PERSEUS REAL ESTATE INVESTMENT S.à r.l.

Société à Responsabilité Limitée

55-57, avenue Pasteur
L-2311 Luxembourg
R.C.S. Luxembourg: B 127 199

CONSOLIDATED FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2012

PERSEUS REAL ESTATE INVESTMENT S.à r.l.
Consolidated financial statements as at December 31, 2012

Table of Contents

Table of Contents	Page (s)
Managers' report	**1**
Audit report	**5**
Consolidated balance sheet	**7**
Consolidated balance sheet (continued)	**8**
Consolidated statement of comprehensive income	**9**
Consolidated statement of changes in equity	**10**
Consolidated cash-flow statement – direct method	**11**
1. General information	**12**
2. Adoption of new and revised standards	**12**
2.1. New standards, amendments and interpretations issued, but not yet effective, relevant to the Group	**12**
2.2. New standards, amendments and interpretations issued, but not yet effective, not relevant to the Group	**14**
2.3. Early adoption of standards	**14**
3. Summary of significant accounting policies	**15**
3.1. Statement of compliance	**15**
3.2. Basis of preparation	**15**
3.3. Statement of Comprehensive income	**16**
3.4. Cash Flow statement	**16**
3.5. Consolidation	**16**
3.6. Operating segments	**16**
3.7. Investment property	**17**
3.8. Trade and other receivables	**18**
3.9. Cash and cash equivalents	**18**
3.10. Share capital	**18**
3.11. Trade payables	**18**
3.12. Borrowings and subordinated instrument	**19**
3.13. Current and deferred income tax	**19**
3.14. Leases	**20**
3.15. Revenue recognition	**20**
3.16. Interest income and expense	**21**
3.17. Other expenses	**21**
3.18. Derivative financial instruments	**21**

Table of Contents (continued)

3.19. Foreign currency translation 22
4. Financial risk management 22
4.1. Financial risks factors 22
4.2. Capital risk management 26
4.3. Fair value estimation 27
5. Critical accounting estimates and judgements 28
6. Investment properties 30
7. Trade receivables 30
8. Other receivables 30
9. Trade payables 31
10. Share capital 31
11. Earnings per share 31
12. Subordinated instrument 32
13. Borrowings 33
14. Derivative financial instruments 34
15. Current and deferred income tax 35
16. Revenue 37
17. Direct property expenses borne by the Group 38
18. Refurbishment and investments 38
19. Administrative expenses 38
20. Personnel expenses 38
21. Finance costs net 39
22. Related parties 39
23. Subsidiaries 40
24. Pledges and Guarantees 40
25. Subsequent events 41
26. Transition to IFRS 42
26.1. Explanatory notes 42
26.2. Reconciliation of equity and comprehensive income as previously reported under Luxembourg GAAP to IFRS. 43

Managers' Report

The Board of Managers is pleased to present the management report of the consolidated financial statements of Perseus Real Estate Investment S.à r.l. and its subsidiaries (hereafter referred to as the "Group") for the financial year ended December 31, 2012.

The management report accompanies the information in the consolidated financial statements, prepared in accordance with IFRS adopted by the European Union and illustrates and explains the main aspects of the Group's economic and financial situation.

Overview

The Group's purpose is to directly or indirectly take ownership in participating interests in any enterprise in whatever form to administrate, manage, control or develop these ownerships and participating interests.

The Group took participating interest in eleven companies in 2007, the purpose of which is the purchase and sale of real estate properties as well as real estate management. Those companies invested in 2007 in real estate properties in Germany.

During the year 2012, the entities, in which the Group has participating interests, continued their strategy to renovate and lease the apartments and to enhance the attractiveness of the buildings and outdoor space to support the overall leasing activities. Over the last twelve months, a special focus was given to the locations Leipzig and Schwerin with great success in further reducing vacancy and enhancing net rental income.

Overall, there was a steady progression both in the number of square meters rented and in the rents paid throughout the year. A total 448,195.07 sqm have been rented in December 2012 compared to 440,724.96 sqm in December 2011 and the vacancies were reduced to 13.50% in December 2012 compared to 14.65% in December 2011.

The monthly rental revenue amounted to EUR 1,884,976.79 in December 2012 compared to EUR 1,828,522.84 in December 2011.

Taking into consideration the investments made and the renovating policy developed by the entities in which we have a participating interest throughout 2012, we generated the potential to further increase cash flow and decrease vacancies in 2013.

During the financial year 2012, the Group generated a consolidated net rental income of EUR 12,124,662.96.

After the inclusion of the fair value adjustments on the investment properties, the recognition of deferred taxes and the deduction of the financing activities, the Group's consolidated profit for the financial year ended at December 31, 2012 is EUR 6,900,433.02.

For management purposes, other important measurements are the adjusted equity ratio and the adjusted profit. The adjusted equity ratio is outlined in Note 4.2 of the consolidated financial statements.

The adjusted equity ratio adds to equity the deferred income tax liabilities, the accounting value of the subordinated instrument and adjusts for the fair value of derivative financials instruments.

- The deferred income tax liabilities on subordinated instrument are added back to equity as there is no situation which would lead to an actual tax payment. The deferred income tax liabilities on the fair value of investment properties would only lead to actual tax payments if a potential disposal was to be structured as an asset sale which is not of the intention of the management.
- The accounting value of the subordinated instrument is added because it represents subordinated capital.
- The adjustment for the fair value of the derivative financial instruments is made, because such instruments are entered into for hedging purposes and any gain or loss will revert to zero towards the maturity of the instrument. The management intends to hold these derivative financial instruments to maturity.

The adjusted equity ratio at December 31, 2012 and at December 31, 2011 were as follows:

	31.12.2012	**31.12.2011**
Total equity	39 910 928	33 632 044
Subordinated instrument	287 356	265 216
Deferred income tax liabilities	16 694 051	15 040 881
Derivative financial instrument	408 481	---,--
Adjusted equity	**57 300 816**	**48 938 141**
Total assets	266 256 887	259 043 282
Adjusted equity ratio	**21,52%**	**18,89%**

The adjusted profit shows an operating result after interest and taxes, but before value adjustments from investment properties and derivative financial instruments, before value increasing expenditures and before deferred income tax expenses.

- The value increasing expenditures, called refurbishments and investments in the consolidated financials, are mainly renovations of apartments in connection with new leasing activities and are intended to reduce vacancy rates and increase revenue.
- The value adjustments from investment properties and derivative financial instruments are excluded, because the value changes are – at least in the short term – determined by external market forces and not under control of the management.
- The deferred income tax expenses are excluded due to the same reasons as explained in the paragraph above.

The adjusted profit for the years 2012 and 2011 was as follows:

	2012	2011
Profit for the year	6,900,433	2,735,177
Net gain from change in fair value of investment properties	-6,640,000	-2,580,000
Net loss from change in fair value of derivative financial instruments	+408,481	-
Deferred income tax expenses	+1,735,089	+1,197,495
Expenses for refurbishments and investments	+3,472,675	+3,523,561
Adjusted profit for the year	**5,876,678**	**4,876,233**

Future development outlook

Going forward, the Group continues to build on its solid and stable cash flows to further develop its operational activities. Management intents to further grow net rental income through the re-letting of cancellations, the reduction of existing vacancies and selective rental increases. A continuous refurbishment and investment program on investment properties secures and further increases the values of existing assets.

Activities in the field of research and development

During the year under review, the Group did not have any activity in the field of research and development.

Own shares

During the period under review, none of the Group's entities owned, directly or indirectly, any shares of Perseus Real Estate Investment S.à r.l.

Important events occurred since the end of the financial year

During the course of the current year, management has restructured and extended some of the existing debt financing disclosed in Note 13 'Borrowings'. Further details on agreed new facilities are disclosed in more detail in Note 25 'Subsequent Events'. The management is in the process of pursuing alternative sources of financing which may ultimately result in a change in the shareholder structure of the Group.

Luxemburg, on the 10th of June 2013.

