HB REAVIS REAL ESTATE SICAV-SIF

Consolidated Financial Statements
31 December 2012

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Report of the Management company

AUDIT REPORT

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The Board of Managers of the Management Company of HB Reavis Real Estate SICAV -SIF (the "Fund") is pleased to present its annual report together with the audited consolidated financial statements for the year ended 31 December 2012 of the Fund.

1 Incorporation

The Fund was established in Luxembourg on 25 May, 2011 for an unlimited duration and is governed by the Luxembourg law dated February 13, 2007 relating to specialized investment funds.

On the aforementioned date, the Management Company launched the Fund as well as its first Sub Fund named HB Reavis CE REIF (hereafter "Sub Fund A").

The Fund is managed for the account of and in the exclusive interest of its unitholders by HB Reavis Investment Management S.à r.l. (the "Management Company"), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 20, rue de la Poste, L-2346 Luxembourg.

2 Principal activities of the Fund

While there will be no specific country or real estate segment restrictions posed, the Fund will mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial Sub-Fund portfolio will provide investments in prime properties only located in Slovakia.

The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments will be made in both capital and regional cities in the entire Central European region. Investments in logistic properties will be restricted to attractive and strategic locations only.

The Sub-Fund seeks to maximize the value via investing in properties which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. The Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

3 Risks and uncertainties

An investment in the Fund involves certain risk factors and considerations relating to the Fund's structure and investment objectives.

3.1. Nature of investments in the Fund

The Fund is not intended for short-term investment and the Fund's investment objective and policy assumes that shares will be held for an extended period. There can be no assurance that the Fund will achieve its investment objective or that the Investor will receive any return on or of his invested capital. Past performance is not a guarantee of future results.

3.2. Nature of investments in real estate

The investments is subject to the risks incident to the ownership and operation of commercial and multi-family residential real estate, including, but not limited to, risks associated with the general economic climate, local real estate conditions, competition from other real estate companies, the ability of the third party property managers to manage and lease the properties, unavailability of mortgage funds or fluctuations in the interest rates that may render the sale of a property difficult, the financial condition of tenants, buyers and sellers of properties, changes in real estate tax rates, energy prices and other operating expenses, the imposition of rent controls, energy and supply shortages, environmental risk, various uninsured or uninsurable risks, government regulations, fluctuations in interest rates, unemployment, inflation, local recessions or other economic events. These risks, either individually or in combination may cause either a reduction in the income or an increase in operating and other costs, which may materially affect the financial position and returns of specific Fund investments and the Fund generally.

3 Risks and uncertainties (continued)

3.2.1. Acquisition Risks

Acquisitions of real estate investments include risks that investments may not perform in accordance with expectations and that anticipated costs of improvements to bring an acquired property up to the standards established for the market position intended for that property may exceed budgeted amounts, as well as general investment risks associated with any new real estate investment.

3.2.2. Abort Costs

The nature of real estate acquisitions and disposals may mean that considerable expense may be incurred without the completion of an acquisition, disposal, financing or leasing of a real estate property. For example, the Fund may incur costs on undertaking due diligence and obtaining environmental and other reports in relation to potential acquisitions that do not proceed. In addition, conditions precedent may not be satisfied and transactions may be aborted after material expense has been incurred. All such expenses will be payable by the Fund and will reduce the returns that would otherwise be received by an investor.

3.2.3. Insurance Risks

The Fund intends to maintain comprehensive insurance on its real estate property, including physical loss or damage, business interruption and public liability in amounts sufficient to permit replacement in the event of a total loss, subject to applicable deductibles and availability of insurance on commercially reasonable terms and conditions. The Fund will endeavor to obtain coverage of the type and in the amount customarily obtained by owners of properties similar to its real estate property. There are certain types of losses, however, generally of a catastrophic nature, such as earthquakes, floods and hurricanes and terrorism that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents, encumbering properties that have been pledged as collateral for loans, and other factors might make it economically impractical to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances the insurance proceeds received by the Fund, if any, might not be adequate to restore the Fund's investment with respect to the affected property.

3.2.4. Property Taxes

Real estate property owned by the Fund is likely to be subject to property taxes when acquiring and during ownership of that asset in the country that the asset is held. Such taxes may increase as tax rates change and as the properties are assessed or reassessed by taxation authorities. Also refer to the information set out under the heading "Taxation" in this section and Section: "Tax Status".

3.2.5. Environment Liability

The Fund may be liable for the costs of removal or remediation of hazardous or toxic substances located on or in a property investment held by the Fund. The costs of any required remediation or removal of such substances may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the owner's ability to sell or lease the property or to borrow using the property as collateral. Laws and regulations may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of and impose liability for the disturbance of wetlands or the habitats of threatened or endangered species.

Generally, the Fund will obtain environmental audits prior to the acquisition of properties to identify potential sources of contamination for which such properties may be responsible and to assess the status of environmental regulatory compliance. There can be no assurance, however, that such audits will reveal all environmental liabilities relating to an acquired property.

