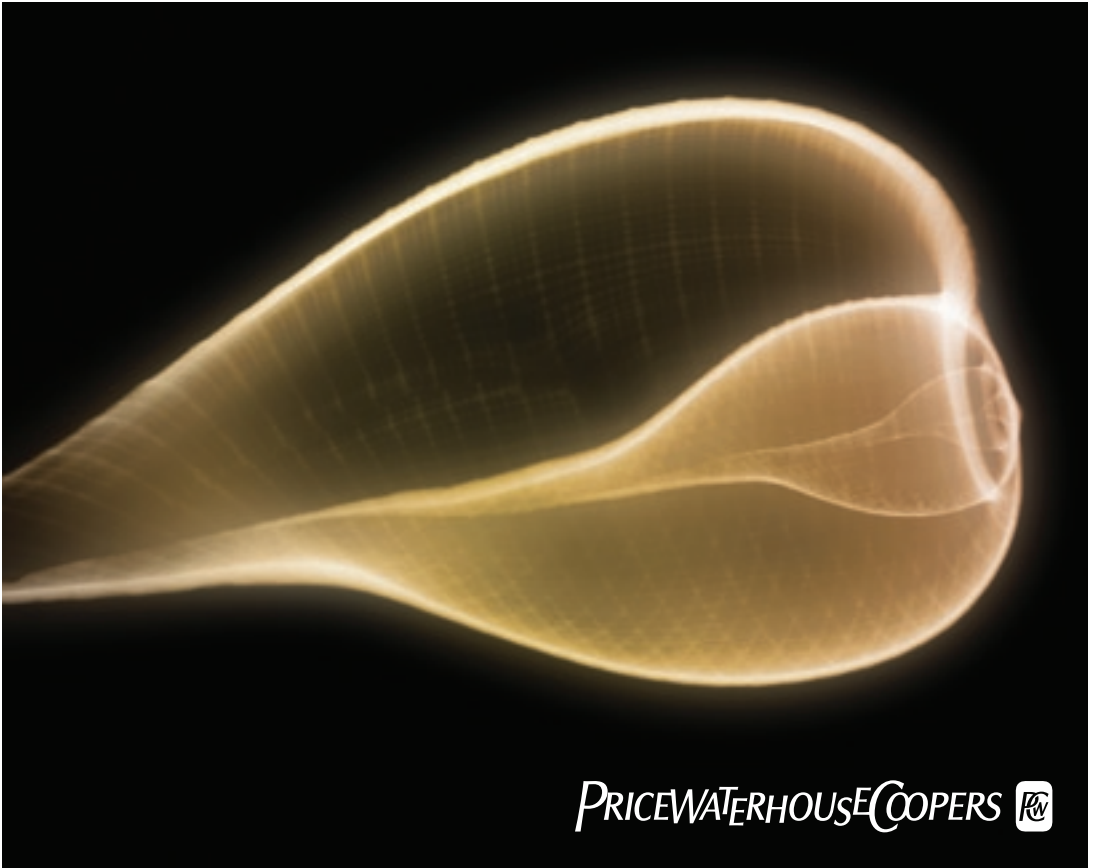


# Illustrative IFRS consolidated financial statements 2009

## Investment property



IFRS technical publications



**Manual of accounting – IFRS 2010**  
Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples and extracts from company reports. The Manual is a three-volume set comprising:

- *Manual of accounting – IFRS 2010*
- *Manual of accounting – Financial instruments 2010*
- *Illustrative IFRS corporate consolidated financial statements for 2009 year ends*



**A practical guide to capitalisation of borrowing costs**

Guidance in question and answer format addressing the challenges of applying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scope exemptions are mandatory or optional.



**A practical guide to new IFRSs for 2009**

40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.



**A practical guide to segment reporting**

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High-level summary of IAS 32, IAS 39 and IFRS 7, updated in June 2009. For existing IFRS preparers and first-time adopters.



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**IFRS disclosure checklist 2009**

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**IFRS pocket guide 2009**

Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.



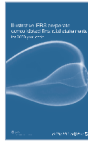
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**Illustrative interim financial information for existing preparers**

Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2009.



**Illustrative IFRS corporate consolidated financial statements for 2009 year ends**

Illustrative set of consolidated financial statements for an existing preparer of IFRS. Includes an appendix showing example disclosures under IFRS 3 (revised). Included with *Manual of accounting – IFRS 2010*; also available separately.



**Illustrative consolidated financial statements**

- Banking, 2009
- Insurance, 2009
- Investment funds, 2009
- Investment property, 2009
- Private equity, 2009

Realistic sets of financial statements – for existing IFRS preparers in the above sectors – illustrating the required disclosure and presentation.



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Considers the accounting and practical implications for telecom operators that arise from the guidance in IFRIC 13, 'Customer loyalty programmes'. Contact [global.ifrs.publications@uk.pwc.com](mailto:global.ifrs.publications@uk.pwc.com) for hard copies.



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Six-page flyer explaining high-level issues for management to consider when applying IFRS 8, including how the standard will change reporting and what investors want to see.



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The current economic slowdown will increase the likelihood that impairment charges will need to be taken and appropriate disclosures made. Each tip is accompanied by an explanation or illustrative example.



**Manual of accounting – Financial instruments 2010**

Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports. Included with *Manual of accounting – IFRS 2010*; also available separately.

# Illustrative IFRS consolidated financial statements 2009 – Investment property

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, refer to PricewaterhouseCoopers' publication *Adopting IFRS: IFRS 1 – First-time Adoption of International Financial Reporting Standards*.

**This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2009.**

We have attempted to create a realistic set of consolidated financial statements for an investment property group. These consolidated financial statements focus on the disclosures required by IAS 40. Certain items may not apply to a particular entity. For example, if the reporting entity does not have material disposal groups classified as held for sale, disclosure of the related accounting policy does not need to be provided (IAS1p108, 110). Certain types of transaction have been excluded, as they are not relevant to the group's operations. The group illustrated does not have associates, joint ventures, minority interests, government grants, defined benefit plans, derivatives, fixed-rate borrowings, treasury shares, preferred shares, convertible debt or share options. There were no disposals of subsidiaries, and no issues of shares in the two years presented. Please refer to the *Illustrative IFRS corporate consolidated financial statements for 2009 year ends* for disclosures relating to these items.

The shares of the parent company of the group illustrated 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.

*Illustrative IFRS consolidated financial statements 2009 – Investment funds* and *Illustrative IFRS financial statements 2009 – Private equity* may also be relevant to some real estate entities (for example, if the real estate group has issued redeemable shares).

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 2009*.

## Structure

The publication consists of the IP Group financial statements and the auditor's report. There are two appendices that cover additional disclosures and alternative presentations of primary statements.

IP Group consolidated financial statements	3
Notes to the consolidated financial statements	10
Independent auditor's report	51
<b>Appendices</b>	
Appendix I Consolidated statement of comprehensive income by function of expense	52
Appendix II Consolidated cash flow statement – direct method	53

## 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. Where the illustrated entity has adopted a revised standard for the first time, references such as '23Rp3' are used to clarify that the revised standard has been adopted. 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.

Due to roundings, variations/differences may occur.

