
Closing carrying amount	<u>38,912</u>	<u>82,288</u>

Investments in Group undertakings as at 31 December 2012 are shown below:

	Registered Office	Class of shares held	Percentage of shares held %
BGP Holdings 2 Limited	259, St Paul Street Valletta VLT1213 Malta	Ordinary shares	99.99

The total historical cost of the investment in BGP Holdings 2 Limited amounts to EUR 164,432,886. As at 31 December 2012, total impairment charges in relation to this investment amounted to EUR 164,393,974 (2011: EUR 164,350,598).

In 2012, and in line with the treatment adopted in previous years, the directors have deemed it prudent to further impair the book value of the investment in subsidiary by an amount of EUR 43,376 in order to reflect the subsidiary's net equity position as at 31 December 2012.

Note 5 - Acquisitions and disposals

5.1 Acquisition of shares in subsidiary

Group

On 2 January 2012, the Group acquired the remaining 50% of the shares of BGP Investment S.à r.l., an unlisted company based in Luxembourg. BGP Investment S.à r.l., holds a portfolio of residential, retail and office buildings let under operating leases.

The fair value of the identifiable assets and liabilities of BGP Investment S.à r.l., as at the date of acquisition were:

	Fair value recognised on acquisition
	EUR
Investment property	1,284,704,886
Deferred tax assets	15,733,560
Non-current assets	91,478,573
Current assets	31,236,304
Cash and cash equivalents	56,720,338
Assets classified as held for sale	10,148,750
	1,490,022,411
Interest bearing loans and borrowings	(1,149,032,218)
Preferred loan**	(889,729,561)
Deferred tax liability	(14,997,694)
Non-current liabilities	(62,550,571)
Current liabilities	(52,836,763)
Liabilities classified as held for sale	(89,050)
	(2,169,235,857)
Total identifiable net liabilities at fair value	(679,213,446)
Total consideration	15,000

** - Intra Group loan between BGP Investment S.à r.l., and BGP Holdings Europe S.à r.l.

The total consideration of EUR 15,000 for the 50% interest acquired consists of EUR 15,000 cash.

The total identifiable net assets at fair value are adjusted for the elimination of the above preferred loan amounting to EUR 889,729,561. The net resulting gain on acquisition amounted to EUR 210,501,115.

As part of the acquisition process management reassessed the financial position of BGP Investment S.à r.l. with the view of the full consolidation of BGP Investment S.à r.l. and its subsidiaries in 2012. Since for BGP Holdings plc consolidation purposes, the investment in joint venture undertakings had been fully impaired in 2008 and the fact that the resulting adjusted financial position of BGP Investment S.à r.l. and its subsidiaries still result in a negative net equity, would have not had any impact on the consolidated results of the Company for the year ended 31 December 2011.

The consolidated financial statements of the Group include the full results for the financial year and the financial position of BGP Investment S.à r.l. and its subsidiaries as at and for the year ended 31 December 2012.

Note 5 - Acquisitions and disposals (continued)

5.2 Sale of shares in subsidiary

Group

(a) Disposal of shares in subsidiary

On 1 January 2012 BGP Investment II S.à r.l. sold 75% of it's share in the BGP Otto 3 S.à r.l. & Co KG through a share deal. The impact of disposal and the carrying amount of the assets and liabilities disposed of during the year were as follows:

	2012 EUR
Assets	
Investment properties	14,966,223
Non-current assets	22,690
Current assets	635,803
Total assets sold	<u>15,624,716</u>
Liabilities	
Non-current liabilities	(1,497,687)
Current liabilities	(12,871,624)
Total liabilities sold	<u>(14,369,311)</u>
Net assets	<u>1,255,405</u>
Net assets disposed 75%	941,554
Sales proceeds – cash received	1,509,690
Gain resulting from disposal	<u>568,136</u>

(b) Liquidation of subsidiaries

KPI Residential Property 12 S.à r.l., KPI Residential Property 24 S.à r.l. and KPI Retail Property 5 S.à r.l. holding no investment properties were liquidated on 30 October 2012 resulting in a combined loss on liquidation of EUR 10,158.

5.3 Loss of control

On 31 March 2012, the Group lost control of BGP Immo-West S.à r.l. & Co KG, holding investment properties valued at EUR 67,686,500 as at 31 December 2011.

The major classes of assets and liabilities derecognised are as follows:

	31 March 2012
Investment properties	67,686,500
Non-current assets	4,608,045
Current assets	1,789,843
Short term borrowings	(77,244,743)
Current liabilities	(5,912,878)
Net liabilities derecognised	<u>(9,073,233)</u>

As a result of loss of control, the Group realised the gain of EUR 9,039,583, which was partly recognised in the consolidated statement of comprehensive income.

Note 6 - Assets

6.1 Investment properties

Group

	2012
	EUR
Fair value at the beginning of the year	-
Change in consolidation scope (see note 5.1)	1,284,704,886
Transfer to assets classified as held for sale (see note 6.3)	(84,089,177)
Lease incentives	171,443
Loss of control (see note 5.3)	(67,686,500)
Disposal of subsidiary (see note 5.2)	(14,966,223)
Sale of investment properties	(2,492,125)
Foreign exchange gain/loss	309,170
Costs subsequently capitalised	12,826,410
Net unrealised loss on investment properties at fair value (see note 10.6)	194,097,780
Fair value at the end of the year	1,322,875,664

During 2012, HBI France PropCo ApS has sold investment property amounting to EUR 9,112,752 located in France for EUR 9,177,989 (including transaction costs), realising a gain on sale of EUR 65,237.

On 19 January 2012, Lancelotland B.V. has sold investment property amounting to EUR 1,599,887 located in the Netherlands for EUR 1,579,708 (including transaction costs), realising a loss on sale of EUR 20,179.

The net carrying amount of properties acquired financing leases amounts to EUR 2,679,094 (see note 7.3 (d)).

6.2 Investment in joint venture

Group

(a) BGP Investment S.à r.l.

The investment in joint venture undertaking represents a 100% investment held by a Group undertaking in BGP Investment S.à r.l. a company registered in Luxembourg. On 2 January 2012, BGP Holdings plc through its subsidiary BGP Holdings Europe S.à r.l. became the sole parent company of the BGP Investment S.à r.l. (refer to note 5.1 for further details).

BGP Investment S.à r.l. had a negative equity as at 31 December 2008 and consequently the value of this investment had been fully impaired in 2008. As at 31 December 2012 the equity position of this investee company did not improve and accordingly the directors have deemed it prudent not to revise the carrying amount of this investment in these Group accounts.