3.2.6. Financial Condition of Tenants

A tenant of acquired properties may experience, from time to time, a downturn in its business which may weaken its financial conditions and result in the failure to make rental payments when due. No assurance can be given that tenants will continue to make rental payments in a timely manner. The failure of tenants to meet rental obligations on the Fund's assets may adversely affect the Fund's operating cash flow and value of its investments.

3.2.7. Use of Valuations and Appraisals

The Fund will use both internal and external valuations in several contexts for determining an investment's market value, the Fund's Net Asset Value and Net Asset Value per share. Each of the Fund's real estate properties may be valued by a qualified Independent Valuer externally at least once every twelve (12) months as at the end of each financial year and in addition investments may be valued externally before any acquisition or sale although a new valuation is not necessary if the sale of the property takes place within six (6) months after the last valuation thereof. An appraisal or a valuation is only an estimate of value and is not a precise measure of realisable value.

3 Risks and uncertainties (continued)

Ultimate realisation of the market value of a real estate asset depends to a great extent on economic and other conditions beyond the control of the General Partner. Further, appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiations between a willing buyer and seller. Generally, appraisals will consider the financial aspects of a property; market transactions and the relative yield for an asset measured against alternative investments. Generally, valuations will be based on the discounted cash flows of the Fund's assets, but the income capitalization or replacement cost method may also be used provided that they result in an adequate valuation. If the Fund was to acquire or liquidate a particular real estate investment, the realised value may be more than or less than the appraised value or other valuation of such asset.

3.2.8. Illiquidity of Investments

Although the Fund may, on occasion, acquire securities that trade publicly or that are issued by companies that have another class of securities that trade publicly, it is unlikely that there will be a public market for many of the investments held by the Fund. The direct, non-securitized real estate investments that will be held by the Fund will ordinarily require a substantial period of time to be liquidated in an orderly manner. There can be no assurance that there will be a ready market for each type of the Fund's real estate properties at the time it may be necessary to dispose of the same. There are substantial costs associated with the disposition of such investments, including, inter alia, sales brokerage and legal costs.

3.2.9. Limited Market for investor interests/restrictions on transfer of shares

While the Investor will have the right to transfer his shares to another party provided such party is a Well-Informed Investor and subject to certain other restrictions either pursuant to applicable laws, the articles of association or otherwise, there is not expected to be a liquid, secondary trading market for the Fund's shares. For these reasons, the Investor will be required to bear the financial risks of their investment until redemption.

3.2.10. Currency risk

Investments of the Fund may be made in other currencies than the Euro and therefore be subject to currency fluctuations which affect the Net Asset Value of the Fund as defined in section 8 (Net Asset Value) of the Prospectus. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Fund's Net Asset Value could decline as a result of changes in the exchange rates between foreign currencies and the Euro. As detailed in the investment policy of the Fund, the currency risk will be mostly hedged, but that there is no guarantee that the hedging will be successfully achieved.

3.2.11. Untimely Exits due to Redemptions

The ability of the Investor to redeem his shares is described in the Prospectus and summarized in the section "Redemption of shares" below. Where redemptions are permitted, the Investor will be entitled to such redemptions as soon as is practicable in all the circumstances. However redemption requests will be satisfied in any event within two years of the request being made. Accordingly, this may mean that the General Partner may be forced to sell or encumber assets belonging to the Fund earlier than planned and on terms and subject to conditions that are worse than planned or under market value to satisfy such redemption requests, and such action may negatively impact on the performance of the Fund. For the avoidance of doubt, redemptions will be at the Net Asset Value at the time of the most recent Valuation Day and not at the time the redemption request is received.

3.2.12. Reliance on real estate manager

The Fund's success will depend largely on the services of its officers, employees and agents, and, in part, on the continuing ability of the involved parties to hire and retain knowledgeable personnel. There can be no assurance that the General Partner will be able to retain the employees who may be critical to the performance of its obligations or to implement successfully the strategies that the Fund intends to pursue. There can also be no assurance that the strategies that the General Partner wishes to pursue in this regard will result in a profit for the Fund.

3.2.13. Newly Formed Entity

The Fund is a société d'investissement à capital variable. There can be no assurance that the General Partner will achieve the Fund's investment objective notwithstanding the performance of any or all of the foregoing or their respective affiliates or principals in other transactions including, without limitation, arrangements similar in nature to the Fund. Given the factors as described in this section, there exists a possibility that an investor could suffer a substantial or total loss as a result of an investment in the Fund.

3.2.14. Use of Leverage

The Fund may incur mortgage and other debt (subject to certain limits as outlined in the Prospectus and the articles of association) to finance the acquisition of properties, restructure existing debt, enhance returns and for other operational cash flow requirements. Market fluctuations may decrease the availability and increase the cost of debt finance.