The Managers

Class A managers

Class B managers

GS Lux Management Services S. à r. l.
here represented by two of its managers
Maxime NINO Marielle STIJGER

WHITEHALL BEAR SARL
here represented by two of its managers
Maxime NINO Marielle STIJGER

Audit report

To the Board of Managers of
Perseus Real Estate Investment S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Perseus Real Estate Investment S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at 31 December 2012 and 31 December 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the years then ended and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is 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 for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

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 as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment of the "Réviseur d'entreprises agréé" 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 "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, 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

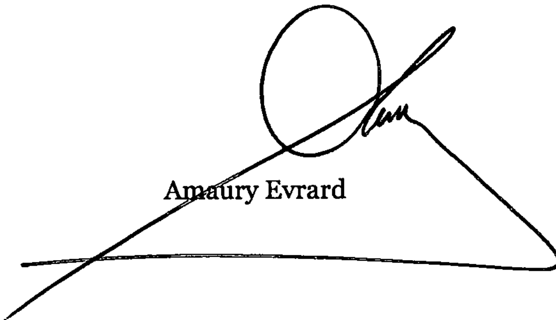
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2012 and 31 December 2011, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

The management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 12 June 2013



Amaury Evrard

Consolidated balance sheet

all amounts in €	Note	31.12.2012	31.12.2011	31.12.2010
ASSETS				
Non-current assets				
Investment property	6	260 790 000,00	254 150 000,00	251 570 000,00
Total non–current assets		**260 790 000,00**	**254 150 000,00**	**251 570 000,00**
Current assets				
Trade receivables	7	913 825,02	947 364,36	817 659,49
Other receivables	8, 22	1 283 116,84	1 155 676,18	1 184 577,20
Cash and cash equivalents		3 269 945,01	2 790 241,03	4 401 000,99
Total current assets		**5 466 886,87**	**4 893 281,57**	**6 403 237,68**
TOTAL ASSETS		**266 256 886,87**	**259 043 281,57**	**257 973 237,68**

The notes on pages 12 to 45 are an integral part of these consolidated financial statements..

Consolidated balance sheet (continued)

all amounts in €	Note	31.12.2012	31.12.2011	31.12.2010
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Group				
Share capital	10	541 000,00	541 000,00	541 000,00
Retained earnings		39 369 927,82	33 091 043,55	30 816 951,36
Total equity attributable to equity holders of the Group		**39 910 927,82**	**33 632 043,55**	**31 357 951,36**
LIABILITIES				
Non-current liabilities				
Subordinated instrument	12	287 356,64	265 216,07	244 186,68
Borrowings	13	13 229 112,37	205 209 658,60	207 875 921,60
Deferred income tax liabilities	15	16 694 050,96	15 040 881,12	14 030 470,88
Derivative financial instruments	14	408 481,06	---,--	---,--
Total non-current liabilities		**30 619 001,03**	**220 515 755,79**	**222 150 579,16**
Current liabilities				
Borrowings	13	191 854 852,29	---,--	---,--
Trade payables	9	2 427 509,05	2 727 416,93	2 642 254,28
Interest expense payables	13	1 341 728,75	1 891 783,08	1 630 361,17
Current income tax liabilities		102 867,93	276 282,22	192 091,71
Total current liabilities		**195 726 958,02**	**4 895 482,23**	**4 464 707,16**
TOTAL LIABILITIES		**226 345 959,05**	**225 411 238,02**	**226 615 286,32**
TOTAL EQUITY AND LIABILITIES		**266 256 886,87**	**259 043 281,57**	**257 973 237,68**

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

all amounts in €	**Note**	**1.1.2012 to 31.12.2012**	**1.1.2011 to 31.12.2011**
Revenue from rents	16	22 118 028,06	21 486 084,52
Income from direct property expenses recoverable from tenants	16	10 105 710,28	10 253 240,43
Direct property expenses recoverable from tenants		(11 733 345,80)	(11 548 002,86)
Direct property expenses borne by the Group	17	(4 893 054,28)	(5 411 642,93)
Refurbishment and investments	18	(3 472 675,30)	(3 523 560,97)
Net rental income		**12 124 662,96**	**11 256 118,19**
Net gain from fair value adjustment on investment property	6	6 640 000,00	2 580 000,00
Administrative expenses	19	(1 740 610,27)	(1 322 357,68)
Personnel expenses	20	(166 432,55)	(148 995,88)
Other income		395 776,13	497 799,28
Operating profit		**17 253 396,27**	**12 862 563,91**
Finance income	21	17 385,65	3 710,14
Finance costs	21	(7 975 183,45)	(8 805 915,49)
Net loss from fair value adjustment on derivatives		(408 481,06)	---,--
Finance costs – net		**(8 366 278,86)**	**(8 802 205,35)**
Profit before income tax		**8 887 117,41**	**4 060 358,56**
Current income tax expense	15	(251 595,01)	(127 687,28)
Deferred income tax expense	15	(1 735 089,38)	(1 197 494,72)
Income tax expense		**(1 986 684,39)**	**(1 325 182,00)**
Profit for the year		**6 900 433,02**	**2 735 176,56**
Other comprehensive income for the year		---,--	---,--
Total comprehensive income for the year		**6 900 433,02**	**2 735 176,56**
Attributable to:			
Equity holders of the Group		**6 900 433,02**	**2 735 176,56**
Earnings per A share	11	0,16	0,06
Earnings per B share	11	0,10	0,04

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

all amounts in €	Share capital	Retained earnings/(losses)	Total equity
January 1, 2011	**541 000,00**	**30 816 951,36**	**31 357 951,36**
Profit for the year	---,--	2 735 176,56	2 735 176,56
Total comprehensive income for the year		**2 735 176,56**	**2 735 176,56**
Repayment of subordinated instrument, net of taxes	---,--	(461 084,38)	(461 084,38)
December 31, 2011	**541 000,00**	**33 091 043,54**	**33 632 043,54**
January 1, 2012	**541 000,00**	**33 091 043,54**	**33 632 043,54**
Profit for the year	---,--	6 900 433,02	6 900 433,02
Total comprehensive income for the year	**---,--**	**6 900 433,02**	**6 900 433,02**
Repayment of subordinated instrument, net of taxes	---,--	(621 548,74)	(621 548,74)
December 31, 2012	**541 000,00**	**39 369 927,82**	**39 910 927,82**

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

Consolidated cash-flow statement – direct method

all amounts in €	**1.1.2012 to 31.12.2012**	**1.1.2011 to 31.12.2011**
Cash flows from operating activities		
Cash receipt from tenants	32 821 759,46	31 638 521,10
Cash paid to suppliers and employees	(22 997 948,52)	(21 869 397,67)
Other cash receipts	413 161,78	501 509,42
Income tax paid	(425 009,30)	(43 496,77)
Cash flows provided by operating activities	**9 811 963,42**	**10 227 136,08**
Cash flows from investing activities		
Purchases of investment property	---,--	---,--
Cash flows from investing activities	---,--	---,--
Cash flows from financing activities		
Increase in senior loans	13 500 000,00	---,--
Repayment of senior loans	(13 272 337,63)	---,--
Repayment of mezzanine loan	(1 354 822,98)	(3 767 209,44)
Repayment of subordinated instrument	(710 500,00)	(654 000,00)
Finance costs paid	(7 494 598,83)	(7 416 686,60)
Cash flows used by financing activities	**(9 332 259,44)**	**(11 837 896,04)**
Net (decrease)/ increase in cash and cash equivalents	**479 703,98**	**(1 610 759,96)**
Cash and cash equivalents at beginning of year	2 790 241,03	4 401 000,99
Cash and cash equivalents at end of year	**3 269 945,01**	**2 790 241,03**

The notes on pages 12 to 45 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements as at December 31, 2012

1. General information

PERSEUS REAL ESTATE INVESTMENT S.à r.l. (hereafter the "Company") and its subsidiaries (hereafter the "Group") hold a portfolio of residential investment properties in Eastern Germany.

The Company is a private limited liability company incorporated on March 27, 2007 for an unlimited period.

The registered office of the Company is established in Grand-Duchy of Luxembourg at the following address: 55-57, avenue Pasteur, L-2311 Luxembourg.

The shareholders of the Company are two Luxembourg entities, Adurion Real Estate Lux S.A. and Whitehall Bear S.à r.l. respectively.

The Company and its subsidiaries' financial year begins on the 1st of January and ends on the 31st of December of each year.

The consolidated financial statements of the Group as at and for the year ended December 31, 2012 have been approved for issue by the Board of Managers on June 11, 2013.

2. Adoption of new and revised standards

Certain new standards, amendments to standards and interpretations have been issued and are mandatory for periods beginning January 1, 2013 and thereafter. The Group's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

2.1. New standards, amendments and interpretations issued, but not yet effective, relevant to the Group

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after January 1, 2013 or later periods and are expected to be relevant to the Group:

Amendment to IAS 1, "Presentation of items of other comprehensive income":
The main change resulting from the amendments was a requirement for entities to group items presented in other comprehensive income (hereafter "OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI.

The Group is yet to assess the full impact of the IAS 1 amendments and intends to adopt the amendments to IAS 1 no later than the accounting period beginning on January 1, 2013.