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(a) BGP Investment S.à r.l. (continued)

The consolidated statement of financial position as at 31 December 2011 for BGP Investment S.à r.l. is as follows:

	2011 EUR'000
Assets	
Non-current assets	
Completed investment properties	1,236,241
Other non-current assets	49,128
Investment properties held for sale	52,254
Current assets	<u>121,080</u>
Total assets	<u>1,458,703</u>
Liabilities	
Non-current liabilities	
Interest bearing loans and borrowings	(1,543,586)
Other non-current liabilities	(116,629)
Current liabilities	
Interest bearing loans and borrowings	(426,693)
Other current liabilities	<u>(201,095)</u>
Total liabilities	<u>(2,288,003)</u>
Net liabilities	<u>(829,300)</u>
Net equity	(834,998)
Non-controlling interests	<u>5,698</u>
Total negative equity	<u>(829,300)</u>
50% Share of total equity	<u>(414,650)</u>

The consolidated statement of comprehensive income for the years ended 31 December 2011 for BGP investment S.à r.l. is as follows:

	2011 EUR'000
Net rental income	81,945
(Losses)/profits on sales of investment properties	19,583
Other expenses	(12,963)
Valuation losses from completed investment properties	<u>(57,950)</u>
Operating profit	30,615
Net finance income and expenses	(109,575)
Share of losses of associates	(11,004)
Income tax	<u>(854)</u>
Loss for the year	<u>(90,818)</u>
50% Share of loss for the year	<u>(45,409)</u>

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(a) BGP Investment S.à r.l. (continued)

The above results are based on management's assessment of the consolidated financial position and results of BGP Investment S.à r.l. and its subsidiaries as at and for the year ended 31 December 2011. The results are not adjusted for management's re-assessment of the consolidated financial position and results of BGP Investment S.à r.l. on the 2 January 2012, for the acquisition of the 50% shares in BGP Investment S.à r.l. by BGP Holdings Europe S.à r.l. (refer to note 5.1).

(b) Heidi

The movements of the investment into the Heidi Portfolio are as follows:

	2012 EUR
Net investment as at January 1st	-
Effect of changes in consolidation scope	65,596,940
Increase in loans during this year	1,730,053
Share of result from joint venture	<u>(21,687,418)</u>
Net investment at the end of the year	<u>45,639,575</u>

The following tables summarise financial information of the Group's 35% share in the Heidi Portfolio as at 31 December 2012:

	Statement of financial position				
	CandlePower	Promontoria	WBJ Group	Lux Cos	TOTAL
	2012 EUR	2012 EUR	2012 EUR	2012 EUR	2012 EUR
Investment Properties	15,223,240	33,673,848	68,593,336	-	117,490,424
Other non-current assets	-	-	124,685	-	124,685
Current assets	1,359,729	1,873,993	2,265,910	81,701	5,581,333
Total Assets	16,582,969	35,547,841	70,983,931	81,701	123,196,442
Non-current liabilities	-	(11,666,833)	(40,559,887)	-	(52,226,720)
Short term bank debts	(4,239,684)	(11,666,833)	(944,908)	-	(16,851,425)
Other current liabilities	(1,969,855)	(2,327,568)	(4,172,918)	(8,381)	(8,478,722)
Total Liabilities	(6,209,539)	(25,661,234)	(45,677,713)	(8,381)	(77,556,867)
Net assets as at 31 December 2012	10,373,430	9,886,607	25,306,218	73,320	45,639,575

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(b) Heidi (continued)

	Statement of comprehensive income				TOTAL
	CandlePower	Promontoria	WBJ Group	Lux Cos	
	2012 EUR	2012 EUR	2012 EUR	2012 EUR	2012 EUR
Revenue from investment properties	2,187,170	2,806,641	7,096,333	-	12,090,144
Expenses related to investment properties	(1,463,778)	(1,039,228)	(3,629,790)	-	(6,132,796)
Corporate expenses	(94,950)	(103,333)	(345,006)	(29,501)	(572,790)
Net finance costs	(1,389,784)	(1,464,131)	(2,984,275)	-	(5,838,190)
Loss on sales of investment properties	(2,096,367)	-	278,536	-	(1,817,831)
Net gain from fair value adjustment on derivatives	113,225	109,091	397,693	-	620,009
Net losses from fair value adjustment	-	(1,821,610)	(20,513,177)	-	(22,334,787)
Other income	8,967	6,408	1,360,813	24	1,376,212
Income taxes	420,707	109,091	397,499	(4,686)	922,611
Net loss for the year	(2,314,810)	(1,397,071)	(17,941,374)	(34,163)	(21,687,418)

(c) Narat

The movements of the investment into the Narat Portfolio are as follows:

	2012 EUR
Net investment as at January 1 st	-
Effect of changes in consolidation scope	17,577,083
Increase in loans during this year	-
Share of result from joint venture	<u>1,717,307</u>
Net investment at the end of the year	<u>19,294,390</u>

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(c) Narat (continued)

The following tables summarise financial information of the Group's 30% share in the Narat GmbH Portfolio as at December 31, 2012:

	TOTAL 2012 EUR
Statement of financial position	
Investment Properties	60,435,000
Other non-current assets	1,187,320
Current assets	6,427,654
Total Assets	68,049,974
Non-current liabilities	-
Short term bank debts	(47,098,858)
Other current liabilities	(1,656,726)
Total Liabilities	(48,755,584)
Net assets as at December 31, 2012	19,294,390

	TOTAL 2012 EUR
Statement of comprehensive income	
Revenue from investment properties	4,313,987
Expenses related to investment properties	(562,940)
Corporate expenses	(42,455)
Net finance costs	(2,144,536)
Other income	153,251
Net gain for the year	1,717,307

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(d) BGP Otto 3 S.à r.l. & Co KG

The movements of the investment into the BGP Otto 3 S.à r.l. & Co KG Portfolio are as follows:

	2012 EUR
Net investment as at January 1 st	-
Effect of changes in consolidation scope	1,167,256
Increase in loans	327,899
Share of result from joint venture	(49,890)
Net investment at the end of the year	<u>1,445,265</u>

The following tables summarise financial information of the Group's 25% share in BGP Otto 3 S.à r.l. & Co KG as at December 31, 2012:

Statement of financial position

	TOTAL 2012 EUR
Investment Properties	3,741,556
Other non-current assets	525,555
Current assets	124,867
Total Assets	<u>4,391,978</u>
Non-current liabilities	(2,765,102)
Short term bank debts	(49,140)
Other current liabilities	(132,471)
Total Liabilities	<u>(2,946,713)</u>
Net assets as at December 31, 2012	<u>1,445,265</u>

Statement of comprehensive income

	TOTAL 2012 EUR
Revenue from investment properties	627,055
Expenses related to investment properties	(373,519)
Corporate expenses	(35,542)
Net finance costs	(199,462)
Other expenses	(68,422)
Net loss for the year	<u>(49,890)</u>

Note 6 – Assets (continued)

6.2 Investment in joint venture (continued)

Group (continued)

(e) BGP Asset Management GmbH

The movements of the investment into the BGP Asset Management GmbH are as follows:

	2012 EUR
Change of scope	182,541
Cash movements	1,761,208
Elimination of related party transaction	(1,769,523)
Share of result from joint venture	(174,226)
Net investment at the end of the year	-

The following tables summarise financial information of the Group's 49% share in BGP Asset Management GmbH as at December 31, 2012:

Statement of financial position

	TOTAL 2012 EUR
Other non-current assets	62,264
Current assets	171,621
Total Assets	233,885
Other current liabilities	(486,739)
Total Liabilities	(486,739)
Net liabilities as at December 31, 2012	(252,854)

Statement of comprehensive income

	TOTAL 2012 EUR
Other income	2,291,738
Corporate expenses	(2,350,324)
Net finance costs	(115,640)
Net loss for the year	(174,226)

Note 6 – Assets (continued)

6.3 Assets and liabilities classified as held for sale

Group

The assets and liabilities of MKV Grundstückverwaltungs GmbH, HBI France Propco ApS, HB Sweden Propertyco AB and BGP Resi 6 S.à r.l. & Co KG classified as held for sale as at 31 December 2012 are as follows:

Assets

	2012 EUR
Investment property	84,089,177
Tenants receivables	176,971
Prepayment and other assets	1,020,914
Cash and cash equivalents	2,516,256
Assets classified as held for sale	87,803,318

Liabilities

	2012 EUR
Deferred income tax liabilities	(5,203,419)
Short-term bank loans and overdrafts	(58,028,129)
Accrued interest payable to banks	(74,813)
Derivatives	-
Accounts payable and accrued expenses	(1,950,000)
Accounts payable to related parties	-
Liabilities directly associated with assets classified as held for sale	(65,256,361)

MKV Grundstückverwaltungs GmbH holding investment property assessed at EUR 70,300,000 is currently undergoing due diligence with a view to a share sale.

