
Illustrative IFRS consolidated financial statements 2011

Investment property

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Investment property

Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional investment property group (IP Group). The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB (that is, it does not prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union).

IP Group is an existing preparer of IFRS consolidated financial statements; IFRS 1, 'First-time adoption of International Financial Reporting Standards', is not applicable. For an illustrative set of financial statements for first-time adopters of IFRS, see the appendix for first-time adopters in PwC's *Illustrative corporate consolidated financial statements for 2011 year ends*.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2011. The group did not early-adopt any standards or interpretation. A summary of potential relevant disclosure requirements of the forthcoming IFRS requirements and the potential effects on the presentation of these consolidated financial statements are included in Appendix III. This provides an overview of the presentation and disclosure requirements of IFRS 9, 'Financial instruments' and IFRS 13, 'Fair value measurement'.

We have attempted to create a realistic set of consolidated financial statements for an investment property group with emphasis on real estate (IAS 40, 'Investment Property,' and IAS 2, 'Inventories'). Certain types of transaction have been excluded, as they are not relevant to the group's operations. The illustrated group does not have associates, joint ventures, non-controlling interests, government grants, defined benefit plans, treasury shares, preferred shares, convertible debt or share options, nor is the group exploring mineral resources. There were no disposals of subsidiaries, and no issue of shares in the two years presented. Please refer to PwC's *Illustrative IFRS corporate consolidated financial statements for 2011 year-ends and IFRS disclosure checklist 2011* for disclosures relating to these items. *Illustrative IFRS financial statements 2011 – Investment funds* and *Illustrative IFRS financial statements 2011 – Private equity* may also be relevant to some real estate entities.

The shares of the parent company of the illustrated group are publicly traded; disclosures on segments and earnings per share are therefore included.

Other items that entities may choose (or, in certain jurisdictions, be required) to include in documents containing financial statements, such as a directors' report or operating and financial review, are not illustrated here.

PwC commentary has been provided, in grey boxes, to explain the detail behind the presentation of a number of challenging areas. These commentary boxes relate to the presentation in: the consolidated statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the summary of significant accounting policies.

The example disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's consolidated financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS. Examples of alternative presentations of the statements of comprehensive income and cash flows have been included in Appendix I and Appendix II respectively.

These illustrative consolidated financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires, nor do they take account of any specific legal framework or any stock exchange or other regulations. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS disclosure checklist 2011*.

Structure

The publication consists of the IP Group consolidated financial statements and the auditor's report. There are two appendices that cover additional disclosures and alternative presentations of primary statements and one appendix describing the requirements of the forthcoming IFRSs already issued by IASB but mandatory for financial years beginning on or after 1 January 2013.

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Format

The references in the left-hand margin of the consolidated financial statements represent the paragraph of the standards in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. References to IFRSs, as opposed to IASs, appear in full – for example 'IFRS2p6' indicates IFRS 2 paragraph 6. The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. These financial statements also include additional disclosures that may represent best practice. Additional notes and explanations are shown in footnotes.

Amounts presented in brackets are negative amounts.

Due to roundings, variations/differences may occur.

Abbreviations

IFRS1p37	=	International Financial Reporting Standard [number], paragraph number.
7p22	=	International Accounting Standards [number], paragraph number.
SIC15p5	=	Standing Interpretations Committee [number], paragraph number.
DV	=	Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice.

IP Group consolidated financial statements

31 December 2011

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(All amounts in € thousands unless otherwise stated)

Consolidated statement of financial position

1p68, 1p104	Note	As at 31 December	
		2011	2010
Assets			
Non-current assets			
1p60			
1p54(b)	6	616,855	600,387
1p54(a)	7	132,788	103,178
1p54(d), IFRS7p8(d)	8	767	1,041
1p55	9	599	496
1p54(o), 1p56	10	933	750
		751,942	705,852
Current assets			
1p60, 1p66			
1p54(g)	11	16,917	–
1p54(h)	12	3,742	5,885
1p78(b), 1p54(d), IFRS7p8(d)	13	6,844	6,958
1p54(d), IFRS7p8(d)	8	1,578	478
1p54(d), IFRS7p8(a)	14	1,464	1,196
1p54(i)		905	35,152
		31,450	49,669
IFRS5p38	15	989	5,421
		32,439	55,090
		784,381	760,942
Total assets			
Equity			
Equity attributable to equity holders of the company			
1p54(r)			
1p78(e)	16	62,720	62,720
1p78(e)		10,606	4,787
1p78(e)		494,791	490,153
		568,117	557,660
Total equity			
Liabilities			
Non-current liabilities			
1p60			
1p54(m)	17	107,224	102,804
1p55		1,978	2,247
1R5p4(o), 1p56	10	52,670	49,038
		161,872	154, 089
Current liabilities			
1p60, 1p69			
1p54(k)	18	45,562	36,083
1p54(m)	17	2,192	2,588
1p55		590	608
1p54(m), IFRS7p8(e)	14	595	747
1p54(n)	10	4,735	4,392
1p54(l)	19	550	1,601
		54,224	46,019
		216,264	203,282
IFRS5p38	15	168	3,174
		216,264	203,282
		784,381	760,942
		784,381	760,942
		784,381	760,942

Approved for issue and signed on behalf of the Board of Directors of IP Group on 13 March 2012.

[name]
Chief Executive Officer

[name]
Finance Director

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of financial position

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', that impact the statement of financial position.

1p10 1. IAS 1 refers to the balance sheet as the 'statement of financial position'. However, this new title is not mandatory; it is therefore admissible to retain the title of 'balance sheet'.

1p54, 55 2. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the statement of financial position. Additional line items, headings and subtotals are presented in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

Real Estate entities with significant investment properties under construction may disclose in the statement of financial position the investment property under construction, providing that this presentation is relevant to an understanding of the entity's financial position. In such instances, the total carrying amount of all investment properties should also be disclosed in the statement of financial position.

1p77, 78 3. An entity discloses, either in the statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the IFRS requirements and on the size, nature and function of the amounts involved.

Current/non-current distinction

1p60 4. IP Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position.

1p66-70 5. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities, even if they are due to be settled more than 12 months after the reporting period. Derivative financial instruments are classified as current even though they might be used for the purpose of the economic hedge of the interest-rate risk of the borrowings. If hedge accounting in accordance to IAS 39, 'Financial instruments: Recognition and measurement', is applied, the classification of derivatives as current/non-current follows the classification of the hedged items they belong to.

1p54, 56 Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities as non-current.

Consistency

1p45 6. The presentation and classification of items in the financial statements is retained from one period to the next unless:

- (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate according to the criteria for selecting and applying accounting policies in IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or
- (b) an IFRS requires a change in presentation.

Materiality and, aggregation

1p29 7. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

1p32 8. An entity does not offset assets and liabilities unless required or permitted to by an IFRS (for example, current or deferred tax assets and liabilities in accordance to IAS 12p71 and IAS 12p23).

Three statements of financial position required in certain circumstances

1p39 9. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it provides a third statement of financial position as at the beginning of the earliest comparative period presented. However, where the retrospective change in policy or the restatement has no effect on this earliest statement of financial position, we believe that it would be sufficient for the entity merely to disclose that fact.

Consolidated statement of comprehensive income – by nature of expense

(All amounts in € thousands unless otherwise stated)

Consolidated statement of comprehensive income – by nature of expense

1p81	Note	Year ended 31 December	
		2011	2010
1p82(a)	20	42,354	40,088
40p76(d)	6	7,660	5,048
1p85		(1,736)	(1,488)
40p75(f)		(7,656)	(2,801)
1p85		(1,212)	(1,315)
1p85	21	(1,448)	(1,400)
1p85	13	(104)	(104)
1p85	6	(237)	(212)
1p85	7	(5,249)	(2,806)
1p85	14	571	520
1p85		(1,496)	(2,029)
		31,447	33,501
1p85	22	1,915	1,042
1p82(b)	22	(8,025)	(11,640)
		(6,110)	(10,598)
1p85		25,337	22,903
12p77	10	(6,056)	(6,152)
1p82(f)		19,281	16,751
Other comprehensive income:			
21p52, 1p82(g)		5,799	1,247
IFRS7p20(a)(ii)		20	2
		5,819	1,249
		25,100	18,000
1p83(a)			
		19,281	16,751
		–	–
1p83(b)			
		25,100	18,000
		–	–
33p66			
	23	0.48	0.42

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income – by nature of expense

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of comprehensive income

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', and other requirements that impact the income statement/statement of comprehensive income.

- 1p81** 1. IAS 1 (revised), 'Presentation of financial statements', allows a choice of presenting all items of income and expense recognised in a period – either:
- (a) in a single statement of comprehensive income, or
 - (b) in two statements comprising:
 - (i) a separate income statement, which displays components of profit or loss, and
 - (ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.

The main difference between these two options is that in option (a), profit for the year is shown as a sub-total rather than the 'bottom line', and the statement continues down to total comprehensive income for the year. If the two-statement presentation is used, the statement of comprehensive income follows immediately after the income statement.

IP Group has elected to use the single statement approach (IAS 1p81). IP Group discloses the income statement by nature of expense rather than by function of expense. An example of a statement of comprehensive income by function of can be found in Appendix I of this publication.

- 1p82** 2. A single statement of comprehensive income includes, as a minimum, the following line items:
- (a) Revenue.
 - (b) Finance costs.
 - (c) Share of the profit or loss of associates and joint ventures accounted for using the equity method.
 - (d) Tax expense.
 - (e) A single amount comprising the total of:
 - (i) the post-tax profit or loss of discontinued operations; and
 - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
 - (f) Profit or loss.
 - (g) Each component of other comprehensive income classified by nature.
 - (h) Share of the other comprehensive income of associates and joint ventures accounted for using the equity method.
 - (i) Total comprehensive income.

- 1p83** 3. The following items are disclosed as allocations for the period:
- (a) Profit or loss attributable to:
 - (i) non-controlling interests; and
 - (ii) owners.
 - (b) Total comprehensive income for the period attributable to:
 - (i) non-controlling interests; and
 - (ii) owners.

- 1p85** 4. Additional line items, headings and subtotals are presented in the statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance. For example, a sub-total of operating profit may be included where expenses have been classified by function.

- 1pBC56** An entity may elect to include a sub-total for its result from operating activities. This is permitted, but management should ensure that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature (for example, gain or loss on the sale of investment property or write-downs on inventory or own used property) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds that they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after 'other expenses' – that is, excluding finance costs and the share of profits of investments accounted using the equity method – although in some circumstances it may be appropriate for the share of profits of equity-accounted investments to be included in operating profit.

Finance income is not to be netted against finance costs; it is included in 'other revenue/other income' or shown separately on the face of the income statement. Where finance income is just an incidental benefit, it is acceptable to present finance revenue immediately before finance costs and include a sub-total of 'net finance costs' in the income statement. However, where earning interest income is one of the entity's main lines of business, it is presented as 'revenue'.