Notes to the consolidated financial statements as at December 31, 2012

2. Adoption of new and revised standards (continued)

2.1. New standards, amendments and interpretations issued, but not yet effective, relevant to the Group (continued)

IFRS 9, "Financial instruments":*
The first part of IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the statement of comprehensive income, unless this creates an accounting mismatch. The standards also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on January 1, 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board (hereafter the "IASB").

(*) Standard not yet endorsed by the European Union

IFRS 10, "Consolidated financial statements":
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of where this is difficult to assess.

IFRS 10 is applicable no later than the accounting period beginning on January 1, 2013. No impact is expected for the consolidated financial statements as all subsidiaries are held at 100%.

IFRS 13 "Fair value measurement":
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

IFRS 13 is applicable no later than the accounting period beginning on January 1, 2013. The adoption of IFRS 13 is not expected to have a material impact on the Group.

Notes to the consolidated financial statements as at December 31, 2012

2. Adoption of new and revised standards (continued)

2.2. New standards, amendments and interpretations issued, but not yet effective, not relevant to the Group

The IASB and the International Financial Reporting Interpretations Committee (hereafter “IFRIC“) have published the following standards and interpretations, which were not yet effective. These standards, amendments and interpretations are not expected to be relevant to the Group’s operations:

- IAS 19 (revised), “Employee benefits” (applicable for financial years beginning on or after January 1, 2013);
- IAS 27 (revised), “Separate financial statements” (applicable for financial years beginning on or after January 1, 2013);
- IAS 28 (revised), “Investment in associates and joint ventures” (applicable for financial years beginning on or after January 1, 2013);
- IAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities (applicable for financial years beginning on or after January 1, 2014);
- IFRS 1 (amendment), “First-time adoption of IFRS”, on government loans (applicable for financial years beginning on or after January 1, 2013);
- IFRS 7 (amendment), “Financial instruments: Disclosures”, on offsetting financial assets and financial liabilities (applicable for financial years beginning on or after January 1, 2013);
- IFRS 11 “Joint arrangements” (applicable for financial years beginning on or after January 1, 2013);
- IFRS 12, “Disclosures of interests in other entities” (applicable for financial years beginning on or after January 1, 2013);
- IFRIC 20 “Stripping costs in the production phase of a surface mine” (applicable for financial years beginning on or after January 1, 2013).

2.3. Early adoption of standards

The Group did not early adopt any new or amended standards in 2012.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS adopted by the European Union.

3.2. Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property and derivative financial instruments that have been measured at fair value.

The Group historically prepared its consolidated financial statements in accordance with Luxembourg legal and regulatory requirements (hereafter “Luxembourg GAAP”). The Board of Managers has decided to also prepare the consolidated financial statements in accordance with IFRS effective for the year ended December 31, 2012. Accordingly, these are the Group’s first annual consolidated financial statements prepared in accordance with IFRS.

The consolidated financial statements have been prepared in compliance with IFRS. The Group has consistently applied the accounting policies used in the preparation of its opening IFRS consolidated balance sheet at January 1, 2011 throughout all financial periods presented, as if these policies had always been in effect. Note 26 discloses the impact of the transition to IFRS on the Group's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Group’s consolidated financial statements for the year ended December 31, 2012 prepared under Luxembourg GAAP.

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. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. 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 5.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.3. Statement of comprehensive income

The Group has elected to present a single statement of comprehensive income and presents its income and expenses by function.

3.4. Cash flow statement

The Group has elected to present its statement of cash flow using the direct method.

Finance costs paid have been presented as financing activities as the management has considered that finance costs are part of the financing of the Group.

3.5. Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. The Company wholly owns and has 100% voting power over all subsidiaries included in the Group.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (hereafter the “Group”). All the Group companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

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.

3.6. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

The Group holds properties located in Eastern Germany with 9 336 rental units, including flats, parking spaces, basements and utility rooms. The rental units are mainly private tenancies with only 6-10 rental units used for commercial purposes. The Group manages its portfolio as only one segment as the investment properties are very homogeneous and all located in Eastern Germany.

Therefore no information on sub-segments is presented in the consolidated financial statements.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.7. Investment property

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

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing 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.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations are performed annually and form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of the current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

All repairs and maintenance costs are expensed to the consolidated statement of comprehensive income during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in the consolidated statement of comprehensive income as operating profit. Investment property is derecognised when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm’s length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated income statement as operating income within net gain from fair value adjustment on investment property.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.8. Trade and other receivables

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 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. 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 receivable is impaired.

The amount of the provision for impairment 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 amount of impairment is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

3.9. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

3.10. Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets.

3.11. Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These accounts comprise operating expenses payable and professional fees payable.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.12. Borrowings and subordinated instrument

Borrowings and subordinated instrument are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance costs in the consolidated statement of comprehensive income over the financial period of the borrowings using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Borrowings and subordinated instrument 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 consolidated balance sheet date.

Interest expense related to the borrowings is reported as finance costs in the consolidated statement of comprehensive income.

3.13. Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in OCI or equity – in which case, the tax is also recognised in OCI or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated balance sheet date 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 to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.13 Current and deferred income tax (continued)

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated balance sheet regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14. Leases

Properties leased out under operating leases are included in investment properties in the consolidated balance sheet (see Note 6). See Note 3.15 for the recognition of rental income.

3.15. Revenue recognition

Revenue includes rental income, and income from direct property expense recoverable from tenants.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

The Group does not provide any incentives to its tenants.

Income from direct property expense recoverable from tenants is recognised in the financial period in which the expenses are incurred.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.16. Interest income and expense

Interest income and expense are recognised within “finance income” and “finance costs” in consolidated statement of comprehensive income using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.
When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts (if any).

3.17. Other expenses

Administrative expenses include professional fees, advertising and office expenses. They are recognised in the statement of comprehensive income in the period in which they are incurred on an accrual basis.

Direct property expenses recoverable from tenants or borne by the Group include maintenance and repair costs, utilities, property management fees and other expenses directly associated with the investment properties. They are recognised in the statement of comprehensive income on an accrual basis in the period in which they are incurred or for property management fees when the services are rendered.

Refurbishment and investments include expenditures made to renovate apartments after a tenant leaves. They are recognised in the statement of comprehensive income on an accrual basis in the period in which they are incurred.

3.18. Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets or liabilities at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swaps for hedging purposes (economic hedge).

The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in the statement of comprehensive income in net change in fair value of financial instruments at fair value through profit or loss. Interest income and expense on derivative financial assets are included in the statement of comprehensive income in finance income and finance costs respectively.

Notes to the consolidated financial statements as at December 31, 2012

3. Summary of significant accounting policies (continued)

3.19. Foreign currency translation

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 (hereafter the "functional currency"). The consolidated financial statements are presented in Euro (hereafter "EUR"), which is the Group's functional currency and presentation currency.

All transactions that took place within the Group during the years presented were denominated in EUR.

4. Financial risk management

4.1. Financial risks factors

The Group's activities expose it to a variety of financial risks including market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The exposure to these risks and the Group's management of them are set out below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from interest-bearing liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted (see details below).

Foreign exchange risk
The Group is not exposed to foreign exchange risk as all Group's contributions, investments and transactions are in Euro and located in Euro denominated countries.

Price risk
The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk (refer to credit risk).

Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Trade and other receivables as well as trade payables are interest free and with a term of less than one year, so it is assumed that there is limited interest rate risk associated with these financial assets and liabilities.

Notes to the consolidated financial statements as at December 31, 2012

4. Financial risk management (continued)

4.1. Financial risks factors (continued)

The Group's interest rate risk arises from senior loans (Note 13). The senior loans issued at variable rates expose the Group to cash flow interest rate risk. The Group manages this risk by assessing the interest rate environment and may use interest rate swaps. Such interest rate derivatives have the economic effect of exchanging floating rates for fixed rates. For a portion representing 8% of the senior loans at December 31, 2012, such interest rate swaps have been entered into.

At December 31, 2012, if effective interest rates on the senior loans had been 1% higher with all other variables held constant, profit before income tax for the year would have been EUR 7 483 297,88 (2011: EUR 10 432 723,38). On the other hand, if effective interest rates on senior loans had been 1% lower with all other variables held constant, profit before income tax for the year would have been EUR 10 747 746,93 (2011: EUR 13 692 619,18).

The interest rate on the Group's mezzanine loan is fixed and therefore exposes the Group to fair value interest rate risk (see Note 13).

Credit risk
Credit risk arises from the Group's contracts with tenants and banks and their possible failure to pay rent or advance loans.

The Group holds properties located in Eastern Germany with 9 336 rental units, including flats, parking spaces, basements and utility rooms. The rental units are mainly private tenancies with only 6-10 rental units used for commercial purposes.