# IP Group consolidated financial statements

**31 December 2009**

# Contents

Consolidated statement of financial position	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements:	
1 General information	10
2 Summary of significant accounting policies:	
2.1 Basis of preparation	10
2.2 Consolidation	14
2.3 Operating segments	15
2.4 Foreign currency translation	15
2.5 Investment property	16
2.6 Property, plant and equipment	18
2.7 Leases	18
2.8 Goodwill	19
2.9 Impairment of non-financial assets	19
2.10 Inventories	20
2.11 Financial instruments	20
2.12 Prepayments	21
2.13 Cash and cash equivalents	21
2.14 Share capital	21
2.15 Trade and other payables	21
2.16 Borrowings	21
2.17 Current and deferred income tax	22
2.18 Employee benefits	22
2.19 Provisions	23
2.20 Revenue recognition	23
2.21 Dividend distribution	23
2.22 Interest income and expense	23
2.23 Other expenses	24
2.24 Non-current assets (or disposal groups) held for sale	24
3 Financial risk management	24
3.1 Financial risk factors	24
3.2 Capital risk management	30
3.3 Fair value estimation	31
4 Critical accounting estimates and judgements	31
4.1 Critical accounting estimates and assumptions	31
4.2 Critical judgements in applying the Group's accounting policies	32
5 Operating segments	33
6 Investment property	36
7 Prepayments	38
8 Property, plant and equipment	38
9 Goodwill	39
10 Inventories	39
11 Trade receivables	39
12 Non-current assets classified as held for sale	40

13	Share capital	41
14	Trade and other payables	41
15	Borrowings	42
16	Provisions	43
17	Revenue	43
18	Employee benefits expense	44
19	Finance income and costs	44
20	Income tax expense	45
21	Earnings per share	47
22	Dividends per share	47
23	Acquisitions of subsidiaries (business combinations and asset acquisitions)	47
24	Contingencies	49
25	Commitments	49
26	Related-party transactions	50
27	Events after the date of the statement of financial position	50
	Independent auditor's report	51

(All amounts in euro thousands unless otherwise stated)

## Consolidated statement of financial position<sup>1</sup>

		As at 31 December		
		Note	2009	2008
1Rp54, 1Rp113, 1Rp38				
<b>Assets</b>				
1Rp60	<b>Non-current assets</b>			
1Rp54(b)	Investment property	6	696,308	600,387
1Rp54(a)	Property, plant and equipment	8	53,335	103,178
1Rp78(b), 17Rp14	Prepaid operating lease payments	7	8,363	8,477
1Rp55	Goodwill	9	599	496
1Rp54(o), 1R56	Deferred income tax assets	20	933	750
			<b>759,538</b>	<b>713,288</b>
1Rp60, 1Rp66	<b>Current assets</b>			
1Rp54(g)	Inventories	10	17,743	–
1Rp54(h)	Trade receivables	11	3,742	5,885
1Rp54(i)	Cash and cash equivalents		905	35,152
			<b>22,390</b>	<b>41,037</b>
IFRS5Rp38	Non-current assets classified as held for sale	12	989	5,421
			<b>23,379</b>	<b>46,458</b>
<b>Total assets</b>			<b>782,917</b>	<b>759,746</b>
<b>Equity</b>				
1Rp54(r)	<b>Equity attributable to the owners of the parent</b>			
1Rp78(e)	Share capital	13	62,720	62,720
1Rp78(e)	Translation reserve		10,584	4,785
1Rp78(e)	Retained earnings		495,953	491,715
			<b>569,257</b>	<b>559,220</b>
<b>Liabilities</b>				
1Rp60	<b>Non-current liabilities</b>			
1Rp54(m)	Borrowings	15	107,224	102,804
1Rp55	Tenant deposits		1,978	2,247
1Rp54(o), 1Rp56	Deferred income tax liabilities	20	52,670	49,038
			<b>161,872</b>	<b>154,089</b>
1Rp60, 1Rp69	<b>Current liabilities</b>			
1Rp54(k)	Trade and other payables	14	43,553	34,074
1Rp54(m)	Borrowings	15	2,192	2,588
1Rp55	Tenant deposits		590	608
1Rp54(n)	Current income tax liabilities		4,735	4,392
1Rp54(l)	Provisions	16	550	1,601
			<b>51,620</b>	<b>43,263</b>
IFRS5Rp38	Liabilities directly associated with non-current assets classified as held for sale	12	168	3,174
			<b>51,788</b>	<b>46,437</b>
<b>Total liabilities</b>			<b>213,660</b>	<b>200,526</b>
<b>Total equity and liabilities</b>			<b>782,917</b>	<b>759,746</b>

Approved for issue and signed on behalf of the Board of Directors of IP Group on 12 March 2010.

\_\_\_\_\_ [name]

Chief Executive Officer

\_\_\_\_\_ [name]

Finance Director

<sup>1</sup> IAS 1 (revised), 'Presentation of financial statements', now refers to the balance sheet as 'statement of financial position'; however, this title is not mandatory. Entities can continue to use the better known title 'Balance sheet'.



(All amounts in euro thousands unless otherwise stated)

## Consolidated statement of comprehensive income<sup>1</sup>

	Note	Year ended 31 December	
		2009	2008
1Rp81			
1Rp82(a)	17	42,354	40,088
40Rp76(d)	6	7,660	5,048
1Rp85		(1,736)	(1,488)
40Rp75(f)		(7,656)	(2,801)
1Rp85		(1,212)	(1,315)
1Rp85	18	(1,448)	(1,400)
1Rp85	7	(104)	(104)
1Rp85	6	(237)	(212)
1Rp85	8	(5,249)	(2,806)
1Rp85		(616)	(2,009)
		<b>31,756</b>	<b>33,001</b>
1Rp85	19	1,055	1,024
1Rp82(b)	19	(5,864)	(9,560)
		<b>(4,809)</b>	<b>(8,536)</b>
1Rp85		26,947	24,465
12p77	20	(6,056)	(6,152)
1R82(f)		<b>20,891</b>	<b>18,313</b>
21Rp52, 1Rp79(b)		5,799	1,247
		<b>5,799</b>	<b>1,247</b>
		<b>26,690</b>	<b>19,560</b>
1Rp83			
1Rp83(a)		20,891	18,313
1R83(b)		-	-
		26,690	18,313
		-	-
33p66		<b>21</b>	<b>0.52</b>
		<b>0.52</b>	<b>0.46</b>

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

<sup>1</sup> 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. 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.

<sup>2</sup> The disclosure of operating profit in the income statement is not prescribed by IAS 1. IAS1Rp85 requires the presentation of additional subtotals when such presentation is relevant to the understanding of the entity's financial performance.

<sup>3</sup> Finance income is not 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 line of business, it is presented as 'revenue'.

(All amounts in euro thousands unless otherwise stated)

## Consolidated statement of changes in equity<sup>1</sup>

	Note	Attributable to owners of the Parent			Total equity
		Share capital	Translation reserve	Retained earnings	
1Rp106, 1Rp107, 1Rp113 1Rp107					
		<b>62,720</b>	<b>3,538</b>	<b>484,781</b>	<b>551,039</b>
		<b>Balance at 1 January 2008</b>			
		<b>Comprehensive income</b>			
1Rp106(d)		-	-	18,313	18,313
1Rp105(d)(ii)		Other comprehensive income:			
1Rp82(g),21p52(b)		-	1,247	-	1,247
1Rp106(d)		<b>-</b>	<b>1,247</b>	<b>18,313</b>	<b>19,560</b>
		<b>Total comprehensive income for 2008</b>			
		<b>Transactions with owners</b>			
1Rp107	22	-	-	(11,379)	(11,379)
1Rp106		<b>62,720</b>	<b>4,785</b>	<b>491,715</b>	<b>559,220</b>
		<b>Balance at 1 January 2009</b>			
		<b>Comprehensive income</b>			
1Rp106(d)		-	-	20,891	20,891
1Rp105(d)(ii)		Other comprehensive income:			
1Rp82(g),21p52(b)		-	5,799	-	5,799
1Rp106(d)		<b>-</b>	<b>5,799</b>	<b>20,891</b>	<b>26,690</b>
		<b>Total comprehensive income for 2009</b>			
		<b>Transactions with owners</b>			
1Rp107	22	-	-	(16,653)	(16,653)
1Rp106		<b>62,720</b>	<b>10,584</b>	<b>495,953</b>	<b>569,257</b>
		<b>Balance at 31 December 2009</b>			

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

<sup>1</sup> Each component of equity should be reconciled between the carrying amount at the beginning and the end of the period separately disclosing changes resulting from 'profit or loss' and 'each item of other comprehensive income' (1Rp106(d)).

