

**BGP HOLDINGS PLC**

**Annual Report and Financial Statements  
31 December 2013**

**BGP HOLDINGS PLC**  
**Annual Report and Financial Statements - 31 December 2013**

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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 2013.

### 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 they fall 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. Despite the profit realised in the current year, the directors do not recommend payment of any dividend (2012: 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:


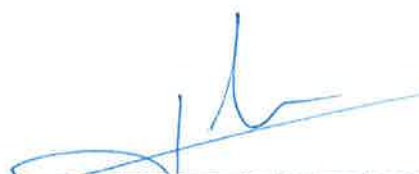
- ensuring that the consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that 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 Company 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  
\_\_\_\_\_  
Francis J. Vassallo  
Director

Registered office  
B2, Industry Street,  
Qormi, QRM 3000  
Malta

18<sup>th</sup> June 2014



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## **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 67 which comprise the consolidated statements of financial position as at 31 December 2013 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 auditors consider 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 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; 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

18 June 2014

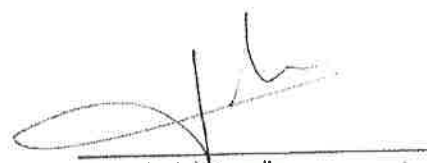
BGP HOLDINGS PLC  
Annual Report and Financial Statements - 31 December 2013

**Statements of financial position as at 31 December**

	Notes	2013 Group	2012 Group	2013 Company	2012 Company
		EUR	EUR	EUR	EUR
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Real estate portfolio</b>					
Investments in subsidiaries	4	-	-	164,432,886	38,912
Investment properties	6.1, 6.4	1,124,623,067	1,322,875,664	-	-
Investment in associates	6.2	82,901,836	66,379,230	-	-
<b>Total</b>		<b>1,207,524,902</b>	<b>1,389,254,894</b>	<b>164,432,886</b>	<b>38,912</b>
<b>Other non-current assets</b>					
Financial instruments	6.8	20,400,000	-	-	-
Deferred tax assets	10.7	17,543,244	16,066,898	-	-
Other non-current assets		1,919,839	3,439,647	-	-
<b>Total</b>		<b>39,863,083</b>	<b>19,506,545</b>	<b>-</b>	<b>-</b>
<b>Total non-current assets</b>		<b>1,247,387,985</b>	<b>1,408,761,439</b>	<b>164,432,886</b>	<b>38,912</b>
<b>Current assets</b>					
Tenants receivables	6.5	1,880,928	2,870,460	-	-
Receivables from related parties	13	16,585	112,350	-	-
Prepayments and other assets	6.7	19,028,608	21,087,162	22,616	7,132
Cash and cash equivalents	6.6	46,300,744	48,358,214	1,147,048	1,311,566
<b>Total current assets</b>		<b>67,226,765</b>	<b>72,428,186</b>	<b>1,169,664</b>	<b>1,318,698</b>
Assets classified as held for sale	6.3	313,142,692	87,803,318	-	-
<b>TOTAL ASSETS</b>		<b>1,627,757,442</b>	<b>1,568,992,943</b>	<b>165,602,550</b>	<b>1,357,610</b>

The financial statements on pages 6 to 67 were authorised for issue by the board on 18<sup>th</sup> June 2014 and were signed on its behalf by:

  
Mark Dunstan  
Director

  
Francis J. Vassallo  
Director

## Statements of financial position as at 31 December (continued)

	Notes	2013 Group	2012 Group	2013 Company	2012 Company
		EUR	EUR	EUR	EUR
<b>EQUITY</b>					
<b>Capital and reserves attributable to the owners of the Company</b>					
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
Translation reserve		13,470	2,570	-	-
Retained earnings		300,633,205	224,815,941	(1,171,448)	(165,425,964)
<b>Total equity attributable to the owners of the Company</b>		<b>467,353,460</b>	391,525,296	<b>165,535,337</b>	1,280,821
Non-controlling interests		861,415	706,081	-	-
<b>Total Equity</b>		<b>468,214,875</b>	392,231,377	<b>165,535,337</b>	1,280,821
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans from banks	7.3(a)	516,663,098	311,601,687	-	-
Loans from related parties	13	-	-	35,000	39,167
Finance lease	7.3(b)	-	2,639,291	-	-
Derivative financial instruments	9.5	5,231,744	47,134,447	-	-
Deferred tax liabilities	10.7	44,856,460	40,340,845	-	-
Other non-current liabilities	6.8	20,400,000	-	-	-
<b>Total non-current liabilities</b>		<b>587,151,302</b>	401,716,270	<b>35,000</b>	39,167
<b>Current liabilities</b>					
Loans from banks	7.3(a)	197,424,920	663,106,051	-	-
Loans from related parties	13	236,375	561,068	-	-
Finance lease	7.3(b)	-	39,803	-	-
Accrued interest payable to banks	7.3(a)	8,114,480	6,268,888	-	-
Accrued interest payable to related parties	13	-	-	1,473	489
Derivative financial instruments	9.5	18,780	18,394	-	-
Accounts payable and accrued expenses	7.4	26,078,162	39,793,042	30,740	37,133
Income taxes payable	10.7	1,121,340	1,689	-	-
<b>Total current liabilities</b>		<b>232,994,057</b>	709,788,935	<b>32,213</b>	37,622
Liabilities directly associated with the assets classified as held for sale	6.3	339,397,208	65,256,361	-	-
<b>Total Liabilities</b>		<b>1,159,542,567</b>	1,176,761,566	<b>67,213</b>	76,789
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,627,757,442</b>	1,568,992,943	<b>165,602,550</b>	1,357,610



## Statements of comprehensive income for the year ended 31 December

	Notes	2013 Group	2012 Group	2013 Company	2012 Company
		EUR	EUR	EUR	EUR
Revenue from investment properties	10.1	152,241,251	154,422,513	-	-
Expenses related to investment properties	10.2	(84,569,851)	(81,462,364)	-	-
<b>Profit related to investment properties</b>		<b>67,671,400</b>	<b>72,960,149</b>	<b>-</b>	<b>-</b>
Corporate expenses	10.3	(8,948,491)	(7,267,580)	(161,754)	(184,468)
Other operating expenses	10.4	(1,919,853)	(679,835)	(748)	(43,376)
Other operating income	10.4	4,029,747	3,060,618	164,393,974	-
<b>Net other expenses</b>		<b>(6,838,597)</b>	<b>(4,886,797)</b>	<b>164,231,472</b>	<b>(227,844)</b>
Gain on acquisition of shares in subsidiary		-	210,501,115	-	-
Gains on sale of investment properties	6.1	3,167,637	45,058	-	-
(Losses)/Gains on sale of shares in subsidiaries	5.2	(787,218)	557,978	-	-
Gain on loss of control of subsidiary		-	9,039,583	-	-
<b>Gain on portfolio disposal</b>		<b>2,380,419</b>	<b>9,642,619</b>	<b>-</b>	<b>-</b>
Net unrealised / realised gain on investment properties	10.6	25,512,501	194,097,780	-	-
<b>Operating profit/(loss)</b>		<b>88,725,723</b>	<b>482,314,866</b>	<b>164,231,472</b>	<b>(227,844)</b>
Finance income	10.5	278,612	1,612,066	29,126	34,933
Finance costs	10.5	(49,407,832)	(53,582,413)	(1,336)	(777)
Net gains on derivatives	9.5	26,865,573	12,160,900	-	-
<b>Net finance (expenses)/income</b>		<b>(22,263,647)</b>	<b>(39,809,447)</b>	<b>27,790</b>	<b>34,156</b>
Share of result from associates	6.2	14,210,911	(21,963,749)	-	-
<b>Net profit/(loss) before tax</b>		<b>80,672,987</b>	<b>420,541,670</b>	<b>164,259,262</b>	<b>(193,688)</b>
Current income tax	10.7	(1,476,251)	(272,565)	(4,746)	(5,335)
Deferred income tax	10.7	(3,224,138)	(30,213,231)	-	-
<b>Net profit/(loss) for the year</b>		<b>75,972,598</b>	<b>390,055,874</b>	<b>164,254,516</b>	<b>(199,023)</b>
Currency translation difference		10,900	143	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>75,983,498</b>	<b>390,056,017</b>	<b>164,254,516</b>	<b>(199,023)</b>
<b>Net profit/(losses) attributable to:</b>		<b>75,972,598</b>	<b>390,055,874</b>	<b>164,254,516</b>	<b>(199,023)</b>
- Owners of the Company		75,817,264	390,066,415	164,254,516	(199,023)
- Non-controlling interests		155,334	(10,541)	-	-
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</b>		<b>10,900</b>	<b>143</b>	<b>-</b>	<b>-</b>
- Owners of the Company		10,900	143	-	-
- Non-controlling interests		-	-	-	-
<b>Total comprehensive income attributable to:</b>		<b>75,983,498</b>	<b>390,056,017</b>	<b>-</b>	<b>-</b>
- Owners of the Company		75,828,164	390,066,558	-	-
- Non-controlling interests		155,334	(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	
<b>Balance as at 31 December 2011</b>	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
Other comprehensive income	-	-	143	-	143	-	143
Net result for the year	-	-	-	390,066,558	390,066,558	(10,541)	390,056,017
<b>Total income and expense for the year</b>	-	-	2,570	390,066,558	390,069,128	706,081	390,775,209
Changes in non-controlling interests	-	-	-	-	-	-	-
<b>Balance at 31 December 2012</b>	99,999	166,606,786	2,570	224,815,941	391,525,296	706,081	392,231,377
Other comprehensive income	-	-	10,900	-	10,900	-	10,900
Net result for the year	-	-	-	75,817,264	75,817,264	155,334	75,972,598
<b>Total income and expense for the year</b>	-	-	10,900	75,817,264	75,828,164	155,334	75,983,498
Changes in non-controlling interests	-	-	-	-	-	-	-
<b>Balance at 31 December 2013</b>	99,999	166,606,786	13,470	300,633,205	467,353,460	861,415	468,214,875