The location of these properties implies a higher credit risk. However, the credit risk is considered limited as evidenced by the level of the impairment of trade receivables which represented 0,81% of revenue from rents and income from direct property expenses recoverable from tenants as at December 31, 2012 (2011: 0,71%).

The Group is managing the credit risk in limiting the amount of rental credit exposure from any single source. The significant number of rented flats implies a very low concentration of credit risk. Loan and finance transactions are only transacted with high credit quality financial institutions.

Notes to the consolidated financial statements as at December 31, 2012

4. Financial risk management (continued)

4.1. Financial risks factors (continued)

The Group's maximum exposure to credit risk by class of financial asset other than derivatives is as follows:

	31.12.2012	31.12.2011	01.01.2011
Cash and cash equivalents	3 269 945,01	2 790 241,03	4 401 000,99
Trade receivables net of impairment	913 825,02	947 364,36	817 669,49
Other receivables	1 283 116,84	1 155 676,18	1 184 577,20

The fair values of the cash and cash equivalents, trade and other receivables as at December 31, 2012, as at December 31, 2011 and as at January 1, 2011 approximate their carrying values.

The table below shows the cash balance and ratings of the major banks involved in Group's operations at the consolidated statement balance sheet dates:

Bank institution	Rating as per Moody's	31.12.2012	31.12.2011	01.01.2011
ING	A3	2 403 379,75	2 255 333,28	3 669 711,97
Aareal Bank*	A-	692 779,25	519 846,73	713 424,18
Deutsche Bank	A2	24 992,60	---,--	---,--
MBS Potsdam	Aa2	80 282,53	---,--	---,--
Others		68 510,88	15 061,02	17 864,84
Total		**3 269 945,01**	**2 790 241,03**	**4 401 000,99**

(*)Rating provided by Fitch

No credit limits were exceeded during the years presented, and management does not expect any losses from non-performance of these counterparties.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group's liquidity risk management ensures that it meets its obligations as they fall due.

The Group's liquidity position is monitored on a monthly basis by management and is reviewed quarterly by the Board of Managers. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period between the balance sheet and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the consolidated financial statements as at December 31, 2012

4. Financial risk management (continued)

4.1. Financial risks factors (continued)

The maturity analysis at December 31, 2012 is as follows:

	Less than 1 year	After 1 year and within 5 years	After more than 5 years	Total
Subordinated instrument	---,--	---,--	29 035 176,00	29 035 176,00
Senior loans	149 993 340,00	---,--	13 229 112,37	163 222 452,37
Mezzanine loan	41 580 947,20	---,--	---,--	41 580 947,20
Interest expense payables	3 337 895,93	1 484 439,00	793 229,76	5 615 564,69
Other liabilities	2 530 376,98	---,--	---,--	2 530 376,98
Derivative financial instruments	---,--	---,--	408 481,06	408 481,06
Total:	**197 442 560,11**	**1 484 439,00**	**43 465 999,19**	**242 392 998,30**

Please refer to Note 25 'subsequent events' for description of senior and mezzanine loans refinancing post year end.

The maturity analysis at December 31, 2011 is as follows:

	Less than 1 year	After 1 year and within 5 years	After more than 5 years	Total
Subordinated instrument	---,--	---,--	29 745 676,00	29 745 676,00
Senior loans	---,--	162 994 790,00	---,--	162 994 790,00
Mezzanine loan	---,--	40 240 355,98	---,--	40 240 355,98
Interest expense payables	7 277 344,10	2 995 389,98	---,--	10 272 734,08
Other liabilities	3 003 699,15	---,--	---,--	3 003 699,15
Total:	**10 281 043,25**	**206 230 535,96**	**29 745 676,00**	**246 257 255,21**

The maturity analysis at January 1, 2011 is as follows:

	Less than 1 year	After 1 year and within 5 years	After more than 5 years	Total
Subordinated instrument	---,--	---,--	30 399 676,00	30 399 676,00
Senior loans	---,--	162 994 790,00	---,--	162 994 790,00
Mezzanine loan	---,--	41 332 119,81	---,--	41 332 119,81
Interest expense payables	7 345 522,87	10 272 734,08		17 618 256,95
Other liabilities	2 834 345,99	---,--	---,--	2 834 345,99
Total:	**10 179 868,86**	**214 599 643,89**	**30 399 676,00**	**255 179 188,75**

Notes to the consolidated financial statements as at December 31, 2012

4. Financial risk management (continued)

4.2. Capital risk management

During 2012, the Group's strategy was to focus on deleveraging and to increase the adjusted equity ratio above 20%.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of an adjusted equity ratio. This ratio is calculated as adjusted equity divided by total assets. Adjusted equity is calculated as total equity (as shown in the consolidated balance sheet) plus subordinated instrument and net deferred income taxes liabilities.

Deferred income tax liabilities on investment property are included in the adjusted equity calculation, because in a share deal the deferred income tax liability would not materialise. Deferred income tax liabilities on subordinated instrument and deferred income tax assets on mezzanine loan are included in the adjusted equity calculation, because while these deferred taxes represent a difference between the instrument tax basis and carrying value as per the consolidated balance sheet, they will never lead to any actual tax payments or tax benefits but will reverse over time. Derivative financial instruments are included in adjusted equity, because such instruments are used to reduce the interest rate risk of the portfolio. Any positive or negative market value would reverse upon the maturity of the instrument.

The adjusted equity ratios at December 31, 2012, December 31, 2011 and January 1, 2011 are as follows:

	31.12.2012	**31.12.2011**	**01.01.2011**
Total equity	39 910 927,82	33 632 043,55	31 357 951,36
Subordinated instrument	287 356,64	265 216,07	244 186,68
Deferred income tax liabilities	16 694 050,96	15 040 881,12	14 030 470,88
Derivative financial instruments	408 481,06	---,--	---,--
Adjusted equity	**57 300 816,48**	**48 938 140,74**	**45 632 608,92**
Total assets	266 256 886,87	259 043 281,57	257 973 237,68
Adjusted equity ratio	**21,52%**	**18,89%**	**17,69%**

Notes to the consolidated financial statements as at December 31, 2012

4. Financial risk management (continued)

4.3. Fair value estimation

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets and liabilities that are measured at fair value as at December 31, 2012 are classified as follows:

	Level 1	**Level 2**	**Level 3**
Derivative financial liabilities	---,--	408 481,06	---,--

The fair value of the derivative financial instruments (interest rate swaps) is calculated as the present value of the estimated future cash flows based on observable yield curves.

The carrying values of trade receivables less impairment provision, other receivables and trade payables are assumed to approximate their fair values.

Senior loans' carrying value is assumed to approximate its fair value.

The fair values of mezzanine loan and subordinated instrument, estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments, are as follow:

	31.12.2012	**31.12.2011**	**01.01.2011**
Mezzanine loan	42 414 612,03	43 868 289,42	47 791 958,88
Subordinated instrument	709 462,52	602 385,92	411 300,74

Notes to the consolidated financial statements as at December 31, 2012

5. Critical accounting estimates and judgements

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

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Principal assumptions underlying management's estimation of fair value

The carrying values of the investment properties was EUR 260 790 000 as at December 31, 2012 (EUR 254 150 000 as at December 31, 2011 and EUR 251 570 000 as at January 1, 2011).

All investment properties were valued as at December 31, 2012 and 2011 and January 1, 2011 by an independent professionally qualified valuer, Savills.

The following two tables provide key information by location as at December 31, 2012:

Town	Lettable area (in sqm)	Vacancy rate	Gross current rent	Gross market rent	Market value
Brandenburg	37 430	5,3%	1 928 662	2 001 786	22 150 000
Cottbus	51 059	3,6%	2 393 204	2 873 542	28 330 000
Görlitz	36 159	3,9%	1 797 780	1 915 927	20 150 000
Halle	23 782	6,1%	1 206 426	1 271 115	13 100 000
Leipzig	262 399	16,6%	11 157 694	12 682 995	139 300 000
Markneukirchen	12 306	23,7%	415 829	473 854	3 080 000
Plauen	44 357	24,7%	1 574 455	1 817 267	15 500 000
Schmalkalden	16 987	4,3%	807 003	886 604	7 880 000
Schwerin	31 895	14,8%	1 345 479	1 353 014	11 300 000
Total	**516 374**	**13,5%**	**22 626 533**	**25 276 103**	**260 790 000**