(All amounts in euro thousands unless otherwise stated)

## Consolidated statement of cash flows<sup>1</sup>

7p10, 18(b)	Note	Year ended 31 December	
		2009	2008
<b>Cash flows from operating activities</b>			
7p18(b), 7p20		26,947	24,465
Profit before income tax			
Adjustments for:			
	8	5,249	2,806
	7	104	104
	6	237	212
	6	(7,660)	(5,048)
	19	4,809	8,536
	11	82	113
	16	302	200
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
		2,061	(842)
	10	(2,509)	–
		9,479	21,839
		(18)	90
Cash generated from operations		39,083	52,475
7p31		(10,318) <sup>2</sup>	(12,032)
7p35		(3,772)	(6,425)
		(1,056)	(1,092)
		–	2,855
		(287)	(14,673)
<b>Net cash generated from operating activities</b>		<b>23,650</b>	<b>21,108</b>
<b>Cash flows from investing activities</b>			
7p21	6	(2,797)	(220)
7p16(a)	6	(28,213)	(2,482)
7p16(b)	6	8,580	750
7p16(a)	8	(10,322)	(13,246)
7p40	23	(14,691)	(3,130)
7p16(f)		316	80
7p31		560	1,024
<b>Net cash used in investing activities</b>		<b>(46,567)</b>	<b>(17,224)</b>
<b>Cash flows from financing activities</b>			
7p21		10,763	18,234
7p17(c)		(6,739)	(8,966)
7p17(d)		(16,653)	(11,379)
7p31	22	(16,653)	(11,379)
<b>Net cash used in financing activities</b>		<b>(12,629)</b>	<b>(2,111)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(35,546)</b>	<b>1,773</b>
Cash and cash equivalents at the beginning of the year		35,152	34,621
Exchange gains (losses) on cash and cash equivalents		1,299	(1,242)
<b>Cash and cash equivalents at the end of the year</b>		<b>905</b>	<b>35,152</b>

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 2009 or 2008.

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

<sup>1</sup> Cash flows from operating activities are reported by IP Group using the indirect method. IAS 7 encourages the use of the direct method, as illustrated in Appendix II.

<sup>2</sup> Interest paid includes interest capitalised on investment property in accordance with IAS 23R.

## Notes to the consolidated financial statements

### 1 General information

- 1Rp138(b)  
1Rp51(a)(b) IP (the 'Company'; the 'Parent') and its subsidiaries (together the 'Group') hold a major portfolio of investment properties in the UK, Germany and Hong Kong. The Group is also involved in the construction of its own investment properties and development of office buildings for sale in the ordinary course of business.
- 1Rp138(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 stock exchange.
- 10p17 These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2010. The shareholders have the power to amend the consolidated financial statements after issue.

### 2 Summary of significant accounting policies

- 1Rp112(a)  
1Rp117(b), 1R119 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.

#### 2.1 Basis of preparation

##### 1Rp16 **Statement of compliance**

- 1Rp117(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 statements**

The Group presents its income statement by nature of expense.

- 7p18 The Group reports cash flows from operating activities using the indirect method.
- 7p31 The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Cash flows from investing and financing activities are determined using the direct method.

##### **Preparation of the consolidated financial statements**

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property.

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.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

8p28

### (a) Standards and amendments to existing standards effective 1 January 2009<sup>1</sup>

The following standards, amendments and interpretations, which became effective in 2009, are of relevance to the Group:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IFRS 7	Amendment: Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2009 <sup>2</sup>
IAS 40R	Investment property	1 January 2009

#### • IAS 1, 'Presentation of financial statements'

A revised version of IAS 1 was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity; all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The adoption of this revised standard impacts only presentation aspects; therefore, it has no impact on profit or earnings per share.

#### • IAS 23, 'Borrowing costs'

A revised version was issued in March 2007. Under the revised standard, an entity is required to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The capitalisation is required for qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group has applied this standard in accordance with the transition provisions. The effects of adoption by the Group are disclosed in Notes 6 and 19.

#### • Amendment: IFRS 7, 'Improving disclosures about financial instruments'

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. In addition to that, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share.

<sup>1</sup> The effective dates may be later for companies applying IFRS as adopted by the EU.

<sup>2</sup> Effective for financial years beginning on/after 1 January 2010 in the EU.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

- **IFRS 8, 'Operating segments'**

IFRS 8 replaces IAS 14, 'Segment reporting', and is effective for annual periods beginning on or after 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. The effects of adoption by the Group are disclosed in Note 5.

- **IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, 'Property, plant and equipment')**

The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The effects of adoption by the Group are disclosed in Note 6.

- **IFRIC 15, 'Agreements for the construction of real estate' (effective from 1 January 2009)**

The interpretation clarifies whether IAS 18, 'Revenue' or IAS 11 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The Group expects to apply IAS 18 for such sale agreements; however, IFRIC 15 is currently not relevant to the Group's operations, as it has not yet entered into any sale agreements for the property under development classified as inventories.

- **'Improvements to IFRS' (issued in May 2008)**

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 2009. No material changes to accounting policies arose as a result of these amendments except to the amendments to IAS 40, 'Investment property' (see above).

(b) *Interpretations and amendments to standards becoming effective in 2009 but not relevant to the Group*

<b>Standard/ interpretation</b>	<b>Content</b>	<b>Applicable for financial years beginning on/after</b>
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
IFRS 2	Share-based payments – Vesting conditions and cancellations	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008 <sup>1</sup>

<sup>1</sup> Applicable for financial years beginning on/after 30 June 2009 in the EU.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

8p30

(c) Standards, amendments and interpretations that are not yet effective and not expected to have significant impact on the Group's financial statements

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business combinations	1 July 2009
IFRS 9	Financial instruments: Classification and measurement	1 January 2013 <sup>1</sup>
IAS 24*	Related party disclosures	1 January 2011
IAS 32*	Classification of rights issues	1 February 2010
IAS 39*	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRS 1*	First-time adoption of International Financial Reporting Standards	1 July 2009
Amendment: IFRS 1*	Additional exemptions for first-time adopters	1 January 2010
Amendment: IFRS 2*	Group cash-settled share-based payment transactions	
IFRIC 17*	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18*	Transfers of assets from customers	1 July 2009

\*Not expected to be relevant to the Group.

- IAS 27, 'Consolidated and separate financial statements'** (revised 2008; effective for annual periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- IFRS 3, 'Business combinations'** (revised 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply the revised standard prospectively to all business combinations from 1 January 2010.
- IFRS 9, 'Financial instruments: Classification and measurement'**

In November 2009, the Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

<sup>1</sup> This standard has not yet been adopted in the EU (as at 19 November 2009).

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### • 'Improvements to IFRS' (issued in April 2009)

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 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments

#### (d) Early adoption of standards

In 2009, the Group did not early adopt any new or amended standards and do not plan to early adopt any of the standards issued not yet effective.

1Rp119

## 2.2 Consolidation

27p12

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.

27p14

31p3

Joint control is the contractually agreed sharing of control over an economic activity. There are no jointly controlled entities within the Group.

28p2

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. No consolidated entity holds interests in any associate.

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<sup>1</sup> 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 purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in the profit or loss for the year as negative goodwill.

IFRS3p4

For acquisitions 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.

<sup>1</sup> The entity illustrated has not early adopted IFRS 3, 'Business combinations' (revised 2008). Among the changes introduced by the revised standard is that acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and the services are received.



## Notes to the consolidated financial statements (continued)

(All amounts in euro 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 Intercompany transactions, balances and unrealised gains on transactions between group  
27p25 companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Minority interests represent the portion of profit and net assets not held by the Group. They are presented separately in the statement of comprehensive income and in the consolidated statement of financial position separately from the amounts attributable to the owners of the parent. At year end, no minority interest exists.

### 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

(a) *Functional and presentation currency*

21p17 Items included in the financial statements of each of the Group's entities are measured using  
21p9, 18 the currency of the primary economic environment in which the entity operates (the 'functional  
1Rp51(d) currency'). The consolidated financial statements are presented in euros, the Company's functional currency and the Group's presentation currency.

(b) *Transactions and balances*

21p21, 28 Foreign currency transactions are translated into the functional currency using the exchange  
21p32 rates prevailing at the 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 income or finance costs. All other foreign exchange gains and losses are presented net in the income statement within other losses or gains.

(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). The Group used quarterly average exchange rates until September 2008. From October 2008, monthly average exchange rates were applied, due to the increased volatility in exchange rates; and  
21p39(c) (iii) all resulting exchange differences are recognised in other comprehensive income.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

1Rp79(b)  
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.