3 Risks and uncertainties (continued)

The use of leverage increases the exposure of investments to adverse economic factors such as rising interest rates, economic downturns or deteriorations in the condition of a real estate investment or its market. If a real estate investment is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's equity investments in such real estate could be reduced or even eliminated.

3.2.15. Interest Rate and Hedging Risks

The Fund's performance may be affected adversely if it fails to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors and other interest rate contracts, and buying and selling interest rates futures and options on such futures. Should the Fund so elect (and it will be under no obligation to do so), the use of these derivative instruments to hedge a portfolio of investments carries certain risks, including the risks that losses on any hedge position will reduce its earnings and the proceeds available for distribution to the Investor, and indeed, that such losses may exceed the amount invested in such derivative instruments. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on a given Investment.

3.2.16. Distributions

The Fund depends on payments it receives from its subsidiaries, properties or other investments held directly in order to make distributions to the Investor. The timing of and the ability of certain Subsidiaries to make payments may be limited by applicable law and regulations.

3.2.17. Conflicts of Interest

The corporate relationships between the Fund, the entity at the origin of the Fund, the General Partner and their respective affiliates may present conflicts of interests regarding the structuring of transactions, the terms of the investments and other services provided to the Fund by any of its service providers. For example, unless otherwise disclosed in this Prospectus, any such party may promote, manage, advise, sponsor or be otherwise involved in further collective investment schemes. In particular, there could arise conflicts relating to the allocation of investment opportunities between the Fund and other clients of each of these parties. The Fund intends to continue to pursue transactions even where conflict exists. While the General Partner will take steps to alleviate such conflicts of interests, such conflicts will not be eliminated.

3.2.18. Lack of diversification

The Fund may diversify its portfolio by investing in one or more real estate property types in accordance with its investment and operating criteria, however, subject to these limits, investments by the Fund may be weighted to certain property types and in certain geographic markets and there can be no guarantees as to the diversification of the Fund's assets. Events that impact a specific Fund investment, a specific property type held by the Fund or a region in which the Fund has assets may have a material impact on the Fund's performance.

3.2.19. Recourse to the Fund's Assets

As a Specialized Investment Fund the Fund is reserved to Well Informed Investors who must be aware of the risks attaching to the investment in an undertaking for collective investment investing in real estate such as the Fund and accept that they will have recourse only to the Fund's assets as these will exist at any time.

The Fund's assets, including any investments made by the Fund and any funds held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund (as opposed to a subsidiary) becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. If a subsidiary (as opposed to the Fund) becomes subject to a liability, parties seeking to have the liability satisfied may only have recourse to that particular subsidiary's assets generally.

3.2.20. Investments in Partnerships and Other Entities

The Fund may make investments in other entities and enter into partnerships or joint ventures with any person (including the General Partner and its affiliates) subject to it ensuring that it can realise the investments within an appropriate period of time and it is in the Fund's best interests to do so. The Fund may co-invest and the assets in relation thereto may not be as liquid as the assets directly held by the Fund in the absence of such co-investment. Generally co-investment will be made at the level of the jointly held subsidiary holding the asset (also referred to above as the property companies). Such investments may involve risks not present in direct property investment, including for example, the possibility that a co-venture or partner of the partnership might become bankrupt, or may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or that such co-ventures or partners may be in a position to take action contrary to the Fund's investment objectives. In addition, the Fund may be liable for actions of its co-ventures or partners. While the General Partner and all other involved parties will take all reasonable steps to review the qualifications and previous experience of any proposed co-ventures or partners, it does not expect in all cases to obtain financial information from, or to undertake private investigations with respect to, prospective co-ventures or partners.

3 Risks and uncertainties (continued)

3.2.21. Increased Competition

The Fund will engage in a business that becomes increasingly competitive as more investors enter the market. The decline in the number or size of assets being offered for sale may adversely affect the Fund's ability to achieve its investment objectives. While the General Partner believe that attractive investments of the type in which the Fund intends to invest are currently available, there can be no assurance that such investment opportunities will be available or that then available investments will meet the Fund's investment and operating criteria.

3.2.22. Taxation

An investment in the Fund involves a number of complex tax considerations including taxation of subsidiaries and of distributions and dividends paid across national boundaries. Changes in tax legislation in any of the countries in which the Fund will have investments, or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Fund to the Investor. No assurance can be given on the actual level of taxation suffered by the Fund. The Investor should consult his own tax adviser on the tax implications for them of investing, holding and disposing of shares and receiving distributions in respect of shares in the Fund.

3.2.23. Changes in applicable law

The Fund must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions, including Luxembourg. Should any of those laws change over the term of the Fund, the legal requirements to which the Fund and the Investor may be subject could differ materially from current requirements.