Town	Gross multiplier on current rent	Net initial yield on current rent	Gross multiplier on market rent	Net yield on market rent
Brandenburg	11,5	7,7%	11,1	7,6%
Cottbus	11,5	6,2%	9,5	9,9%
Görlitz	11,2	6,4%	10,5	7,1%
Halle	10,9	6,6%	10,3	7,2%
Leipzig	12,5	5,4%	11,0	6,5%
Markneukirchen	7,4	6,9%	6,5	8,8%
Plauen	9,8	5,6%	8,5	7,5%
Schmalkalden	9,8	7,1%	8,9	8,1%
Schwerin	8,4	7,6%	8,4	7,7%
Total	**11,5**	**5,8%**	**10,3**	**6,9%**

Notes to the consolidated financial statements as at December 31, 2012

5. Critical accounting estimates and judgements (continued)

The valuation was determined principally using discounted cash flow projections based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

The following principle assumptions were used in determining the fair value of investment properties:

	31.12.2012	**31.12.2011**	**1.1.2011**
Market rent (per sqm per month)	EUR 2,00 - EUR 5,50	EUR 2,00 - EUR 5,50	EUR 2,00 - EUR 5,50
Length of vacant periods	3 - 18 months	3 - 18 months	3 - 18 months
Discount rates	5,25 % - 8,00%	5,25% - 8,00%	5,25% - 8,00%

Were the market rentals assumed in the discounted cash flow analysis to increase or decrease by 5% from management’s estimates, the carrying amount of investment properties that are valued by the discounted cash flow method (herafter the “DCF method”) would be an estimated EUR 15 510 000 higher or EUR 15 390 000 lower, respectively (2011: 15 450 000, higher and 15 270 000 lower, respectively) . The best evidence of fair value is current prices in an active market for similar lease and other contracts.

Would the length of vacant periods increase or decrease by one month from management’s estimates, the carrying amount of investment properties that are valued by the DCF method would be an estimated EUR 2 030 000 lower or EUR 2 070 000 higher, respectively (2011: 2 120 000 lower and 2 220 000 higher, respectively).

Would the discount rate used in the DCF analysis increase or decrease by 0.5%, the carrying amount of investment properties would be an estimated EUR 9 650 000 lower or EUR 10 130 000 higher, respectively (2011: 9 430 000 lower and 10 020 000 higher, respectively).

b) Accounting for subordinated instrument

As described in Note 3.12, subordinated instrument is recognised initially at fair value and subsequently stated at amortised cost, using the effective interest method. At inception, the difference between the cash consideration received and the fair value of the subordinated instrument was directly credited to equity (retained earnings) as it constituted, in substance, a capital contribution from the shareholders. Subsequent early repayments are accounted as a reduction to equity (retained earnings).

Notes to the consolidated financial statements as at December 31, 2012

6. Investment properties

Movements during the years ended 2012 and 2011 were as follows:

	2012	2011
At the beginning of the year	**254 150 000,00**	**251 570 000,00**
Net (loss) / gain from fair value	6 640 000,00	2 580 000,00
At the end of the year	**260 790 000,00**	**254 150 000,00**

All investment properties have been pledged as collateral on the senior loans (Note 24).

7. Trade receivables

Trade receivables are comprised of the following:

	31.12.2012	31.12.2011	01.01.2011
Trade receivables on rents	1 673 681,57	1 445 376,51	1 091 774,15
(-) provisions for impairment from previous years	(498 012,15)	(274 114,66)	(264 917,23)
(-) provisions for impairment from current year	(261 844,40)	(223 897,49)	(9 197,43)
Trade receivables on rents – net	**913 825,02**	**947 364,36**	**817 659,49**

	31.12.2012	31.12.2011	01.01.2011
Provisions for impairment – beginning of the year	(498 012,15)	(274 114,66)	(264 917,23)
Additions	(261 844,40)	(223 897,49)	(9 197,43)
Reversal	---,--	---,--	---,--
Provisions for impairment – end of the year	**(759 856,55)**	**(498 012,15)**	**(274 114,66)**

The following table shows the amounts past due but not impaired:

	31.12.2012	31.12.2011	01.01.2011
Amounts past due between one and three months	76 088,00	96 684,00	88 080,00
Amounts past due for more than three months	324 377,00	367 407,00	281 692,00

8. Other receivables

Other receivables are comprised of the following:

	31.12.2012	31.12.2011	01.01.2011
Receivables from shareholder	56 541,00	57 906,00	59 111,00
Receivables from debtors for maintenance expenses paid on their behalf	1 226 575,84	1 097 770,18	1 125 466,20
Total	**1 283 116,84**	**1 155 676,18**	**1 184 577,20**

Notes to the consolidated financial statements as at December 31, 2012

9. Trade payables

Trade payables are comprised of the following:

	31.12.2012	31.12.2011	01.01.2011
Accounts payables	1 391 740,40	1 585 605,42	1 021 437,00
Social security contribution payables	4 035,29	997,19	8 740,28
Accrued expenses	339 810,92	466 133,39	870 370,57
Amounts due to tenants	691 922,44	674 680,93	741 706,43
Total	**2 427 509,05**	**2 727 416,93**	**2 642 254,28**

10. Share capital

As at December 31, 2012 and 2011 and January 1, 2011, the subscribed capital amounts to EUR 541 000 divided into 54 100 000 shares with a par value of EUR 0,01 each consisting of 27 050 000 shares of class A and 27 050 000 shares of class B. All A Shares and B Shares have been subscribed and fully paid up.

Each share gives its holder the right to one vote and the right to attend any shareholders' meetings.

Shares give their holders the right to the following dividend entitlements:
- 61.8% of the net profit is available to the holder of the A Shares; and
- 38.2% of the net profit is available to the holder of the B Shares.

The share capital may be increased or decreased at any time as laid down in article 199 of the Luxembourg law governing commercial companies.

11. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
Profit attributable to equity holders	6 900 433,02	2 735 176,56
Profit attributable to A shares holders (61,8%)	4 264 467,61	1 690 339,11
Weight average number of A shares	27 050 000,00	27 050 000,00
Earnings per A share	**0,16**	**0,06**
Profit attributable to B shares holders (38,2%)	2 635 965,41	1 044 837,45
Weight average number of B shares	27 050 000,00	27 050 000,00
Earnings per B share	**0,10**	**0,04**

The Group has no dilutive potential ordinary shares; the diluted earnings per share are the same as the basic earnings per share.

Notes to the consolidated financial statements as at December 31, 2012

12. Subordinated instrument

In March 2008, the Company issued 3 335 817 600 non interest bearing preferred equity certificates (herafter “nPECs” or “subordinated instrument”) to its two shareholders at a par value of EUR 0,01 for a total nominal amount of EUR 33 358 176.

The nPECs are non interest bearing and have a mandatory redemption date on the 49th anniversary date of the issuance. At the option of the Company, nPECs can be redeemed in cash and at par value.

The nPECs are not convertible into common stock or any other stock of the Company.

The holders of the nPECs are not entitled to any voting rights in respect of the Company by reason of their ownership of the nPECs.

These nPECs, subject to the conditions as described in the Terms and Conditions, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, rank prior to all subordinated securities (i.e. all shares of the capital stock of the Company, whether outstanding on the date hereof or issued in the future; provided, however, that subordinated securities do not include the nPECs) but are subordinated to all other present and future obligations of the Company whether secured or unsecured.

After the date of issuance and for so long as any nPEC is outstanding, the Company will not issue any shares of capital stock having, upon or following the liquidation, winding up, dissolution, bankruptcy or insolvency of the Company, any right to payment prior to the payment in full of the par value on each nPEC to the holders.

The nPECs were initially recognised at fair value. The fair value was estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments. The market rate used was 11%. The difference between proceeds received and fair value was recognised in equity as a capital contribution. Subsequently, the nPECs were stated at amortised cost with interest expense (finance costs) recognised over the period of the debt using the effective interest method. As at December 31, 2012 the amortised cost value was EUR 287 356,64 (December 31, 2011: EUR 265 216,07 and January 1, 2011: EUR 244 186,68).

During the years ended December 31, 2012 and 2011, the Company redeemed 71 050 000 and 65 400 000 nPECs, respectively, for an amount of EUR 710 500 and EUR 654 000, respectively. Both redemptions are recognised as a return of capital on the consolidated statement of changes in equity. As at December 31, 2012, 2 903 517 600 nPECs were outstanding for a nominal amount of EUR 29 035 176 (December 31, 2011: EUR 29 745 676 and January 1, 2011: EUR 30 399 676).

12. Subordinated instrument (continued)

The fair values, estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments are as follows.

	31.12.2012	31.12.2011	01.01.2011
Fair value of the subordinated instrument	709 462,52	602 385,92	411 300,74

The market rate used as at December 31, 2012 was 8,75% (December 31, 2011: 9% and January 1, 2011: 9,75%).