HBI France Propco ApS holds investment properties assessed at EUR 1,180,000 which are scheduled to be sold in 2013

HB Sweden Propertyco AB holding investment properties assessed at EUR 11,594,176 was sold for SEK 1 on 2 April 2013.

BGP Resi 6 S.à r.l. & Co KG holds investment properties assessed at EUR 1,015,002 which are scheduled to be sold during 2013.

6.4 Additional information relating to the valuation of the investment properties

Group

The investment properties owned by the Group directly (through subsidiaries) have been valued at fair value, as determined by independent appraisers as at 31 December 2012. These fair values have been used for the preparation of the financial statements.

Note 6 – Assets (continued)

6.4 Additional information relating to the valuation of the investment properties (continued)

Group (continued)

The below table summarises the fair value of the Group's real estate portfolio:

Portfolio	Country	Fair Value booked	Valuation	Internal or External	Prepared by	Methodology	Date
Light Industrial – HBI	Netherlands	150,475,444 [^]	147,215,000	External	CBRE	DCF	22 May 2012
Light Industrial – HBI	Denmark	35,227,919	35,227,919	Internal	DTZ	Returns based valuation model	31 Dec 2012
Light Industrial – HBI	France	42,430,000 ^{^^}	43,402,000	Internal	DTZ	Returns based valuation model	31 Dec 2012
Total		228,133,363	225,844,919				
Residential – Quokka	Germany	599,272,999 ^{^^}	600,288,000	External	PwC	DCF	31 Dec 2012
Residential – Franz Mark	Germany	54,768,000	54,768,000	External	PwC	DCF	31 Dec 2012
Residential – Resi 20, 21 & 22	Germany	125,215,000	125,215,000	External	JLL	DCF	31 Dec 2012
Residential – Minotaurus	Germany	48,628,000	48,628,000	External	PwC	DCF	31 Dec 2012
Residential – Nau II	Germany	2,695,000	2,695,000	External	PwC	DCF	31 Dec 2012
Residential – Otto 1 & 4	Germany	109,961,000	109,961,000	External	JLL	DCF	31 Dec 2012
Residential – Otto Dix 2	Germany	27,300,000	27,300,000	External	n/a	Sales Price	31 Dec 2012
Total		967,839,999	968,855,000				n/a
Retail – Bavarian	Germany	58,100,000	58,100,000	External	Knight Frank	Investment Method	31 Dec 2012
Retail – Smaragd	Germany	68,802,302 ^{^^}	68,845,000	External	Knight Frank	Investment Method	31 Dec 2012
Total		126,902,302	126,945,000				
Total		1,322,875,664	1,321,644,919				

[^] - movement due to capex and additions since valuation date

^{^^} - movement due to reclassification to Held for Sale

Note 6 – Assets (continued)

6.5 Loans receivable

Group	2012	2011
	EUR	EUR
Loans receivable	<u>-</u>	<u>1,000</u>

On 4 August 2009, GPT RE Limited sold the loan with a nominal amount of EUR 747,867,808 lent to BGP Investment S.à r.l. on behalf of General Property Trust to BGP Holdings Europe S.à r.l. for a consideration of EUR 1,000. The consideration represents the estimated recoverable amount at the date of transaction.

6.6 Tenant receivables

Group	2012	2011
	EUR	EUR
Rent receivable	13,250,568	-
Service charges receivable	4,686,239	-
	<u>17,936,807</u>	<u>-</u>

Rent and service charge receivable are non-interest bearing and are typically due within 30 days.

As at 31 December 2012 receivables with a nominal value of EUR 17,936,807 (2011: EUR Nil) were partially impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2012	2011
	EUR	EUR
As at 31 December 2011	-	-
Change in consolidation scope	13,285,254	-
Increases	2,196,309	-
Decreases	(415,216)	-
Currency translation adjustments	-	-
As at 31 December 2012	<u>15,066,347</u>	<u>-</u>

As at 31 December the analysis of trade receivables that were past due but not impaired is set below:

	Total	Past due not impaired				
		<30 days	30-60 days	60-90 days	90-120 days	> 120 days
2011	4,147,738	2,380,765	236,242	454,934	477,466	598,331
2012	2,870,460	1,441,894	476,109	119,911	73,237	759,309

Note 6 – Assets (continued)

6.7 Cash and cash equivalents

Group and Company

	2012	2011	2012	2011
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Cash at bank – non restricted	20,580,222	1,559,252	1,311,566	1,410,017
Cash at bank – restricted	13,398,323	-	-	-
Short-term deposits – non restricted	10,508,438	-	-	-
Short-term deposits – restricted	3,871,231	-	-	-
	48,358,214	1,559,252	1,311,566	1,410,017

Cash at bank earns interest on the basis of up to 85% of 1-month EURIBOR plus 35 basis points. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents equals their carrying amount.

6.8 Prepayments and other assets

Group and Company

	2012	2011	2012	2011
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Tax advances	7,902,154	-	-	-
Trade receivables	7,365,288	-	-	-
Prepayments and accrued expenses	2,834,115	12,278	7,132	11,098
Other	1,657,051	-	-	-
Capitalised finance costs	1,443,990	-	-	-
Sales proceeds receivable	1,008,525	-	-	-
Deposits	209,030	-	-	-
Deferred income	110,999	-	-	-
	22,531,152	12,278	7,132	11,098

Note 7 - Equity and liabilities

7.1 Share capital

Company	2012	2011
	EUR	EUR
Authorised		
9,796,902,030 ordinary 'A' shares of EUR0.0000102072 each	99,999	99,999
1 ordinary 'B' share of EUR1	1	1
	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
9,796,902,030 ordinary 'A' shares of EUR0.0000102072 each	99,999	99,999
	<u>99,999</u>	<u>99,999</u>

Holders of ordinary 'A' shares have the right to receive dividends, participate in the profits of the company and attend and vote at all general meetings of the Company.

7.2 Share premium account

Company

This amount is not distributable by way of dividend to shareholders. It may be applied by the Company in paying up unissued shares of the Company as fully paid bonus shares to the shareholders of the Company.

	2012	2011
	EUR	EUR
Share premium	<u>166,606,786</u>	<u>166,606,786</u>
	<u>166,606,786</u>	<u>166,606,786</u>

There were no movements on the share premium account during the year.