(All amounts in € thousands unless otherwise stated)

	Material items of income and expense
1p97	5. When items of income and expense are material, their nature and amount is disclosed separately either in the income statement or in the notes.
1p85, 97	6. IAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either in the income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year. Where an entity classifies its expenses by nature, it must ensure that each class of expense includes all items related to that class.
1p86	7. The line items and descriptions of those items are re-ordered where this is necessary to explain the elements of performance. However, entities are required to make a 'fair presentation' and should not make any changes unless there is a good reason to do so.
	Earnings per share
33p66	8. IAS 33, 'Earnings per share', requires an entity to present in the statement of comprehensive income basic and diluted earnings per share (EPS) for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS is disclosed with equal prominence for all periods presented.
33p67	9. If diluted EPS is reported for at least one period, it should be reported for all periods presented, even if it equals basic EPS. If basic and diluted EPS are equal, dual presentation can be accomplished in one line in the statement of comprehensive income as done by the IP Group.
33p69, 41, 43	10. Basic and diluted EPS is disclosed even if the amounts are negative (that is, a loss per share). However, potential ordinary shares are only dilutive if their conversion would increase the loss per share. If the loss decreases, the shares are anti-dilutive.
33p68	11. An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the continued operation either in the statement of comprehensive income or in the notes to the financial statements.
	Components of other comprehensive income
1p7	12. Components of other comprehensive income (OCI) are items of income and expense that are not recognised in profit or loss as required or permitted by other IFRSs. For IP Group, they include gains and losses arising from translating the financial statements of a foreign operation and fair value gains and losses on re-measuring rental guarantees classified as available for sale.
39AG8	13. If the value of rental guarantees changes due to a revision of the estimation of payments, the adjustment of the carrying amount has to be recognised in profit or loss as income or expense in accordance to IAS 39 AG8. This adjustment is calculated by discounting the revised estimated future cash flows with the initial effective interest rate of this instrument. Therefore, generally only the fair value changes resulting from a difference between the effective interest rate applied to calculate the adjustments to carrying amounts in accordance with IAS 39 AG8, and the market interest rate used to calculate the fair value of the rental guarantee, are recognised in OCI.
1p91 1p90	14. Entities may present components of other comprehensive income either net of related tax effect or before related tax effects. IP Group has chosen to present the items net of tax.
	Consistency
1p45	15. The presentation and classification of items in the financial statements is retained from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate, addressing the criteria for the selection and application of accounting policies in IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or (b) IFRS requires a change in presentation.
	Offsetting
1p32	16. Income and expenses are not offset unless required or permitted by an IFRS.

Consolidated statement of changes in equity

(All amounts in € thousands unless otherwise stated)

Consolidated statement of changes in equity

1p106, 1p107, 1p113	Note	Attributable to equity holders of the Company			Total equity
		Share capital	Other reserves	Retained earnings	
		Comprehensive income			
1p106(d)(i)		–	–	16,751	16,751
1p106(d)(ii)			1,249		1,249
1p106(d)		–	1,249	16,751	18,000
		Transactions with owners			
1p107	24	–	–	(11,379)	(11,379)
1p106		62,720	4,787	490,153	557,660
		Comprehensive income			
1p106(d)(i)		–	–	19,281	19,281
1p106(d)(ii)			5,819		5,819
1p106(d)		–	5,819	19,281	25,100
		Transactions with owners			
1p107	24	–	–	(14,643)	(14,643)
1p106		62,720	10,606	494,791	568,117

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

Commentary – Consolidated statement of changes in equity

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', and other aspects that impact the statement of changes in equity.

1p106 IAS 1 was amended in the 2010 'Improvements to IFRSs' issued in May 2010. The amendment clarifies that, for each component of equity, the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or disclosed within the notes to the financial statements. The amendment is applicable for annual periods beginning on or after 1 January 2011.

1p107 The amount of dividends recognised as distributions to owners during the period and the related amount per share are now disclosed either in the statement of changes in equity or in the notes and can no longer be presented in the income statement. IP Group presents the per share amount in Note 24.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of cash flows

7p10, 18(b)		Year ended 31 December	
		Note	2011 2010
Cash flows from operating activities			
7p18(b), 7p20	Profit before income tax		25,357 22,905
Adjustments for:			
	– Depreciation of property, plant and equipment	7	5,249 2,806
	– Amortisation of prepaid operating lease pre-payments	13	104 104
	– Amortisation of capitalised letting fees	6	237 212
	– Net gain from fair value adjustment on investment property	6	(7,660) (5,048)
	– Net change in fair value of financial instruments at fair value through profit or loss	14	(571) (520)
	– Finance cost – net	22	6,110 10,598
	– Impairment charge for trade receivables	12	82 113
	– Provisions for legal claims	19	302 200
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	– (Increase)/decrease in trade receivables		2,061 (842)
	– Increase in inventories	11	(1,460) –
	– Increase in trade and other payables		9,479 21,839
Cash generated from operations			39,270 52,365
7p31	Interest paid ¹		(11,367) (12,032)
	Payments on legal claims		(1,412) (762)
7p35	Income tax paid		(3,772) (6,945)
	Letting fees paid		(1,056) (1,092)
	Proceeds from rental guarantees	8	54
	Tenant deposits received		– 2,945
	Tenant deposits repaid		(876) (14,673)
Net cash generated from operating activities			20,841 19,806
Cash flows from investing activities			
7p21	Purchases of investment property	6	(2,797) (220)
7p16(a)	Subsequent expenditure on investment property	6	(28,213) (2,482)
7p16(b)	Proceeds from sale of investment property	6	8,580 750
7p16(a)	Purchases of property, plant and equipment	7	(10,322) (13,246)
7p40	Acquisitions of subsidiaries, net of cash acquired	25	(14,691) (3,130)
7p16(f)	Proceeds from settlement of finance lease receivables		316 80
7p31	Interest received		560 1,024
Net cash used in investing activities			(46,567) (17,224)
Cash flows from financing activities			
7p21	Proceeds from borrowings		10,763 18,234
7p17(c)	Repayments of borrowings		(6,739) (8,966)
7p17(d)	Dividends paid to the Company's shareholders	24	(14,643) (11,379)
Net cash used in financing activities			(10,619) (2,111)
Net (decrease)/increase in cash and cash equivalents			(36,345) 471
Cash and cash equivalents at the beginning of the year			35,152 34,621
7p28	Exchange gains (losses) on cash and cash equivalents		2,098 60
Cash and cash equivalents at the end of the year			905 35,152

7p43 Investing and financing transactions that did not require the use of cash and cash equivalents are excluded from the cash flow statement. The Group did not enter into such transactions during 2011 or 2010.

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

¹ Interest paid includes interest capitalised on investment property, property, plant and equipment and inventories in accordance with IAS 23.

Consolidated statement of cash flows

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of cash flows

The commentary that follows explains some of the key requirements in IAS 7, 'Statements of cash flows'.

Reporting cash flows

Cash flows from operating activities

- 7p18 Cash flows from operating activities are reported using either:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

- 7p20 IP Group uses the indirect method. For an illustration of a statement of cash flows presented using the direct method, refer to Appendix II.

Cash flows from investing and financing activities

- 7p21 Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS 7 are reported on a net basis. The acquisitions of investment properties are disclosed as cash flows from investing activities as this most appropriately reflects the Group's business activities.

Interest and dividends

- 7p31 Cash flows from interest received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as either operating, investing or financing activities. The standard permits entities to show interest paid in operating or financing activities whereas interest received might be shown in operating or investing activities.

- 7p34 Dividends paid may be classified as 'financing cash flows' because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Income taxes

- 7p35 Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Effects of exchange rate changes

- 7p28 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

Additional recommended disclosures

- 7p50 Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information is encouraged and may include, inter alia:
- 7p50(a) (a) The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.
 - 7p50(d) (b) The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see IFRS 8, 'Operating segments').

(All amounts in € thousands unless otherwise stated)

Notes to the consolidated financial statements

1. General information

- 1p138(b)** IP (the 'Company'; the 'Parent') and its subsidiaries (together the 'IP Group' or 'the Group') hold a major portfolio of investment properties in the UK, Germany and Hong Kong. The Group is also involved in the development of investment properties and construction of office buildings for sale in the ordinary course of business.
- 1p51(a)(b)**
- 1p138(a)** The Company is a limited liability company incorporated and domiciled in Euravia. The address of its registered office is 5 Skyscraper Road, 5050, Propertyville.
- The Company has its primary listing on the Euravia's stock exchange.
- 10p17** These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2012. The shareholders have the power to amend the consolidated financial statements after issue.

2. Summary of significant accounting policies

- 1p112(a)** The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.
- 1p117(b),**
1p119

2.1 Basis of preparation

1p16 Statement of compliance

1p117(a)

The consolidated financial statements of IP Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Income and cash flow statement

- 7p18** IP Group has elected to present a single statement of comprehensive income and presents its expenses by nature.
- 7p31** The Group reports cash flows from operating activities using the indirect method. Interests received and paid are presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

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

The preparation of 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 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 4.

- 8p28** (a) Standards and amendments to existing standards and interpretations effective on or after 1 January 2011¹ relevant to the Group

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1	'Presentation of financial statements' (amendment relating to the statement of changes in equity and the disclosures of other comprehensive income)	1 January 2011

- **IAS 1, 'Presentation of financial statements'**

The amendment clarifies which items should be included in the statement of changes in equity. The amendment also clarifies that, for each component of equity, the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or disclosed within the notes. In addition, the amount of dividends recognised as distributions to owners during the period and the related amount per share are now disclosed either in the statement of changes in equity or in the notes and can no longer be presented in the income statement. IP Group presents the amount per share in Note 24.

¹ The effective dates may be later for companies applying IFRS adopted by the EU. The current endorsement status is available at <http://www.efrag.org>

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

8p28 (b) *New standards, amendments and interpretations amendments to standards effective on or after 1 January 2011, but not relevant to the Group*

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 1	'Limited exemptions from comparative IFRS 7, Disclosures for first-time adopters'	1 January 2011
IAS 32	'Classification of rights issues'	1 February 2010
IFRS 7	'Financial instruments: Disclosures (amendments to the credit risk disclosures)'	1 January 2011
IAS 24	'Related party disclosures'	1 January 2011
IFRIC 14	'Pre-payment of a minimum funding requirement'	1 January 2011
IFRIC 19	'Extinguishing financial liabilities with equity instruments'	1 July 2010

- 'Improvements to IFRS'** (issued in May 2010)

The improvements project contains numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. No material changes to accounting policies arose as a result of these amendments.
- IFRS 7, 'Financial instruments: Disclosures'**

The amendment of IFRS 7 emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the financial statements of IP Group.
- IAS 24, 'Related party disclosures'**

IAS 24 (revised) clarifies the definitions of a related party and eliminates inconsistencies from the definition. Additionally, the standard provides a partial exemption from the disclosure requirements for transactions with government-related entities. The adoption of the revised standard did not have any impact on the related party disclosure of IP Group.

8p30 (c) *New standards, amendments and interpretations issued, but not yet effective*

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods and are expected to be relevant to the Group:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of items of other comprehensive income	1 July 2012
IAS 12	Deferred tax: recovery of underlying assets	1 January 2012
IFRS 7	Disclosures: transfer of financial assets	1 July 2011
IFRS 9	Financial instruments: Classification and measurement	1 January 2013 ¹
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

- Amendment to IAS 1, 'Presentation of items of other comprehensive income'**

In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments also highlighted the importance that the Board places on presenting profit or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present profit and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting

¹ On 4 August 2011, the Board issued an exposure draft proposing to change the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 rather than for periods beginning on or after 1 January 2013 as currently required. Early application of both would continue to be permitted. The comment period for the exposure draft closed on 21 October 2011.

(All amounts in € thousands unless otherwise stated)

from the amendments was a requirement for entities to group items presented in 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 1 January 2013.

- **Amendment to IAS 12, 'Deferred tax – recovery of underlying assets'**

The IASB has amended IAS 12, 'Income taxes' to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The IASB believes that entities holding investment properties that are measured at fair value sometimes find it difficult or subjective to estimate how much of the carrying amount will be recovered through rental income and how much will be recovered through sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The IASB has added the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group estimates that, due to this change, which will be applied on 1 January 2013, the deferred tax liabilities would have been increased by €5,249 in 2011.