3.2.24. Monthly Valuation

The Central Administrator calculates the Net Asset Value per share for the purposes of issues and redemptions on each Regular Valuation Day and Valuation Day prescribed by the General Partner. In addition, but for information purposes only, the General Partner may publish a monthly Net Asset Value per share on such days as it shall prescribe. For the purposes of this monthly Net Asset Value, the General Partner will use the most recent available Net Asset Value calculated on a Valuation Day adjusted to take into account its estimate of accruals of income and expenses and assets and liabilities since such Valuation Day up to the prescribed day.

3.3. Risks associated with the terms and conditions of the Fund

3.3.1. Limitations on the redemption and transfer of shares

Prospective investors should not invest unless they are prepared to retain their investment until the Fund/Sub-Fund may terminate. Investor Shareholders may not be able to redeem their Shares and there will be no active secondary market for the Shares.

No Investor Shareholder may transfer its Shares in the Fund, including the obligation to meet capital calls, to another existing or prospective investor without the written consent of the General Partner. The Investor Shareholder wishing to transfer interests in the Fund will be responsible for all costs associated with any attempted or realised transfer.

3.3.2. Illiquidity of the fund's investments

The investments of the Fund generally will be long-term and highly illiquid. As a result, the Fund will not have control over when it will have assets to distribute.

3.3.3. Dilution from subsequent closings

Investor Shareholders subscribing for Shares in the Fund at Subsequent Closings will participate in existing investments of the Fund, diluting the interest of existing Investor Shareholders. Although these New Investor Shareholders will contribute their prorata shares of previously made capital calls (plus an additional amount relating to the cost of money previously contributed by earlier Investor Shareholders), there can be no assurance that this payment will reflect fair value of the Fund's existing investments at the time the new Investor Shareholders subscribe for Shares in the Fund.

3.3.4. Serious consequences for shareholders of their own failure to meet a capital call by the fund

Failure to pay to the Fund any amount required to be paid under a draw down notice is subject to substantial penalties, over which the General Partner has significant discretion, including removal of entitlement to distributions, the entitlement to vote as an Investor Shareholder and accrual of interest on unpaid amounts. In the case of a failure to pay, further sanctions include forced transfer to other Investor Shareholders and redemption by the Fund at a price equal to seventy five per cent (75 %) of the lesser of funded Commitments and the Net Asset Value of the Shares which may not be received until the end of the term of a Fund.

3 Risks and uncertainties (continued)

3.3.5. Failure by other investor shareholders to meet a capital call of the fund

Failure by an Investor Shareholder to meet a capital call could result in the Fund defaulting on a funding obligation to an investment or reduce the number of investments the Fund may make.

3.3.6. Investor shareholders bear the cost of all fees and expenses

In addition to the General Partner Fees, Investor Shareholders will also pay other expenses of the Fund including abort fees, introduction and transaction fees, and third party advisers' fees. This may result in a higher expense for Investor Shareholders than if Investor Shareholders invested directly in the underlying assets of the Fund.

3.3.7. The fund may distribute illiquid securities in kind

The General Partner will have the authority to make in-kind Distributions at any time under the conditions provided in Chapter "Distribution Policy". Even if the General Partner does not make such Distributions during the Fund's term, certain investments may not be able to be liquidated at the end of the Fund's term, even if extended as permitted by the Prospectus and Articles of Association. In such cases there may be in-kind Distributions by the Fund of interests in these investments to Investor Shareholders, all of which are likely to be highly illiquid. There can be no assurance that any Investor Shareholder will be able to dispose of these investments or that the value of these investments as determined by the General Partner in connection with the determination of Distributions will be realised.

3.3.8. Compulsory redemption of shareholder's shares

The General Partner is entitled to redeem the Investor Shareholders' holding if the General Partner determines in its sole discretion that the Investor Shareholder is or has become ineligible as an investor or that the continued participation of the Investor Shareholder in the Fund may adversely affect the Fund. Such compulsory redemption may cause the Investor Shareholder to realize a materially lower return than would be the case if the Investor Shareholder did not suffer a compulsory redemption.

3.4. Other risks

3.4.1. Hedging instruments may adversely affect overall performance

The Fund and its investments may choose to engage in transactions designed to reduce the risk or to protect the value of their assets, including securities and currency hedging transactions. These hedging strategies could involve a variety of derivative transactions, including transactions in forward, swap or option contracts or other financial instruments with similar characteristics, including forward foreign currency exchange contracts, currency and interest rate swaps, options and short sales (collectively "Hedging Instruments"). Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the value of those positions decline, but establishes other positions designed to gain from those same developments, thereby offsetting the decline in the portfolio positions' value. While these transactions may reduce the risks associated with an investment, the transactions themselves entail risks that are different to those of the investment. The risks posed by these transactions include interest rate risk, market risk, risk that these complex instruments and techniques will not be successfully evaluated, monitored and/or priced, counterparty risk, liquidity risk and leverage risk. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. Thus, while the Fund and its investments may benefit from the use of Hedging investments, unanticipated changes in interest rates, securities prices or currency exchange rates may result in poorer overall performance for the Fund and its investments than if they had not used those Hedging Instruments.