7.3 Financial liabilities

(a) Loans from banks

Group

	Effective interest rate	Maturity	2012 EUR	2011 EUR
Non current				
Bayern LB	EURIBOR +2.306%	31 Jul 2015	32,440,526	-
Berlin-Hannoversche Hypothekenbank	EURIBOR +105- 250 bps	31 Dec 2014	160,930,000	-
Deutsche Pfandbrief AG	EURIBOR + 105- 110 bps	1 or 3 month to 31 Mar 2016	43,622,005	-
Eurohypo AG	EURIBOR + 80- 135 bps	1 month to 30 Jun 2016	19,881,375	-
Heleba Landesbank Hessen-Thüringen	EURIBOR + 85- 200bps	3 month to 15 Aug 2014	14,884,041	-
Wells Fargo Bank International	4.810%	1 Nov 2016	39,843,740	-
			311,601,687	-
Current				
Bayern LB	EURIBOR +2.306%	31 Jan 2013 to 31 Jul 2015	1,390,000	-
Berlin-Hannoversche Hypothekenbank	EURIBOR + 102- 250 bps	1 or 3 month to 30 Sep 2015	26,825,939	-
Deutsche Pfandbrief AG	EURIBOR + 100- 110 bps	1 or 3 month to 31 Mar 2016	1,235,817	-
Elektra Purchase No.18 Limited	EURIBOR + 110 bps	3 month 20 Feb 2015	85,350,000	-
Eurohypo AG	EURIBOR + 80- 135 bps	1 month to 30 Jun 2016	739,701	-
Heleba Landesbank Hessen-Thüringen	EURIBOR + 85- 200bps	3 month to 15 Aug 2014	243,266	-
ING Real Estate Finance N.V.	EURIBOR + 110bps	3 month to 20 Feb 2015	85,350,000	-
JP Morgan AG	1.410% to 1.740%	15 Jan 2015	86,513,701	-
Nord LB	5.120%	20 May 2015	35,401,019	-
Quokka Finance plc	EURIBOR + 302bps	31 Mar 2013	340,969,346	-
Wells Fargo Bank International	4.810%	14 Aug 2013	531,252	-
			664,550,041	-

The interest on the loans is to be paid on a monthly or quarterly basis. The outstanding amount of the accrued interest as at 31 December 2012 is EUR 6,268,888.

The Group, as part of the Framework Agreement, has to comply with certain covenants including loan to value ("LTV") ratio and interest services coverage ratio ("ISCR"). The Group comply with both ratios as mentioned in the Framework Agreement.

All investment properties are mortgaged or pledged as security for long term loans.

7.3 Financial liabilities (continued)

(b) Finance leases

Group

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. These leases typically have lease terms between 19 to 53 years.

	2012		2011	
	Present value EUR	Minimum lease payments EUR	Present value EUR	Minimum lease payments EUR
Within one year	256,470	40,000	-	-
After 1 year but not more that 5 years	1,025,880	195,000	-	-
More than 5 years	5,535,182	2,444,000	-	-
Less: future interest costs	(4,138,438)	(4,138,438)	-	-
Total	2,679,094	(1,459,438)	-	-

7.4 Accounts payable and accrued expenses

Group and Company

	2012 Group EUR	2011 Group EUR	2012 Company EUR	2011 Company EUR
Tenant payables	11,613,680	-	-	-
Operating provisions	10,470,306	56,461	34,220	7,198
Trade payables	5,385,172	-	-	-
Other creditors	5,012,569	28,868	2,913	16,361
Deferred income	3,408,364	-	-	-
VAT payable	1,379,840	-	-	-
Tenant deposits	1,054,403	-	-	-
Prepayments from tenants	1,003,096	-	-	-
Taxes excluding income tax	465,612	-	-	-
Total trade and other liabilities	39,793,042	85,329	37,133	23,559

Note 8 - Financial risk management

8.1 Financial risk factors

Group

The Group's principal financial liabilities, other than derivative financial instruments, comprise loans from banks and shareholders, as well as trade and other payables linked to its real estate business. The main purpose of these financial liabilities is to finance the Group's real estate operations. The Group main financial assets consist of trade and other receivables, as well as cash and short-term deposits that derive directly from its operations. The Group also holds investments measured at fair value through profit or loss and has entered into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group does not have a formal risk management policy. However, uncertainties linked to financial risks are managed through an active periodic risk management.

The Group's senior management oversees the management of these real estate risks either when entering into a real estate deal or after the deal acquisition. The Group uses local knowledge and experience and local property managers to minimise these risks. In addition, the Group decreases its exposure to real estate market risks by:

- Diversifying its investments spread over five countries in Europe
- Diversifying the activities of tenants;

Financial instruments affected by market risks include loans, deposits and derivative financial instruments. The Group decreases its exposure to financial market risks by entering into economic hedge derivatives. The Group does not enter into derivatives for speculative purposes.

8.2 Foreign exchange risk

Group

The Group operates in Europe and is exposed to foreign exchange risk arising from currency exposures to the Danish krone (DKK), and the Swedish krone (SEK). Foreign exchange risk arises from recognised monetary assets and liabilities, assets measured at fair value and net investments in foreign operations. The Group has the following strategies when dealing with currency exposures:

- Completed properties in countries other than Germany: the lease agreements are indexed to Euro as much as possible. In addition, the related borrowings are also denominated in EUR;
- Completed properties in Denmark and Sweden: the Group does not economically hedge the currency risks and is exposed to the changes in conversion rates between the local currency and EUR.

Note 8 - Financial risk management (continued)

8.3 Credit risk

Group

Financial instruments that potentially subject the Group to credit risk are primarily cash and cash equivalents, trade receivables, derivatives and other current assets.

Risk for cash and cash equivalents and derivatives:

When entering into a transaction with a financial institution, the Group ensures that the financial institution has a good credit rating. After financial market turmoil in 2008, the banks which the Group operates with have faced financial difficulties. Nevertheless, the credit rating of these financial institutions has improved. Management does not believe there is a significant risk of non-performance by these counterparties.

Risk for trade receivables and other current assets:

Accounts receivables are mainly derived from balances from tenants. Prior to entering into a lease agreement, the Group reviews the credit rating of the tenant and tries as often as possible to have leases paid in advance. The Group maintains a provision for bad debts based upon the expected collectability of all trade receivables.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants, internationally dispersed and who operate in various industries.

8.4 Liquidity risk

Group

The liquidity risks to which the Group is exposed are of two kinds:

- The real estate market is illiquid and the Group is committed to meet certain bank covenants, including loan-to-value ratio. In case of breach of a covenant, the Group could be forced to redeem part or all of the bank debt. To manage this risk, the Group monitors on a quarterly basis its compliance with loan-to-value ratio covenants. In case of a breach, the Group may consider the disposal of properties, a cash collateralisation or higher interest margins.
- The possibility that tenants may not be able to settle obligations within the normal terms of trade. The Group manages this liquidity risk by assessing periodically the financial viability of tenants.

Management's timely reaction also demonstrates this, since already in 2013, management initiated discussions with representatives of banks in order to amend corporate financing agreements.

Note 8 - Financial risk management (continued)

8.5 Interest rate risk

Group

The Group's interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable rates expose the Group to interest rate risk. The Group's strategy is to mitigate its interest rate risks by entering into economic hedges through swap transactions.

The analysis below is performed for reasonably possible movements in interest rates with all variables held constant, showing the impact on profit before tax and equity.

	Increase/ (Decrease) in basis points	Effect on profit before tax EUR
2012		
Impact on interest expense (decrease)/increase	100 bps	1,088,624
Impact on interest expense (decrease)/increase	(100) bps	(1,088,624)
2011		
Impact on interest expense (decrease)/increase	100 bps	n/a
Impact on interest expense (decrease)/increase	(100) bps	n/a

Note 9 - Financial risks

9.1 Currency risk

Group

Currency exposure is connected to financing either expressed in foreign currencies in a company having EUR as functional currency or being denominated in EUR in companies having another currency as functional currency.