- **Amendment to IFRS 7 Disclosures: Transfer of financial assets**

The amendments to IFRS 7 result from proposals that were set out in the exposure draft 'Derecognition' published in March 2009. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. In the first year of application, an entity need not provide comparative information for the disclosures required. The Group does not expect the standard to have a major impact on the disclosures required.

- **IFRS 9, 'Financial instruments' – classification and measurement**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. 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 other comprehensive income rather than the income statement, 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 1 January 2013.

- **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 control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on 1 January 2013.

- **IFRS 12, 'Disclosures of interests in other entities'**

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on 1 January 2013.

- **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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013.¹

¹ We refer to appendix III for additional information with respect to this standard.

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

The IASB and the IFRIC have published the following standards and interpretations, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Group's operations:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
IAS 19	Amendments to IAS 19, 'Employee benefits'	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

(d) Early adoption of standards

The Group did not early adopt any new or amended standards in 2011.

1p119

2.2 Consolidation

27p12
27p14
27p30

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

27p30

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

IFRS3p14
IFRS3p24
IFRS3p28
IFRS3p36, 37
IFRS3p51
IFRS3p56

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs in relation to business combinations are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

IFRS3p53

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

27p30, 31

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

IFRS3p4

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

(All amounts in € thousands unless otherwise stated)

27p28 All the group companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

27p24 Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.
27p25 Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Operating segments

IFRS8p5(b) 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 has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company.

2.4 Foreign currency translation

1p119 (a) *Functional and presentation currency*

21p17 Items included in the financial statements of each of the Group's entities are measured using the currency of the
21p9, 18 primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial
1p51(d) statements are presented in euros, which is the Company's functional currency and the Group's presentation currency.

1p119 (b) *Transactions and balances*

21p21, 28 Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the
21p32 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss for the year.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalised as explained in Note 2.17 ('Borrowing costs'). All other foreign exchange gains and losses are presented net in the statement of comprehensive income.

1p119 (c) *Group companies*

21p39 The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

21p39(a) (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

21p39(b) (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

21p39(c), 1p79(b) (iii) all resulting exchange differences are recognised in the statement of comprehensive income.
The Group is using monthly average exchange rates due to the increased volatility in exchange rates; and

21p48, 48A, 48B, 48C On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

21p47 Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

1p119 **2.5 Investment property**

40p5 Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the
40p8(e) companies in the consolidated Group, is classified as investment property¹. Investment property also includes property that is being constructed or developed for future use as investment property.

¹ Investment property includes properties that group companies lease out to an associate or joint venture that occupies the property (40p15).

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

40p6, 25 Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

40p20 Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs (see Note 2.17)¹.

**40p75(d-e)
40p85(b)** After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. 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 form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

40p40 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 current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

40p16, 68 Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

40p50(d) If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

40p51 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.

40p35, 69 Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

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 income statement within net gain from fair value adjustment on investment property.

40p60 If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

40p61, 62 If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or

¹ An entity is not required to apply IAS 23 to borrowing costs directly attributable to the construction of a qualifying asset measured at fair value (23p4). IP Group has chosen an accounting policy to capitalise borrowing costs for investment properties under construction that are measured at fair value.

(All amounts in € thousands unless otherwise stated)

- loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.
- 40p58, 60** Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.
- 17p52** See Note 2.7(c) for details of the treatment of letting fees capitalised within the carrying amount of the related investment property.
- 1p119** **2.6 Property, plant and equipment**
- 16p73(a)** All property, plant and equipment (PPE) is stated at historical cost¹ less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and where applicable borrowing costs (see Note 2.17).
- Cost of an item of PPE includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of PPE.
- 16p12** Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.
- 16p43, 73(b), 16p50, 73(c)** Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:
- Land and property under construction: nil
 - Buildings: 25-40 years
 - Fixtures and fittings: 5-15 years
- 16p51** The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.
- 36p59** An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.
- 16p68, 71** Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement².
- 1p119** **2.7 Leases**
- (a) *A group company is the lessee*
- 17p4** (i) **Operating lease**
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties. See Note 2.5 for the accounting policy relating to land held on an operating lease and used as investment property
- 17p4** (ii) **Finance lease**
- 17p20** Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is treated as borrowing costs (see Note 2.17) and expensed/capitalised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.
- 17p27**

¹ If PPE is carried at fair value under IAS 16, revaluation gains should be reported in other comprehensive income; PPE should still be depreciated if there are depreciable items, and the depreciation charge for the year should be included in profit or loss.

² If assets are carried under the IAS 16 revaluation model, the related amounts included in revaluation reserve are transferred to retained earnings when revalued assets are derecognised (16p41).

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

(b) A group company is the lessor in an operating lease

17p49 Properties leased out under operating leases are included in investment property in the statement of financial position
17p50 (Note 6). See Note 2.21 for the recognition of rental income.

(c) A group company is the lessor – fees paid in connection with arranging leases and lease incentives

17p52 The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

1p119 **2.8 Goodwill**

IFRS3p51 Goodwill arises on the acquisition of subsidiaries represents the excess of the cost of an acquisition of a business over
38p118(a) the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.
IFRS3p54 Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses
36p124 on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

36p80 Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those
36p6, 68 cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

1p119 **2.9 Impairment of non-financial assets**

36p9 Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested
36p10 annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

1p119 **2.10 Inventories**

40p57(b) The Group's inventories arise where there is a change in use of investment properties evidenced by the
2p9, 36(a) commencement of development with a view to sale, and the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of reclassification. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

1p116 **2.11 Financial instruments**

IFRS7p21 (a) *Financial assets*
39p43

39p46(a) Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-
39p59 maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the
IFRS7 classification of its financial assets at initial recognition. When financial assets are recognised initially, they are
AppxBp5(f) measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable
IFRS7 transaction costs.
AppxBp5(d)

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and available-for-sale financial assets (rental guarantees).

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swap and forward foreign exchange

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contracts 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 expenses on derivative financial assets are included in the statement of comprehensive income in finance income and finance costs respectively.

Rental guarantees provided for by the seller of an investment property are recognised as financial asset when the Group becomes a party to the contractual provisions of the guarantee. Rental guarantees are classified as monetary available for sale financial assets¹. When a rental guarantee is recognised initially, the Group measures it at its fair value plus, in the case of a rental guarantee not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, the Group measures the rental guarantees at fair value with fair value changes recognised in other comprehensive income (for rental guarantees classified as available for sale).

39AG8 If the Group revises its estimate of payments or receipts, the Group adjusts the carrying amount of the rental guarantee to reflect the actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as finance income or expense (Note 22).

In determining the fair value of the financial asset 'rental guarantee', the Group applies a valuation model that takes into account the expected future cash flows discounted at the market interest rate (2011: 6.75%; 2010: 6.5%).

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

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 previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.16 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.12 Pre-payments

Pre-payments are carried at cost less any accumulated impairment losses. See Note 2.7 for separate accounting policy for operating lease pre-payments.

1p119 **2.13 Cash and cash equivalents**

7p45 Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

¹ In certain circumstances, a different classification in accordance to IAS 39 may be possible.

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1p119 **2.14 Share capital**

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

IFRS7p21, 32p37 Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1p119 **2.15 Trade and other payables**

IFRS7p21 39p43, 39p47 Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Certain group companies obtain deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 24 months. Such deposits are treated as financial assets in accordance with IAS 39, and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to Note 2.21 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

1p119 **2.16 Borrowings**

39p47 39p43 Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost (Note 2.23) over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1p69 Borrowings 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 date of the statement of financial position.

1p119 **2.17 Borrowing costs**

23p8 General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

21p12 Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

IP Group capitalise borrowing costs on qualifying investment properties, PPE and inventories.

1p119 **2.18 Current and deferred income tax**

12p58, 61A The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

12p46 The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group operates. 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.

12p47, 24 12p15 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

12p24, 34 Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying value of the Group's investment property will generally be realised by a combination of income (rental stream during the period of use) and capital (the consideration on the sale at the end of use). In jurisdictions where

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different tax rates exist for income and capital gains, the Group considers the planned recovery of the asset and how that affects the tax rate used in the calculation of the deferred tax. The length of the period for which a property will be held prior to disposal is based on the Group's current plans and recent experience with similar properties. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the statement of financial position 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 use and recovery through sale.¹

12p39, 44	Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
12p74	Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.
1p119	2.19 Employee benefits
19p44	<i>(a) Pensions</i>
	The Group operates a number of defined contribution plans around the world. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
	<i>(b) Short-term employee benefits and compensation absences</i>
	Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits (such as health services and childcare services) are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the Group.
19p17	<i>(c) Profit-sharing and bonus payments</i>
	The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.
1p119	2.20 Provisions
37p14	Provisions for legal claims are recognised when: <ul style="list-style-type: none"> ● the Group has a present legal or constructive obligation as a result of past events; ● it is probable that an outflow of resources will be required to settle the obligation; and ● the amount can be reliably estimated.
37p45	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.
	Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.
1p119	2.21 Revenue recognition
18p35(a)	Revenue includes rental income, and service charges and management charges from properties.
7p50 SIC15p4	Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.
	Service and management charges are recognised in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.
1p119	2.22 Dividend distribution
10p12, 32p35	Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

¹ This policy will change when IAS 12 revised is applied from 1 January 2012.

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IFRS7 AppxB5(e) 23p2 1p110 23p4	2.23 Interest income and expense <p>Interest income and expense are recognised within 'finance income' and 'finance costs' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.</p> <p>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 (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points 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.</p>
1p119	2.24 Other expenses <p>Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis).</p>
1p119	2.25 Non-current assets (or disposal groups) held for sale
IFRS5p6, 15	Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Commentary – Summary of significant accounting policies

Statement of compliance with IFRS

1p16 An entity whose financial statements and notes comply with IFRS makes an explicit and unreserved statement of such compliance in the notes. The financial statements and notes are not described as complying with IFRS unless they comply with all the requirements of IFRS.

Where an entity can make the explicit and unreserved statement of compliance in respect of only:

- (a) the parent financial statements and notes, or
- (b) the consolidated financial statements and notes,

it clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of accounting policies

A summary of significant accounting policies includes:

- 1p117(a)** (a) the measurement basis (or bases) used in preparing the financial statements; and
- 1p117(b)** (b) the other accounting policies used that are relevant to an understanding of the financial statements.

1p116 The summary may be presented as a separate component of the financial statements.

1p119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16, 'Property, plant and equipment', requires disclosure of the measurement bases used for classes of property, plant and equipment.

Changes in accounting policies

Initial application of IFRS

8p28 When initial application of an IFRS:

- (a) has an effect on the current period or any prior period;
- (b) would have such an effect except that it is impracticable to determine the amount of the adjustment; or
- (c) might have an effect on future periods, an entity discloses:
 - (i) the title of the IFRS;
 - (ii) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
 - (iii) the nature of the change in accounting policy;
 - (iv) when applicable, a description of the transitional provisions;
 - (v) when applicable, the transitional provisions that might have an effect on future periods;

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- (vi) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - for each financial statement line item affected;
 - if IAS 33, 'Earnings per share', applies to the entity, for basic and diluted earnings per share;
- (vii) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (viii) if retrospective application required by paragraph 19(a) or (b) of IAS 8, 'Accounting policies, changes in accounting estimates and errors', is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Voluntary change in accounting policy

8p29

When a voluntary change in accounting policy:

- (a) has an effect on the current period or any prior period,
 - (b) would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or
 - (c) might have an effect on future periods,
- management discloses:
- (i) the nature of the change in accounting policy;
 - (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
 - (iii) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - for each financial statement line item affected, and
 - if IAS 33 applies to the entity, for basic and diluted earnings per share;
 - (iv) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - (v) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Change during interim periods

1p112(c)

There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, management should consider explaining this fact and the financial effect.