Moreover, it may not be possible to hedge against a currency exchange rate, interest rate or public security price fluctuation that is so widely anticipated that the Fund and its investments are not able to enter into a hedging transaction at a price sufficient to protect them from the decline in the value of the portfolio position anticipated as a result of the fluctuation. The success of hedging transactions will be subject to the ability to correctly predict movements in and the direction of currency exchange rates, interest rates and public security prices. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, the Fund and its investments may not seek to establish a perfect correlation between Hedging Instruments and the portfolio positions being hedged. This imperfect correlation may prevent the Fund and its investments from achieving the intended hedge or exposure to risk of loss. The making of short sales exposes the Fund and its investments to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of upper limit on the price to which - a security may rise. In addition, because the Fund may hold securities indirectly through underlying investment fund, there can be no assurance that securities necessary to cover a short position will be available for purchase in addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in currencies that different from the Sub-Fund currency because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Currency hedging instruments may not be available in certain currencies or may not have a duration that matches the long term nature of the underlying principal investment.

3 Risks and uncertainties (continued)

The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities becomes restricted. In addition, these types of hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase.

The successful use of these hedging strategies depends upon the availability of a liquid market and appropriate Hedging Instruments and there can be no assurance that the Fund and its investments will be able to close out a position when deemed advisable by the Investment Manager(s). No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Hedging transactions also involve additional costs and expenses, which may adversely affect the overall performance of the Fund and its investments. There can be no assurance that the Fund and its investments will engage in hedging transactions at any given time or from time to time, or that these transactions, if available, will be effective.

Where Shares are issued in classes of more than one currency, the effect of a movement in the reference currency of one of the classes relative to another may result in differential levels of investment, with the result that a greater proportion of the Commitment of investors in one class may be called than that of those in the other(s).

3.4.2. Tax risks

Investments in the Fund may involve tax risk. Investors are strongly advised to consult with their tax advisers to determine the nature of these tax risks, if any.

3.4.3. Dependence on the Investment Manager(s) relationship

All decisions relating to the general management of the Fund will be made by the General Partner or, to the extent delegated by the General Partner, then by the Investment Manager(s) or its agents. All investment decisions with respect to the assets of the Sub-Funds will be taken by the Investment Manager(s). The investment performance of the Fund depends largely on the ability of the Investment Manager(s).

3.4.4. Early liquidation of the Fund

In the event of the Early Liquidation of the Fund, the Fund will distribute to the Investor Shareholders their pro-rata interest in the assets of the Fund. The securities and other interests in other Sub-Funds' investments will be sold by the Fund or distributed to the Investor Shareholders. It is possible that at the time of such sale or redemption certain investments held by the Fund may be worth less than the initial cost of the investment, resulting in a loss to the Fund and to its Investor Shareholders. Moreover, in the event the Fund liquidates prior to the complete amortization of organizational expenses, any unamortized portion of such expenses will be accelerated and will be debited (and thereby reduce) amounts otherwise available for Distribution to Investor Shareholders.

3.5. Actual exposure of the Fund to the price risk, credit risk, liquidity and cash flow risk

Actual exposure of the Fund to the price risk, credit risk, liquidity and cash flow risk is in more detail described in the notes to the Group consolidated financial statements (Note 21 - Financial Risk Management).

4 Review of developments, position and performance of the Fund's business

There were no acquisitions and disposals of the investment property of the Fund.

The portfolio of the Fund consists of 5 investment properties; each of them is held through a separate SPV in which the Fund holds 100%:

- Aupark Piešťany
- Logistické centrum Malý Šariš
- Logistické centrum Svätý Jur
- CBC I – II
- Union building

The Fund's capital growth through its investments is measured by changes in net assets attributable to unit holders ("net assets"). At 31 December 2012, the Fund's net assets amount to EUR 57.1 million (2011: EUR 54.4 million) representing 109.0% (2011: 103.8%) of capital in use. This increase is the net effect of unit holders' capital subscriptions during the year 2011 of EUR 52.4 million, the Fund's share of decrease in the properties' fair value by EUR 5.1 million (2011: increase by EUR 2.6 million), the Fund's share of rental and operating income realized during the year of EUR 14.3 million (2011: EUR 4.3 million), Fund administration and running expenses of EUR 1.7 million (2011: EUR 2.5 million), the Fund's share of projects' finance related expenses of EUR 2.6 million (2011: EUR 1.0 million) and related development and administration expenses of EUR 1.4 million (2011: EUR 1.4 million).

5 Future developments

The Fund plans to continue its investment program in 2013 investing in the Central European region.

6 Events after the date of the statement of financial position

In February 2013 the Fund has successfully refinanced a due loan facility amounting to EUR 64.5 million with a new repaymet date of 31 December 2016.