### 1Rp119 **2.5 Investment property**

40Rp5  
40Rp8(e) Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property<sup>1</sup>. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

40Rp6, 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.

40Rp20 Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

40Rp75(d-e) After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations 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.

40Rp40 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.

<sup>1</sup> Investment property includes properties that group companies lease out to an associate or joint venture that occupies the property (40Rp15).

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

- 40Rp16, 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.
- 40Rp50(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.
- 40Rp51 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.
- 40Rp35, 69 Changes in fair values are recognised in the income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.
- Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.
- 40Rp85(b) Following the adoption of IAS 40 (revised), investment properties under construction have been transferred from property, plant and equipment to investment properties at 1 January 2009 at their carrying amount. They have subsequently been fair valued at the reporting date. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment) that arose prior to 1 January 2009, have been recognised in the profit or loss for the year as fair value gains or losses.
- 40Rp60 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.<sup>1</sup>
- 40Rp61, 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 the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to 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.
- 40Rp58, 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) below for details of the treatment of letting fees capitalised within the carrying amount of the related investment property.

<sup>1</sup> Some properties comprise a portion that is held to earn rentals or for capital appreciation, and another portion that is held for the entity's own use. The Group illustrated does not own such properties and therefore does not disclose accounting policies related thereto. Refer to IAS40Rp10.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

1Rp119	<b>2.6 Property, plant and equipment</b>						
16p73(a)	<p>All property, plant and equipment (PPE) is stated at historical cost<sup>1</sup> less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.</p> <p>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.</p> <p>Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying PPE are capitalised as part of its cost. A qualifying PPE is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalised while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.</p>						
16p12	<p>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 income statement during the financial period in which they are incurred.</p>						
16p43, 73(b), 16p50, 73(c)	<p>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:</p> <table><tr><td>– Land and property under construction:</td><td>Nil</td></tr><tr><td>– Buildings:</td><td>25-40 years</td></tr><tr><td>– Fixtures and fittings:</td><td>5-15 years</td></tr></table>	– Land and property under construction:	Nil	– Buildings:	25-40 years	– Fixtures and fittings:	5-15 years
– Land and property under construction:	Nil						
– Buildings:	25-40 years						
– Fixtures and fittings:	5-15 years						
16p51	<p>The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.</p>						
36p59	<p>An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.</p>						
16p68, 71	<p>Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement<sup>2</sup>.</p>						
23Rp29A	<p>Until the Group's adoption of IAS 23, 'Borrowing costs' (revised 2007) from 1 January 2009, where borrowing costs on qualifying assets are capitalised (refer to Note 6), the Group elected to expense all borrowing costs.</p>						
1Rp119	<b>2.7 Leases</b>						
	<p>(a) A Group company is the lessee</p>						
17p4	<p>(i) Operating lease</p>						
17p33 17p14 SIC-15p5	<p>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.</p>						

<sup>1</sup> If PPE is carried at fair value under IAS 16, revaluation gains must be reported in equity; PPE must still be depreciated if there are depreciable items, and the depreciation charge for the year must be included in profit or loss.

<sup>2</sup> If assets are carried under the IAS 16 revaluation model, the related amounts included in other reserves are transferred to retained earnings when revalued assets are sold (16p41).

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

17p4 (ii) Finance lease

17p20 Leases of assets where the Group has substantially all the risks and rewards of ownership  
17p27 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 charged to the income statement 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.

*(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  
17p50 statement of financial position (Note 6). See Note 2.20 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.

### 1Rp119 **2.8 Goodwill**

IFRS3p51 Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's  
38p118(a) share of the net identifiable assets of the acquired business at the date of acquisition  
IFRS3p54 (providing that the acquisition fulfil the definition of a business combination in accordance with  
36p124 IFRS 3). Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses 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  
36p6, 68 allocation is made to those 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.

### 1Rp119 **2.9 Impairment of non-financial assets**

36p9 Assets that have an indefinite useful life – for example, goodwill – are not subject to  
36p10 amortisation and are tested 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.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

1Rp119

### 2.10 Inventories

40Rp57(b)  
2p9, 36(a)

The Group's inventories arise where there is a change in use of investment properties evidenced by the 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.

1Rp116

### 2.11 Financial instruments

IFRS7p21

#### (a) Financial assets

39p43  
39p46(a)  
39p59

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

IFRS7AppxBp5(f)  
IFRS7AppxBp5(d)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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 only of loans and receivables.

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.

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.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### (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 Prepayments

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

### 1Rp119 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.

### 1Rp119 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.

### 1Rp119 2.15 Trade and other payables

IFRS7p21 Trade and other payables are recognised initially at fair value and subsequently measured at 39p43, 39p47 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 12 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 2.20 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

### 1Rp119 2.16 Borrowings

39p47 Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings 39p43 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 2.22) 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

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1Rp69 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.

### 1Rp119 **2.17 Current and deferred income tax**

12p58, 61A Tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in 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 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 substantially 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. 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 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.

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.

### 1Rp119 **2.18 Employee benefits**

#### 19p44 (a) Pensions

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.



## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### (b) Short-term employee benefits and compensation absences

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

### (c) Profit-sharing and bonus payments

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.

1Rp119

## 2.19 Provisions

37p14

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount 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.

1Rp119

## 2.20 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.

1Rp119

## 2.21 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.

## 2.22 Interest income and expense

IFRS7AppxB5(e)

23Rp2

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 from 1 January 2009 are capitalised as part of the cost of that asset (see Note 2.1(a)). The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value.

1Rp110

23Rp4

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, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1Rp119

### 2.23 Other expenses

Expenses include legal, accounting, auditing and other fees. They are recognised as expense in profit or loss in the period in which they are incurred (on an accruals basis).

1Rp119

### 2.24 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.

## 3 Financial risk management<sup>1</sup>

### 3.1 Financial risk factors<sup>2</sup>

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.

IFRS7p34(a)

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.

<sup>1</sup> These illustrative financial statements do not include derivatives. Where such arrangements exist, further disclosures are required under IAS 39 and IFRS 7. See Note 3 of the *Illustrative IFRS corporate consolidated financial statements for 2009 year-ends*. In addition, the assumption made on financial risk factors are for illustrative purposes only and do not reflect the true economic conditions in 2009 and/or 2008.

<sup>2</sup> 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.

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

(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 not to enter into any currency hedging transactions.

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. The Group's financial assets and liabilities are included in the table categorised by currency at their carrying amount.

IFRS7p31, 34(c)	As at 31 December 2009	Note	€	£	HK\$	Other	Total
IFRS7p8	<b>Financial assets – loans and receivables</b>						
	Trade receivables:	11					
	– Rent receivables from lessees, net of impairment		1,265	535	518	644	2,962
	– Other financial assets		412	139	135	94	780
	Cash and cash equivalents		521	138	102	144	905
	Assets of disposal groups classified as held for sale:	12					
	– Trade receivables		–	40	–	–	40
	– Cash and cash equivalents		–	140	–	–	140
	<b>Total financial assets</b>		<b>2,198</b>	<b>992</b>	<b>755</b>	<b>882</b>	<b>4,827</b>
IFRS7p8	<b>Financial liabilities measured at amortised cost</b>						
	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		28,604	1,498	2,976	303	33,381
	– Other financial liabilities		4,327	608	584	85	5,604
	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
	<b>Total financial liabilities</b>		<b>111,507</b>	<b>17,243</b>	<b>21,555</b>	<b>705</b>	<b>151,010</b>

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

As at 31 December 2008	Note	€	£	HK\$	Other	Total
<b>Financial assets – loans and receivables</b>						
IFRS7p8 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
Assets of disposal groups classified as held for sale:	12					
– Trade receivables		361	40	–	–	401
– Cash and cash equivalents		477	140	–	–	617
<b>Total financial assets</b>		<b>35,633</b>	<b>3,982</b>	<b>1,054</b>	<b>1,386</b>	<b>42,055</b>
<b>Financial liabilities measured at amortised cost</b>						
IFRS7p8 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		22,859	1,683	2,751	315	27,608
– Other financial liabilities		2,211	275	450	52	2,988
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
<b>Total financial liabilities</b>		<b>105,309</b>	<b>16,389</b>	<b>18,870</b>	<b>703</b>	<b>141,271</b>

IFRS7p33 The Group manages foreign currency risk on a group basis. The Group's primary method of managing foreign currency risk is to match the Group's 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.