IFRSs issued but not yet effective

8p30

When an entity has not applied a new IFRS that has been issued but is not yet effective, it discloses:

- (a) this fact; and
- (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

8p31

An entity considers disclosing:

- (a) the title of the new IFRS;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the IFRS is required;
- (d) the date as at which it plans to apply it initially; and
- (e) either:
 - (i) a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements, or
 - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

Our view is that disclosures in the paragraph above are not necessary in respect of standards and interpretations that are clearly not applicable to the entity or that are not expected to have a material effect on the entity. Instead, disclosure should be given in respect of the developments that are, or could be, significant to the entity. Management will need to apply judgement in determining whether a standard is expected to have a material effect. The assessment of materiality should consider the impact both on previous transactions and financial position and on reasonably foreseeable future transactions. For pronouncements where there is an option that could have an impact on the entity, the management expectation on whether the entity will use the option should be disclosed.

Notes to the consolidated financial statements

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3. Financial risk management¹

3.1 Financial risk factors²

IFRS7p31 The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

IFRS7p34(a) Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Key financial risk management reports are produced monthly on a Group level and provided to the key management personnel of the Group.

(a) 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 open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be accepted, which are monitored on a monthly basis (see details below). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

(i) Foreign exchange risk

IFRS7p33(a) The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the UK pound and HK dollar. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity.

IFRS7p22 The Group's policy is to enter into currency hedging transactions with forward foreign exchange contracts; however, it does not opt to use hedge accounting in accordance with the requirements of IAS 39.

The Group has various financial assets such as derivative financial assets and liabilities, trade and other receivables and cash and short-term deposits that arise directly from its operations. Rental guarantees provided by the seller of an investment property are accounted for as an available-for-sale financial instrument of the Group. The Group's principal financial liabilities, besides derivative financial liabilities, comprise bank loans and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The derivative transactions the Group enters into are primarily interest rate swaps and forward foreign exchange contracts. The purpose is to manage the interest rate risks and currency risks arising from the Group's operations and its sources of finance (economy hedges).

The tables below summarise the reports provided to key management personnel and used to monitor the Group's exposure to foreign currency risk arising from financial instruments at 31 December before hedging. The Group's financial assets and liabilities are included in the table categorised by currency at their carrying amount.

¹ Disclosures required by IFRS 7, 'Financial instruments: Disclosures', include summary quantitative data about the entity's risks arising from financial instruments, based on information provided internally to key management personnel of the entity. The disclosures illustrated are specific to the fictional group whose financial statements are presented, and different disclosures may be appropriate for entities with different risk profiles and different methods of managing risks arising from financial instruments

² IFRS 8 requires disclosures based on the information used for internal reporting purposes. The disclosures illustrated above assume that the entity's internal reporting is based on the particular operating segments shown, with no assets unallocated to segments. Disclosures may vary considerably between entities.

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IFRS7p31, 34(c)	As at 31 December 2011	Note	€	£	HK\$	Other	Total
IFRS7p8	Financial assets – loans and receivables						
	Trade receivables:	11					
	– Rent receivables from lessees, net of impairment		1,265	1,135	518	44	2,962
	– Other financial assets		412	139	135	94	780
	Cash and cash equivalents		521	138	102	144	905
	Rental guarantees		1,879	320	146		2,345
	Derivatives		1,032	346	86		1,464
	Assets of disposal groups classified as held for sale:	12					
	– Trade receivables		–	40	–	–	40
	– Cash and cash equivalents		–	140	–	–	140
	Total financial assets		5,109	1,658	987	882	8,636
IFRS7p8	Financial liabilities measured at amortised cost						
	Non-current borrowings, including finance leases:	15					
	– Bank borrowings		60,434	11,758	13,572	–	85,764
	– Debentures and other loans		10,326	2,009	2,319	–	14,654
	– Finance lease liabilities		4,796	933	1,077	–	6,806
	Tenant deposits — non-current		1,187	396	170	225	1,978
	Trade and other payables:	14					
	– Trade payables		30,613	1,498	2,976	303	33,381
	– Derivatives		420	130	45	–	595
	– Other financial liabilities		4,327	608	584	85	5,604
	– Accruals		648	–	–	–	648
	– Tenant deposits — current		590	–	–	–	590
	Current borrowings — finance lease liabilities	15	1,243	–	857	92	2,192
	Liabilities of disposal groups classified as held for sale:	12					
	– Trade and other payables		–	41	–	–	41
	Total financial liabilities		113,936	17,373	21,600	705	153,614
IFRS7p8	As at 31 December 2010						
IFRS7p8	Financial assets – loans and receivables						
	Trade receivables:	11					
	– Rent receivables from lessees, net of impairment		3,569	588	594	794	5,545
	– Other financial assets		223	31	37	49	340
	Cash and cash equivalents		31,003	3,183	423	543	35,152
	Rental guarantees		1,205	212	102	–	1,519
	Derivatives		837	287	72	–	1,196
	Assets of disposal groups classified as held for sale:	12					
	– Trade receivables		361	40	–	–	401
	– Cash and cash equivalents		477	140	–	–	617
	Total financial assets		37,675	4,481	1,228	1,386	44,770
IFRS7p8	Financial liabilities measured at amortised cost						
	Non-current borrowings, including finance leases:	15					
	– Bank borrowings		63,708	11,886	12,060	–	87,654
	– Debentures and other loans		5,190	968	982	–	7,140
	– Finance lease liabilities		5,822	1,086	1,102	–	8,010
	Tenant deposits — non-current		1,348	450	234	215	2,247
	Trade and other payables:	14					
	– Trade payables		24,868	1,683	2,751	315	27,608
	Derivatives		540	130	77	–	747
	– Other financial liabilities		2,211	275	450	52	2,988
	– Accruals		703	–	–	–	703
	Tenant deposits — current		608	–	–	–	608
	Current borrowings – finance leases	15	1,500	–	967	121	2,588
	Liabilities of disposal groups classified as held for sale:	12					
	– Trade and other payables		2,063	41	324	–	2,428
	Total financial liabilities		108,925	16,519	18,947	703	144,027
IFRS7p33	The Group manages foreign currency risk on a group basis. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury.						
	Nevertheless, the Group does not apply hedge accounting in accordance with IAS 39. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as rental revenue) are denominated. This is generally achieved by obtaining loan finance in the relevant currency and by entering into forward foreign exchange contracts.						

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IFRS7p40(a-b) The functional currency of the Company is the euro; the functional currencies of the Group's principal subsidiaries are the euro, the HK dollar and the UK pound. The following paragraph presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective group entities, with all other variables held constant.

At 31 December 2011 if the HK dollar weakened/strengthened by 25% (2010: 23%), post-tax profit for the year would have been €730 thousand (2010: €678) higher/lower. If the UK pound weakened/strengthened by 25% (2010: 23%), post-tax profit for the year would have been €702 (2010: €643) higher/lower.

(ii) Price risk

IFRS7p33(a) 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. See Note 4.

(iii) Cash flow and fair value interest rate risk

IFRS7p33(a) As the Group's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income.

IFRS7p33(a) The Group's interest rate risk principally arises from long-term borrowings (Note 17). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

The Group's is to fix the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2011, as in the previous year, after taking into account the effect of interest rate swaps and caps, nearly 100% of the Group's borrowings are at a fixed rate of interest. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

IFRS7p33(b) The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

IFRS 7p40(a) As of 31 December 2011, if interest rates had been 200 basis points higher (2010: 180 basis points higher) with all other variables held constant, post-tax profit for the year would have been €2,104 (2010: €2,280) lower. If interest rates had been 200 basis points lower (2010: 100 basis points lower) with all other variables held constant, post-tax profit for the year would have been €1,864 (2010: €2,280) higher.

IFRS7p31 The average effective interest rates of financial instruments at the date of the statement of financial position, based on reports reviewed by key management personnel, were as follows:

	2011			2010		
	€	HK\$	£	€	HK\$	£
Cash and cash equivalents	0.5%	1.5%	1.2%	0.4%	1.2%	1.2%
Bank borrowings	7.0%	6.3%	6.9%	6.8%	6.2%	6.6%
Debentures and other loans	7.2%	6.5%	6.3%	7.1%	6.3%	6.5%
Finance lease liabilities	7.4%	6.0%	6.8%	7.2%	5.8%	6.8%
Rental guarantees	5.9%	5.3%	5.6	5.4	5.0	5.3
Tenant deposits	6.8%	6.0%	6.2%	6.7%	6.1%	6.9%

The average effective rate for tenant deposits disclosed above applies for both non-current and current tenant deposits.

(b) Credit risk

IFRS7p33(a)(b) Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees, rental guarantees and derivatives.

IFRS7p36(c) Credit risk is managed on a group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review. The Group has policies in place to ensure

(All amounts in € thousands unless otherwise stated)

that rental contracts are entered into only with lessees with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis. Cash balances are held and derivatives are agreed only with financial institutions with a Moody's credit rating of A or better. The Group has policies that limit the amount of credit exposure to any financial institution. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors. The utilisation of credit limits is regularly monitored.

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

IFRS7p36(a)	2011	2010
Trade receivables, net of provision for impairment (Note 12):		
– Rent receivables from lessees	3,284	5,785
– Other financial assets	780	340
Cash and cash equivalents	905	35,152

IFRS7p36(b) Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

IFRS7p25 The fair value of cash and cash equivalents at 31 December 2011 and 31 December 2010 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

IFRS7p37	2011	2010
Trade receivables, gross (Note 12):		
Neither past due nor impaired:		
– Receivables from large companies	2,852	4,835
– Receivables from small or medium-sized companies	540	690
Total neither past due nor impaired	3,392	5,525
Past due but not impaired:		
– less than 30 days overdue	290	320
– 30 to 90 days overdue	60	40
Total past due but not impaired	350	360
Individually determined to be impaired (gross):		
– 30 to 90 days overdue	200	130
– 90 to 180 days overdue	122	110
Total individually determined to be impaired (gross)	322	240
Less: impairment provision	(322)	(240)
Total trade receivables, net of provision for impairment	3,742	5,885
Cash and cash equivalents, neither past due nor impaired (Moody's ratings of respective counterparties):		
– AA-rated	434	24,560
– A-rated	471	10,592
Total cash and cash equivalents	905	35,152

For the purposes of the Group's monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of €5,000 (2010: €5,500).