Apart from the above stated no matters or circumstances of importance have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Sub Fund.

For and on behalf of
the Management Company acting in its own name but for the account of the Fund

Peter Grancic Manager	Marian Herman Manager	Neil F. Ross Manager

Luxembourg, 28 March 2013

Audit report

To the Shareholders of
HB Reavis Real Estate SICAV-SIF S.C.A.

Report on the financial statements

We have audited the accompanying consolidated financial statements of HB Reavis Real Estate SICAV-SIF S.C.A. and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

General Partner's responsibility for the financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 judgment of the "Réviseur d'entreprises agréé" 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 "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Partner, as well as evaluating the overall presentation of the consolidated financial statements.

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

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R.C.S. Luxembourg B 65 477 - TVA LU25482518

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of HB Reavis Real Estate SICAV-SIF S.C.A. as of 31 December 2012, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the General Partner, is consistent with the financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 March 2013

Isabelle Dauvergne

In millions of EUR	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Investment property in use or vacant	8	164.4	168.0
Other non-current assets	9	1.7	0.4
Total non-current assets		166.1	168.4
Current assets			
Trade and other receivables	10	2.7	2.2
Cash and cash equivalents	11	5.9	4.5
Total current assets		8.6	6.7
TOTAL ASSETS		174.7	175.1
EQUITY			
Share capital	12	52.4	52.4
Retained earnings		4.7	2.0
TOTAL EQUITY		57.1	54.4
LIABILITIES			
Non-current liabilities			
Borrowings	13	34.3	9.2
Deferred income tax liability	19	0.3	0.6
Trade and other payables	14	2.0	2.3
Total non-current liabilities		36.6	12.1
Current liabilities			
Borrowings	13	74.6	101.9
Trade and other payables	14	6.4	6.7
Total current liabilities		81.0	108.6
TOTAL LIABILITIES		117.6	120.7
TOTAL LIABILITIES AND EQUITY		174.7	175.1

These consolidated financial statements have been approved for issue and signed on behalf of the HB REAVIS REAL ESTATE SICAV-SIF on 28 March 2013 by the members of the Board of Managers of the HB REAVIS REAL ESTATE SICAV-SIF. The Board of Managers has the power to amend these consolidated financial statements after issue

Peter Grancic	Marian Herman	Neil F. Ross
Manager	Manager	Manager

In millions of EUR	Note	2012	2011
Rental and similar income from investment properties	15	14.3	4.3
Direct operating expenses arising from investment property	16	(1.7)	(0.8)
Net operating income from investment properties		**12.6**	**3.5**
Revaluation gain/(loss) on investment properties	8	(5.1)	2.6
Other operating income	16	2.1	-
Other operating expenses	18	(1.7)	(2.5)
Operating profit/ (loss)		**7.9**	**3.6**
Interest expense		(2.6)	(1.0)
Other finance costs		(0.1)	-
Finance costs, net		**(2.7)**	**(1.0)**
Profit/(loss) before income tax		**5.2**	**2.6**
Current income tax (expense)/credit	19	-	-
Deferred income tax (expense)/credit	19	0.3	(0.6)
Income tax (expense)/credit		**0.3**	**(0.6)**
Net profit/(loss) for the year		**5.5**	**2.0**
Other comprehensive income			
Net profit/(loss) for the year		5.5	2.0
Total comprehensive income /(loss)		**5.5**	**2.0**
Net profit/(loss) is attributable to:			
- Owners of the Fund		5.5	2.0
- Non controlling interest		-	-
Profit/(loss) for the year		**5.5**	**2.0**
Total comprehensive income/(loss) is attributable to:			
- Owners of the Fund		5.5	2.0
- Non-Controlling Interest		-	-
Total comprehensive income /(loss)		**5.5**	**2.0**

		Attributable to owners of the Fund			
In millions of EUR	Note	Share capital (Note 12)	Share premium (Note 12)	Retained earnings	Total
Balance at 25 May 2011		-	-	-	-
Capital contributions from shareholders		52.4	-	-	**52.4**
Profit for the year / Total comprehensive profit for the year		-	-	2.0	**2.0**
Balance at 31 December 2011		**52.4**	-	**2.0**	**54.4**
Profit for the year / Total comprehensive profit for the year		-	-	5.5	**5.5**
Dividends declared and paid	12	-	-	(2.8)	**(2.8)**
Balance at 31 December 2012		**52.4**	-	**4.7**	**57.1**