The notes on pages 13 to 67 are an integral part of these financial statements.

## Statements of changes in equity (continued)

Attributable to the Company's Owners

<u>Company</u>	Share Capital	Share Premium	Retained Earnings	Shareholders' Equity	Total Equity
	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2011	99,999	166,606,786	(165,226,941)	1,479,844	1,479,844
Net income and expense for the year recognised directly in equity	-	-	-	-	-
Net result for the year	-	-	(199,023)	(199,023)	(199,023)
Total income and expense for the year	-	-	(199,023)	(199,023)	(199,023)
Balance at 31 December 2012	99,999	166,606,786	(165,425,964)	1,280,821	1,280,821
Net income and expense for the year recognised directly in equity	-	-	-	-	-
Net result for the year	-	-	164,254,516	164,254,516	164,254,516
Total income and expense for the year	-	-	164,254,516	164,254,516	164,254,516
Balance at 31 December 2013	99,999	166,606,786	(1,171,448)	165,535,337	165,535,337

The notes on pages 13 to 67 are an integral part of these financial statements.

## Statements of cash flows

	Notes	2013 Group	2012 Group	2013 Company	2012 Company
		EUR	EUR	EUR	EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Profit/(Loss) before income tax</b>		<b>80,672,987</b>	420,541,670	<b>164,259,262</b>	(193,688)
Adjustments for:					
Gain on acquisition	5.1	-	(210,501,115)	-	-
Amortisation of borrowing costs on loans	10.5	<b>1,718,964</b>	1,663,942	-	-
Realised gain on disposal of financial assets	5.2	-	(9,642,619)	-	-
Fair value gains on investment properties	6.1 & 10.6	<b>(25,512,501)</b>	(194,097,780)	-	-
Gains from fair value adjustment on derivatives	9.5	<b>(26,865,573)</b>	(12,160,900)	-	-
Net foreign exchange gains		<b>15,668</b>	(17,145)	-	-
Unrealised losses on financial assets	4	-	-	<b>(164,393,974)</b>	43,376
Interest expense	10.5	<b>46,217,835</b>	51,191,823	-	-
Interest income	10.5	<b>(278,612)</b>	(206,577)	-	-
Shares of result from associates	6.2	<b>(14,210,911)</b>	21,963,749	-	-
Changes in working capital:					
Tenants receivables, prepayments and other assets		<b>(4,763,625)</b>	4,524,600	<b>(15,484)</b>	3,966
Accounts payables, accrued expenses and other liabilities		<b>1,465,047</b>	(4,666,478)	<b>(9,576)</b>	14,063
Tenants deposits		<b>(1,580,069)</b>	(118,552)	-	-
Tax paid		<b>(3,162,290)</b>	(563,792)	<b>(4,746)</b>	(5,335)
<b>Net cash generated from/(used in) operating activities</b>		<b>53,716,920</b>	67,910,826	<b>(164,518)</b>	(137,618)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Change in scope of consolidation	5.1	-	56,720,338	-	-
Capital expenditure of investment properties	6.1	<b>(6,100,598)</b>	(12,826,410)	-	-
Additional investment in associate	6.2	-	(1,730,053)	-	-
Cash held by entities sold		-	(1,916,165)	-	-
Proceeds from sale of investment properties	6.1	<b>25,855,175</b>	10,757,697	-	-
Proceeds from sale of shares in subsidiaries		-	1,509,690	-	-
Interest received		<b>278,612</b>	206,577	-	-
<b>Net cash generated from investing activities</b>		<b>20,033,189</b>	52,721,674	-	-

## Statements of cash flows (continued)

	Notes	2013 Group	2012 Group	2013 Company	2012 Company
		EUR	EUR	EUR	EUR
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Repayments of bank loans		(18,957,830)	(27,379,324)	-	-
Loan from Group company		-	-	-	39,167
Interest paid		(44,397,330)	(43,937,958)	-	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(63,355,160)</b>	<b>(71,317,282)</b>	<b>-</b>	<b>39,167</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,394,949</b>	<b>49,315,218</b>	<b>(164,518)</b>	<b>(98,451)</b>
Cash and cash equivalents at beginning of the year	6.6	48,358,214	1,559,252	1,311,566	1,410,017
Cash included in assets classified as held for sale	6.3	(12,452,419)	(2,516,256)	-	-
<b>Cash and cash equivalents at the end of the year</b>	6.6	<b>46,300,744</b>	<b>48,358,214</b>	<b>1,147,048</b>	<b>1,311,566</b>

**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.

These consolidated financial statements have been approved for issue by the Board of Directors on 18th June 2014.

**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 2013). 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".

Certain balances for the year ended 31 December 2012 have been reclassified to ensure comparability with those for the year ended 31 December 2013.

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

- investment properties and derivative financial instruments that are all measured at fair market value through the statement of comprehensive income.
- investment in associates that are measured as a percentage of the net equity of the associate.

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**

**a) Standards and amendments to existing standards effective from January 1, 2013**

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2013 and are relevant to the Group's operations:

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements.

**IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available for sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation reserves). The amendments had no impact to the Group.

**IAS 1 Clarification of the requirement for comparative information (Amendment)**

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

**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 on how to measure fair value under IFRS.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 9.4.

**Others:**

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is effective for annual periods beginning on or after 1 January 2013.



**Note 2 - Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**a. Changes in accounting policy and disclosures (continued)**

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and is effective for annual periods beginning on or after 1 January 2013.

**b) Standards and amendments issued but not yet effective and relevant for the Group**

The standards and interpretations that are issued, but not yet effective in 2014, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. 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 not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.



**Note 2 - Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**a. Changes in accounting policy and disclosures (continued)**

**c) *Standards and amendments not yet effective or not relevant, and not expected to have significant impact on the Group's consolidated financial statements:***

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 36 Recoverable Amount Disclosures for Non- Financial Assets - Amendments to IAS 36

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair valueless costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets within definite useful lives. This requirement has been deleted by the amendment. This standard becomes effective for annual periods beginning on or after 1 January 2014 and is not expected to be relevant to the Group.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014. The adoption of IFRS 10 is not expected to have a significant impact to the Group.

**Note 2 - Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**a. Changes in accounting policy and disclosures (continued)**

**c) *Standards and amendments not yet effective or not relevant, and not expected to have significant impact on the Group's consolidated financial statements (continued):***

**IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2014 and is not expected to have a significant impact to the Group.

**IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities of the Group would qualify to be an investment entity under IFRS 10.

**IFRIC Interpretation 21 Levies (IFRIC 21)**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

**d) *Early adoption of standards***

In 2013, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued not yet effective.

**Note 2 - Summary of significant accounting policies (continued)**

**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.

**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.

**Note 2 - Summary of significant accounting policies (continued)**

**2.3 Foreign currency translation (continued)**

**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 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.

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 2013		Exchange rates at 31 December 2012	
		EUR	EUR	EUR	EUR
		Closing	Average	Closing	Average
DKK	Denmark	7.4595	7.4576	7.4606	7.4441
SEK	Sweden	n/a	n/a	8.6159	8.7113

**Note 2 - Summary of significant accounting policies (continued)**

**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.

**2.5 Investment in associates**

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets in the associate. The share of the results of operations of the associates is reflected in share of results of associates in the consolidated statement of comprehensive income. Distributions received from an investee reduce the carrying amount of the investment. Where there has been a change in the other comprehensive income of the associate, the Group recognises its share of any changes directly in other comprehensive income and, when applicable, this is disclosed in the consolidated statement of changes in equity. The reporting dates of the Group's associates and the Group are identical. Where necessary, adjustments are made to bring the associates' 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 associates. The Group determines at each financial position date whether there is any objective evidence that the investment in the associate is impaired. If evidence of impairment exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.