13. Borrowings

As at December 31, 2012 and 2011 and January 1, 2011, borrowings are as follows:

	31.12.2012	31.12.2011	01.01.2011
Non-current			
Senior loans	13 229 112,37	162 994 790,00	162 994 790,00
Mezzanine loan	---,--	42 214 868,60	44 881 131,60
	13 229 112,37	**205 209 658,60**	**207 875 921,60**
Current			
Senior loans	149 993 340,00	---,--	---,--
Mezzanine loan	41 861 512,29	---,--	---,--
Interest expense payables	1 341 728,75	1 891 783,08	1 630 361,17
	193 196 581,04	**1 891 783,08**	**1 630 361,17**

The senior loans were granted by two German credit institutions.

The first senior loan with a notional of EUR 149 993 340 at December 31, 2012 bears a floating interest rate and matures on March 31, 2013 (please refer to Note 25 for subsequent events).

The second senior loan, contracted in 2012, with a notional of EUR 13 229 112 at December 31, 2012 bears a floating interest rate and matures on June 30, 2022.

The fair value of the senior loans approximates their carrying values at the dates of the consolidated balance sheets.

In March 2008, the Company entered into a mezzanine loan with a nominal amount of EUR 34 500 000 with a related party. This loan bears interest of 13% and matures on March 31, 2013 (please refer to Note 25 for subsequent events). In accordance with the Loan Agreement, 50% of interest expense incurred is capitalised.

Refer to Note 24 for details of pledges and guarantees and refer to Note 25 ‘Subsequent events’, for description of senior loans and mezzanine loan refinancing post year end.

Notes to the consolidated financial statements as at December 31, 2012

13. Borrowings (continued)

The mezzanine loan was initially recognised at fair value. The fair value was estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments. The market rate used was 8,625%. The difference between proceeds received and fair value was recognised as a reduction to equity. Subsequently, the mezzanine loan was stated at amortised cost with interest expense (finance costs) recognised over the period of the loan using the effective interest method.

The fair values, estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments, are as follows:

	31.12.2012	**31.12.2011**	**01.01.2011**
Fair value of the Mezzanine Loan	42 414 612,03	43 868 289,42	47 791 958,88

The market rate used for December 31, 2012 is 4,80% (December 31, 2011: 5,90%, January 1, 2011: 6,20%).

All borrowings are denominated in Euro.

14. Derivative financial instruments

The Group entered into an interest rate swap agreement effective on June 30, 2012 for a notional amount of EUR 13 229 112 at December 31, 2012 and a maturity of June 30, 2022. While hedge accounting as defined by IFRS is not applied, the instrument is intended to hedge against interest rate movements.

The fair value of this derivative as at December 31, 2012 amounts to EUR (408 481,06) and is included under derivative financial instruments in the consolidated balance sheet. The variation of the fair value is recorded in the consolidated statement of comprehensive income for an amount of EUR (408 481,06).

Net interest income or expense settles on a quarterly basis. For the year ended December 31, 2012, net interest expense of EUR 80 052 was recognised under finance costs in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements as at December 31, 2012

15. Current and deferred income tax

	2012	2011
Current income tax expense	251 595,01	127 687,28
Deferred income tax expense	1 735 089,38	1 197 494,72
Total	**1 986 684,39**	**1 325 182,00**

The Company and its subsidiaries are tax payers in Luxembourg and subject to Luxembourg taxation (applicable tax rate for 2012 and 2011 is 28,80%). The activity associated with investment properties located in Germany is subject to taxation in Germany (applicable tax rate for 2012 and 2011 is 15,825%). Such activity is tax exempt in Luxembourg.

The income tax expense on the Group profit before tax differs from the theoretical amount that would arise using the applicable statutory tax rate as follows:

	2012	2011
Profit before income tax	**8 887 117,41**	**4 060 358,56**
Tax calculated at applicable tax rate - 28,80%	(645 945,61)	(623 139,17)
Tax calculated at applicable tax rate - 15,825%	1 761 319,99	984 953,74
Remeasurement of deferred taxes - change in Luxembourg tax rate (from 28,80% to 29,22%)	(3 141,99)	---,--
Utilisation of previously unrecognised deferred tax assets	(375 327,10)	(213 912,11)
Increase of unrecognised deferred tax assets	1 249 779,10	1 177 279,54
Income tax expense	**1 986 684,39**	**1 325 182,00**
Profit for the year	**6 900 433,02**	**2 735 176,56**

Effective January 1, 2013, the Luxembourg tax rate increased from 28,80% to 29,22%.

Utilisation of previously unrecognised deferred tax assets
In Germany, deferred tax assets for a total of EUR 1 019 886,85 (2011: 1 395 213,95) associated with decrease in fair value of investment properties for two subsidiaries were not recognised in these financial statements due to uncertainty of their recoverability.

Increase of unrecognised deferred tax assets
Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. In Luxembourg, the Group has tax losses of EUR 17 900 970 (2011: EUR 13 993 328) to carry forward against future taxable income; these tax losses can be carried forward indefinitely. The benefit of these unused tax losses resulting in EUR 1 125 401 (2011: 1 068 859) has not been recognised in these financial statements due to uncertainty of their recoverability.

Notes to the consolidated financial statements as at December 31, 2012

15. Current and deferred income tax (continued)

Similarly in Germany, the Group has tax losses of EUR 6 559 735 (2011: EUR 5 671 099) to carry forward against future taxable income; these tax losses can be carried forward indefinitely. The benefit of these unused tax losses resulting in EUR 140 627 (2011: EUR 254 475) has not been recognised in these financial statements due to the uncertainty of their recoverability.

The analysis of deferred tax assets and liabilities is as follows:

	31.12.2012	31.12.2011	01.01.2011
Deferred Tax Asset			
Loss carried forward	329 847,56	392 826,51	366 855,30
Mezzanine loan	81 981,12	568 659,64	1 022 115,40
Loss on derivative financial instruments	64 642,13	---,--	---,--
	476 470,81	**961 486,15**	**1 388 970,70**
Deferred Tax Liability			
Subordinated instrument	8 400 112,82	8 490 372,47	8 684 780,92
Fair value of investment properties	8 770 408,95	7 511 994,80	6 734 660,66
	17 170 521,77	**16 002 367,27**	**15 419 441,58**
Net Deferred Tax Liability	**16 694 050,96**	**15 040 881,12**	**14 030 470,88**

The deferred tax liabilities on subordinated instrument and the deferred tax assets on mezzanine loan have been recognised as required by IAS 12. However such deferred tax liabilities/assets will never lead to any actual tax payments or tax benefits but will reverse over time as the effective interest is recognised on the Group's consolidated comprehensive income until maturity of the instrument or early repayment of such instrument.

As required by IAS 12, deferred tax liabilities on the increase in fair value of investment properties have been recognised under the assumption that the carrying value of the Group's investment property would be realised by sale at the end of use. If the Group were to structure the sale of the investment properties via the disposal of the subsidiary holding the investment properties (i.e. through a share deal), no such tax liability would materialise.

Notes to the consolidated financial statements as at December 31, 2012

15. Current and deferred income tax (continued)

Therefore, the deferred tax liabilities on investment properties and on subordinated instrument as well as the deferred tax assets on mezzanine loan have not been included in the adjusted equity ratio (see Note 4.2).

Deferred Tax Asset	**31.12.2012**	**31.12.2011**	**01.01.2011**
To be recovered after more than 12 months	(331 489,69)	(476 470,82)	(961 486,15)
To be recovered within 12 months	(144 981,12)	(485 015,33)	(427 484,55)
	(476 470,81)	**(961 486,15)**	**(1 388 970,70)**
Deferred Tax Liability			
Reversing after more than 12 months	16 993 756,22	14 834 213,77	14 836 515,90
Reversing within 12 months	176 765,55	1 168 154,50	582 925,68
	17 170 521,77	**16 002 367,27**	**15 419 441,58**
Net Deferred Tax Liability	**16 694 050,96**	**15 040 881,12**	**14 030 470,88**

The gross movement on the net deferred tax liabilities is as follows:

	31.12.2012	**31.12.2011**	**01.01.2011**
Beginning of the year	15 040 881,12	14 030 470,88	11 210 192,72
Charge to profit	1 735 089,38	1 197 494,72	2 957 840,22
Charge to equity	(81 919,54)	(187 084,48)	(137 562,06)
End of the year	**16 694 050,96**	**15 040 881,12**	**14 030 470,88**

16. Revenue

Revenue is comprised of the following:

	2012	**2011**
Gross revenue from rents	22 379 872,46	21 709 981,92
Provision for impairment	(261 844,40)	(223 897,40)
Income from direct property expenses recoverable from tenants	10 105 710,28	10 253 240,43
Total	**32 223 738,34**	**31 739 324,95**

The Group leases out its investment properties under operating leases that can be cancelled by the tenants or the Group with a 3 months' notice.