The following table gives the impact in absolute terms on net income in EUR million of the variation increase / (decrease) by 10% against the Euro for each currency in which the Group has a significant exposure. 10% is the sensitivity rate used when reporting currency risk internally to key management and represents management's assessment of the reasonable possible change in foreign exchange rates.

	Increase of 10% against EUR	
	In EUR'000	
	December 2012	December 2011
SEK/EUR	(113)	n/a
DKK/EUR	(407)	n/a

Note 9 - Financial risks (continued)

9.2 Liquidity and cash flow interest rate risk

Group

The liquidity risk is the risk that the Group might encounter, difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Board of Directors monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The average lifetime of the Group's financial loans is 1.6 years. Concerning the liquidity risk of the Group, due to the variability of floating interest rates, it is important to analyse the cash flow risk inherent to the floating rate loans and derivatives that will vary over time.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period as from 31 December 2012 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the statement of financial position for borrowings, derivative instruments and other payables considered as financial instruments.

	On demand	Not later than 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
EUR					
Loans from banks	170,700,000	43,883,857	449,966,183	311,601,687	-
Loans from related parties	-	561,069	-	-	-
Derivative financial instruments	15,821,749	9,425,715	16,507,070	5,398,308	-
Interest payable to banks	-	14,125,864	6,847,147	17,778,109	-
Finance leases	-	19,902	19,902	195,000	2,444,000
Other liabilities	165,822	39,526,673	-	-	-
31 December 2012	186,687,571	107,543,080	473,340,302	334,973,104	2,444,000

Note 9 - Financial risks (continued)

9.2 Liquidity and cash flow interest rate risk (continued)

Group (continued)

	On demand	Not later than 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
EUR					
Loans from banks	-	-	-	-	-
Loans from related parties	-	-	-	-	-
Derivative financial Instruments	-	-	-	-	-
Interest payable to banks	-	-	-	-	-
Finance leases	-	-	-	-	-
Other liabilities	-	85,329	-	-	-
31 December 2011	-	85,329	-	-	-

9.3 Capital management

Group

The primary objective of the Group's capital management is to optimise the benefits from bank financing. The Group monitors capital using a gearing ratio, which is long-term loans from related parties and long-term bank financing divided by total long-term debts and contribution from shareholders and legal reserve.

Note 9 - Financial risks (continued)

9.3 Capital management (continued)

Group (continued)

No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and 31 December 2011.

	2012	2011			
	EUR	EUR			
Share capital and legal reserve	166,706,785	166,706,785			
Total contributions from shareholders and legal reserve	166,706,785	166,706,785			
Loan(s) from Bank(s)	976,151,728	-			
Total long-term bank financing	976,151,728	-			
Total long-term loans and contribution from shareholders and legal reserve	1,142,858,513	166,706,785			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Gearing ratio</td> <td style="text-align: right; width: 20%;">85.4 %</td> <td style="text-align: right; width: 20%;">Nil %</td> </tr> </table>			Gearing ratio	85.4 %	Nil %
Gearing ratio	85.4 %	Nil %			

9.4 Fair value

(a) Fair values

Group

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Financial assets				
Tenant receivables	2,870,460	-	2,870,460	-
Loans receivables from related parties	112,350	-	112,350	-
Cash and short-term deposit	48,358,214	1,559,252	48,358,214	1,559,252
Financial liabilities				
Loans from banks	976,151,728	-	976,151,728	-
Loans from related parties	561,068	-	561,068	-
Derivative financial instruments	47,134,447	-	47,134,447	-
Finance leases	2,679,094	-	2,679,094	-
Account payable	39,793,042	85,329	39,793,042	85,329

Note 9 - Financial risks (continued)

9.4 Fair value (continued)

(a) Fair values (continued)

Group (continued)

The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, rent receivables, account payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments
- The fair value of floating rate loans (from banks, shareholders and related parties) is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs
- The fair values of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates

(b) Fair value hierarchy

The following table shows an analysis of the fair values of financial derivatives recognised in the consolidated statement of financial position by level of the fair value hierarchy (*):

December 31, 2012	Level 1 EUR	Level 2 EUR	Level 3 EUR	TOTAL Fair value EUR
- Derivative financial instruments	(47,134,447)	-	-	(47,134,447)

(*) Explanation of the fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – Use of a model with inputs that are not based on observable market data.

Note 9 - Financial risks (continued)

9.5 Derivative financial instruments

Description	Bank	Nominal EUR	Maturity	31-Dec-12 EUR	1-Jan-12 ** EUR	Impact on Statement of comprehen sive income EUR
IRS	Barclays Capital	31,610,893	2 September 2013	(904,742)	(1,641,121)	736,379
IRS	Barclays Capital	19,259,464	2 September 2013	(550,303)	(1,001,387)	451,084
IRS	Barclays Capital	71,890,000	2 September 2013	(2,067,912)	(3,741,517)	1,673,605
IRS	Barclays Capital	21,145,000	2 September 2013	(603,836)	(1,099,982)	496,146
IRS	Barclays Capital	29,155,536	2 September 2013	(833,758)	(1,514,801)	681,043
IRS	Barclays Capital	45,472,000	2 September 2013	(1,307,999)	(2,350,584)	1,042,585
IRS	Barclays Capital	31,675,893	2 September 2013	(904,894)	(1,647,276)	742,382
IRS	Barclays Capital	26,033,214	2 September 2013	(743,336)	(1,354,421)	611,085
IRS	Barclays Capital	68,237,679	2 September 2013	(1,954,613)	(3,540,101)	1,585,488
IRS	Hypo Real Estate	4,548,690	30 March 2016	(544,420)	(501,420)	(43,000)
IRS	Hypo Real Estate	1,025,685	30 March 2016	(122,761)	(113,065)	(9,696)
IRS	Landes Bank Berlin	76,360,000	31 December 2014	(4,801,932)	(5,083,508)	281,576
IRS	Landes Bank Berlin	86,870,000	31 December 2014	(4,993,912)	(5,087,770)	93,858
IRS	Landes Bank Berlin	16,736,900	15 April 2013	(198,825)	(705,184)	506,359
IRS	Landes Bank Berlin	5,700,000	15 April 2013	(70,795)	(251,483)	180,688
IRS	Landes Bank Berlin	2,160,000	15 April 2013	(24,414)	(80,107)	55,693
IRS	JP Morgan Chase	85,350,000	20 February 2015	(7,910,874)	(8,759,365)	848,491
IRS	Unicredit Bank AG	85,350,000	20 February 2015	(7,910,874)	(8,759,365)	848,491
IRS	JP Morgan Chase	48,730,866	20 February 2016	(5,968,307)	(6,195,041)	226,734
IRS	JP Morgan Chase	16,633,860	20 February 2015	(1,557,594)	(2,410,794)	853,200
IRS	JP Morgan Chase	33,449,526	20 February 2015	(3,132,212)	(3,429,463)	297,251
IRS	JP Morgan Chase	269,116	20 February 2015	(26,134)	(27,592)	1,458
Total		807,664,322		(47,134,447)	(59,295,347)	12,160,900

** - change of scope. See note 5.1.

IRS payment on the SWAPs are payable on a quarterly basis. The outstanding amount of the IRS payments as at 31 December 2012 is EUR 18,394.

Note 10 - Notes to the consolidated statement of comprehensive income

The consolidated statement of comprehensive income uses a classification of expenses by nature.