**Note 2 - Summary of significant accounting policies (continued)**

**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.

**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 Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

**Note 2 - Summary of significant accounting policies (continued)**

**2.9 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.

**2.10 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.

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.

**Note 2 - Summary of significant accounting policies (continued)**

**2.11 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.

**2.12 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 and the property must be actively marketed for sale and such sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**2.13 Loans and accounts payable**

Loans 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.

Loans 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.



**Note 2 - Summary of significant accounting policies (continued)**

**2.14 Derivative financial instruments**

**a) Hedging**

The Group uses financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations.

The effectiveness of the hedge is assessed by comparing the value of the hedged item with the notional value implicit in the contractual terms of the financial instrument being used in the hedge. Hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability.

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

**b) Cash flow hedges**

The Group may use cash flow hedges to manage interest rate risks. For such cash flow hedges, which meet the criteria for hedge accounting, the Group records interest on the hedged loan at an interest rate implicit in the swap agreement. The cash flow hedge is re-measured at fair value and the portion of the gain or loss on the "Hedging instrument" (interest rate swap) that is determined to be an effective hedge shall be recognized directly in equity under hedging reserve; and the ineffective portion of the gain or loss on the hedging instrument shall be recognized in the statement of comprehensive income.

The fair value of interest rate swaps and foreign currency swaps is the estimated amount that the Group would receive or pay to terminate the interest rate swap or foreign currency swap at the balance sheet date.

**Note 2 - Summary of significant accounting policies (continued)**

**2.14 Derivative financial instruments (continued)**

**b) Cash flow hedges (continued)**

The Group may enter into forward foreign exchange contracts to hedge against exposures to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date, and is recorded as an unrealized gain or loss. Upon the closing of a contract, the gain or loss is recorded in the net realized gain or loss on forward foreign exchange contracts.

For derivatives that do not qualify for hedge accounting, any gain or loss arising from changes in fair value are taken directly to the statement of comprehensive income for the year.

Cash flow and fair value hedges are valued using discounted cash flow models and a zero coupon curve and exchange rate curve obtained from quoted market prices.

The fair value of interest rate and foreign currency swaps is the estimated amount that the Group would receive or pay to terminate the swaps at the balance sheet date, taking into account interest rates and foreign exchange rates and the current credit worthiness of the swap counterparties.

**c) Fair value hedges**

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the consolidated Income Statement with the corresponding receivable or payable recognized in the consolidated balance sheet under Fair value hedge. Any corresponding gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedge item and recognized in the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting but the hedged forecast transaction is still expected to occur, the cumulative gain or loss remains in equity. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss in equity is transferred to the consolidated income statement for the year. Fair value and cash flow hedges are classified as current and non-current depending on the underlying hedged items terms and conditions.

For derivatives that do not qualify for hedge accounting, any gain or loss arising from changes in fair value are taken directly to net profit or loss for the year.

**Note 2 - Summary of significant accounting policies (continued)**

**2.15 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.

**2.16 Revenue recognition**

Revenue comprises:

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

**a) 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.

**b) 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.

**c) 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.

**2.17 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.

**Note 2 - Summary of significant accounting policies (continued)**

**2.17 Taxation (continued)**

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 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 tax liabilities are recognized for all taxable temporary differences, except:

- i) Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii) In respect of taxable temporary differences associated with investments in subsidiaries, and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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.

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:

**Note 3 - Critical accounting estimates and judgement (continued)**

**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. Following the improvement in the net equity position as at 31 December 2013 (Note 4), the impairment provision has been reversed to nil leaving the book value of the subsidiary at cost.

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 2012 and 31 December 2013, 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.

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.



**Note 3 - Critical accounting estimates and judgement (continued)**

Group (continued)

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.

**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.

**Note 3 - Critical accounting estimates and judgement (continued)**

Group (continued)

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 205,759,689 of loans from banks maturing in 2014 and, consequently, working capital deficit amounting to EUR 192,021,808.

As of 31 December 2013, the loans from banks classified as current due to maturity amount to EUR 205,759,689 (note 7.3) with the associated fair value of the investment properties amounting to EUR 302,536,735.

Management is currently evaluating several refinancing offers and negotiating the refinancing of the maturing loans from banks amounting to EUR 160,855,000. As of 31 December 2013, the fair value of the respective investment properties to be refinanced through these loans amounts to EUR 269,806,736. Management has received several term sheets from different lending banks and is currently analysing them.

On the basis of the current status of the negotiation, Management is confident to positively conclude this refinancing in the coming weeks.

For the main remaining loan from bank classified as current and amounting to EUR 35,401,019 with associated investment properties held by Babcock & Brown Otto Portfolio 2 S.à r.l. & Co KG at a fair value of EUR 27,300,000, management is in negotiations with the financial lenders to dispose of the investment properties and settle 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.

As regard to the remaining portion of short term debt, the Group has sufficient available cash to meet its obligations.

Despite the above uncertainties the Board of Directors is 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.
- Given that the Group has received several term sheets from different lending banks, and given the current status of negotiation, Management is confident to positively conclude the refinancing.

**Note 3 - Critical accounting estimates and judgement (continued)**

- 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 2013, with the exception of those attached to loans granted to Lancelot Land BV, HBI Denmark Propco ApS, HBI France Propco ApS, which are classified as held for sale and should be disposed during 2014 (note 6.3) and Babcock & Brown Otto Portfolio 2 S.à r.l. & Co KG (see above). 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 Group's going concern. Moreover, the lending banks have all provided waivers for such breaches.

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.

Accordingly, the Board of Directors continues to adopt the going concern basis in preparing the consolidated financial statements.

**Note 4 - Investments in group undertakings**

As at 31 December 2013, the Group, including the Company encompassed a total of 108 business entities listed in note 16.

**Company**

	2013	2012
	EUR	EUR
Opening carrying amount	38,912	82,288
(Impairment provision) / Reversal of impairment	<u>164,393,974</u>	<u>(43,376)</u>
Closing carrying amount	<u>164,432,886</u>	<u>38,912</u>

Investments in Company's undertakings as at 31 December 2013 are shown below:

	Registered Office	Class of shares held	Percentage of shares held %
BGP Holdings 2 Limited	B2 Industry Street Qormi, QRM 3000 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 2013, the total of impairment charges previously recognised in relation to this investment was reversed (EUR 164,393,974).



**Note 5 - Acquisitions and disposals**

**5.1 Acquisition of shares in subsidiary**

Group

No subsidiaries were acquired during the period 1 January 2013 to 31 December 2013.

**5.2 Sale of shares in subsidiary**

Group

a) Disposal of shares in subsidiaries

On 2 April 2013, HBI S.à r.l. sold 100% of its shares in the company HB Sweden Propertyco AB 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:

	2013 EUR
<b>Assets</b>	
Investment properties	11,594,176
Current assets	805,826
<b>Total assets sold</b>	<u><u>12,400,002</u></u>
<b>Liabilities</b>	
Current liabilities	11,234,551
<b>Total liabilities sold</b>	<u><u>11,234,551</u></u>
<b>Net assets</b>	<u><u>1,165,451</u></u>
Sales proceeds – cash received (SEK 1)	0.10
<b>Loss resulting from disposal</b>	<u><u>1,165,451</u></u>

On 29 November 2013, the Group sold its non-controlling participation in Domus Grundstücksverwaltungsgesellschaft GmbH and Emersion Grundstücksverwaltungsgesellschaft GmbH for a symbolic consideration of EUR 1.

b) Liquidation of subsidiaries

The following companies holding no investment properties as at 1 January 2013 were liquidated during the year for a combined gain on liquidation of EUR 378,233;

Alter Ego Neununddreißigste Beteiligungsgesellschaft GmbH  
Babcock & Brown Residential Property 8 S.à r.l. & Co KG  
Babcock & Brown Retail Property 18 S.à r.l. & Co KG  
HBI Genas ApS  
KPI Residential Property 8 S.à r.l.  
Matterhorn 392 VV GmbH  
Petersberg 267 VV GmbH  
Petersberg 269 VV GmbH

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**Note 6 - Assets**

**6.1 Investment properties**

Group

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Fair value at the beginning of the year	1,322,875,664	-
Change in consolidation scope	-	1,284,704,886
Transfer to assets classified as held for sale (see note 6.3)	(213,276,146)	(84,089,177)
Lease incentives	(93,000)	171,443
Loss of control	-	(67,686,500)
Disposal of subsidiary (see note 5.2)	-	(14,966,223)
Sale of investment properties	(16,425,684)	(2,492,125)
Foreign exchange gain/loss	(70,866)	309,170
Costs subsequently capitalised	6,100,598	12,826,410
Net unrealised gain on investment properties at fair value (see note 10.6)	25,512,501	194,097,780
<b>Fair value at the end of the year</b>	<b>1,124,623,067</b>	<b>1,322,875,664</b>