Notes to the consolidated financial statements as at December 31, 2012

17. Direct property expenses borne by the Group

Direct property expenses borne by the Group are comprised of the following:

	2012	2011
Direct property expenses	4 501 353,20	4 987 557,14
Insurance	391 701,08	424 085,79
Total	**4 893 054,28**	**5 411 642,93**

18. Refurbishment and investments

Refurbishments and investments are comprised of renovations of apartments, replacements of appliances as well as investments into the buildings and the surrounding areas. Such expenses are incurred to maintain the value of the buildings and the apartments.

19. Administrative expenses

Administrative expenses are comprised of the following:

	2012	2011
Consulting fees	1 064 649,39	726 454,65
Advertising	373 210,88	322 644,00
Management fees	228 270,00	233 422,00
Legal fees	106 472,90	88 802,51
Audit fees	95 260,00	100 400,00
Office charges	34 730,22	25 760,80
Tax advisor fees	12 042,80	26 049,10
Other expenses	54 244,08	32 246,62
Reimbursement of management fees	(228,270,00)	(233,422,00)
Total	**1 740 610,27**	**1 322 357,68**

Management fees are paid to a related party and reimbursed by one of the Group's shareholder. See Note 22 'Related parties'. Other than audit fees, there were no other fees paid to the Group's independent auditor.

20. Personnel expenses

The Group employed two persons full time during the year ended December 31, 2012 and 2011.

The personnel expenses are comprised of the following:

	2012	2011
Salaries	148 560,69	132 652,09
Social security fees	17 871,86	16 343,79
Total personnel expenses	**166 432,55**	**148 995,88**

Notes to the consolidated financial statements as at December 31, 2012 (continued)

21. Finance costs net

Finance costs, net are comprised of the following:

	2012	**2011**
Interest expense on senior loans	4 031 875,19	4 931 499,19
Interest expense on mezzanine loan	3 696 881,64	3 762 338,93
Interest expense on subordinated instrument	29 172,28	26 860,53
Other loan interest expense and bank charges	216 711,45	85 205,48
Interest expense on bank accounts	542,89	11,36
Finance costs	**7 975 183,45**	**8 805 915,49**
Other interest income	(17 385,65)	(3 710,14)
Finance income	**(17 385,65)**	**(3 710,14)**
Net loss from fair value adjustment on derivatives	408 481,06	---,--
Finance costs - net	**8 366 278,86**	**8 802 205,35**

22. Related parties

Related parties consist of holders of the subscribed capital and subordinated instrument (the shareholders) as respectively detailed in Notes 10 and 12, and the counterparty to the mezzanine loan (an affiliate of one of the shareholders) detailed in Note 13.

Related party transactions, to the exception of the subscribed capital, the subordinated instrument and the mezzanine loan as mentioned above, consist of the reimbursement by a shareholder of management fees paid to the investment manager. The investment manager is controlled by one of the shareholders. See Note 19 Administrative expenses.

As at December 31, 2012, the account balances toward related parties consist of a receivable from the concerned shareholder corresponding to the fourth quarter management fee reimbursement of EUR 56 541 (December 31, 2011: EUR 57 906 and January 1, 2011: EUR 59 911).

No emoluments were paid to administrative and supervisory bodies during the years ended December 31, 2012 and December 31, 2011. There are no other related party transactions.

Notes to the consolidated financial statements as at December 31, 2012

23. Subsidiaries

The subsidiaries included in the scope of consolidation are as follows:

Perseus Immobilien Gesellschaft 1, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 2, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 3, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 4, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 5, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 6, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 7, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 8, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 9, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 10, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 11, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 12, Société à responsabilité limitée

All the subsidiaries are fully owned by the Company and their registered offices are established in Grand-Duchy of Luxembourg at the following address: 55-57, avenue Pasteur, L-2311 Luxembourg.

24. Pledges and guarantees

The financed properties located in Germany, the Company's subsidiaries bank accounts (as first ranking), rental income and accounts receivables have been pledged in favor of the German credit institutions to secure the senior loans.

The Company and its subsidiaries' shares have been pledged in favor of the mezzanine lender.

The Company's bank accounts (first ranking) and the Company's subsidiaries bank accounts (second ranking) have also been pledged in favor of the mezzanine lender.

Notes to the consolidated financial statements as at December 31, 2012

25. Subsequent events

As disclosed in Note 13, senior loans in the aggregate amount of EUR 149 993 340 and the mezzanine loan with notional amount of EUR 34 500 000 had - prior to the amendments described below - a maturity date of March 31, 2013.

Both loans were refinanced at market terms as follows:

In respect to the senior loans in the aggregate amount of EUR 149 993 340 an amount of EUR 89 639 234 was reimbursed from the proceeds of a new senior loan facility in the amount of EUR 91 000 000 from another German credit institution (described below) and an amount of EUR 8 963 924 was reimbursed by shareholder loans (described below), while the remaining amount of EUR 51 390 182 was extended to December 31, 2014. The senior loans in the amount of EUR 51 390 182 bear a floating interest rate and are effective March 28, 2013.

The new senior loan granted as per March 28, 2013 in the amount of EUR 91 000 000 bears a floating interest rate and will mature December 31, 2020. At the same time, the Group entered into an interest rate swap agreement effective March 28, 2013 for a notional amount of EUR 91 000 000 and maturing on December 31, 2020.

In addition, effective March 6, 2013, the mezzanine loan was restructured for a total of EUR 42 060 914 (representing the previous notional amount of EUR 34 500 000 and capitalised interest as at March 6, 2013), bearing an annual interest of 15%. In accordance with the new agreement, 66,66% of interest expense incurred will be capitalised and the remainder paid in cash. This loan will mature on December 31, 2014, unless automatically extended in case of an extension of the senior loans in the aggregate amount of EUR 51 390 182.

At inception, the fair value of the mezzanine loan represents the future discounted contractual cash flows at the market interest rate that would have been available to the Group for similar instruments; the market rate as at March 6, 2013 being 4,9%.

Finally, effective March 28, 2013, new shareholder loans of EUR 9 000 000 were granted. These loans bear annual interest of 15% of which 66,66% of interest expense incurred will be capitalised and the remainder paid in cash. These shareholder loans will mature on December 31, 2014, unless automatically extended in case of an extension of the senior loans in the aggregate amount of EUR 51 390 182.

At inception, the fair value of the shareholder loans represents the future discounted contractual cash flows at the market interest rate that would have been available to the Group for similar instruments; the market rate as at March 28, 2013 being 5%.

The board of Managers is in the process of pursuing alternative sources of financing which may ultimately result in a change in the shareholders of the Group.

Notes to the consolidated financial statements as at December 31, 2012

26. Transition to IFRS

The effect of the Group's transition to IFRS, described in Note 2, is summarised in this note as follows:

26.1. Explanatory notes

(a) Under Luxembourg GAAP, investment properties were recorded at purchase price including the expenses incidental thereto. Buildings were amortised over their estimated useful economic lives. Lands were not amortised.

Should a durable diminution in value occur in the value of the asset, its carrying amount will be reduced to recognise this decline. The reduction in the carrying value will be reversed should the reasons for the reduction no longer exist. Under IFRS, investment properties are carried at fair value.

(b) Under Luxembourg GAAP, creditors are recorded at their nominal value whereas under IFRS, borrowings are initially recognised at fair value, net of transaction costs incurred and then subsequently stated at amortised cost.

(c) Under Luxembourg GAAP, nPECs are recorded at their nominal value whereas under IFRS they are initially recognised at fair value and subsequently recognised at amortised cost.

(d) Under Luxembourg GAAP, unrealised gains and losses on interest rate swaps were not recognised when they are used to hedge interests on loans. Under IFRS, interest rate swaps are classified as financial assets at fair value through profit or loss and are measured at fair value. Under IFRS, these swaps do not meet the criteria for hedge accounting.

(e) No deferred tax was recorded under Luxembourg GAAP whereas under IFRS deferred income tax is recorded in the consolidated balance sheet.

(f) Under Luxembourg GAAP, the mezzanine loans are recorded at their nominal value whereas under IFRS they are initially recognised at fair value and subsequently recognised at amortised cost.

(g) A number of reclassifications were made from Luxembourg GAAP presentation to IFRS presentation. None of these reclassifications impact consolidated equity or comprehensive income.

(h) Under Luxembourg GAAP, the presentation of a statement of cash flows is not required whereas it is required under IFRS.