10.1 Revenue from investment properties

Group	2012 EUR	2011 EUR
Rental income from investment properties	116,468,639	-
Service charges recoveries	35,897,419	-
Other building income	2,056,455	-
	<u>154,422,513</u>	<u>-</u>

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.2 Expenses related to investment properties

Group	2012	2011
	EUR	EUR
Utilities	51,107,097	-
Maintenance and repairs	9,298,288	-
Property management fees	7,036,492	-
Asset management fees	3,891,510	-
Bad debt allowances	2,776,621	-
Leasehold costs	2,520,918	-
Letting costs	2,236,479	-
Property taxes	1,557,339	-
Insurance	920,861	-
Other	116,759	-
	81,462,364	-

10.3 Corporate expenses

Group and Company	2012	2011	2012	2011
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Insurance	121,665	81,727	-	81,727
Other external services	19,992	-	-	-
Consulting and legal fees	2,173,085	124,733	143,541	67,605
Other corporate expenses	2,525,431	53,483	5,807	8,412
Tax consulting and audit fees	2,427,407	-	34,220	7,316
Realised exchange differences	-	7	900	7
	7,267,580	259,950	184,468	165,067

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2012 and 2011 relate to the following:

	2012	2011	2012	2011
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Annual statutory audit	762,117	7,080	34,220	7,080
	762,117	7,080	34,220	7,080

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.4 Other operating expenses and other operating income

Group and Company

	2012	2011	2012	2011
Other operating expenses	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Other	555,267	-	-	-
VAT	101,200	-	-	-
Cost of acquiring shares	23,368	-	-	-
Impairment of subsidiary	-	-	43,376	36,861
	679,835	-	43,376	36,861

	2012	2011	2012	2011
Other operating income	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Other	2,456,147	-	-	-
Recharges	462,947	-	-	-
Insurance claims	96,524	-	-	-
General partner fees	45,000	-	-	-
	3,060,618	-	-	-

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.5 Finance income and costs

Group and Company

Finance income and costs for the years ended 31 December 2012 and 2011 are as follows:

	2012 Group EUR	2011 Group EUR	2012 Company EUR	2011 Company EUR
Other finance income	1,382,386	-	-	-
Interest income	206,577	32,808	34,933	30,865
Net foreign exchange gain	23,103	-	-	-
Finance income	1,612,066	32,808	34,933	30,865
Interest on bank loans	32,831,905	-	-	-
SWAP payments	18,359,918	-	-	-
Amortisation of capitalised finance costs	1,663,942	-	-	-
Other finance costs	720,547	649	777	369
Net foreign exchange loss	6,101	-	-	-
Finance costs	53,582,413	649	777	369

10.6 Net unrealised / realised (losses)/gains on investment properties

	2012 EUR	2011 EUR
Fair value gains on investment properties	230,002,581	-
Fair value losses on investment properties	(35,904,801)	-
Net fair value losses/gains on investment properties (note 6.1)	194,097,780	-
Rent free period straight lined	-	-
Net realised / unrealised losses/gains on investment properties	194,097,780	-

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.7 Income tax

Group

The reconciliation between tax expenses and amount arrived at by applying the Group tax rate 35.00% to net gain/ (loss) before tax is as follows:

	2012	2011
	EUR	EUR
Net gain/(loss) before tax	420,541,670	(227,791)
Expected tax expense/income: (2012: 35.00 %)	(147,189,584)	79,727
Effect of tax rates in other countries	56,895,684	(1,782)
Gain on Acquisition (see note 5.1)	60,602,435	-
Deconsolidated entities	5,950,758	-
Non recognition of current year deferred tax asset	4,347,844	-
Non-deductible expenses	(68,775)	(91,210)
Timing differences	464,240	-
Current income tax of previous periods	278,663	-
Income subject to 15% withholding tax	7,391	6,419
Movement in accrued interest receivable	-	249
Other	(1,149)	-
Taxes on other basis than profit	(67,725)	-
Tax-exempt income	1,969,560	-
Equity pick ups	(2,601,205)	-
Utilisation of previously unrecognised losses carried forward	(11,073,933)	-
Effective income tax (current and deferred)	(30,485,796)	(6,597)

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.7 Income tax (continued)

Group (continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2012 EUR
Deferred tax liabilities:	
Revaluation of investment properties to fair value	(43,860,923)
Capitalised Borrowing Costs	(243,343)
Other timing differences	(1,439,998)
DTA > DTL Adjustment	(15,093,815)
	(60,638,079)
Deferred tax assets:	
Losses available for offset against future taxable income	12,942,293
Revaluation of investment properties to fair value	13,750,660
Revaluation of derivatives to fair value	3,264,453
Other timing differences	1,203,307
	31,160,713
	(29,477,366)

Reflected in the consolidated statement of financial position as follows:

	2012 EUR
Deferred tax assets	16,066,898
Deferred tax liabilities	(40,340,845)
Liabilities directly associated with the assets held for sale	(5,203,419)
Deferred tax assets / liabilities – net	(29,477,366)

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.7 Income tax (continued)

Group (continued)

Reflected in the consolidated statement of comprehensive income as follows:

	2012 EUR
Deferred tax expense:	
Revaluation of investment properties to fair value	(37,659,623)
Losses available for offset against future taxable income	(12,247)
Revaluation of derivatives to fair value	(1,446,084)
Capitalised borrowing costs	(6,031)
DTA > DTL	(3,370,358)
Other timing differences	(265,198)
	(42,759,541)
Deferred tax income:	
Revaluation of investment properties to fair value	3,559,916
Losses available for offset against future taxable income	1,315,329
Revaluation of derivatives to fair value	8,339
Capitalised borrowing costs	257,288
DTA > DTL	6,675,701
Other timing differences	729,737
	12,546,310
Deferred tax income / (expense)	(30,213,231)

No deferred tax assets have been recognised for tax losses carried forward totalling EUR 632,435,301 (2011: EUR 165,222,443). Management estimates that the Group companies will not be able to utilise their tax losses in the foreseeable future. All tax losses carried forward for which no deferred tax assets have been recognised do not expire.

At 31 December 2012 and 2011, there was no recognised deferred tax liabilities for withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as the Group is able to control the timing of the distribution and the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

There are no income tax consequences for the Group attached to any payment of dividends in either 2012 or 2011 by the Company to its shareholders.

Note 10 - Notes to the consolidated statement of comprehensive income (continued)

10.7 Income tax (continued)

Company	2012 EUR	2011 EUR
Current taxation:		
Current tax expense	5,335	4,498

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2012 EUR	2011 EUR
Loss before tax	(193,688)	(171,432)
Tax on loss at 35%	(67,791)	(60,001)
Tax effect of:		
Income subject to 15% final withholding tax	(7,114)	(5,997)
Expenses not deductible for tax purposes	80,018	70,804
Movement in accrued interest receivable	222	(308)
Tax expense	5,335	4,498

10.8 Directors' emoluments

Group	2012 EUR	2011 EUR
Directors' fees	163,828	174,127

Company	2012 EUR	2011 EUR
Directors' fees	4,680	5,522

Note 11 – Leases

Group

The Group has entered into operating lease agreements for the office, retail and residential properties portfolio. The remaining non-cancellable terms are between 36 and 193 years. The lease agreement terms and conditions have been agreed under normal market conditions.