IFRS7p34(c) There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a large number of financial institutions, internationally dispersed.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The

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amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

IFRS7p39(a) The maturity analysis of financial instruments at 31 December 2011 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
Assets							
DV	Cash and cash equivalents	905	–	–	–	–	905
	Derivative financial instruments	–	–	1,464	–	–	1,464
DV	Trade receivables	3,392	350	–	–	–	3,742
	Rental guarantees	–	–	356	664	1,325	2,345
Liabilities							
IFRS7p39(a)	Bank borrowings	–	–	–	22,054	43,186	29,806
IFRS7p39(a)	Debentures and other loans	–	–	–	5,241	14,154	–
IFRS7p39(a)	Finance lease liabilities	229	451	2,069	1,570	4,722	2,063
	Derivative financial instruments	–	–	–	595	–	–
IFRS7p39(a)	Tenant deposits	49	154	387	781	–	–
	Trade and other payables:						
IFRS7p39(a)	– Trade payables	24,407	8,974	–	–	–	–
IFRS7p39(a)	– Other financial liabilities	4,672	932	–	–	–	–
IFRS7p39(a)	– Accruals	550	98	–	–	–	–

The maturity analysis of financial instruments at 31 December 2010 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
Assets							
DV	Cash and cash equivalents	35,152	–	–	–	–	35,152
	Derivative financial instruments	–	–	1,196	–	–	1,196
DV	Trade receivables	5,525	360	–	–	–	5,885
	Rental guarantees	–	–	232	320	967	1,519
Liabilities							
IFRS7p39(a)	Bank borrowings	–	–	–	23,743	44,068	27,331
IFRS7p39(a)	Debentures and other loans	–	–	–	4,276	3,687	–
IFRS7p39(a)	Finance lease liabilities	267	515	2,421	1,916	5,244	2,891
	Derivative financial instruments	40	117	451	472	1,417	358
IFRS7p39(a)	Tenant deposits	55	160	393	647	1,940	715
	Trade and other payables:						
IFRS7p39(a)	– Trade payables	24,407	5,210	–	–	–	–
IFRS7p39(a)	– Other financial liabilities	2,802	186	–	–	–	–
IFRS7p39(a)	– Accruals	615	88	–	–	–	–

As the amount of contractual undiscounted cash flows related to bank borrowings and debentures and other loans is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date — that is, the actual spot interest rates effective as of 31 December 2011 and 31 December 2010 are used for determining the related undiscounted cash flows.

3.2 Capital risk management

1p134
1G10
1p135(a) 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 benefits for other stakeholders; 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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio within 10% to 18% and a BB credit rating. The Group's Moody's credit rating was BB throughout 2011 and 2010. The gearing ratios at 31 December 2011 and at 31 December 2010 were as follows:

(All amounts in € thousands unless otherwise stated)

	2011	2010
Total borrowings	109,416	105,392
Less: cash and cash equivalents	(905)	(35,152)
Net debt	108,511	70,240
Total equity	568,117	557,660
Total capital	676,628	627,900
Gearing ratio	16%	11%

3.3 Fair value estimation

IFRS7p27B(a) The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety 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 judgement, 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 of 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 as of 31 December 2011 are classified as follows:

	Level 1	Level 2	Level 3
Rental guarantees	–	–	2,345
Derivative financial assets	–	1,464	–
Derivative financial liabilities	–	595	–

The Group's financial assets and liabilities as of 31 December 2010 were classified as follows:

	Level 1	Level 2	Level 3
Rental guarantees	–	–	1,519
Derivative financial assets	–	1,196	–
Derivative financial liabilities	–	747	–

IFRS7p29 The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements 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.

40p46(c),
40p75(d)

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

Reflecting the economic environment and market conditions during 2010, which continued throughout 2011, the frequency of property transactions on an arm's length basis has decreased for few of its investment properties. For these properties with a total carrying amount of €150m (2010: €250m) 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 (at the date of the statement of financial position) 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. Were the market rentals assumed in the discounted cash flow analysis to increase or decrease by 10% from management's estimates, the carrying amount of investment properties that are valued by the discounted cash flow method (DCF) would be an estimated €4,580 higher or lower, respectively.

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Were the length of vacant periods to increase or decrease by 10% from management's estimates, the carrying amount of investment properties that are valued by the DCF method would be an estimated €990 lower or €1,340 higher, respectively.

Were the discount rate used in the DCF analysis to increase or decrease by 10%, the carrying amount of investment properties would be an estimated €4,855 lower or €5,710 higher, respectively.

In addition, investment properties with a carrying value of €90,000 were not in use as of 31 December 2011, as they were in the process of construction. Of these, properties under construction or development with a carrying value of €52,682 require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, compliance with environmental regulations and other matters. Based on the Group's historical experience with similar developments in similar locations, all relevant permits and approvals are expected to be obtained, but the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

For investment properties under construction or development, the estimated period from 31 December 2011 to completion varies from 3 months to 2 years. If the period to completion was to increase by 50% relative to management's estimate — for example, due to delays in the construction process or in obtaining required permits — the impact on the fair value of investment properties of the delay in generating rental income would be an estimated decrease of €5,324.

(b) Income taxes

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

The deferred tax assets recognised at 31 December 2011 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the Group would need to:

- increase the income tax liability by €10,000 and the deferred tax liability by €20,000; if unfavourable; or
- decrease the income tax liability by €9,000 and the deferred tax liability by €18,000; if favourable.

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4.2 Critical judgements in applying the Group's accounting policies

The Group did not make any critical accounting judgements in 2011 or 2010.

5. Operating segments

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 has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company.

IFRS8p22(a) Management has determined the operating segments based on the reports reviewed by the CEO in making strategic decisions.

IFRS8p22(a) The CEO considers the business based on the following operating segments:

- UK – Commercial
- UK – Retail
- Germany – Commercial
- Germany – Retail
- Hong Kong – Commercial
- Hong Kong – Retail

IFRS8p22(b)
IFRS8p16 The operating segments derive their revenue primarily from rental income from lessees. All of the Group's business activities and operating segments are reported within the above segments.

(All amounts in € thousands unless otherwise stated)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2011 is as follows:

	UK		Germany		Hong Kong		Total	
	Commercial	Retail	Commercial	Retail	Commercial	Retail		
IFRS8p23, p33(a)	Total segment revenue:							
	– Revenue from external customers							
	9,412	7,490	7,184	5,591	6,718	5,959	42,354	
IFRS8p23	Operating profit							
	7,174	5,709	5,475	4,261	5,166	4,542	32,327	
	Included in operating profit:							
IFRS 8p23(e)	– Depreciation and amortisation							
	(1,245)	(991)	(950)	(527)	(889)	(647)	(5,249)	
IFRS8p23(i)	– Net gain from fair value adjustment on investment property							
	1,672	1,504	1,277	1,006	1,218	983	7,660	
	Not included in operating profit:							
IFRS8p23(c)	– Interest income							
	234	187	179	139	167	148	1,055	
IFRS8p23(d)	– Interest expense							
	(1,303)	(1,037)	(995)	(774)	(930)	(825)	(5,864)	
IFRS8p23(h)	– Income tax expense							
	(1,349)	(1,073)	(1,030)	(787)	(963)	(854)	(6,056)	
IFRS8p23	Total assets	174,307	138,712	133,045	103,543	124,415	110,539	784,381
	Total assets include:							
IFRS8p24(b)	– Additions to non-current assets (other than financial instruments and deferred tax assets)							
	11,502	8,917	7,300	5,581	6,826	6,055	46,181	
IFRS8p23	Total liabilities¹	(49,621)	(37,889)	(36,342)	(28,283)	(33,984)	(30,145)	(216,264)

The segment information for the year ended 31 December 2010 is as follows:

	UK		Germany		Hong Kong		Total	
	Commercial	Retail	Commercial	Retail	Commercial	Retail		
IFRS8p23, p33(a)	Total segment revenue:							
	– Revenue from external customers							
	9,144	7,290	7,002	5,250	6,270	5,132	40,088	
IFRS8p23	Operating profit							
	7,738	6,074	5,834	4,374	5,224	4,276	33,521	
	Included in operating profit:							
IFRS8p23(e)	– Depreciation and amortisation							
	(513)	(569)	(546)	(404)	(489)	(285)	(2,806)	
IFRS8p23(i)	– Net gain from fair value adjustment on investment property							
	1,102	990	842	663	803	648	5,048	
	Not included in operating profit:							
IFRS8p23(c)	– Interest income							
	234	186	179	134	160	131	1,024	
IFRS8p23(d)	– Interest expense							
	(2,181)	(1,738)	(1,670)	(1,252)	(1,495)	(1,224)	(9,560)	
IFRS8p23(h)	– Income tax expense							
	(1,406)	(1,121)	(1,076)	(796)	(964)	(789)	(6,152)	
IFRS8p23	Total assets	173,569	138,377	132,910	99,654	119,016	97,415	760,942
	Total assets include:							
IFRS8p24(b)	– Additions to non-current assets (other than financial instruments and deferred tax assets)							
	4,481	3,572	3,431	2,537	3,073	2,516	19,610	
IFRS8p23	Total liabilities	(47,919)	(36,531)	(35,088)	(25,948)	(31,420)	(25,717)	(203,282)

IFRS8p27(a) During 2011 and 2010, there were no transactions between the Group's reportable segments.

IFRS8p27(b), IFRS 8p28(b) The CEO assesses the performance of the operating segments based on a measure of operating profit. The operating profit and profit or loss of the Group's reportable segments reported to the CEO are measured in a manner consistent with that in profit or loss. A reconciliation of operating profit to profit before tax is therefore not presented separately.

IFRS8p27(c), IFRS8p27(d) The amounts provided to the CEO in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

¹ The measure of liabilities has been disclosed for each reportable segment, as it is regularly provided to the CEO.

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IFRS8p32 The breakdown of revenue from all services is as follows:

	2011	2010
Analysis of revenue by category		
Rental income:		
– Warehouse property	6,917	5,887
– Office property	14,285	14,728
– Retail property	18,942	17,600
Total rental income	40,144	38,215
Service and management charges	2,210	1,873
Total revenue	42,354	40,088

IFRS8p33(a) The Company is domiciled in Euravia but does not generate revenue there. The Group's revenue is primarily generated from property assets which are held by group companies domiciled in the same country as the relevant asset is located. The breakdown of the major components of revenue from external customers by country is disclosed above.

IFRS8p33(b) None of the Group's non-current assets are domiciled in Euravia. The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in other countries is €758,605 (2010: €712,538).

IFRS8p34 Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's revenues.

6. Investment property¹

40p76	2011	2010
Year ended 31 December		
At the beginning of the year	600,387	602,804
Additions:		
40p76(a) – Direct acquisitions of investment property	2,797	220
40p76(b) – Acquisitions through business combinations (Note 25)	17,570	–
40p76(a) – Acquisitions of subsidiaries other than through business combinations (Note 25)	9,732	4,199
40p76(a) – Subsequent expenditure on investment property	28,213	2,482
17p52 Capitalised letting fees	2,362	942
17p52 Amortisation of capitalised letting fees	(237)	(212)
23p8 Capitalised borrowing costs (Note 22)	4,568	450
40p76(f) Transfer to property, plant and equipment – at fair value (Note 7) ²	(25,456)	–
40p76(f) Transfer to inventories – at fair value (Note 11) ³	(15,234)	–
40p76(c) Transfer from/to disposal groups classified as held for sale (Note 15)	3,594	(4,403)
40p76(c) Disposals ⁴	(10,564)	(750)
40p76(d) Net gain from fair value adjustments on investment property	7,660	5,048
Effect of translation to presentation currency	(8,537)	(10,393)
At the end of the year	616,855	600,387

8p28 40p85B The Group determined that the fair value of all of its investment properties under construction at 31 December 2011 were reliably determinable on a continuing basis.

40p75(e) The Group's investment properties were revalued at 31 December 2011 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

40p50(d) 40p77 The carrying values of investment property at 31 December 2011 and 31 December 2010 agree to the valuations reported by the external valuers, except that the valuations have been increased by the amount of related finance lease liabilities recognised in respect of investment properties held under leases (€6,806 at 31 December 2011 and €8,010 at 31 December 2010). This is because the valuations report only a single figure in respect of an investment property held under a lease, net of all payments expected to be made; however, for financial reporting purposes, the carrying value of the investment property and the related finance lease liability are presented separately.

¹ Real estate entities may disclose details of the most significant properties and development projects, either within the financial statements or outside the financial statements but within the other information in the entity's annual report. It is assumed that the illustrated entity discloses such information elsewhere in the annual report, and the disclosures are not therefore illustrated in this note.

² A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2011. It was reclassified from investment property to property, plant and equipment (Note 7) (40p57(a)).