Notes to the consolidated financial statements as at December 31, 2012

26. Transition to IFRS (continued)

26.2. Reconciliation of equity and comprehensive income as previously reported under Luxembourg GAAP to IFRS.

	Notes	Luxembourg GAAP	Adjustments	Reclassifications	IFRS 31.12.2012
Assets					
Non-Current Assets					
Investment properties	(a)	207 540 045,59	53 249 954,41	---,--	260 790 000,00
Total non-current assets		*207 540 045,59*	*53 249 954,41*	---,--	*260 790 000,00*
Current Assets					
Trade receivables	(g)	12 942 876,30	---,--	(12 029 051,28)	913 825,02
Other receivables	(g)	---,--	---,--	1 283 116,84	1 283 116,84
Cash and cash equivalents		3 269 945,01	---,--	---,--	3 269 945,01
Total current-assets		*16 212 821,31*	---,--	*(10 745 934,44)*	*5 466 886,87*
Total Assets		**223 752 866,90**	**53 249 954,41**	**(10 745 934,44)**	**266 256 886,87**
Equity					
Share capital		541 000,00	---,--	---,--	541 000,00
Result of the year	(a),(f)	(5 359 571,12)	12 260 004,15	---,--	6 900 433,03
Retained earnings	(a),(f)	(19 885 177,72)	52 354 672,51	---,--	32 469 494,79
Total Equity		**(24 703 748,84)**	**64 614 676,66**	---,--	**39 910 927,82**
Liabilities					
Non-current liabilities					
Subordinated instrument	(c)	29 035 176,00	(28 747 819,36)	---,--	287 356,64
Borrowings	(f)	13 229 112,37	---,--	---,--	13 229 112,37
Derivative financial instruments	(d)	---,--	408 801,06	---,--	408 801,06
Deferred income tax liabilities	(e)	---,--	16 694 050,96	---,--	16 694 050,96
Total non-current liabilities		*42 264 288,37*	*(11 645 287,34)*	---,--	*30 619 001,03*
Current liabilities					
Borrowings	(f),(g)	192 916 015,95	280 565,09	(1 341 728,75)	191 854 852,29
Interest expenses payables	(g)	---,--	---,--	1 341 728,75	1 341 728,75
Trade payables	(g)	1 391 740,40	---,--	1 035 768,65	2 427 509,05
Other creditors	(g)	11 437 856,88	---,--	(11 437 856,88)	---,--
Current income tax liabilities		102 867,93	---,--	---,--	102 867,93
Current social liabilities	(g)	4 035,29	---,--	(4 035,29)	---,--
Other liabilities	(g)	339 810,92	---,--	(339 810,92)	---,--
Total current liabilities		*206 192 327,37*	*280 565,09*	*(10 745 934,44)*	*195 726 958,02*
Total liabilities		**248 456 615,74**	**(11 364 722,25)**	**(10 745 934,44)**	**226 345 959,05**
Total equity and liabilities		**223 752 866,90**	**53 249 954,41**	**(10 745 934,44)**	**266 256 886,87**

Notes to the consolidated financial statements as at December 31, 2012

26. Transition to IFRS (continued)

26.2 Reconciliation of equity and comprehensive income as previously reported under Luxembourg GAAP to IFRS (continued)

	Notes	Luxembourg GAAP	Adjustments	Reclassifications	IFRS 01.01.2011
Assets					
Non-current assets					
Investment properties	(a)	217 322 644,27	34 247 355,73	---,--	251 570 000,00
Total non-current assets		*217 322 644,27*	*34 247 355,73*	---,--	*251 570 000,00*
Current Assets					
Trade receivables	(g)	12 327 132,95	---,--	(11 509 473,46)	817 659,49
Other receivables	(g)	---,--	---,--	1 184 577,20	1 184 577,20
Cash and cash equivalents		4 401 000,99	---,--	---,--	4 401 000,99
Total current-assets		*16 728 133,94*	---,--	*(10 324 896,26)*	*6 403 237,68*
Total Assets		**234 050 778,21**	**34 247 355,73**	***(10 324 896,26)***	**257 973 237,68**
Equity					
Share capital		541 000,00	---,--	---,--	541 000,00
Result of the year	(a),(f)	(2 392 986,64)	15 753 302,89	---,--	13 360 316,25
Retained earnings	(a),(f)	(13 613 424,38)	31 070 059,49	---,--	17 456 635,11
Total equity		**(15 465 411,02)**	**46 823 362,38**	**---,--**	**31 357 951,36**
Liabilities					
Non-current liabilities					
Subordinated instrument	(c)	30 399 676,00	(30 155 489,32)	---,--	244 186,68
Borrowings	(f)	204 326 909,81	3 549 011,79	---,--	207 875 921,60
Deferred income tax liabilities	(e)	---,--	14 030 470,88	---,--	14 030 470,88
Total non-current liabilities		*234 726 585,81*	*(12 576 006,65)*	---,--	*222 150 579,16*
Current liabilities					
Borrowings	(g)	1 630 361,17	---,--	(1 630 361,17)	---,--
Interest expenses payables	(g)	---,--	---,--	1 630 361,17	1 630 361,17
Other payables	(g)	1 015 912,13	---,--	1 626 342,15	2 642 254,28
Other creditors	(g)	11 066 602,69	---,--	(11 066 602,69)	---,--
Current income tax liabilities		192 091,71	---,--	---,--	192 091,71
Current social liabilities	(g)	14 265,15	---,--	(14 265,15)	---,--
Other liabilities	(g)	870 370,57	---,--	(870 370,57)	---,--
Total current liabilities		*14 789 603,42*	---,--	*(10 324 896,26)*	*4 464 707,16*
Total liabilities		**249 516 189,23**	**(12 576 006,65)**	**(10 324 896,26)**	**226 615 286,32**
Total equity and liabilities		**234 050 778,21**	**34 247 355,73**	**(10 324 896,26)**	**257 973 237,68**

Notes to the consolidated financial statements as at December 31, 2012

26. Transition to IFRS (continued)

26.2 Reconciliation of equity and comprehensive income as previously reported under Luxembourg GAAP to IFRS (continued)

	Notes	Luxembourg GAAP	Adjustments	Reclassifications	IFRS 31.12.2012
Income					
Gross Profit / Revenue from rents	(g)	32 485 582,74	---,--	(10 367 554,68)	22 118 028,06
Revenue from direct property expenses recoverable from tenants	(g)	---,--	---,--	10 105 710,28	10 105 710,28
Other operating income / other income		395 776,13	---,--	---,--	395 776,13
Other interest receivable and similar income / finance income		17 385,65	---,--	---,--	17 385,65
Net U/R gain from FV on IP	(a)	---,--	6 640 000,00	---,--	6 640 000,00
Total Income		**32 898 744,52**	**6 640 000,00**	**(261 844,40)**	**39 276 900,12**
Expenses					
Other external charges / Direct property operating expenses borne by the Group	(g)	(22 086 131,43)	---,--	17 193 077,15	(4 893 054,28)
Direct property expenses recoverable from tenants	(g)	---,--	---,--	(11 733 345,80)	(11 733 345,80)
Administrative expenses	(g)	---,--	---,--	(1 740 610,27)	(1 740 610,27)
Refurbishment and investments	(g)	---,--	---,--	(3 472 675,30)	(3 472 675,30)
Staff expenses / personnel expenses		(166 432,55)	---,--	---,--	(166 432,55)
Value adjustment on tangible fixed assets	(a)	(6 098 799,33)	6 098 799,33	---,--	---,--
Other taxes / other expenses	(g)	(15 398,62)	---,--	15 398,62	---,--
Total expenses		**(28 366 761,93)**	**6 098 799,33**	**261 844,40**	**(22 006 118,20)**
Operating profit		**4 531 982,59**	**12 738 799,33**	**---,--**	**17 270 781,92**
Finance costs	(c) (f)	(9 639 958,70)	1 664 775,25	---,--	(7 975 183,45)
Net U/R loss from FV on derivatives	(d)		(408 481,06)	---,--	(408 481,06)
(Loss) / Profit before income tax		**(5 107 976,11)**	**13 995 093,52**	**---,--**	**8 887 117,41**
Current income tax expense		(251 595,01)	---,--	---,--	(251 595,01)
Deferred income tax expense - net	(e)	---,--	(1 735 089,38)	---,--	(1 735 089,38)
Income tax expense		(251 595,01)	(1 735 089,38)		(1 986 684,39)
(Loss) / Profit for the year		**(5 359 571,12)**	**12 260 004,14**	**---,--**	**6 900 433,02**
Other comprehensive income for the year, net of tax		---,--	---,--	---,--	---,-
Total comprehensive income for the year, net of tax		**(5 359 571,12)**	**12 260 004,14**	**---,--**	**6 900 433,02**