In millions of EUR	Note	2012	2011
Cash flows from operating activities			
Profit/(Loss) before income tax		5.2	2.6
Adjustments for:			
Revaluation (Gains)/Losses on investment property	8	5.1	(2.6)
Interest expense		2.6	1.0
Operating cash flows before working capital changes		12.9	1.0
Working capital changes:			
(Increase) in trade and other receivables		(1.9)	(0.1)
(Decrease)/Increase in trade and other payables		(1.0)	2.0
Cash generated from operations		10.0	2.9
Interest paid		(2.4)	(0.9)
Net cash from operating activities		**7.6**	**2.0**
Cash flows from investing activities			
Construction of investment property	8	(1.5)	(0.7)
Acquisition of subsidiaries, net of cash acquired		-	(48.0)
Net cash (used in)/from investing activities		**(1.5)**	**(48.7)**
Cash flows from financing activities			
Repayment of borrowings		(18.8)	(1.2)
Drawdown of borrowings		16.9	-
Capital contributions from shareholders		-	52.4
Dividend distributions	12	(2.8)	-
Net cash from/(used in) financing activities		**(4.7)**	**51.2**
Net (decrease) / increase in cash and cash equivalents		**1.4**	**4.5**
Cash and cash equivalents at the beginning of the period		4.5	0.0
Cash and cash equivalents at the end of the year	11	**5.9**	**4.5**

1 The HB REAVIS REAL ESTATE SICAV-SIF Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") for the year ended 31 December 2012 for HB Reavis Real Estate SICAV-SIF (the "Fund") and its subsidiaries (together referred to as the "Group").

The Fund is an umbrella fund incorporated as a corporate partnership limited by shares (société en commandite par actions or S.C.A.) under the laws of Luxembourg, which is registered as an investment company with variable capital (société d'investissement à capital variable) under the law of 13 February 2007 relating to specialized investment funds (2007 Law) and the law of 10 August 1915 (1915 Law) relating to commercial companies. The Fund was set up on 25 May 2011 and is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg B 161180.

The Fund is managed by the unlimited General Partner (associé-gérant commandité) HB Reavis Investment Management S.à r.l., a private limited company (société à responsabilité limitée) incorporated under the laws of Luxembourg.

The Fund's immediate parent as of the date of issuance of these consolidated financial statements is HBR Investors Ltd. based in Cyprus. The Fund is consolidated under HB Reavis Holding S.à r.l., a company based in Luxembourg.

The Fund offers its shares to well-informed investors mainly from the Eurozone as defined by the Luxembourg regulation concerning specialized investment funds dated 13 February 2007.

These financial statements were authorised for issue on 28 March 2013.

Principal activity. Real estate investments and investment in SPVs holding real estate assets, including controlling and non-controlling stakes in SPV holding companies. The Fund is designed as a multi-compartment structure consisting currently of one Sub-Fund HB Reavis CE REIF (the "Sub-Fund"). While there are no specific country or real estate segment restrictions posed, the Sub-Fund will mainly invest in Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets.

The initial Sub-Funds portfolio provides investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital and regional cities in Slovakia, the Czech Republic, Poland and Hungary. The retail segment investments will be made in both capital and regional cities of Slovakia, the Czech Republic, Poland and Hungary. Investments in logistic properties will be restricted to attractive and strategic locations only.

The Sub-Fund seeks to maximize the value via investing in properties which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. The Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

Investment restrictions of the Sub-Fund:

a) Investment targets: The Fund focuses on investing in finished, fully or nearly fully let commercial properties with stable cash flow. Only rental income generating assets are eligible for the Fund's portfolio. A property to be acquired has to exhibit at least eighty percent (80%) of leased area of the total gross leasable area. The acquisition form is to be either freehold or leasehold with not less than thirty (30) years to elapse. The Fund may acquire properties directly or indirectly via SPV and/or share of SPV, as well as via forward purchase of an SPV or a direct property. The maximum age of an office or logistic real estate asset shall, as of the date of acquisition of such an asset, be no greater than seven (7) years.

b) Development and redevelopment: The Sub-Fund does in general not invest in any redevelopment of real estate assets which it acquires. The General Partner may however decide to redevelop to the condition that the redevelopment has no significant impact on cash flow of the fund within three (3) years following the investment.

c) Denomination: The Sub-Fund is denominated in Euro.

d) Investment restrictions of the Sub-Fund: The Sub-Fund may not have an exposure on one (1) real estate investment, which would exceed thirty percent (30%) of its gross assets. This thirty percent (30 %) rule does not apply during a start-up phase of four (4) years after the Initial Closing Date. The Sub-Fund intends to hold liquidity only to the extent needed to meet short- and mid-term liabilities. The liquidity will be held in bank accounts, time deposits, money market instruments, investment grade rated bonds and/or other type of near-cash investments.