During the next financial years Group companies are going to receive minimum lease payments as follows from existing leases:

As at December 2012	2013	2014-2016	From 2017
	EUR	EUR	EUR
Future minimum lease payments	2,724,533	7,876,980	142,522,341

Note 12 – Contingencies, commitments and guarantees

Group

Securities and pledges

The Group's principal business activity is the investing in Investment properties in Europe, through a mixture of equity and external financing (refer to note 9.3). The Group through its underlying property owning subsidiaries and joint ventures entered into various finance agreements in the past for which the securities are in-line with normal market practice for financing investment properties in Europe.

The main securities and pledges provide by the Group through its underlying property owning subsidiaries and joint ventures to the financial institutions that provide these loans (refer to 7.3) are as follows:

- Assignment of future rights and claims of selling contracts in respect of the financed investment property (Land and building);
- Pledge of bank accounts in which all rental income is collected;
- Assignment of all insurance claims with regards to the finance Investment property;
- Assignment of rights and claims of all rental agreements associated with the financed investment property and
- Benefits out of any Swap agreement linked the financing provide.

Operating lease commitments – Group as lessor

The Group leases real estate under operating leases. The terms of the leases are in line with normal practices in each market. Leases are reviewed or subject to automatic inflationary adjustments as appropriate. These leases have no terms of renewal, purchase options or escalation and specific details are disclosed in note 11 to the consolidated financial statements.

The leasing arrangements entered into or in relation with Group's investment properties portfolio which include a clause authorising tenants to terminate the leasing arrangements up to six-month notice are not considered as non-cancellable leases.

Note 12 – Contingencies, commitments and guarantees (continued)

Ongoing litigation

As of 31 December 2012, there was no material on-going litigation, which could materially affect the consolidated financial position of the Group.

Company

As of 31 December 2012 and 2011, there are no capital commitments and contingent liabilities which have not been disclosed in these financial statements.

Note 13 - Related parties transactions

Companies forming part of the Group are considered by the directors to be related parties as these companies have the same ultimate controlling company. Transactions with related parties are entered into on a regular basis as a result of normal commercial transactions.

(a) Receivable from and payables to related parties

The following amounts were receivables from and payables to related parties as at the end of year:

Group

Receivables from related parties	2012 EUR	2011 EUR
- GP Fees receivable from subsidiaries of Babcock & Brown European Investments S.à r.l.	112,350	-
	<u>112,350</u>	<u>-</u>

(b) Loans from related parties:

Group

Loans from related parties:	2012 EUR	2011 EUR
- BGP Asset Management GmbH	561,068	-
	<u>561,068</u>	<u>-</u>

Company

Loans from related parties:	2012 EUR	2011 EUR
- Loan from Group company	35,000	-
- Amount payable to Group company	4,167	-
- Interest on loan from Group company	489	-
	<u>39,656</u>	<u>-</u>

Amount payable to Group company is unsecured, interest free and repayable on demand.

Loan from Group company is unsecured, bears interest at a 3 month Euribor rate + 260 basis points and is repayable on 12 July 2014.

Note 13 - Related parties transactions (continued)

(c) **Transactions with related parties:**

Group	2012 EUR	2011 EUR
Asset Management fees:		
- BGP Asset Management GmbH	4,226,666	-
General Partner fees:		
- Subsidiaries of Babcock & Brown European Investments S.à r.l.	45,000	-
	4,271,666	-

Company

During 2011, the company was recharged registry maintenance services amounting to EUR 365,607 from entities under common control.

(d) **Key management personnel**

The key management of the company are considered to be the directors. The remuneration received by the directors during the current and preceding financial years has been separately disclosed in note 10.8. The company was also charged consultancy fees amounting to EUR 99,000 (2011: EUR 40,000) by a company which is owned by a member of key management.

Note 14 - Statutory information

BGP Holdings plc is a public limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of BGP Holdings plc is The Trust Company (Australia) Limited with its registered address at Level 15, 20, Bond Street, Sydney, NSW2000, Australia.

Note 15 - Subsequent events

On 2 April 2013, HB Sweden Propertyco AB was sold for SEK 1.

During 2013, there have been assets sales in the Heidi portfolio for the following amounts;

- Candlepower Investments B.V. EUR 13,900,000 – BGP's 35% share amounts to EUR 4,865,000
- Promontoria Holding VIII B.V. EUR 67,000,000 - BGP's 35% share amounts to EUR 23,450,000

The proceeds have been used to repay borrowings from banks.

MKV Grundstuckverwaltungs GmbH is currently undergoing due diligence with a view to a sale.

Since year end the Quokka portfolio and Minotaurus GmbH & Co KG have been refinanced to the amount of EUR 390m for a period of 5 years.

The Directors are not aware of any matter or circumstance occurring since 31 December 2012 that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Note 16 - Group companies

The detailed list of the consolidated entities is as follows:

	Name of the company	Country	% Control	% Interest	Consolidation Method
1	Alter Ego Neununddreißigste Beteiligungsgesellschaft GmbH GmbH	Germany	100%	75%	Acquisition
2	Annenhoefer Grundstückverwaltungsgesellschaft GmbH	Germany	99.98%	99.98%	Acquisition
3	Babcock & Brown Franz Erweber 1 Portfolio GmbH	Germany	94.6%	94.6%	Acquisition
4	Babcock & Brown Otto Erweber Portfolio 1 GmbH	Germany	94.6%	94.6%	Acquisition
5	Babcock & Brown Otto Erweber Portfolio 2 GmbH	Germany	94.6%	94.6%	Acquisition
6	Babcock & Brown Otto Erweber Portfolio 3 GmbH	Germany	94.6%	94.6%	Acquisition
7	Babcock & Brown Otto Erweber Portfolio 4 GmbH	Germany	94.6%	94.6%	Acquisition
8	Babcock & Brown Otto Portfolio 2 S.à.r.l. & Co KG	Germany	99.68%	99.68%	Acquisition
9	Babcock & Brown Retail Property 18 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
10	BGP Asset Management GmbH	Germany	49%	49%	Equity****
11	BGP Franz 1 S.à.r.l. & Co KG	Germany	99.68%	99.68%	Acquisition
12	BGP Holdings 2 Limited	Malta	100%	100%	Acquisition
13	BGP Holdings Europe S.à.r.l.	Luxembourg	100%	100%	Acquisition
14	BGP Holdings Plc	Malta	100%	100%	Acquisition
15	BGP Investment II S.à.r.l.	Luxembourg	100%	100%	Acquisition
16	BGP Investment S.à.r.l.	Luxembourg	100%	100%	Acquisition
17	BGP Logistikzentrum GmbH	Germany	94%	94%	Acquisition
18	BGP Minerva S.à.r.l.	Luxembourg	100%	100%	Acquisition
19	BGP Management GmbH	Germany	94%	94%	Acquisition
20	BGP Minotaurus S.à.r.l.	Luxembourg	100%	100%	Acquisition
21	BGP Norddeutschland S.à.r.l. & Co KG	Germany	99.65%	99.65%	Acquisition
22	BGP Otto 1 S.à.r.l. & Co KG	Germany	99.68%	99.68%	Acquisition
23	BGP Otto 3 S.à.r.l. & Co KG	Germany	25%	25%	Equity***
24	BGP Otto 4 S.à.r.l. & Co KG	Germany	99.68%	99.68%	Acquisition
25	BGP Property Partner 1 S.à.r.l.	Luxembourg	100%	100%	Acquisition
26	BGP Resi 1 S.à.r.l. & Co KG	Germany	99.64%	99.64%	Acquisition
27	BGP Resi 2 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
28	BGP Resi 20 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
29	BGP Resi 21 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
30	BGP Resi 22 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
31	BGP Resi 23 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
32	BGP Resi 4 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
33	BGP Resi 5 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
34	BGP Resi 6 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
35	BGP Resi 7 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
36	BGP Resi 8 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
37	BGP Resi 9 S.à.r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
38	BGP Resi GP 1 S.à.r.l.	Luxembourg	100%	100%	Acquisition
39	BGP Resi GP 2 S.à.r.l.	Luxembourg	100%	100%	Acquisition
40	BGP Resi GP 3 S.à.r.l.	Luxembourg	100%	100%	Acquisition
41	BGP Resi GP 4 S.à.r.l.	Luxembourg	100%	100%	Acquisition
42	BGP Resi GP 5 S.à.r.l.	Luxembourg	100%	100%	Acquisition
43	BGP Resi GP 6 S.à.r.l.	Luxembourg	100%	100%	Acquisition