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 2009, if the euro weakened/strengthened by 25% (2008: 10%), post-tax profit for the year would have been €625 (2008: €330) higher/lower. If the HK dollar weakened/strengthened by 25% (2008: 10%), post-tax profit for the year would have been €730 (2008: €386) higher/lower. If the UK pound weakened/strengthened by 25% (2008: 10%), post-tax profit for the year would have been €702 (2008: €341) higher/lower.

Profit is more sensitive to movements in foreign exchange rates in 2009 compared to 2008 because of the higher fluctuations experienced during 2009.

**Notes to the consolidated financial statements (continued)**

*(All amounts in euro thousands unless otherwise stated)*

(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 15). 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.

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 2009, if interest rates had been 200 basis points higher (2008: 100 basis points higher) with all other variables held constant, post-tax profit for the year would have been €2,104 (2008: €2,280) lower. If interest rates had been 200 basis points lower (2008: 100 basis points lower) with all other variables held constant, post-tax profit for the year would have been €1,864 (2008: €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:

	2009			2008		
	€	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%
Tenant deposits	3.8%	3.0%	3.2%	3.7%	3.1%	2.9%

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 and trade receivables, including rental receivables from lessees. 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.

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS7p36(c) Such risks are subject to a quarterly or more frequent review. The Group has policies in place to ensure 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 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 is as follows:

IFRS7p36(a)	2009	2008
<b>Trade receivables, net of provision for impairment (Note 11):</b>		
– 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 2009 and 31 December 2008 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

IFRS7p37	2009	2008
<b>Trade receivables, gross (Note 11):</b>		
Neither past due nor impaired:		
– Receivables from large companies	2,852	4,835
– Receivables from small or medium-sized companies	540	690
<b>Total neither past due nor impaired</b>	<b>3,392</b>	<b>5,525</b>
Past due but not impaired:		
– less than 30 days overdue	290	320
– 30 to 90 days overdue	60	40
<b>Total past due but not impaired</b>	<b>350</b>	<b>360</b>
Individually determined to be impaired (gross):		
– 30 to 90 days overdue	200	130
– 90 to 180 days overdue	122	110
<b>Total individually determined to be impaired (gross)</b>	<b>322</b>	<b>240</b>
<b>Less: impairment provision</b>	<b>(322)</b>	<b>(240)</b>
<b>Total trade receivables, net of provision for impairment</b>	<b>3,742</b>	<b>5,885</b>
<b>Cash and cash equivalents, neither past due nor impaired</b> (Moody's ratings of respective counterparties):		
– AA-rated	434	24,560
– A-rated	471	10,592
<b>Total cash and cash equivalents</b>	<b>905</b>	<b>35,152</b>

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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 (2008: €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 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 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 2009 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
	<b>Assets</b>							
DV	Cash and cash equivalents	905	–	–	–	–	–	905
DV	Trade receivables	3,392	350	–	–	–	–	3,742
	<b>Liabilities</b>							
IFRS7p39(a)	Bank borrowings	–	–	–	22,054	43,186	29,806	95,046
IFRS7p39(a)	Debentures and other loans	–	–	–	5,241	14,154	–	19,395
IFRS7p39(a)	Finance lease liabilities	229	451	2,069	1,570	4,722	2,063	11,104
IFRS7p39(a)	Tenant deposits	49	154	387	781	2,299	–	3,670
	Trade and other payables:							
IFRS7p39(a)	– Trade payables	24,407	8,974	–	–	–	–	33,381
IFRS7p39(a)	– Other financial liabilities	4,672	932	–	–	–	–	5,604

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The maturity analysis of financial instruments at 31 December 2008 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
<b>Assets</b>								
DV	Cash and cash equivalents	35,152	–	–	–	–	–	35,152
DV	Trade receivables	5,525	360	–	–	–	–	5,885
<b>Liabilities</b>								
IFRS7p39(a)	Bank borrowings	–	–	–	23,743	44,068	27,331	95,142
IFRS7p39(a)	Debentures and other loans	–	–	–	4,276	3,687	–	7,963
IFRS7p39(a)	Finance lease liabilities	267	515	2,421	1,916	5,244	2,891	13,254
IFRS7p39(a)	Tenant deposits	55	160	393	647	1,940	715	3,910
	Trade and other payables:							
IFRS7p39(a)	– Trade payables	24,407	3,201	–	–	–	–	27,608
IFRS7p39(a)	– Other financial liabilities	2,802	186	–	–	–	–	2,988

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 2009 and 31 December 2008 are used for determining the related undiscounted cash flows.

### 3.2 Capital risk management

1Rp134 The Group's objectives when managing capital are to safeguard the Group's ability to  
1RIG10 continue as a going concern in order to provide returns for shareholders and benefits for other  
1Rp135(a) 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 2009, the Group's strategy, which was unchanged from 2008, 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 2009 and 2008. The gearing ratios at 31 December 2009 and at 31 December 2008 were as follows:

	2009	2008
Total borrowings	109,416	105,392
Less: cash and cash equivalents	(905)	(35,152)
Net debt	108,511	70,240
Total equity	569,257	559,220
<b>Total capital</b>	<b>677,768</b>	<b>629,460</b>
Gearing ratio	16%	11%



## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### 3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires 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 does not hold any financial instruments measured at fair value.

IFRS7p27(a)

The carrying value less impairment provision of trade receivables and payables are 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.

40Rp46(c),  
40Rp75(d)

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

Reflecting the economic environment and market conditions during 2008, which continued throughout 2009, 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 (2008: €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.

## Notes to the consolidation financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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. As the Group holds a very large number of properties of different types and in different locations, it is not practicable to summarise the future rental rates applied, which range from 3% to 10%. 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.

The length of vacant periods following expiry of existing lease agreements was assumed to be in the range of 2%-15% per annum, depending on management's expectation for the particular properties. 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.

The discount rate was assumed to be from 5% to 12% for different properties valued by the DCF method. 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 2009, 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 2009 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 carrying amount of investment properties of the delay in generating rental income would be an estimated decrease of €5,324.

### 12 (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 2009 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 judgemental 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.

1Rp122

## 4.2 Critical judgements in applying the Group's accounting policies

The Group did not make any critical accounting judgements in 2009 or 2008.

## 5 Operating segments

IFRS8p28

The Group adopted IFRS 8, 'Operating segments'. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. As goodwill is generally allocated by management at the individual property level, rather than at the segment level, the change in reportable segments has not required a reallocation of goodwill to the newly identified operating segments, and no additional impairment of goodwill has been required as a result of adopting IFRS 8.

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<sup>1</sup>:

- 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.

<sup>1</sup> 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.

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2009 is as follows:

	UK		Germany		Hong Kong		Total
	Comm- ercial	Retail	Comm- ercial	Retail	Comm- ercial	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	7,073	5,629	5,399	4,128	5,049	4,478	31,756
<b>Included in operating profit</b>							
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
<b>Not included in operating profit</b>							
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 <b>Total assets<sup>1</sup></b>	<b>174,072</b>	<b>139,930</b>	<b>132,866</b>	<b>101,591</b>	<b>124,247</b>	<b>110,211</b>	<b>782,917</b>
Total assets include:							
– Additions to non-current assets (other than financial instruments and deferred tax assets)							
IFRS8p24(b)	11,388	8,917	7,300	5,581	6,826	6,055	46,067
IFRS8p23 <b>Total liabilities<sup>2</sup></b>	<b>(47,277)</b>	<b>(39,028)</b>	<b>(36,086)</b>	<b>(27,592)</b>	<b>(33,745)</b>	<b>(29,932)</b>	<b>(213,660)</b>

<sup>1</sup> IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

<sup>2</sup> The measure of liabilities has been disclosed for each reportable segment, as it is regularly provided to the CEO.