During the year, there were the following sales of investment properties;

	Book Value of Investment Properties Sold	Sales Proceeds	Transaction Costs	(Gain)/Loss on Sale
Lancelot Land B.V.	1,345,000	(2,061,915)	-	(716,915)
HBI France PropCo ApS	6,295,685	(6,418,785)	-	(123,100)
BGP Resi 6 S.à r.l. & Co KG	52,513	(105,000)	-	(52,487)
BGP Resi 20 S.à r.l. & Co KG	67,168	(205,000)	-	(137,832)
BGP Norddeutschland S.à r.l. & Co KG	4,567,422	(5,010,000)	17,437	(425,141)
BGP Norddeutschland S.à r.l. & Co KG	327,167	(514,475)	22,290	(165,018)
BGP Retail 3 S.à r.l. & Co KG	-	-	129,978	129,978
BGP Retail 19 S.à r.l. & Co KG	9,800,000	(11,540,000)	62,878	(1,677,122)
	<b>22,454,955</b>	<b>(25,855,175)</b>	<b>232,583</b>	<b>(3,167,637)</b>

**Note 6 – Assets (continued)**

**6.2 Investment in associate**

Group

a) Heidi

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

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Net investment at start of year	45,639,575	-
Other	62,720	-
Elimination of Related Party Transaction	15,927	-
Equity movement	(998)	-
Effect of changes in consolidation scope	-	65,596,940
Increase in loans during this year	-	1,730,053
Share of result from associate	13,532,959	(21,687,418)
<b>Net investment at the end of the year</b>	<b>59,250,183</b>	<b>45,639,575</b>

The following tables summarise financial information of the Group's 35% share in the Heidi Portfolio as at 31 December 2013:

	Statement of financial position				
	CandlePower	Promontoria	WBJ Group	Lux Cos	TOTAL
	2013 EUR	2013 EUR	2013 EUR	2013 EUR	2013 EUR
Investment Properties	8,313,450	8,348,454	84,190,481	-	100,852,385
Other non-current assets	-	-	105,152	-	105,152
Current assets	1,229,652	2,148,053	2,584,063	42,179	6,003,947
<b>Total Assets</b>	<b>9,543,102</b>	<b>10,496,507</b>	<b>86,879,696</b>	<b>42,179</b>	<b>106,961,484</b>
Non-current liabilities	-	-	(29,670)	-	(29,670)
Short term bank debts	-	-	(40,223,483)	-	(40,223,483)
Other current liabilities	(1,343,375)	(2,611,509)	(3,503,197)	(67)	(7,458,148)
<b>Total Liabilities</b>	<b>(1,343,375)</b>	<b>(2,611,509)</b>	<b>(43,756,350)</b>	<b>(67)</b>	<b>(47,711,301)</b>
<b>Net assets as at 31 December 2013</b>	<b>8,199,727</b>	<b>7,884,998</b>	<b>43,123,346</b>	<b>42,112</b>	<b>59,250,183</b>

**Note 6 – Assets (continued)**

**6.2 Investment in associate (continued)**

Group (continued)

a) Heidi (continued)

	Statement of comprehensive income				TOTAL
	CandlePower	Promontoria	WBJ Group	Lux Cos	
	2013 EUR	2013 EUR	2013 EUR	2013 EUR	2013 EUR
Revenue from investment properties	1,151,929	1,975,200	7,099,978	-	10,227,107
Expenses related to investment properties	(926,749)	(1,371,103)	(4,831,915)	-	(7,129,767)
Corporate expenses	(100,358)	(146,367)	(353,509)	(16,982)	(617,216)
Net finance costs	(160,077)	(309,008)	(1,065,802)	(623)	(1,535,510)
Net gain/(loss) on fair value adjustment of investment properties	(2,286,674)	(107,812)	14,518,803	-	12,124,317
Net gain/(loss) on sale of investment properties	(24,446)	(1,925,079)	140,304	-	(1,809,221)
Other income	17,330	5,607	2,307,128	-	2,330,065
Income taxes	70,053	(123,050)	(34)	(3,785)	(56,816)
<b>Net gain/(loss) for the year</b>	<b>(2,258,992)</b>	<b>(2,001,612)</b>	<b>17,814,953</b>	<b>(21,390)</b>	<b>13,532,959</b>

**Note 6 – Assets (continued)**

**6.2 Investment in associate (continued)**

Group (continued)

b) Narat

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

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Net investment at start of year	19,294,390	-
Effect of changes in consolidation scope	-	17,577,083
Share of result from associate	2,966,015	1,717,307
<b>Net investment at the end of the year</b>	<b>22,260,405</b>	<b>19,294,390</b>

The following tables summarise financial information of the Group's 30% share in Narat GmbH as at December 31, 2013:

**Statement of financial position**

	<b>Total</b>
	<b>2013</b>
	<b>EUR</b>
Investment properties	60,033,000
Other non-current assets	678,469
Current assets	7,634,238
<b>Total Assets</b>	<b>68,345,707</b>
Non-current liabilities	(45,945,812)
Other current liabilities	(139,490)
<b>Total Liabilities</b>	<b>(46,085,302)</b>
<b>Net assets as at December 31, 2013</b>	<b>22,260,405</b>

**Statement of comprehensive income**

	<b>Total</b>
	<b>2013</b>
	<b>EUR</b>
Revenue from investment properties	4,513,386
Expenses related to investment properties	(198,632)
Corporate expenses	4,075
Net finance costs	(1,824,095)
Other expenses	7,953
Net gain from fair value adjustment on investment properties	402,002
Other income	61,326
<b>Net gain for the year</b>	<b>2,966,015</b>

**Note 6 – Assets (continued)**

**6.2 Investment in associate (continued)**

Group (continued)

c) BGP Otto 3 S.à r.l. & Co KG

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

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Net investment at start of year	1,445,265	-
Effect of changes in consolidation scope	-	1,167,256
Increase in loans	-	327,899
Share of result from associate	(349,575)	(49,890)
<b>Net investment at the end of the year</b>	<b>1,095,690</b>	<b>1,445,265</b>

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, 2013:

**Statement of financial position**

	<b>Total</b>
	<b>2013</b>
	<b>EUR</b>
Investment properties	3,741,556
Other non-current assets	35,193
Current assets	265,196
<b>Total Assets</b>	<b>4,041,945</b>
Non-current liabilities	(2,718,103)
Other current liabilities	(228,152)
<b>Total Liabilities</b>	<b>(2,946,255)</b>
<b>Net assets as at December 31, 2013</b>	<b>1,095,690</b>

**Statement of comprehensive income**

	<b>Total</b>
	<b>2013</b>
	<b>EUR</b>
Revenue from investment properties	669,026
Expenses related to investment properties	(362,907)
Net finance costs	(98,846)
Other expenses	(532,881)
Net loss from fair value adjustment on investment properties	(32,699)
Other income	8,732
<b>Net loss for the year</b>	<b>(349,575)</b>

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**Note 6 – Assets (continued)**

**6.2 Investment in associate (continued)**

Group (continued)

d) BGP Asset Management GmbH

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

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Net investment at start of year	-	-
Effect of changes in consolidation scope	-	182,541
Cash movements	-	1,761,208
Elimination of related party transaction	2,430,045	(1,769,523)
Elimination of dividend	(196,000)	-
Share of result from associate	(1,938,488)	(174,226)
<b>Net investment at the end of the year</b>	<u>295,557</u>	<u>-</u>

The following tables summarise financial information of the Group's 49% share in BGP Asset Management GmbH as at December 31, 2013:

<b>Statement of financial position</b>	<b>TOTAL</b>
	<b>2013</b>
	<b>EUR</b>
Other non-current assets	251,238
Current assets	420,746
<b>Total Assets</b>	<u>671,984</u>
Other current liabilities	(376,427)
<b>Total Liabilities</b>	<u>(376,427)</u>
<b>Net assets as at December 31, 2013</b>	<u>295,557</u>

<b>Statement of comprehensive income</b>	<b>TOTAL</b>
	<b>2013</b>
	<b>EUR</b>
Other income	111,550
Corporate expenses	(1,854,133)
Income tax	(195,905)
<b>Net loss for the year</b>	<u>(1,938,488)</u>

**Note 6 – Assets (continued)**

**6.3 Assets and liabilities classified as held for sale**

Group

The assets and liabilities of MKV Grundstückverwaltungs GmbH, HBI Denmark PropCo ApS, HBI France Propco ApS, and LancelotLand B.V. which are classified as held for sale as at 31 December 2013 are as follows:

<b>Assets</b>	<b>2013</b>
	<b>EUR</b>
Investment property	284,376,145
Tenants receivables	4,139,799
Prepayment and other assets	6,852,385
Cash and cash equivalents	14,968,675
Income taxes receivable	2,805,688
<b>Assets classified as held for sale</b>	<b>313,142,692</b>
<b>Liabilities</b>	<b>2013</b>
	<b>EUR</b>
Finance lease (see note 7.3 (b))	(2,639,290)
Deferred income tax liabilities	(5,388,286)
Bank loans and overdrafts	(300,807,461)
Derivatives	(15,012,313)
Accounts payable and accrued expenses	(15,549,858)
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>(339,397,208)</b>
<b>Income Statement</b>	<b>2013</b>
	<b>EUR</b>
Revenue from investment properties	32,886,296
Expenses related to investment properties	(12,361,037)
Corporate expenses	(982,848)
Net finance costs	(6,793,371)
Net gain on sale of investment properties	840,014
Net loss on fair value adjustment of investment properties	(7,249,193)
Net operating income	189,228
Income taxes	(242,428)
<b>Income statement directly associated with assets classified as held for sale</b>	<b>6,286,661</b>

MKV Grundstückverwaltungs GmbH holding investment property at book value of EUR 71,110,000 and bank loans of EUR 45,294,772 is currently undergoing due diligence with a view to a share sale.

HBI France Propco ApS holding investment properties at book value of EUR 34,330,000 and bank loans of EUR 39,373,109 is scheduled to be sold in 2014.

HBI Denmark Propco ApS holding investment properties at book value of EUR 30,532,146 and bank loans of EUR 45,439,578 is scheduled to be sold in 2014.

Lancelot Land B.V. holding investment properties at book value of EUR 148,414,000 and bank loans of EUR 170,700,000 is scheduled to be sold in 2014.



**Note 6 – Assets (continued)**

**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 (level 3), as determined by independent appraisers as at 31 December 2013. These fair values have been used for the preparation of the financial statements.

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

Portfolio	Country	Carrying Value	Valuation	Internal or External	Prepared by	Methodology	Date
Monnet	Germany	649,419,581	649,419,581	External	PwC	DCF	31 Dec 2013
Franz Mark	Germany	55,498,501	55,498,501	External	PwC	DCF	31 Dec 2013
Resi 20, 21 & 22	Germany	148,140,839	148,140,839	External	PwC	DCF	31 Dec 2013
Nau II	Germany	1,748,249	1,748,249	External	PwC	DCF	31 Dec 2013
Otto 1 & 4	Germany	121,665,897	121,665,897	External	PwC	DCF	31 Dec 2013
Otto Dix 2	Germany	27,300,000	27,300,000	n/a	n/a	Sales Price	n/a
<b>Total – Residential</b>		<b>1,003,773,067</b>	<b>1,003,773,067</b>				
Bavarian	Germany	65,200,000	65,200,000	External	JLL	DCF	31 Dec 2013
Smaragd	Germany	55,650,000	55,650,000	External	JLL	DCF	31 Dec 2013
<b>Total – Retail</b>		<b>120,850,000</b>	<b>120,850,000</b>				
<b>Total</b>		<b>1,124,623,067</b>	<b>1,124,623,067</b>				

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**Note 6 – Assets (continued)**

**6.5 Tenant receivables**

Group	<b>2013</b>	2012
	<b>EUR</b>	EUR
Rent receivable	<b>12,920,751</b>	13,250,568
Service charges receivable	<b>4,895,426</b>	4,686,239
	<b>17,816,177</b>	17,936,807

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

As at 31 December 2013 receivables with a nominal value of EUR 17,816,177 (2012: EUR 17,936,807) were partially impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	<b>2013</b>	2012
	<b>EUR</b>	EUR
<b>As at start of year</b>	<b>15,066,347</b>	-
Change in consolidation scope	-	13,285,254
Increases	<b>1,095,810</b>	2,196,309
Decreases	<b>(226,908)</b>	(415,216)
<b>As at end of year</b>	<b>15,935,249</b>	15,066,347

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

	<b>Past due not impaired</b>					
	<b>Total</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>90-120 days</b>	<b>&gt; 120 days</b>
<b>31 December 2012</b>	2,870,460	1,441,894	476,109	119,911	73,237	759,309
<b>31 December 2013</b>	1,880,928	676,160	312,159	260,878	131,365	500,366

**Note 6 – Assets (continued)**

**6.6 Cash and cash equivalents**

Group and Company

	<b>2013</b>	2012	<b>2013</b>	2012
	<b>Group</b>	Group	<b>Company</b>	Company
	EUR	EUR	EUR	EUR
Cash at bank – non restricted	<b>16,373,142</b>	20,580,222	<b>1,147,048</b>	1,311,566
Cash at bank – restricted	<b>11,591,549</b>	13,398,323	-	-
Short-term deposits – non restricted	<b>14,802,264</b>	10,508,438	-	-
Short-term deposits – restricted	<b>3,533,789</b>	3,871,231	-	-
	<b>46,300,744</b>	48,358,214	<b>1,147,048</b>	1,311,566

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.

**6.7 Prepayments and other assets**

Group and Company

	<b>2013</b>	2012	<b>2013</b>	2012
	<b>Group</b>	Group	<b>Company</b>	Company
	EUR	EUR	EUR	EUR
Monnet – Capex Reserve	<b>10,233,220</b>	-	-	-
Monnet – Cash Sweep	<b>1,347,399</b>	-	-	-
Other	<b>3,438,035</b>	1,657,051	<b>18,000</b>	-
Tax advances	<b>2,078,605</b>	7,902,154	-	-
Trade receivables	<b>1,300,277</b>	7,365,288	-	-
Prepayments and accrued expenses	<b>601,136</b>	2,945,114	<b>4,616</b>	7,132
Deposits	<b>26,952</b>	209,030	-	-
Sales proceeds receivable	<b>2,884</b>	1,008,525	-	-
	<b>19,028,508</b>	21,087,162	<b>22,616</b>	7,132

**6.8 Financial instruments**

In order to meet the retention requirement of article 122A of the Capital Requirement Directive ("CRD"), BGP Investment S.à r.l. holds EUR 20,400,000 of class D notes issued by Monnet Finance Limited.

In consideration for the class D notes, BGP Investment S.à r.l. assigned EUR 20,400,000 of existing loan from BGP Investment S.à r.l. to BGP Investment II S.à r.l., to the issuer Monnet Finance Limited.

**Note 7 - Equity and liabilities**

**7.1 Share capital**

Company	2013 EUR	2012 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.

	2013 EUR	2012 EUR
Share premium	166,606,786	166,606,786
	<u>166,606,786</u>	<u>166,606,786</u>

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

**Note 7 - Equity and liabilities (continued)**

**7.3 Financial liabilities**

a) Loans from banks

Group

	Effective interest rate	Maturity	2013 EUR	2012 EUR
<b>Non current</b>				
Bayern LB	EURIBOR +2.306%	31 Jul 2015	32,300,526	32,440,526
Berlin-Hannoversche Hypothekenbank	4.16% to 5.88%	31 Dec 2014	-	160,930,000
Deutsche Pfandbrief AG	1 or 3 month EURIBOR + 105- 110 bps	31 Dec 2015 to 30 Mar 2016	42,350,441	43,622,005
Eurohypo AG	1 month EURIBOR + 80- 135 bps	31 Aug 2015 to 30 Jun 2016	19,404,249	19,881,375
Heleba Landesbank Hessen-Thüringen	3 month EURIBOR + 85- 200bps	31 Jul 2014 to 15 Aug 2014	-	14,884,041
Monnet Finance Limited	3.913%	12 Nov 2018	383,295,394	-
Wells Fargo Bank International	4.810%	1 Nov 2016	39,312,488	39,843,740
			<b>516,663,098</b>	<b>311,601,687</b>
<b>Current</b>				
Bayern LB	EURIBOR +2.306%	31 Jul 2015	740,000	1,390,000
Berlin-Hannoversche Hypothekenbank	1 or 3 month 4.16% to 5.88%	31 Dec 2014	160,855,000	26,825,939
Deutsche Pfandbrief AG	1 or 3 month EURIBOR + 100- 110 bps	31 Dec 2015 to 30 Mar 2016	1,271,562	1,235,817
Elektra Purchase No. 18 Limited	3 month EURIBOR + 110 bps	20 Feb 2015	-	85,350,000
Eurohypo AG	1 month EURIBOR + 80- 135 bps	31 Aug 2015 to 30 Jun 2016	527,495	739,701
Heleba Landesbank Hessen-Thüringen	3 month 85-200 bps	31 Jul 2014 to 15 Aug 2014	4,510,881	243,266
ING Real Estate Finance N.V.	3 month EURIBOR + 110bps	15 Jan 2015 to 20 Feb 2015	-	85,350,000
JP Morgan AG	1.410% to 1.740%	20 May 2015	-	86,513,701
Monnet Finance Limited	3.913%	12 Nov 2018	1,922,480	-
Nord LB	5.120%	31 Mar 2014	35,401,019	35,401,019
Quokka Finance plc	EURIBOR + 302bps	14 Aug 2013	-	340,969,346
Wells Fargo Bank International	4.810%	1 Nov 2016	531,252	531,252
			<b>205,759,689</b>	<b>664,550,041</b>
Capitalized financing costs			(9,489,291)	(11,640,693)
Capitalized financing costs – Accumulated Amortisation			1,154,522	10,196,703
			<b>197,424,920</b>	<b>663,106,051</b>

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 2013 is EUR 8,114,480 (2012: 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 and short term loans.