Note 16 - Group companies (continued)

	Name of the company	Country	% Control	% Interest	Consolidation Method
44	BGP Resi GP 7 S.à r.l.	Luxembourg	100%	100%	Acquisition
45	BGP Retail 1 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
46	BGP Retail 10 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
47	BGP Retail 11 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
48	BGP Retail 13 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
49	BGP Retail 14 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
50	BGP Retail 16 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
51	BGP Retail 17 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
52	BGP Retail 19 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
53	BGP Retail 3 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
54	BGP Retail 4 S.à r.l. & Co KG	Germany	99.64%	99.64%	Acquisition
55	BGP Retail 9 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
56	BGP Retail GP 1 S.à r.l.	Luxembourg	100%	100%	Acquisition
57	BGP Retail GP 2 S.à r.l.	Luxembourg	100%	100%	Acquisition
58	BGP Retail GP 3 S.à r.l.	Luxembourg	100%	100%	Acquisition
59	BGP Retail GP 4 S.à r.l.	Luxembourg	100%	100%	Acquisition
60	BGP Retail GP 5 S.à r.l.	Luxembourg	100%	100%	Acquisition
61	BGP Retail GP 6 S.à r.l.	Luxembourg	100%	100%	Acquisition
62	Candlepower Investments B.V.	Netherlands	35%	35%	Equity*
63	Domus Grundstücksverwaltungsgesellschaft GmbH	Germany	0.4%	0.4%	Cost
64	Emersion Grundstücksverwaltungsgesellschaft GmbH	Germany	0.4%	0.4%	Cost
65	Goniatit Grundstückverwaltungsgesellschaft GmbH	Germany	99.98%	99.98%	Acquisition
66	HB Sweden Propertyco AB	Sweden	100%	75%	Acquisition
67	HBI Denmark PropCo ApS	Denmark	100%	75%	Acquisition
68	HBI France PropCo ApS	Denmark	100%	75%	Acquisition
69	HBI Genas ApS	Denmark	100%	75%	Acquisition
70	HBI LuxFin Co S.à r.l.	Luxembourg	100%	75%	Acquisition
71	HBI S.à r.l.	Luxembourg	100%	75%	Acquisition
72	Jade Management Holding S.à r.l.	Luxembourg	26.3%	26.3%	Equity*
73	JADE PORTFOLIO 1 S.à r.l.	Luxembourg	26.3%	26.3%	Equity*
74	JADE PORTFOLIO 2 S.à r.l.	Luxembourg	18%	18%	Equity*
75	Jade zweite Wohnungsbeteiligungs GmbH	Germany	35%	35%	Equity*
76	Jade Immobilien Management GmbH	Germany	35%	35%	Equity*
77	KPI Residential Property 2 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
78	KPI Residential Property 20 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
79	KPI Residential Property 21 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
80	KPI Residential Property 22 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
81	KPI Residential Property 23 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
82	KPI Residential Property 4 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
83	KPI Residential Property 5 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
84	KPI Residential Property 6 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
85	KPI Residential Property 7 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
86	KPI Residential Property 8 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
87	KPI Residential Property 9 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
88	KPI Residential Property 10 S.à r.l.	Luxembourg	5.2%	5.2%	Cost
89	KPI Retail Property 1 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
90	KPI Retail Property 10 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
91	KPI Retail Property 11 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
92	KPI Retail Property 13 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
93	KPI Retail Property 14 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
94	KPI Retail Property 16 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition

Note 16 - Group companies (continued)

	Name of the company	Country	%	%	Consolidation
			Control	Interest	Method
95	KPI Retail Property 17 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
96	KPI Retail Property 18 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
97	KPI Retail Property 19 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
98	KPI Retail Property 20 S.à r.l.	Luxembourg	36.56%	36.56%	Acquisition
99	KPI Retail Property 21 S.à r.l.	Luxembourg	21%	21%	Acquisition
100	KPI Retail Property 3 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
101	KPI Retail Property 35 S.à r.l.	Luxembourg	5.2%	5.2%	Cost
102	KPI Retail Property 7 S.à r.l.	Luxembourg	6%	6%	Cost
103	KPI Retail Property 9 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
104	Lancelot Land B.V.	Netherlands	100%	75%	Acquisition
105	Matterhorn 392 VV GmbH	Germany	100%	100%	Acquisition
106	Minotaurus Immobilien GmbH & Co KG	Germany	99.8%	99.8%	Acquisition
107	Minotaurus Immobilien Verwaltungs GmbH	Germany	100%	100%	Equity**
108	MKV Grundstückverwaltungs GmbH	Germany	99.98%	99.98%	Acquisition
109	Narat GmbH	Germany	30%	30%	Equity
110	Norddeutschland Grundbesitz Erweber GmbH	Germany	94.2%	94.2%	Acquisition
111	Norddeutschland Grundbesitz Verwaltungs GmbH	Germany	94.6%	94.6%	Acquisition
112	Petersberg 267 VV GmbH	Germany	100%	100%	Acquisition
113	Petersberg 269 VV GmbH	Germany	100%	100%	Acquisition
114	Promontoria Holding VIII B.V.	Netherlands	35%	35%	Equity*
115	Treso S.à.r.l. & Co KG	Germany	100%	100%	Acquisition
116	Wohnungsbaugesellschaft Jade erste mbH & Co KG	Germany	35%	35%	Equity*
117	Wohnungsbaugesellschaft JADE GmbH	Germany	35%	35%	Equity*
118	Wohnungsbaugesellschaft Jade zweite mbH & Co KG	Germany	35%	35%	Equity*

- * - note 6.2 (b)
- ** - note 6.2 (c)
- *** - note 6.2 (d)
- **** - note 6.2 (e)

Detailed accounts

	Pages
Statement of comprehensive income	67
Administrative expenses	68

Statement of comprehensive income (Company)

	2012 EUR	2011 EUR
Administrative expenses (page 68)	(184,468)	(165,067)
Operating loss	(184,468)	(165,067)
Provision for impairment of investments	(43,376)	(36,861)
Interest income	34,933	30,865
Other finance costs	(777)	(369)
Loss for the year before tax	(193,688)	(171,432)

Administrative expenses (Company)

	2012 EUR	2011 EUR
Directors' remuneration	4,680	5,522
Professional and consultancy fees	143,541	67,605
Auditors' remuneration	34,220	7,316
Insurance	-	81,727
General expenses	1,127	2,890
Realised exchange differences	900	7
Total administrative expenses (page 67)	184,468	165,067