³ An office building located in Germany was redeveloped in 2011. It was reclassified from investment property to inventories (Note 11) (40p57(b), 10p21).

⁴ A property located in China was sold in July 2011 for €8,580 to the Company's parent company, Mother Limited. Management estimates that the fair value of the property at the date of disposal was €10,564, such that a loss on disposal of €1,984 was recognised through profit or loss (40p69).

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40p75(h)	At 31 December 2011, the Group had unprovided contractual obligations for future repairs and maintenance of €3,765 (2010: €3,796).
40p75(f) 17p31(a)	Direct operating expenses recognised in profit or loss include €456 (2010: €412) relating to investment property that was unlet. Investment property includes buildings held under finance leases of which the carrying amount is €25,680 (2010: €23,725).
40p75(g)	Bank borrowings are secured on investment property to the value of €107,224 thousand (2010: €102,804 thousand) (Note 15).

7. Property, plant and equipment

1p78(a)	Land & buildings	Fixtures & fittings	Total	
16p73(d)	At 1 January 2010			
	Cost	101,758	13,890	115,648
	Accumulated depreciation	(15,889)	(6,810)	(22,699)
	Net book amount	85,869	7,080	92,949
16p73(e)	Year ended 31 December 2010			
	Opening net book amount	85,869	7,080	92,949
	Additions	12,476	770	13,246
	Depreciation charge	(1,964)	(842)	(2,806)
	Effect of translation to presentation currency	-321	110	(211)
	Closing net book amount	96,060	7,118	103,178
16p73(d)	At 31 December 2010			
	Cost	113,913	14,770	128,683
	Accumulated depreciation	(17,853)	(7,652)	(25,505)
	Net book amount	96,060	7,118	103,178
16p73(e)	Year ended 31 December 2011			
	Opening net book amount	96,060	7,118	103,178
	Additions	5,125	5,197	10,322
	Transfer from investment property (Note 6)	25,456	-	25,456
	Depreciation charge	(3,674)	(1,575)	(5,249)
	Effect of translation to presentation currency	(643)	(276)	(919)
	Closing net book amount	122,324	10,464	132,788
16p73(d)	At 31 December 2011			
	Cost	143,851	19,691	163,542
	Accumulated depreciation	(21,527)	(9,227)	(30,754)
	Net book amount	122,324	10,464	132,788

36p126(a) There were no impairment charges in 2010 and 2011.

23p26 In 2011, no borrowing costs were capitalised for PPE.

8. Available-for-sale financial assets

Rental guarantees provided by the seller of an investment property are accounted for as financial instrument of the Group. Rental guarantees that reimburse the Group in case a specific vacancy rate is exceeded are classified as financial instrument available for sale.

The rental guarantees held by the Group are as follows:

	2011	2010	
39AG8			
	Fair value as per 1 January	1,519	-
	Additions	-	1,499
	Adjustments due to change in estimated cash flows	845	6
	Accrued interests	15	12
	Fair value changes recognised in OCI	20	2
	Payment received	54	-
	Total	2,345	1,519

Adjustments due to changes in estimated cash flows are recognised in the line item 'other adjustments' to the carrying amount of financial instruments as part of operating profit.

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9. Goodwill

		2011	2010
IFRS3p61	Cost and carrying amount at 1 January	496	489
IFRS3p61	Acquisition of subsidiary (Note 23)	90	–
IFRS3p61	Effect of translation to presentation currency	13	7
IFRS3p61	Cost and carrying amount at 31 December	599	496

36p68 Goodwill is allocated to the Group's cash-generating units (CGUs), which in all cases were determined to be individual properties owned by subsidiaries acquired by the Group. €307 (2010: €387) of the goodwill relates to offices in Germany, €202 (2010: €109) to retail properties in the UK, and €90 to the acquisition disclosed in Note 23.

36p130 No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs were based on their fair value less costs to sell. The fair values of the buildings were assessed based on reports by external valuers (see Note 6).

10. Income tax

		2011	2010
12p79	Current tax	4,115	4,548
12p79	Deferred tax	1,941	1,604
	Total	6,056	6,152

12p81(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate on the applicable profits of the consolidated companies as follows:

	2011	2010
Profit before tax	26,947	24,465
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,893	7,340
Tax effect on :		
– Income not subject to tax:		
– Tax free profit from disposal of IP	(3,038)	(1,438)
– Expenses not deductible for tax purposes:		
– Sponsorship and charitable donations	201	250
Tax charge	6,056	6,152

12p81(d) The weighted average applicable tax rate was 33% (2010: 30%). The increase was caused by a change in the profitability of the Group's subsidiaries in the respective countries.

12p74 The amounts of deferred income tax assets and liabilities offsetting are as follows¹:

	2011	2010
1p61		
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	(167)	(120)
– Deferred tax asset to be recovered within 12 months	(766)	(630)
	(933)	(750)
Deferred tax liabilities:		
– Deferred tax liability reversing after more than 12 months	49,767	47,039
– Deferred tax liability reversing within 12 months	2,903	1,999
	52,670	49,038
Deferred tax liabilities (net)	51,737	48,288

¹ In accordance to IAS 21p74, deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(All amounts in € thousands unless otherwise stated)

The gross movement on the deferred income tax account is as follows:

	2011	2010
Beginning of the year	49,038	47,057
Effect of translation to presentation currency	273	228
Income statement charge	2,053	1,753
Effect of business combinations	1,306	–
End of the year	52,670	49,038

12p81(g)(i-ii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets	Provisions against receivables	Other	Total
	At 1 January 2010	(422)	(120)	(542)
12p81(g)(ii)	Credited to the income statement	(48)	(101)	(149)
	Effect of translation to presentation currency	(10)	(49)	(59)
	At 31 December 2010	(480)	(270)	(750)
12p81(g)(ii)	Credited to the income statement	(36)	(76)	(112)
	Effect of translation to presentation currency	(12)	(59)	(71)
12p81(g)(i)	At 31 December 2011	(528)	(405)	(933)

	Deferred tax liabilities	Accelerated tax depreciation	Increases in fair value of investment properties	Total
	At 1 January 2010	392	46,665	47,057
12p81(g)(ii)	Charged to the income statement	258	1,495	1,753
	Effect of translation to presentation currency	29	199	228
	At 31 December 2010	679	48,359	49,038
	Deferred tax liabilities recognised following business combinations (Note 23)	–	1,306	1,306
12p81(g)(ii)	Charged to the income statement	288	1,765	2,053
	Effect of translation to presentation currency	34	239	273
12p81(g)(i)	At 31 December 2011	1,001	51,669	52,670

12p81(f) Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as the Group is able to control the timing of the reversal of the differences and it is probable that the differences will not reverse in the foreseeable future. The temporary differences associated with unremitted earnings totalled €30,671 at 31 December 2011 (2010: €23,294).

12p81(e-f) There are no other significant unrecognised deferred tax assets and liabilities.

As required by IAS 12 'Income taxes', the Group has not recognised a cumulative deferred tax liability in the amount of €5,602 (2010: €2,972) relating to acquisitions of subsidiaries, which were accounted for as acquisitions of groups of assets. As the acquisitions are not accounted for as business combinations, and affected neither accounting nor taxable profit at the point of acquisition, the initial recognition exemption in IAS 12 applies. The Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition. See Note 23.

11. Inventories

	2011	2010	
40p57(b)	Transfer from investment property (Note 6)	15,234	–
	Redevelopment expenditures	1,460	–
	Capitalised borrowing costs (Note 22)	223	–
		16,917	–

2p8
10p21 The Group commenced redevelopment during 2011 of an office building in Germany, which was classified as investment property (Note 6) in July 2011. Upon commencement of the redevelopment, the Group started its marketing for sale of exclusive individual office units. This building is part of a new business line of the Group. The Group intends to develop other office buildings for resale.

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

12. Trade receivables

1p78(b)		2011	2010
IFRS7p6	Trade receivables:		
	– Rent receivables from lessees	3,284	5,785
	– Other financial assets	780	340
IFRS7p16	Less: provision for impairment of trade receivables	(322)	(240)
	Trade receivables, net of provision for impairment	3,742	5,885

IFRS7p25 The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts. Expected cash flows are discounted at current market rates to determine fair values.

IFRS7p34(c) There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants, internationally dispersed.

IFRS7p37(b) The Group has recognised a loss of €82 relating to the impairment of its trade receivables (2010: €113). The loss has been included in 'other expenses' in the income statement.

IFRS7p37(b) The individually impaired receivables are over three months past due and mainly relate to certain tenants in office buildings. A provision is recognised for amounts not expected to be recovered. Movements in the accumulated impairment losses on trade receivables were as follows:

	2011	2010
Accumulated impairment losses at 1 January	240	132
Additional impairment losses recognised during the year, net	82	113
Amounts written off during the year as uncollectible	(20)	(10)
Effect of translation to presentation currency	20	5
Accumulated impairment losses at 31 December	322	240

The impairment losses recognised during the year are net of a credit of €10 (2010: €16) relating to the recovery of amounts previously written off as uncollectible.

IFRS7p31 The allocation of the carrying amount of the Group's trade receivables by foreign currency is presented in Note 3.1(a).

13. Operating lease pre-payments

At 1 January 2010	7,072
Amortisation	(104)
Effect of translation to presentation currency	(10)
At 31 December 2010	6,958
Amortisation	(104)
Effect of translation to presentation currency	(10)
At 31 December 2011	6,844

17p35 The up-front payments for an operating lease of the owner-occupied land in Hong Kong (€10,260) were paid in January 1979. The term of the lease is 99 years.

14. Derivative financial instruments

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	408	147	269	132
Forward foreign exchange contracts	1056	448	927	615
Total	1,464	595	1,196	747

1p66 The Group does not apply hedge accounting in accordance to IAS 39. Nevertheless, interest rates swaps and forward exchange contracts are part of economic hedge relationships. Interest rate swaps are used to fix the interest payments of variable debt instruments. Forward exchange contracts are used to hedge forecast transactions and foreign currency borrowings against foreign currency risks.

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were €92,370 (2010: €89,689). The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2011 were €4,314 (2010: €3,839). The fair value gains on derivative financial instruments amounts to €571 (2010: 520).

(All amounts in € thousands unless otherwise stated)

15. Non-current assets classified as held for sale¹

IFRS5p41 (a-d) The assets and liabilities related to the group companies Warehouse GmbH (part of the Germany commercial operating segment) and Retail Limited (part of the UK retail operating segment) were presented as held for sale at 31 December 2010 following the decision of the Group's management on 1 December 2010 to sell the companies and the Group's active marketing for sale since that date. The completion date for the transactions was originally expected by July 2011.

IFRS5p9 The Group did not dispose of the companies during 2011, as the buyers originally identified withdrew from the transactions. As of 31 December 2011, negotiations with a potential buyer for Retail Limited were at an advanced stage. The transaction is expected to complete by March 2010, and the assets and liabilities of the Company therefore remain classified as a disposal group.

IFRS5p26 Warehouse GmbH is no longer actively marketed for sale. From 1 April 2011, the Company's assets and liabilities were reclassified from disposal groups to the respective asset and liability accounts in the balance sheet.

IFRS5p41(c) The assets and liabilities of the disposal groups are presented at their carrying amount. The Group did not recognise any impairment loss for a write-down of the disposal groups to fair value less costs to sell.