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The segment information for the year ended 31 December 2008 is as follows:

	UK		Germany		Hong Kong		Total	
	Comm- ercial	Retail	Comm- ercial	Retail	Comm- ercial	Retail		
IFRS8p23, IFRS8 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							
	7,541	6,012	5,775	4,270	5,171	4,232	33,001	
	<b>Included in operating profit</b>							
IFRS8p23(e)	Depreciation and amortisation							
	(513)	(569)	(546)	(404)	(489)	(285)	(2,806)	
IFRS8p23(f)	Net gain from fair value adjustment on investment property							
	1,102	990	842	663	803	648	5,048	
	<b>Not included in operating profit</b>							
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	<b>Total assets</b>	<b>165,816</b>	<b>133,374</b>	<b>136,749</b>	<b>101,126</b>	<b>122,453</b>	<b>100,228</b>	<b>759,746</b>

Total assets include:

– Additions to non-current assets (other than financial instruments and deferred tax assets)

IFRS8p24(b)	4,481	3,572	3,431	2,537	3,073	2,516	19,610	
IFRS8p23	<b>Total liabilities</b>	<b>(45,822)</b>	<b>(36,531)</b>	<b>(35,088)</b>	<b>(25,948)</b>	<b>(31,420)</b>	<b>(25,717)</b>	<b>200,526</b>

IFRS8p27(a) During 2009 and 2008, there were no transactions between the Group's reportable segments.

IFRS8p27(b), 28, IFRS8p28(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.

	2009	2008
<b>Analysis of revenue by category</b>		
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
<b>Total revenue</b>	<b>42,354</b>	<b>40,088</b>

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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 (2008: €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 property<sup>1</sup>

40Rp76	2009	2008
<b>Year ended 31 December</b>		
At the beginning of the year	600,387	602,804
Additions:		
40Rp76(a) – Direct acquisitions of investment property	2,797	220
40Rp76(b) – Acquisitions through business combinations (Note 23)	17,570	–
40Rp76(a) – Acquisitions of subsidiaries other than through business combinations (Note 23)	9,732	4,199
40Rp76(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)
23Rp8 Capitalised finance costs (Note 19)	4,568	–
40Rp85B Transfer from property, plant and equipment upon adoption of IAS 40 (revised 2008) – at carrying amount (Note 8)	79,453	–
40Rp76(f) Transfer to property, plant and equipment – at fair value (Note 8) <sup>2</sup>	(25,456)	–
40Rp76(f) Transfer to inventories – at fair value (Note 10) <sup>3</sup>	(15,234)	–
40Rp76(c) Transfer from/to disposal groups classified as held for sale (Note 12)	3,594	(4,403)
40Rp76(c) Disposal	(10,564)	(750)
40Rp76(d) Net gain from fair value adjustments on investment property	7,660	5,048
Effect of translation to presentation currency	(8,537)	(9,943)
<b>At the end of the year</b>	<b>696,308</b>	<b>600,387</b>

8p28 The Group adopted the 2008 amendments to IAS 40, 'Investment property' (and consequential amendments to IAS 16, 'Property, plant and equipment') with prospective application from 1 January 2009.

40Rp85B The Group determined that the fair value of all of its investment properties under construction at 31 December 2009 were reliably determinable on a continuing basis. Property being constructed or developed for future use as investment property was reclassified from property, plant and equipment at 1 January 2009 at its carrying amount.

<sup>1</sup> 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 therefore not illustrated in this note.

<sup>2</sup> A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2009. It was reclassified from investment property to property, plant and equipment (Note 8) (40Rp57(a)).

<sup>3</sup> An office building located in Germany was redeveloped in 2009. It was reclassified from investment property to inventories (Note 10) (40Rp57(b), 10p21).

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

8p28(f)(i) 8p28(g) DV	As at 31 December 2009, the carrying value of investment properties under construction amounted to €90,000, and fair value gains of €6,000 were recognised during 2009 in respect of these properties. The adoption of the revised accounting policy has resulted in the recognition of an additional €6,000 fair value gains (of which €3,400 relates to first time application of fair value measurement on 1 January 2009) <sup>1</sup> . Prior to the amendments to IAS 40 and IAS 16, these gains would not have been recognised until the completion of construction or development. As a result of the increased gains, deferred income tax liabilities as at 31 December 2009 and income tax expense for 2009 were €2,039 thousand higher.
8p28	The Group adopted IAS 23, 'Borrowing costs' (revised 2007) and capitalises borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation in respect of a qualifying asset is the date when the Group first incurs expenditures for the asset, incurs borrowing costs, and undertakes activities that are necessary to prepare the asset for its intended use or sale.
8p28(f)(i)	Borrowing costs capitalised within the carrying value of investment property during 2009 amounted to €4,568; however, due to the valuation of the investment properties at year end, the change in accounting policy did not result in any difference in the profit for the year and earnings per share.
40Rp75(e)	The Group's investment properties were revalued at 31 December 2009 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.
40Rp50(d) 40Rp77	The carrying values of investment property at 31 December 2009 and 31 December 2008 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 2009 and €8,010 at 31 December 2008). 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.
40Rp75(h)	At 31 December 2009, the Group had unprovided contractual obligations for future repairs and maintenance of €3,765 (2008: €3,796).
40Rp75(f) 17p31(a)	Direct operating expenses recognised in profit or loss include €456 (2008: €412) relating to investment property that was unlet. Investment property includes buildings held under finance leases of which the carrying amount is €25,680 (2008: €23,725).
40Rp75(g)	Bank borrowings are secured on investment property to the value of €107,224 (2008: €102,804) (Note 15).

<sup>1</sup> The Group applied the amendments to IAS 40 and IAS 16 by fair valuing all its investment properties under construction on 1 January 2009. The disclosure of the fair value change on 1 January 2009 is voluntary.

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

## 7 Prepayments

	<b>Pre-paid operating lease expenses</b>
At 1 January 2008	8,591
Amortisation	(104)
Effect of translation to presentation currency	(10)
At 31 December 2008	8,477
Amortisation	(104)
Effect of translation to presentation currency	(10)
<b>At 31 December 2009</b>	<b>8,363</b>

17p35 The up-front payments for an operating lease of the owner-occupied land in Hong Kong (€10,260) were paid in January 1994. The term of the lease is 99 years.

## 8 Property, plant and equipment

	<b>Land &amp; buildings</b>	<b>Fixtures &amp; fittings</b>	<b>Property under construction</b>	<b>Total</b>
1Rp78(a)	<b>At 1 January 2008</b>			
16p73(d)				
	32,410	13,890	69,348	115,648
	(15,889)	(6,810)	–	(22,699)
	16,521	7,080	69,348	92,949
16p73(e)	<b>Year ended 31 December 2008</b>			
	16,521	7,080	69,348	92,949
	1,798	770	10,678	13,246
	(1,964)	(842)	–	(2,806)
	252	110	(573)	(211)
	16,607	7,118	79,453	103,178
16p73(d)	<b>At 31 December 2008</b>			
	34,460	14,770	79,453	128,683
	(17,853)	(7,652)	–	(25,505)
	16,607	7,118	79,453	103,178
16p73(e)	<b>Year ended 31 December 2009</b>			
	16,607	7,118	79,453	103,178
	–	–	(79,453)	(79,453)
	5,125	5,197	–	10,322
	25,456	–	–	25,456
	(3,674)	(1,575)	–	(5,249)
	(643)	(276)	–	(919)
	42,871	10,464	–	53,335
16p73(d)	<b>At 31 December 2009</b>			
	64,398	19,691	–	84,089
	(21,527)	(9,227)	–	(30,754)
	42,871	10,464	–	53,335

36p126(a) There were no impairment charges in 2008 and 2009.

23Rp26 In 2009, no borrowing costs were capitalised for PPE.



## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### 9 Goodwill

		2009	2008
IFRS3p61	Cost and carrying amount at 1 January	496	489
IFRS3p61	Acquisition of subsidiary (Note 24)	90	–
IFRS3p61	Effect of translation to presentation currency	13	7
IFRS3p61	<b>Cost and carrying amount at 31 December</b>	<b>599</b>	<b>496</b>

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 (2008: €387) of the goodwill relates to offices in Germany, €202 (2008: €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 Inventories

		2009	2008
40Rp57(b)	Transfer from investment property (Note 6)	15,234	–
	Redevelopment expenditures	2,509	–
	<b>Total</b>	<b>17,743</b>	<b>–</b>

2p8  
10p21 The Group commenced redevelopment during 2009 of an office building in Germany, which was classified as investment property (Note 6) in July 2009. 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.

### 11 Trade receivables

		2009	2008
1p78(b)	Trade receivables:		
IFRS7p6	– Rent receivables from lessees	3,284	5,785
	– Other financial assets	780	340
IFRS7p16	Less: provision for impairment of trade receivables	(322)	(240)
	<b>Trade receivables, net of provision for impairment</b>	<b>3,742</b>	<b>5,885</b>

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 during 2009 (2008: €113). The loss has been included in 'other expenses' in the income statement.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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:

	2009	2008
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
<b>Accumulated impairment losses at 31 December</b>	<b>322</b>	<b>240</b>

The impairment losses recognised during the year are net of a credit of €10 (2008: €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).

## 12 Non-current assets classified as held for sale<sup>1</sup>

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 2008 following the decision of the Group's management on 1 December 2008 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 2009.

IFRS5p9 The Group did not dispose of the companies during 2009, as the buyers originally identified withdrew from the transactions. As of 31 December 2009, 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 2009, 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*

	2009	2008
Investment property	809	4,403
Trade receivables	40	401
Cash and cash equivalents	140	617
<b>Total</b>	<b>989</b>	<b>5,421</b>

<sup>1</sup> Financial assets are out of the scope of the measurement provisions. The impact of this exclusion is assumed to be immaterial and has therefore not been included in this presentation.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS5p38

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

	2009	2008
Current income tax liabilities	127	746
Trade and other payables	41	2,428
<b>Total</b>	<b>168</b>	<b>3,174</b>

IFRS5p38

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

	2009	2008
Foreign exchange translation adjustments (debited)/credited to translation reserve	(185)	326
<b>Total</b>	<b>(185)</b>	<b>326</b>

## 13 Share capital

	<i>In euro thousands except for number of shares</i>	Number of shares (thousands)	Ordinary shares	Share premium	Total
1Rp79					
1Rp79(a)	At 31 December 2008 and 2009	40,000	40,000	22,720	62,720

1Rp79(a)

The total authorised number of ordinary shares is 40 million (2008: 40 million) with a par value of €1 per share (2008: €1 per share<sup>1</sup>). All issued shares are fully paid (2008: all fully paid).

## 14 Trade and other payables

	2009	2008
Financial liabilities:		
– Trade payables	33,381	27,608
– Other financial liabilities	5,604	2,988
Non-financial liabilities:		
– Social security and other taxes	3,920	2,775
– Accruals	648	703
<b>Trade and other payables</b>	<b>43,553</b>	<b>34,074</b>

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).

<sup>1</sup> These amounts are not in thousands.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### 15 Borrowings

IFRS7p7 IFRS7p8(f) All the Group's borrowings are at floating rates of interest<sup>1</sup>. Interest costs may increase or decrease as a result of changes in interest rates.

	2009	2008
<b>Non-current</b>		
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
<b>Current</b>		
Finance lease liabilities	2,192	2,588
<b>Total borrowings</b>	<b>109,416</b>	<b>105,392</b>

40Rp75(g) The borrowings include amounts secured on investment property to the value of €107,224 thousand (2008: €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. The fair values were based on cash flows discounted using a rate based on the latest applicable rates for similar financial instruments at the end of the year.

IFRS7p31 Bank borrowings mature until 2014 and bear average coupons of 7.5% annually (2008: 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:

	2009	2008
6 months or less	11,056	14,586
6-12 months	98,360	90,806
<b>Total</b>	<b>109,416</b>	<b>105,392</b>

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

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

	2009	2008
– Expiring within one year	16,300	10,500
– Expiring beyond one year	22,600	14,500
<b>Total</b>	<b>38,900</b>	<b>25,000</b>

The facilities expiring within one year are annual facilities subject to review at various dates during 2010. 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.

<sup>1</sup> These illustrative financial statements do not include fixed-rate borrowings or derivatives. Where such arrangements exist, further disclosures are required under IFRS 7 and IAS 39. See *Illustrative IFRS corporate consolidated financial statements for 2009 year-ends*.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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

	2009	2008
17p31(b)	Gross finance lease liabilities – minimum lease payments:	
IFRS7p39(a)		
	– No later than 1 year	2,749
	– Later than 1 year and no later than 5 years	6,292
	– Later than 5 years	2,063
	<b>11,104</b>	<b>13,254</b>
	Future finance charges on finance leases	(2,106)
	<b>Present value of finance lease liabilities</b>	<b>(2,656)</b>
	<b>8,998</b>	<b>10,598</b>

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

	2009	2008
	No later than 1 year	2,192
	Later than 1 year and no later than 5 years	4,900
	Later than 5 years	1,906
	<b>Total</b>	<b>8,998</b>
		<b>10,598</b>

## 16 Provisions

DV	At 1 January 2008	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 2009	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)	<b>At 31 December 2009</b>	<b>550</b>

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 2009 is expected to be utilised in the first half of 2010. 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 2009.

## 17 Revenue

	2009	2008
40Rp75(f)(i)	Rental income	40,144
18p35(b)	Service and management charges <sup>1</sup>	38,215
	<b>Total</b>	<b>2,210</b>
		<b>1,873</b>
	<b>42,354</b>	<b>40,088</b>

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 2009 (2008: €1,115).

<sup>1</sup> 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.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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

	2009	2008
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
<b>Total</b>	<b>81,721</b>	<b>77,795</b>

## 18 Employee benefits expense

	2009	2008
Wages and salaries	1,064	1,008
Social security costs	104	96
19p46 Pension costs – defined contribution plans	280	296
<b>Total</b>	<b>1,448</b>	<b>1,400</b>

## 19 Finance income and costs<sup>1</sup>

	2009	2008
IFRS7p20(b) Interest expense on bank borrowings	9,481	8,464
Interest expense on finance leases	539	636
21p52(a) Net foreign exchange losses on borrowings	412	460
Total finance costs	10,432	9,560
23Rp8 Less: Finance costs capitalised within investment property (Note 6)	(4,568)	–
<b>Finance costs</b>	<b>5,864</b>	<b>9,560</b>
Interest income on short-term deposits <sup>1</sup>	1,055	1,024
<b>Finance income</b>	<b>1,055</b>	<b>1,024</b>
<b>Finance costs – net</b>	<b>4,809</b>	<b>8,536</b>

21p52(a) The total foreign exchange losses recognised in profit or loss during the year 2009 amounted to €490 (2008: €410).

<sup>1</sup> Finance income is not netted against finance costs; it is included in 'other revenue/other income' or shown separately on the face of 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 (continued)

(All amounts in euro thousands unless otherwise stated)

## 20 Income tax expense

	2009	2008	
12p79	Current tax	4,115	4,548
12p79	Deferred tax	1,941	1,604
	<b>Total</b>	<b>6,056</b>	<b>6,152</b>

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:

	2009	2008	
	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
	<b>Tax charge</b>	<b>6,056</b>	<b>6,152</b>

12p81(d) The weighted average applicable tax rate was 33% (2008: 30%). The increase was caused by a change in the profitability of the Group's subsidiaries in the respective countries.