The fair value of loans bearing fixed interest rates is EUR 644,435,520.

**Note 7 - Equity and liabilities (continued)**

**7.3 Financial liabilities (continued)**

a) Loans from banks (continued)

During 2013, the Group has secured a new financing of over EUR 380 million maturing in 2018 and financing a portfolio of property companies with Monnet Finance Limited. This financing is replacing the Quokka Finance plc loan which matured in August 2013.

As part of the refinancing arrangement, BGP Investment S.à r.l. has subscribed for the Class D Notes for EUR 20,400,000 (note 6.8).

b) Finance leases

Group

The Group via its subsidiary Lancelot Land B.V. 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 18 to 52 years. Lancelot Land B.V. and the related Finance Leases are Held for Sales and disclosed in note 6.3.

	2013		2012	
	Present value	Minimum lease payments	Present value	Minimum lease payments
	EUR	EUR	EUR	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)
<b>Total</b>	-	-	<b>2,679,094</b>	<b>(1,459,438)</b>

**7.4 Accounts payable and accrued expenses**

Group and Company

	2013	2012	2013	2012
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Tenant payables and deposits	11,088,014	12,668,083	-	-
Prepayments from tenants	3,970,602	1,003,096	-	-
Operating provisions	3,950,560	10,470,306	30,740	34,220
Trade payables	3,641,206	5,385,172	-	-
Other creditors	2,289,273	5,012,569	-	2,913
VAT payable	955,544	1,379,840	-	-
Deferred income	78,398	3,408,364	-	-
Taxes excluding income tax	104,565	465,612	-	-
<b>Total trade and other liabilities</b>	<b>26,078,162</b>	<b>39,793,042</b>	<b>30,740</b>	<b>37,133</b>

## **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, 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 is exposed to market risk, credit risk and liquidity risk. 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 four countries in Europe; and
- 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 exposure to the Danish krone (DKK). 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: 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.

a) Risk for trade receivables and other current assets

The Group's earnings, distributable cash flow and its total equity value could be adversely affected if a significant number of tenants are unable to meet their lease obligations to the Group.

The Group has no significant concentrations of credit risk.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history.

There are past due receivables fully provided for in the amount of EUR 15,935,249 concerning tenants that defaulted on the rent. A provision for impairment of 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 receivables.

Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

b) Risk for cash and cash equivalents and derivatives

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. The Group has cash and cash equivalents as described in note 6.6, with the following long-term bank deposit ratings by Fitch and Moody's:

• Deutsche Bank AG	<b>A2</b> (Moody's), <b>A</b> (S&P), <b>A+</b> (Fitch)
• Berliner Sparkasse (subsidiary of LBB)	<b>A1</b> (Moody's)
• Nord LB	<b>A3</b> (Moody's), <b>A</b> (Fitch)
• Aareal Bank	<b>A-</b> (Fitch)
• Banque et Caisse D'Epargne de l'Etat	<b>Aa1</b> (Moody's), <b>AA+</b> (S&P)
• Unicredit Bank AG	<b>Baa2</b> (Moody's), <b>A-</b> (S&P), <b>A+</b> (Fitch)
• ING Bank N.V.	<b>A2</b> (Moody's), <b>A</b> (S&P), <b>A+</b> (Fitch)

The extent of the Group's credit exposure is represented by the aggregate balance of amounts receivable, as reduced by the effects of any netting arrangements with counterparties.

**Note 8 - Financial risk management (continued)**

**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; indeed, management initiated discussions with representatives of banks in order to amend corporate financing agreements.

**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
<b>2013</b>		
Impact on interest expense (decrease)/increase	100 bps	(955,375)
Impact on interest expense (decrease)/increase	(100) bps	955,375
<b>2012</b>		
Impact on interest expense (decrease)/increase	100 bps	(1,088,624)
Impact on interest expense (decrease)/increase	(100) bps	1,088,624

**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 thousand 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.

	<b>Increase/(decrease) of 10% against EUR</b>	
	<b>In EUR'000</b>	
	<b>December 2013</b>	<b>December 2012</b>
DKK/EUR	(119) / 145	(407) / 498

**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 3.2 years (2012: 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 2013 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	-	39,335,725	166,424,137	516,663,098	-
Loans from related parties	-	236,374	-	-	-
Derivative financial instruments	-	2,493,812	2,493,812	262,900	-
Interest payable to banks	-	21,366,872	12,994,130	63,211,912	-
Other liabilities	-	26,078,162	-	-	20,400,000
<b>31 December 2013</b>	-	<b>89,510,945</b>	<b>181,912,079</b>	<b>580,137,910</b>	<b>20,400,000</b>

**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	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	-	-	-
<b>31 December 2012</b>	<b>186,687,571</b>	<b>107,543,080</b>	<b>473,340,302</b>	<b>334,973,104</b>	<b>2,444,000</b>

**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.

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**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 2013 and 31 December 2012.

	2013 EUR	2012 EUR
Share capital and Share premium	(166,706,785)	(166,706,785)
<b>Total contributions from shareholders and share premium</b>	<b>(166,706,785)</b>	<b>(166,706,785)</b>
Total Group's shareholders' equity	(467,353,460)	(391,525,296)
Loans from banks	(722,422,787)	(976,151,728)
<b>Total long-term bank financing</b>	<b>(722,422,787)</b>	<b>(976,151,728)</b>
<b>Total long-term loans and contribution from shareholders and share premium</b>	<b>(889,129,572)</b>	<b>(1,142,858,513)</b>
<b>Total external loans and shareholders equity</b>	<b>(1,189,776,247)</b>	<b>(1,367,677,024)</b>

<b>Gearing ratio (capital vs financing)</b>	<b>81.3 %</b>	<b>85.4 %</b>
<b>Gearing ratio (equity vs financing)</b>	<b>60.7%</b>	<b>71.4%</b>

**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	
	2013 EUR	2012 EUR	2013 EUR	2012 EUR
<b>Financial assets</b>				
Financial instruments	20,400,000	-	13,806,535	-
Tenant receivables	1,880,928	2,870,460	1,880,928	2,870,460
Loans receivables from related parties	16,585	112,350	16,585	112,350
Cash and short-term deposit	46,300,744	48,358,214	46,300,744	48,358,214
<b>Financial liabilities</b>				
Loans from banks	(722,422,787)	(976,151,728)	(562,589,786)	(976,151,728)
Loans from related parties	(236,375)	(561,068)	(236,374)	(561,068)
Derivative financial instruments	(5,231,744)	(47,134,447)	(5,231,744)	(47,134,447)
Finance leases	-	(2,679,094)	-	(2,679,094)
Other liabilities	(20,400,000)	-	(13,806,535)	-
Account payable	(26,078,162)	(39,793,042)	(26,078,162)	(39,793,042)