IFRS5p38 (a) *Assets of disposal groups classified as held for sale*

	2011	2010
Investment property	809	4,403
Trade receivables	40	401
Cash and cash equivalents	140	617
Total	989	5,421

IFRS5p38 (b) *Liabilities of disposal groups classified as held for sale*

	2011	2010
Current income tax liabilities	127	746
Trade and other payables	41	2,428
Total	168	3,174

IFRS5p38 (c) *Cumulative income or expense recognised directly in equity relating to disposal groups classified as held for sale*

	2011	2010
Foreign exchange translation adjustments (debited)/credited to translation reserve	(185)	326
Total	(185)	326

16. Share capital

1p79		Number of shares (thousands)	Ordinary shares	Share premium	Total
1p79(a)	At 31 December 2010 and 2011	40,000	40,000	22,720	62,720

1p79(a) The total authorised number of ordinary shares is 40 million (2010: 40 million) with a par value of €1 per share (2010: €1 per share). All issued shares are fully paid (2010: all fully paid).

17. Borrowings

IFRS7p7
IFRS7p8(f) All the Group's borrowings are at floating rates of interest. Interest costs may increase or decrease as a result of changes in the interest rates.

	2011	2010
Non-current		
Bank borrowings	85,764	87,654
Debentures and other loans	14,654	7,140
Finance lease liabilities	6,806	8,010
	107,224	102,804
Current		
Finance lease liabilities	2,192	2,588
Total borrowings	109,416	105,392

¹ These amounts are not in thousands.

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

40p75(g) The borrowings include amounts secured on investment property to the value of €107,224 thousand (2010: €102,804 thousand) (Note 6).

IFRS7p29(a)
IFRS7p27(c) The fair value of borrowings approximated their carrying value at the date of the statement of financial position.

IFRS7p31 Bank borrowings mature until 2014 and bear average coupons of 7.5% annually (2010: 7.4% annually).

IFRS7p31 The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2011	2010
6 months or less	11,056	14,586
6-12 months	98,360	90,806
Total	109,416	105,392

IFRS7p31,
34(c) The carrying amounts of the group's borrowings denominated in foreign currencies are disclosed in Note 3.1.

DV, 7p50(a) The Group has the following undrawn floating rate borrowing facilities:

	2011	2010
– Expiring within one year	16,300	10,500
– Expiring beyond one year	22,600	14,500
Total	38,900	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2012. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe. See Note 27 for details of borrowing arrangements entered into after the date of the statement of financial position.

Minimum lease payments in respect of finance leases are as follows:

	2011	2010
17p31(b) IFRS7p39(a) Gross finance lease liabilities – minimum lease payments:		
– No later than 1 year	2,749	3,203
– Later than 1 year and no later than 5 years	6,292	7,160
– Later than 5 years	2,063	2,891
	11,104	13,254
Future finance charges on finance leases	(2,106)	(2,656)
Present value of finance lease liabilities	8,998	10,598

17p31(b) The present value of finance lease liabilities is as follows:

	2011	2010
No later than 1 year	2,192	2,588
Later than 1 year and no later than 5 years	4,900	5,287
Later than 5 years	1,906	2,723
Total	8,998	10,598

18. Trade and other payables

	2011	2010
Financial liabilities:		
– Trade payables	35,390	29,617
– Other financial liabilities	5,604	2,988
– Accruals	648	703
Non-financial liabilities:		
– Social security and other taxes	3,920	2,775
Trade and other payables	45,562	36,083

IFRS7p25 The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts.

IFRS7p31,
34(c) The allocation of the carrying amount of the Group's trade and other payables by foreign currency is presented in Note 3.1(a).

(All amounts in € thousands unless otherwise stated)

19. Provisions

DV	At 1 January 2010	2,103
DV	Effect of translation to presentation currency	60
DV	Additional provisions – charged to income statement	200
DV	Utilised during the year	(762)
37p84(a)	At 1 January 2011	1,601
	Effect of translation to presentation currency	59
37p84(b)	Additional provisions – charged to income statement	302
37p84(c)	Utilised during the year	(1,412)
37p84(a)	At 31 December 2011	550

37p85(a) The amounts shown are for certain legal claims relating to disputes over service and maintenance charges brought against the Group by certain tenants in [name of country]. The balance at 31 December 2011 is expected to be utilised in the first half of 2012. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2011.

20. Revenue

		2011	2010
40p75(f)(i)	Rental income	40,144	38,215
18p35(b)	Service and management charges ¹	2,210	1,873
	Total	42,354	40,088

17p56(c) The period of leases whereby the Group leases out its investment property under operating leases is three years or more.

17p56(b) Contingent rents recognised as income were €1,234 in 2011 (2010: €1,115).

17p56(a) The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2011	2010
No later than 1 year	32,534	30,971
Later than 1 year and no later than 5 years	45,989	43,779
Later than 5 years	3,198	3,045
Total	81,721	77,795

21. Employee benefits expense

	2011	2010	
	Wages and salaries	1,064	1,008
	Social security costs	104	96
19p46	Pension costs – defined contribution plans	280	296
	Total	1,448	1,400

22. Finance income and costs

	2011	2010	
IFRS7p20(b)	Interest expense on bank borrowings	11,225	10,529
	Interest on tenant deposits	18	21
	Interest expense on finance leases	889	936
21p52(a)	Net foreign exchange losses on borrowings	684	604
	Total finance costs	12,816	12,090
23p8	Less: Finance costs capitalised within investment property (Note 6)	(4,568)	(450)
23p8	Less: Finance costs capitalised within investment	(223)	–
	Finance costs	8,025	11,640
	Interest income on short-term deposits ²	1,055	1,024
	Interest income on available-for-sale monetary financial assets (Note 8)	15	12
	Adjustment due to change in estimated cash flows (Note 8)	845	6
	Finance income	1,915	1,042
	Finance costs – net	6,110	10,598

¹ Service and management charges can only be included in their entirety as part of revenue if the entity acts as principal rather than as an agent.

² Finance income is not be netted against finance costs; it is included in 'other revenue/other income' or shown separately in the statement of comprehensive income. Where finance income is just an incidental benefit, it is acceptable to present finance income immediately before finance costs and include a sub-total of 'net finance costs' in the income statement. However, where earning interest income is one of the entity's main lines of business, it is presented as 'revenue'.

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

21p52(a) The total foreign exchange losses recognised in profit or loss during the year 2011 amounted to €490 (2010: €410).
23p6 (e)

23. 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.

		2011	2010
33p70(a)	Net profit attributable to shareholders (Note 2.1)	18,179	17,198
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	40,000	40,000
33p66	Basic earnings per share (€ per share) (Note 2.1)	0.45	0.43

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

24. Dividends per share

1p107, The dividends paid in 2011 and 2010 were €14,643 (or €0.37 per share) and €11,379 (or €0.28 per share)
1p137(a) respectively. A dividend in respect of 2011 of €0.31 per share, amounting to a total dividend of €12,400, is to be proposed at the Annual General Meeting on 31 March 2012. These financial statements do not reflect this dividend payable.

25. Acquisitions of subsidiaries (business combinations and asset acquisitions)

IFRS3R59(a) (a) *Business combinations*
IFRS3B64(a-c)

On 10 September 2011, the Group acquired 100% of the share capital of GHI GmbH, a company incorporated in Germany, which is engaged in the construction of a residential complex in Munich, Germany. The acquired subsidiary will not generate revenue until the completion of the development. The subsidiary contributed a loss of €1,843 to the Group for the period from the date of acquisition to 31 December 2011. If the acquisition had occurred on 1 January 2011 with all other variables held constant, group revenue for 2011 would have been unchanged, and profit for 2011 would have been €16,934.

Details of the assets and liabilities acquired and negative goodwill arising are as follows¹:

IFRS3p59(a) IFRS3B64(i-j)	Attributed fair value
Investment property	17,570
Cash and cash equivalents	4,527
Borrowings	(8,765)
Deferred tax liability	(946)
Trade and other payables	(1,864)
Fair value of acquired interest in net assets of subsidiary	10,522
Goodwill	90
Total purchase consideration	10,612
Less: cash and cash equivalents of subsidiary acquired	(4,527)
Net outflow of cash and cash equivalents on acquisition	6,085

IFRS3p61 The purchase consideration disclosed above comprises cash and cash equivalents paid to the acquiree's previous owner of €9,729 and other costs directly attributable to the business combination of €586.

Goodwill is primarily attributable to enhanced returns expected from operating the investment property under the Group's brand and the significant synergies expected to arise.

The valuation of investment property at the acquisition date was performed by an independent professional appraiser with experience of the relevant market. The fair value of cash and cash equivalents was considered to equal the carrying value representing the entity's bank deposits; fair value of borrowings and trade and other payables was calculated based on discounted cash flow models.

At the date of acquisition, GHI GmbH was actively engaged in the construction and development process and marketing of the project. Management determined that the acquired entity should be accounted for as a business in accordance with IFRS 3, 'Business combinations'.

¹ In this example, assume that no intangible assets were identified.

(All amounts in € thousands unless otherwise stated)

(b) Asset acquisitions

On 28 September 2011, the Group acquired 100% of the share capital of ABC Limited, a company incorporated in the UK, which owns a land plot near Reading, UK. Total purchase consideration amounted to cash of €3,415. The Group intends to use the site to construct an out-of-town retail centre on the land plot, with development commencing in 2012.

On 3 January 2011, the Group acquired 100% of the share capital of XYZ Limited, a company incorporated in Germany, which holds land on long-term lease in central Berlin, Germany. Total purchase consideration amounted to cash of €5,905. Following the acquisition the Group commenced construction of an office building.

On 26 January 2010, the Group acquired 100% of the share capital of SRT GmbH, a company incorporated in Germany, which owns a land plot near Stuttgart, Germany. Total purchase consideration amounted to cash of €4,125. In November 2011, the Group completed the development of an office complex on the site.

Management considers that at acquisition, ABC Limited, XYZ Limited and SRT GmbH constituted groups of net assets, rather than businesses as defined in IFRS 3, 'Business combinations', as prior to acquisition the subsidiaries were holding the leased land or owned land in a passive fashion with a view to the sale of the subsidiaries by the previous shareholders, with no operations or plans in place to use the land.

At the date of acquisition of SRT GmbH, the Group had not determined whether the land would be developed by the Group or leased to a third-party developer. As the land was acquired for an undetermined future use, it was classified as investment property by the Group at initial recognition.

As the acquisitions of ABC Limited, XYZ Limited and SRT GmbH were not accounted for as business combinations. As neither accounting profit nor taxable profit were affected at the time of the transactions, the initial recognition exemption in IAS 12, 'Income taxes' applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2011 were:

	Asset acquisitions			Total asset acquisitions and business combinations	
	ABC	XYZ	Total		
7p40(d)	Investment property	3,316	6,416	9,732	27,302
7p40(c)	Cash and cash equivalents	316	101	417	4,944
7p40(d)	Borrowings	–	(544)	(544)	(9,246)
7p40(d)	Deferred tax liability	–	–	–	(1,306)
7p40(d)	Trade and other payables	(217)	(68)	(285)	(2,149)
	Goodwill	–	–	–	90
7p40(a)-b)	Total purchase consideration, settled in cash	3,415	5,905	9,320	19,635
7p40(c)	Less: cash and cash equivalents of subsidiary acquired	(316)	(101)	(417)	(4,944)
	Net outflow of cash and cash equivalents on acquisition	3,099	5,804	8,903	14,691

The assets and liabilities recognised in the consolidated statement of financial position on the date of the acquisition of SRT GmbH during 2010 were:

	Asset acquisition	
7p40(d)	Investment property	4,199
7p40(d)	Cash and cash equivalents	50
7p40(d)	Trade and other payables	(124)
7p40(a)-b)	Total purchase consideration, settled in cash	4,125
7p40(c)	Less: cash and cash equivalents of subsidiary acquired	(995)
	Net outflow of cash and cash equivalents on acquisition	3,130

26. Contingencies and commitments

37p86 The Group has no significant contingent liabilities.