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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts after offsetting are as follows:

	2009	2008	
1Rp61	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

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

	2009	2008	
	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

Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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:

	Accelerated tax depreciation	Increases in fair value	Total
<b>Deferred tax liabilities</b>			
<b>At 1 January 2008</b>	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
12p81(g)(i) <b>At 31 December 2008</b>	<b>679</b>	<b>48,359</b>	<b>49,038</b>
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) <b>At 31 December 2009</b>	<b>1,001</b>	<b>51,669</b>	<b>52,670</b>

	Provisions against receivables	Other	Total
<b>Deferred tax assets</b>			
<b>At 1 January 2008</b>	<b>(422)</b>	<b>(120)</b>	<b>(542)</b>
12p81(g)(ii) Credited to the income statement	(48)	(101)	(149)
Effect of translation to presentation currency	(10)	(49)	(59)
12p81(g)(i) <b>At 31 December 2008</b>	<b>(480)</b>	<b>(270)</b>	<b>(750)</b>
12p81(g)(ii) Credited to the income statement	(36)	(76)	(112)
Effect of translation to presentation currency	(12)	(59)	(71)
12p81(g)(i) <b>At 31 December 2009</b>	<b>(528)</b>	<b>(405)</b>	<b>(933)</b>

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 2009 (2008: €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 (2008: €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.



## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### 21 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.

		2009	2008
33p70(a)	Net profit attributable to shareholders (Note 2.1)	20,891	18,313
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)	0.52	0.46

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

### 22 Dividends per share

1Rp107, 1Rp137(a) The dividends paid in 2009 and 2008 were €16,653 (or €0.41 per share) and €11,379 (or €0.28 per share) respectively. A dividend in respect of 2009 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 2010. These financial statements do not reflect this dividend payable.

### 23 Acquisitions of subsidiaries (business combinations and asset acquisitions)

IFRS3R59(a) (a) *Business combinations*<sup>1</sup>  
IFRS3B64(a-c)

On 10 September 2009, 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 2009. If the acquisition had occurred on 1 January 2009 with all other variables held constant, Group revenue for 2009 would have been unchanged, and profit for 2009 would have been €16,934.

Details of the assets and liabilities acquired and negative goodwill arising are as follows<sup>2</sup>:

	Acquiree's IFRS carrying amount immediately before business combination	Attributed fair value
IFRS3p59(a) IFRS3B64(i-j)		
	17,570	17,570
	4,527	4,527
	(8,702)	(8,702)
	(918)	(1,306)
	(1,864)	(1,864)
	<b>Fair value of acquired interest in net assets of subsidiary</b>	<b>10,225</b>
		90
	<b>Total purchase consideration</b>	<b>10,315</b>
		(4,527)
	<b>Net outflow of cash and cash equivalents on acquisition</b>	<b>5,788</b>

<sup>1</sup> The entity illustrated has not early adopted IFRS 3 'Business combinations' (revised 2008). Among the changes introduced by the revised standard is that acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and the services are received.

<sup>2</sup> In this example, assume that no intangible assets were identified.

## Notes to the consolidated financial statements (continued)

*(All amounts in euro thousands unless otherwise stated)*

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. Fair value of cash and cash equivalents was considered to equal the carrying value representing the entity's bank deposits, and 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'.

### *(b) Asset acquisitions*

On 28 September 2009, 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 2010.

On 3 January 2009, 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 2008, 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 2009, the Group completed the development of an office complex on the site.

Management considers that at acquisition Brent Limited, Tate 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.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2009 were:

	<u>Asset acquisitions</u>			<b>Total asset acquisitions and business combination</b>	
	<b>ABC</b>	<b>XYZ</b>	<b>Total</b>		
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 2008 were:

	<b>Asset acquisition</b>	
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

## 24 Contingencies

37p86 The Group has no significant contingent liabilities.

## 25 Commitments

16p74(c) The Group has capital commitments of €460 (2008: €10,667) in respect of capital expenditures contracted for at the date of the statement of financial position date but not yet incurred, for property, plant and equipment.

## Notes to the consolidated financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

### 26 Related-party transactions

1Rp136(c)  
24p12 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 and ultimate controlling party of the Group is Grandpa Limited (incorporated in Euravia).

24p17, 22 There were no other transactions<sup>1</sup> carried out or balances outstanding with related parties except for dividend distributions (Note 22) and the following:

	2009	2008
24p16	<b>Key management compensation</b>	
24p16(a)	Salaries and other short-term employee benefits	106
24p16(d)	Termination benefits	150
24p16(b)	Post-employment benefits	28
	<b>Total</b>	<b>130</b>

### 27 Events after the date of the statement of financial position<sup>2</sup>

10p21 The Group obtained a €150 million loan facility from a large German bank in January 2010, repayable in 2012. 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 after the date of the statement of financial position events that have a bearing on the understanding of these financial statements.

<sup>1</sup> 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 2009 year-ends*.

<sup>2</sup> 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 events.

## 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 and its subsidiaries (together, the Group), which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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<sup>1</sup> of the financial position of the Group as of 31 December 2009, and of its financial performance and its 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, if any.]*

Signature

Date

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.

<sup>1</sup> The term 'give a true and fair view' can be changed to 'present fairly, in all material respects'.

## 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 (IAS1Rp103)<sup>1</sup>. The following disclosures would be made on the face of the income statement:

		Year ended 31 December		
		Note	2008	2007
1Rp82-84, 1Rp103				
1Rp113				
	Rental income <sup>2,3</sup>	17	40,144	38,215
	Rental expenses <sup>4</sup>		(17,642)	(10,126)
	<b>Net rental income</b>		<b>22,502</b>	<b>28,089</b>
40Rp76(d)	Net gain from fair value adjustment on investment property	6	7,660	5,048
1Rp103	Selling and marketing costs		(288)	(939)
1Rp103	Administrative expenses		(216)	(704)
	Other income		2,210	1,873
	Other expenses		(112)	(366)
1Rp85	<b>Operating profit<sup>5</sup></b>		<b>31,756</b>	<b>33,001</b>
	Finance income	19	1,055	1,024
1Rp82(b)	Finance costs	19	(5,864)	(9,560)
1Rp85	<b>Profit before income tax</b>		<b>26,947</b>	<b>24,465</b>
12p77	Income tax expense	20	(6,056)	(6,152)
1Rp82(f)	<b>Profit for the year</b>		<b>20,891</b>	<b>18,313</b>
<b>Other comprehensive income:</b>				
21Rp52, 1Rp79(b)	Exchange difference on translating foreign operations		5,799	1,247
	Other comprehensive income for the year		5,799	1,247
	<b>Total comprehensive income for the year</b>		<b>26,690</b>	<b>19,560</b>
1Rp83	<b>Profit attributable to:</b>			
1Rp83(b)	– Owner of the parent		20,891	18,313
	– Minority interests		–	–
	Total comprehensive Income attributable to:			
	– Owner of the parent		5,799	1,247
	– Minority interests		–	–
33p66	<b>Basic and diluted earnings per share for profit attributable to the equity holders of the Parent during the year (expressed in € per share)</b>	21	0.52	0.46

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

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

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

<sup>3</sup> The accounting policy on revenue recognition (Note 2.17) would need to be adjusted to reflect the different terms used in the appendix.

<sup>4</sup> The line item includes service charge expenses where the entity acts as principal rather than agent.

<sup>5</sup> The disclosure of operating profit in the income statement is not prescribed by IAS 1. There is however no prohibition from disclosing this or a similar line item.

## 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 (revised 2008) is as follows:

7p10, 18(a)	Note	Year ended 31 December	
		2009	2008
<b>Cash flows from operating activities</b>			
		124,423	104,108
		(83,340)	(51,633)
		39,083	52,475
7p31		(10,318)	(12,032)
7p35		(3,772)	(6,425)
		(1,056)	(1,092)
		–	2,855
		(287)	(14,673)
		<b>23,650</b>	<b>21,108</b>
<b>Cash flows from investing activities</b>			
7p21			
7p16(a)	6	(2,797)	(220)
7p16(a)	6	(28,213)	(2,482)
7p16(b)	6	8,580	750
7p16(a)	8	(10,322)	(13,246)
7p16(a)	8	(14,691)	(3,130)
7p16(f)		316	80
7p31		560	1,024
		<b>(46,567)</b>	<b>(17,224)</b>
<b>Cash flows from financing activities</b>			
7p21			
7p17(c)		10,763	18,234
7p17(d)		(6,739)	(8,966)
7p31	22	(16,653)	(11,379)
		<b>(12,629)</b>	<b>(2,111)</b>
		<b>(35,546)</b>	<b>1,773</b>
		35,152	34,621
		(3,269)	(1,242)
		<b>905</b>	<b>35,152</b>

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.