**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 (\*):

Derivative financial instruments	Level 1 EUR	Level 2 EUR	Level 3 EUR	TOTAL Fair value EUR
December 31, 2013	-	(5,231,744)	-	(5,231,744)
December 31, 2012	-	(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	Maturity	31-Dec-13	31-Dec-12	Impact on Statement of comprehensive income
				EUR	EUR	
IRS	Barclays Capital	-	2 September 2013	-	(904,742)	904,742
IRS	Barclays Capital	-	2 September 2013	-	(550,303)	550,303
IRS	Barclays Capital	-	2 September 2013	-	(2,067,912)	2,067,912
IRS	Barclays Capital	-	2 September 2013	-	(603,836)	603,836
IRS	Barclays Capital	-	2 September 2013	-	(833,758)	833,758
IRS	Barclays Capital	-	2 September 2013	-	(1,307,999)	1,307,999
IRS	Barclays Capital	-	2 September 2013	-	(904,894)	904,894
IRS	Barclays Capital	-	2 September 2013	-	(743,336)	743,336
IRS	Barclays Capital	-	2 September 2013	-	(1,954,613)	1,954,613
IRS	Hypo Real Estate	4,548,690	30 March 2016	(370,823)	(544,420)	173,597
IRS	Hypo Real Estate	1,025,685	30 March 2016	(83,617)	(122,761)	39,144
IRS	Landes Bank Berlin	75,280,000	31 December 2014	(2,343,655)	(4,801,932)	2,458,277
IRS	Landes Bank Berlin	85,650,000	31 December 2014	(2,433,649)	(4,993,912)	2,560,263
IRS	Landes Bank Berlin	-	15 April 2013	-	(198,825)	198,825
IRS	Landes Bank Berlin	-	15 April 2013	-	(70,795)	70,795
IRS	Landes Bank Berlin	-	15 April 2013	-	(24,414)	24,414
IRS	JP Morgan Chase	-	20 February 2015	(4,350,349)^	(7,910,874)	3,560,525
IRS	Unicredit Bank AG	-	20 February 2015	(4,350,349)^	(7,910,874)	3,560,525
IRS	JP Morgan Chase	-	20 February 2016	(4,205,714)^	(5,968,307)	1,763,911 **
IRS	JP Morgan Chase	-	20 February 2015	-	(1,557,594)	1,557,594
IRS	JP Morgan Chase	-	20 February 2015	(2,105,902)^	(3,132,212)	1,026,310
IRS	JP Morgan Chase	-	20 February 2015	-	(26,134)	- **
<b>Total</b>		<b>166,504,375</b>		<b>(5,231,744)</b>	<b>(47,134,447)</b>	<b>26,865,573</b>

^ - balances included in Held for Sale (note 6.3)

\*\* - differences due to foreign exchange

IRS payment on the SWAPs are payable on a quarterly basis. The outstanding amount of the IRS payments as at 31 December 2013 is EUR 18,780 (2012: 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	2013	2012
	EUR	EUR
Rental income from investment properties	114,872,639	116,468,639
Service charges recoveries	36,939,158	35,897,419
Other building income	429,454	2,056,455
	<b>152,241,251</b>	<b>154,422,513</b>

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

**10.2 Expenses related to investment properties**

Group	2013	2012
	EUR	EUR
Utilities	46,255,394	51,107,097
Maintenance and repairs	11,628,038	9,298,288
Property management fees	3,685,444	7,036,492
Asset management fees	6,269,281	3,891,510
Bad debt allowances	4,169,552	2,776,621
Leasehold costs	2,683,527	2,520,918
Letting costs	2,339,379	2,236,479
Property taxes	4,244,924	1,557,339
Insurance	3,294,312	920,861
Other	-	116,759
	<b>84,569,851</b>	<b>81,462,364</b>

**10.3 Corporate expenses**

Group and Company	2013	2012	2013	2012
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Tax consulting and audit fees	3,032,565	2,427,407	28,615	34,220
Consulting and legal fees	2,954,272	2,173,085	128,459	143,541
Other corporate expenses	2,804,656	2,525,431	4,680	5,807
Insurance	135,943	121,665	-	-
Other external services	-	19,992	-	-
Realised exchange differences	21,055	-	-	900
	<b>8,948,491</b>	<b>7,267,580</b>	<b>161,754</b>	<b>184,468</b>

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2013 and 2012 relate to the following:

	2013	2012	2013	2012
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Annual statutory audit	573,220	762,117	28,615	34,220
	<b>573,220</b>	<b>762,117</b>	<b>28,615</b>	<b>34,220</b>

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

**10.4 Other operating expenses and other operating income**

Group and Company

Other operating income and other operating expenses for the years ended 31 December 2013 and 2012 are as follows:

<b>Other operating expenses</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Group EUR</b>	<b>Group EUR</b>	<b>Company EUR</b>	<b>Company EUR</b>
Other	<b>1,815,185</b>	555,267	<b>748</b>	-
VAT	<b>104,668</b>	101,200	-	-
Cost of acquiring shares	-	23,368	-	-
Impairment of subsidiary	-	-	-	<b>43,376</b>
	<b>1,919,853</b>	679,835	<b>748</b>	<b>43,376</b>

<b>Other operating income</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Group EUR</b>	<b>Group EUR</b>	<b>Company EUR</b>	<b>Company EUR</b>
Reversal of impairment		-	<b>164,393,974</b>	-
Other	<b>2,663,601</b>	2,456,147	-	-
Insurance claims	<b>928,287</b>	96,524	-	-
Recharges	<b>392,859</b>	462,947	-	-
General partner fees	<b>45,000</b>	45,000	-	-
	<b>4,029,747</b>	3,060,618	<b>164,393,974</b>	-

**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 2013 and 2012 are as follows:

<b>Finance income</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Other finance income	<b>36,622</b>	1,382,386	-	-
Interest income	<b>241,990</b>	206,577	<b>29,126</b>	34,933
Net foreign exchange gain	-	23,103	-	-
	<b>278,612</b>	1,612,066	<b>29,126</b>	34,933
<b>Finance costs</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Interest on bank loans	<b>(28,862,143)</b>	(32,831,905)	-	-
SWAP payments	<b>(17,355,692)</b>	(18,359,918)	-	-
Amortisation of capitalised finance costs	<b>(1,718,964)</b>	(1,663,942)	-	-
Other finance costs	<b>(1,471,033)</b>	(720,547)	<b>(1,336)</b>	(777)
Net foreign exchange loss	-	(6,101)	-	-
	<b>(49,407,832)</b>	(53,582,413)	<b>(1,336)</b>	(777)

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

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Fair value gains on investment properties	42,535,137	230,002,581
Fair value losses on investment properties	(17,022,636)	(35,904,801)
<b>Net fair value losses/gains on investment properties (note 6.1)</b>	<b>25,512,501</b>	<b>194,097,780</b>

**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:

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
<b>Net gain/(loss) before tax</b>	80,672,987	420,541,670
<b>Expected tax expense/income: (2013: 35.00 %)</b>	(28,235,545)	(147,189,584)
Effect of tax rates in other countries	18,973,722	56,895,684
Gain on Acquisition (see note 5.1)	-	60,602,435
Deconsolidated entities	220,376	5,950,758
Non recognition of current year deferred tax asset	(5,078,371)	4,347,844
Non-deductible expenses	(9,839,543)	(68,775)
Timing differences	1,267,275	464,240
Current income tax of previous periods	(1,116,230)	278,663
Income subject to 15% withholding tax	6,386	7,391
Movement in accrued interest receivable	(924)	-
Other	3,815	(1,149)
Taxes on other basis than profit	(88,414)	(67,725)
Tax-exempt income	1,575,400	1,969,560
Equity pick ups	1,735,584	(2,601,205)
Utilisation of previously unrecognised losses carried forward	15,876,080	(11,073,933)
<b>Effective income tax (current and deferred)</b>	<b>(4,700,389)</b>	<b>(30,485,796)</b>

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

**10.7 Income tax (continued)**

Group (continued)

The deferred tax assets and liabilities at 31 December, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
<b>Deferred tax liabilities:</b>		
Revaluation of investment properties to fair value	(49,004,787)	(43,860,923)
Capitalised Borrowing Costs	(662,349)	(243,343)
Other timing differences	(577,611)	(1,439,998)
DTA > DTL Adjustment	(7,597,508)	(15,093,815)
	<b>(57,842,255)</b>	<b>(60,638,079)</b>
	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
<b>Deferred tax assets:</b>		
Losses available for offset against future taxable income	13,549,714	12,942,293
Revaluation of investment properties to fair value	7,316,334	13,750,660
Revaluation of derivatives to fair value	827,928	3,264,453
Other timing differences	3,446,775	1,203,307
	<b>25,140,751</b>	<b>31,160,713</b>
<b>Net deferred tax liability</b>	<b>(32,701,504)</b>	<b>(29,477,366)</b>
	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
Deferred tax assets	17,543,244	16,066,898
Deferred tax liabilities	(44,856,460)	(40,340,845)
Liabilities directly associated with the assets held for sale	(5,388,288)	(5,203,419)
<b>Net deferred tax liability</b>	<b>(32,701,504)</b>	<b>(29,477,366)</b>

**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:

	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
<b>Deferred tax expense:</b>		
Revaluation of investment properties to fair value	(13,352,677)	(37,659,623)
Losses available for offset against future taxable income	(4,733)	(12,247)
Revaluation of derivatives to fair value	(2,436,524)	(1,446,084)
Capitalised borrowing costs	(462,952)	(6,031)
DTA > DTL	(131,383)	(3,370,358)
Other timing differences	(387,478)	(265,198)
	<b>(16,775,747)</b>	<b>(42,759,541)</b>
<b>Deferred tax income:</b>		
Revaluation of investment properties to fair value	1,774,487	3,559,916
Losses available for offset against future taxable income	612,153	1,315,329
Revaluation of derivatives to fair value	-	8,339
Capitalised borrowing costs	43,945	257,288
DTA > DTL	3,237,239	6,675,701
Other timing differences	7,883,785	729,737
	<b>13,551,609</b>	<b>12,546,310</b>
<b>Deferred tax income / (expense)</b>	<b>(3,224,138)</b>	<b>(30,213,231)</b>

No deferred tax assets have been recognised for tax losses carried forward totalling EUR 566,758,975 (2012: EUR 632,435,301). 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 2013 and 2012, there was no recognised deferred tax liabilities for withholding tax and other taxes that would be payable in connection with un remitted 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 2013 or 2012 by the Company to its shareholders.