16p74(c) The Group has capital commitments of €460 (2010: €10,667) in respect of capital expenditures contracted for at the date of the statement of financial position.

Notes to the consolidated financial statements

(All amounts in € thousands unless otherwise stated)

27. Related-party transactions

1p138(c)
24p13 The Group's immediate parent company is Mother Limited (incorporated in Euravia), which owns 55% of the Company's shares. The remaining 45% of the shares are widely held. The ultimate parent of the Group is Grandpa Limited (incorporated in Euravia). The Group's ultimate controlling party is Mr. Power.

24p18, 22 There were no other transactions¹ carried out or balances outstanding with related parties except for dividend distributions (Note 22) and the following:

		2011	2010
24p17	Key management compensation		
24p17(a)	Salaries and other short-term employee benefits	106	100
24p17(d)	Termination benefits	150	–
24p17(b)	Post-employment benefits	28	30
	Total	284	130

28. Events after the date of the statement of financial position²

10p21 The Group obtained a €150,000 loan facility from a large German bank in January 2012, repayable in 2014. The loan will be used to meet the Group's short-term funding requirements and support future investment in ongoing developments and future projects.

Other than the above, there were no material events after the statement of financial position that have a bearing on the understanding of these financial statements.

¹ These illustrative financial statements do not include any related-party transactions other than dividends, key management compensation and one disposal. Where there is a greater range of transactions, further disclosures may be required under IAS 24. See the *Illustrative IFRS corporate consolidated financial statements for 2011 year-ends*.

² In accordance with IAS10p22(g), abnormally large changes in the market prices of real estate and foreign exchange rates that occurred after the year end should be disclosed as non-adjusting post balance sheet events.

(All amounts in € thousands unless otherwise stated)

PricewaterhouseCoopers Address
Country Telephone: Facsimile:

Independent auditor's report

To the shareholders of IP

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of IP, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of IP and its subsidiaries as at December 31, 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]
[Date of the auditor's report]
[Auditor's address]

The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.

Appendix I – Consolidated statement of comprehensive income by function of expense

(All amounts in € thousands unless otherwise stated)

Appendix I – Consolidated statement of comprehensive income by function of expense

This appendix is an example of one alternative format that might be adopted. As an alternative to presentation of costs by nature shown in the above illustrative investment property consolidated financial statements, the Group is permitted to present the analysis of costs using the function of expenditure format (IAS1p103)¹. The following disclosures would be made in the income statement:

1p82-84, 1p103		Year ended 31 December		
1p113		Note	2011	2010
	Rental income ²	20	40,144	38,215
	Rental expenses		(16,951)	(9,626)
	Net rental income		23,193	28,589
40p76(d)	Net gain from fair value adjustment on investment property	6	7,660	5,048
1p103	Selling and marketing costs		(788)	(939)
1p103	Administrative expenses		(716)	(704)
	Other income	20	2,210	1,873
	Other expenses		(112)	(366)
1p85	Operating profit³		31,447	33,501
	Finance income	22	1,915	1,042
1p82(b)	Finance costs	22	(8,025)	(11,640)
1p85	Profit before income tax		25,337	22,903
12p77	Income tax expense	10	(6,056)	(6,152)
1p82(f)	Profit for the year		19,281	16,751
	Other comprehensive income:			
21p52, 1p82(g), IFRS7p20(a)(ii)	Exchange difference on translating foreign operations		5,799	1,247
	Change in fair value of available-for-sale financial assets		20	2
	Other comprehensive income for the year		5,819	1,249
	Total comprehensive income for the year		25,100	18,000
1p83	Profit attributable to:			
1p83(b)	– Owner of the parent		19,281	16,751
	– Non-controlling interests		–	–
	Total comprehensive income attributable to:			
	– Owner of the parent		25,100	18,000
	– Non-controlling interests		–	–
33p66	Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)	23	0.48	0.42

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

¹ Entities classifying expenses by function should also disclose information on the nature of expenses in the notes to the financial statements (1p93).

² The line item includes gross service charge income where the entity acts as principal rather than agent.

³ The disclosure of operating profit in the income statement is not prescribed by IAS 1. However, there is no prohibition from disclosing this or a similar line item. (See point 4 on commentary to the consolidated statement of comprehensive income.)

*(All amounts in € thousands unless otherwise stated)***Appendix II – Consolidated cash flow statement — direct method**

IAS 7 encourages the use of the 'direct method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS7p18 is as follows:

7p10, 18(a)	Note	Year ended 31 December	
		2011	2010
Cash flows from operating activities			
		56,990	57,478
		(17,720)	(5,113)
		39,270	52,365
7p31		(11,367)	(12,032)
7p35		(3,772)	(6,945)
		(1,056)	(1,092)
		–	2,945
		(876)	(14,673)
		(1,412)	(762)
		54	–
		20,841	19,806
Cash flows from investing activities			
7p21		6	(2,797)
7p16(a)		6	(28,213)
7p16(a)		6	8,580
7p16(b)		7	(10,322)
7p16(a)		7	(14,691)
7p16(a)		316	80
7p16(f)		560	1,024
7p31		(46,567)	(17,224)
Cash flows from financing activities			
7p21		10,763	18,234
7p17(c)		(6,739)	(8,966)
7p17(d)		24	(14,643)
7p31		(10,619)	(2,111)
Net (decrease)/increase in cash and cash equivalents		(36,345)	471
Cash and cash equivalents at beginning of the year		35,152	34,621
Exchange losses on cash and cash equivalents		(2,098)	60
Cash and cash equivalents at the end of the year		905	35,152

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

Appendix III – Forthcoming requirements

(All amounts in € thousands unless otherwise stated)

Appendix III – Forthcoming requirements

The potential impact of the forthcoming disclosure requirements on the illustrative IFRS consolidated financial statements of IP Group in respect of IFRS 9, 'Financial instruments', IFRS 10 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities', and IFRS 13, 'Fair value measurement', are explained in detail in the PwC's *Illustrative IFRS corporate consolidated financial statements for 2011 year-ends*.

This appendix summarises the potential impact of the forthcoming disclosure requirements on the illustrative IFRS consolidated financial statements of IP Group in respect of IFRS 9, 'Financial instruments' and IFRS 13, 'Fair value measurement' only on areas that may not be relevant to the corporate entity.

IFRS 9, 'Financial instruments'

Applying IFRS 9 to IP Group's financial statements

IP Group holds financial assets that are currently classified under its existing accounting policies that comply with IAS 39 as at fair value through profit or loss, available for sale and loans and receivables, as appropriate.

When applying IFRS 9 for the first time, IP Group should apply a single model that has only two classification categories in accordance with IFRS 9.

Based on the financial assets currently held and presented in the IP Group's financial statements the analysis may result in the following classification:

- The Group enters into derivative financial instruments such as interest rate swaps and options that are managed together with the financial liabilities in order to hedge those against cash flow interest rate risk. However, the Group does not apply hedge accounting; the Group therefore needs to determine whether the derivative financial instruments would meet the criteria to be classified as measured at amortised cost. IFRS 9pB4.1.9 states that stand-alone derivatives are examples of financial assets that include leverage and would not therefore meet the conditions in IFRS 9p4.1.2(b) to be classified as to be measured at amortised cost. Therefore, IP Group should classify its derivative financial instruments as measured at fair value through profit or loss.
- The available-for-sale financial assets of IP Group contain the rental guarantees provided by the seller of certain investment property. The rental guarantees depend on the vacancy rate and they are leveraged therefore; they do not comply with the conditions in IFRS 9p4.1.2(b). The rental guarantees are therefore classified as measured at fair value through profit or loss resulting in the amounts currently recognised in other comprehensive income being recognised in profit or loss for the year.
- The financial assets included in the trade receivables contain mainly the rent receivables of the group which are – as described above – managed to collect the contractual cash flows. The receivables are not leveraged and thus are classified as measured at amortised cost. The same applies to the cash and cash equivalents.
- The Group does not have equity financial assets and does not designate any of its financial assets to be measured at fair value through profit or loss.

IP Group's main financial liabilities are those from bank borrowings. Other financial liabilities exist that are to be classified in accordance with IFRS 9. However, as the classification criteria are retained from IAS 39, no changes to the classification are expected. Bank borrowings that are part of an economic hedge relationship with interest rate derivatives are not designated at fair value or profit or loss; IP Group is not therefore required to recognise the amount of fair value changes relating to the credit risk in other comprehensive income.

(All amounts in € thousands unless otherwise stated)

IFRS 13, 'Fair value measurement'

Applying IFRS 13 to IP Group's financial statements

IP Group measures its investment properties at fair value; it will therefore be affected by the extended IFRS 13 disclosure requirements.

Illustrative disclosures

IFRS13 p93(a),(b)	Fair value hierarchy			
	Description	Fair value measurements at 31 December 2011 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Recurring fair value measurements Investment properties:			
	– Office buildings – UK	–	55,467	–
	– Shopping Malls – UK		144,865	
	– Office buildings – Germany		54,798	–
	– Shopping malls – Germany		126,667	–
	– Office buildings – Hong Kong	–	62,397	–
	– Shopping malls – Hong Kong	–	162,141	10,520

IFRS 13p93(c) There were no transfers between Levels 1 and 2 during the year.

IFRS13p93(d) Valuation techniques used to derive Level 2 fair values

Level 2 fair values of office buildings and shopping malls have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

IFRS13p93e Fair value measurements using significant unobservable inputs (Level 3)

	Shopping malls – Hong Kong
Opening balance	–
Transfers to/(from) Level 3 ¹	9,302
Additions	989
Gains and losses recognised in profit and loss	229
Gains and losses recognised in other comprehensive income	10,250
IFRS13p93e(f) Closing balance	229
IFRS13p93(f) Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Other gains'	103

The revised valuation technique uses the sales comparison approach to derive the fair value of the completed property. The following were then deducted from the fair value of the completed property:

- estimated construction and other costs to completion that would be incurred by a market participant; and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2011.

IFRS13p93d Other than as described above, there were no other changes in valuation techniques during the year.

IFRS13p93c, e(iv) The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

¹ The group began redevelopment of a shopping mall in Hong Kong during the year. The redevelopment will greatly expand the rental area of the property, and is expected to be completed in 2012. Before redevelopment, this property was valued using the sales comparison approach, which resulted in a Level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. The fair value measurement was therefore reclassified to Level 3.

Appendix III – Forthcoming requirements

(All amounts in € thousands unless otherwise stated)

IFRS13 p93(d), (h), (i) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2011	Valuation technique(s)	Unobservable inputs ¹	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shopping malls – Hong Kong	10,520	Adjusted sales comparison approach ²	Estimated costs to completion	€2,780 – €3,220 (€3,000)	The higher the estimated costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	10%-15% (12.5%) of property value	The higher the profit margin required, the lower the fair value

IFRS13 p93g IFRS13 IE 5 Valuation processes of the Group

The Group's finance department includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

The Group engages external, independent and qualified valuers to determine the fair value of the group's properties at the end of every financial year. As at 31 December 2011, the fair values of the properties have been determined by ABC Property Surveyors Limited.

The main Level 3 inputs used by the Group are derived and evaluated as follows:

- *Shopping mall – estimated costs to completion and profit margin required*
These are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2011. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.
- *Discount rates*
These are estimated based on the weighted average cost of capital of public companies that are, in the opinion of the Group, comparable with the businesses being valued. The Group has subscriptions to information brokers that allow the Group to gather such information.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

¹ There were no significant inter-relationships between unobservable inputs.

² This pertains to the redeveloped shopping mall in Hong Kong. See previous section for an explanation of the valuation technique.