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

**10.7 Income tax (continued)**

Company	2013	2012
	EUR	EUR
Current taxation:		
Current tax expense	<u>4,746</u>	<u>5,335</u>

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

	2013	2012
	EUR	EUR
Profit/(loss) before tax	<u>164,259,262</u>	<u>(193,688)</u>
Tax on Profit/(loss) at 35%	57,490,742	(67,791)
Tax effect of:		
Income subject to 15% final withholding tax	(6,328)	(7,114)
Income not subject to tax	(57,537,891)	-
Expenses not deductible for tax purposes	57,343	80,018
Movement in accrued interest receivable	880	222
Tax expense	<u>4,746</u>	<u>5,335</u>

**10.8 Directors' emoluments**

Group	2013	2012
	EUR	EUR
Directors' fees	<u>283,600</u>	<u>163,828</u>
Company	2013	2012
	EUR	EUR
Directors' fees	<u>4,680</u>	<u>4,680</u>

**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 198 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 2013	2014	2015-2018	From 2019
	EUR	EUR	EUR
Future minimum lease payments	2,678,048	10,300,599	184,414,124

**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 associates 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 provided by the Group through its underlying property owning subsidiaries and associates to the financial institutions that provide these loans (refer to note 7.3) are as follows:

- Assignment of future rights and claims of selling contracts in respect of the financed investment property (land and buildings);
- 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 2013, there was no material on-going litigation, which could materially affect the consolidated financial position of the Group.

**Company**

As of 31 December 2013 and 2012, 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**

<b>Receivables from related parties</b>	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
- GP Fees receivable from subsidiaries of Babcock & Brown European Investments S.à r.l.	16,585	112,350
	<b>16,585</b>	<b>112,350</b>

b) Loans from related parties:

**Group**

<b>Loans from related parties</b>	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
- BGP Asset Management GmbH	236,375	561,068
	<b>236,375</b>	<b>561,068</b>

**Company**

<b>Loans to related parties</b>	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
- Loan to BGP Holdings 2 Limited	18,000	-
	<b>18,000</b>	<b>-</b>

<b>Loans from related parties</b>	<b>2013</b>	<b>2012</b>
	<b>EUR</b>	<b>EUR</b>
- Loan from Group company	35,000	35,000
- Amount payable to Group company	-	4,167
- Interest on loan from Group company	1,473	489
	<b>36,473</b>	<b>39,656</b>

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.

**Note 13 - Related parties transactions (continued)**

c) **Transactions with related parties:**

Group	2013 EUR	2012 EUR
<b>Asset Management fees:</b>		
- BGP Asset Management GmbH	2,713,215	4,226,666
<b>General Partner fees:</b>		
- Subsidiaries of Babcock & Brown European Investments S.à r.l.	45,000	45,000
	<b>2,758,215</b>	<b>4,271,666</b>

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 (2012: EUR 99,000) 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**

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

The Directors are not aware of any matter or circumstance occurring since 31 December 2013 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.

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**Note 16 - Group companies**

The detailed list of the consolidated entities is as follows:

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

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**Note 16 - Group companies (continued)**

	<b>Name of the company</b>	<b>Country</b>	<b>% Control</b>	<b>% Interest</b>	<b>Consolidation Method</b>
47	BGP Retail 14 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
48	BGP Retail 16 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
49	BGP Retail 17 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
50	BGP Retail 19 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
51	BGP Retail 3 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
52	BGP Retail 4 S.à r.l. & Co KG	Germany	99.64%	99.64%	Acquisition
53	BGP Retail 9 S.à r.l. & Co KG	Germany	99.98%	99.98%	Acquisition
54	BGP Retail GP 1 S.à r.l.	Luxembourg	100%	100%	Acquisition
55	BGP Retail GP 2 S.à r.l.	Luxembourg	100%	100%	Acquisition
56	BGP Retail GP 3 S.à r.l.	Luxembourg	100%	100%	Acquisition
57	BGP Retail GP 4 S.à r.l.	Luxembourg	100%	100%	Acquisition
58	BGP Retail GP 5 S.à r.l.	Luxembourg	100%	100%	Acquisition
59	BGP Retail GP 6 S.à r.l.	Luxembourg	100%	100%	Acquisition
60	Candlepower Investments B.V. Goniatit	Netherlands	35%	35%	Equity
61	Grundstückverwaltungsgesellschaft GmbH	Germany	99.98%	99.98%	Acquisition
62	HBI Denmark PropCo ApS	Denmark	100%	75%	Acquisition
63	HBI France PropCo ApS	Denmark	100%	75%	Acquisition
64	HBI LuxFin Co S.à r.l.	Luxembourg	100%	75%	Acquisition
65	HBI S.à r.l.	Luxembourg	100%	75%	Acquisition
66	Jade Management Holding S.à r.l.	Luxembourg	26.3%	26.3%	Equity
67	JADE PORTFOLIO 1 S.à r.l.	Luxembourg	26.3%	26.3%	Equity
68	JADE PORTFOLIO 2 S.à r.l.	Luxembourg	18%	18%	Equity
69	Jade zweite Wohnungsbeteiligungs GmbH	Germany	35%	35%	Equity
70	Jade Immobilien Management GmbH	Germany	35%	35%	Equity
71	KPI Residential Property 2 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
72	KPI Residential Property 20 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
73	KPI Residential Property 21 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
74	KPI Residential Property 22 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
75	KPI Residential Property 23 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
76	KPI Residential Property 4 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
77	KPI Residential Property 5 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
78	KPI Residential Property 6 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
79	KPI Residential Property 7 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
80	KPI Residential Property 9 S.à r.l.	Luxembourg	99.62%	99.62%	Acquisition
81	KPI Residential Property 10 S.à r.l.	Luxembourg	5.2%	5.2%	Cost
82	KPI Retail Property 1 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
83	KPI Retail Property 10 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
84	KPI Retail Property 11 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
85	KPI Retail Property 13 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
86	KPI Retail Property 14 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
87	KPI Retail Property 16 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
88	KPI Retail Property 17 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
89	KPI Retail Property 18 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
90	KPI Retail Property 19 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
91	KPI Retail Property 20 S.à r.l.	Luxembourg	36.56%	36.56%	Acquisition
92	KPI Retail Property 21 S.à r.l.	Luxembourg	21%	21%	Acquisition
93	KPI Retail Property 3 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
94	KPI Retail Property 35 S.à r.l.	Luxembourg	5.2%	5.2%	Cost
95	KPI Retail Property 7 S.à r.l.	Luxembourg	6%	6%	Cost
96	KPI Retail Property 9 S.à r.l.	Luxembourg	99.64%	99.64%	Acquisition
97	Lancelot Land B.V.	Netherlands	100%	75%	Acquisition

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Notes to the financial statements (continued)

**Note 16 - Group companies (continued)**

	<b>Name of the company</b>	<b>Country</b>	<b>% Control</b>	<b>% Interest</b>	<b>Consolidation Method</b>
98	Minotaurus Immobilien GmbH & Co KG	Germany	99.8%	99.8%	Acquisition
99	Minotaurus Immobilien Verwaltungs GmbH	Germany	100%	100%	Equity
100	MKV Grundstückverwaltungs GmbH	Germany	99.98%	99.98%	Acquisition
101	Narat GmbH	Germany	30%	30%	Equity
102	Norddeutschland Grundbesitz Erweber GmbH	Germany	94.2%	94.2%	Acquisition
103	Norddeutschland Grundbesitz Verwaltungs GmbH	Germany	94.6%	94.6%	Acquisition
104	Promontoria Holding VIII B.V.	Netherlands	35%	35%	Equity
105	Treso S.à r.l. & Co KG	Germany	100%	100%	Acquisition
106	Wohnungsbaugesellschaft Jade erste mbH & Co KG	Germany	35%	35%	Equity
107	Wohnungsbaugesellschaft JADE GmbH	Germany	35%	35%	Equity
108	Wohnungsbaugesellschaft Jade zweite mbH & Co KG	Germany	35%	35%	Equity