1 The HB REAVIS REAL ESTATE SICAV-SIF Group and its Operations (Continued)

e) Loan and leverage: A ratio of consolidated external debt over total real estate assets ("leverage") shall not exceed 70%, essentially through bank financing. Leverage incurred by the Sub-Fund or one (1) of its subsidiaries for an individual asset may exceed 70% of the individual asset value, but shall not at any event exceed 75% of such value. In addition, the Sub-Fund on the account of the Sub-Fund may borrow up to 10% of the total assets to finance its working capital requirements against uncalled Commitments. Given the idea of a core product and the type of investments set out above, the Sub-Fund's target real estate investments aim at relatively low yields with limited risk. This makes an extended leverage both desired and necessary.

f) Indirect property investments via bonds or similar financial instruments: As a rule, the investments of the Sub-Fund are made directly or via special purpose property companies, in which the Sub-Fund shall have controlling or non-controlling (minority) participations. In case of investments with controlling participations, the Fund will, to the extent possible, seek to have majority representation. The Sub-Fund may invest secondarily in other assets such as money market instruments and investment grade rated bonds and cash.

Registered address and place of business. The Fund's registered address and principal place of business is:

20, rue de la Poste
L-2346 Luxembourg
Luxembourg

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), which were in force as of 31 December 2012.

Income and cash flow statement. The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements. These consolidated financial statements are presented in millions of Euro ("EUR") rounded to one decimal place, unless otherwise stated.

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

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different revaluation gain or loss on investment properties, net profit or loss for the year, total assets or total liabilities.

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidated Financial Statements

Consolidated financial statements. In preparing the consolidated financial statements, the individual financial statements of the consolidated entities are aggregated on a line-by-line basis by adding together the like items of assets, liabilities, equity, income and expenses. Transactions, balances, income and expenses between the consolidated entities are eliminated. The individual financial statements of the consolidated entities are prepared on a consolidated basis when they hold subsidiaries.

Subsidiaries. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Defacto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired.The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations. 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. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

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

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

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

All 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.

2 Summary of Significant Accounting Policies (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

The entities included within these consolidated financial statements are as follows:

Number	Subsidiaries	Functional currency	Country of Incorporation	31 December 2012	31 December 2011
1	HB REAVIS REAL ESTATE SICAV-SIF (Parent Company)	EUR	Luxembourg	N/A	N/A
2	HBR CE REIF LUX 1 S.á.r.l.	EUR	Luxembourg	100	100
3	HBR CE REIF LUX 2 S.á.r.l.	EUR	Luxembourg	100	100
4	AUPARK Piešťany SC, s. r. o.	EUR	Slovakia	100	100
5	AUPARK Piešťany, spol. s r.o.	EUR	Slovakia	100	100
6	UNI - CC s. r. o.	EUR	Slovakia	100	100
7	Logistické Centrum Svätý Jur s.r.o.	EUR	Slovakia	100	100
8	Logistické centrum Malý Šariš, spol. s r. o.	EUR	Slovakia	100	100
9	CBC I - II a. s.	EUR	Slovakia	100	100

Disposals of subsidiaries. When the Group ceases to have control any retained interest in the entity is premeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

2.3 Foreign Currency Transactions and Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all Group's entities is the local currency. The consolidated financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange 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 recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary assets and liabilities held at fair value through profit or loss are recognized in the consolidated statement of comprehensive income as part of the fair value gain or loss.

Group companies

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:

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

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.

2 Summary of Significant Accounting Policies (Continued)

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2.4 Investment Property

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property comprises of freehold land, freehold commercial properties (retail, office and logistics) and land plots held under operating and finance leases. Land plots held under operating lease are classified and accounted for as investment property when the definition of investment property is met. The operating leases are accounted for as if they were finance leases.

Investment property is initially valued at historical cost including related transaction costs. Costs include the works performed, the costs of staff directly related to technical supervision and project management on the basis of time spent up to the date of completion.

After initial recognition at cost the Investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, without deduction of any transaction costs.

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. Valuation reports are prepared as of the financial position date by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. 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.

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 recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements. Transaction costs, such as estimated agent's and legal and accounting fees and transfer taxes are not deducted for the purposes of valuation of investment property in these financial statements irrespective whether or not they form part of the described valuations.

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 consolidated financial statements.

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with these expenditures will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the consolidated income statement during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

Changes in fair values are recorded in the consolidated income statement under "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed.

2 Summary of Significant Accounting Policies (Continued)

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.

If an item of property, plant and equipment 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 recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the Consolidated Statement of Comprehensive Income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value.

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.

Borrowing costs: The Group does not capitalise borrowing costs into cost of qualifying assets (investment).

2.5 Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.6 Financial Instruments

Key measurement terms. *Cost* is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the balance sheet.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

2 Summary of Significant Accounting Policies (Continued)

Classification of financial assets. The Group classifies its financial assets in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" in the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables. The initial recognition classification depends on the purpose for which the investments were acquired, whether they are quoted in an active market and on management intentions.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Derivatives are also categorized as held for trading.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables exclude those assets for which the holder may not recover substantially all of its initial investment other than because of credit deterioration. Such assets, for example receivables from sale of property interests with earn-out contingent settlement provisions, are classified as available-for-sale instruments. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Reconciliation of these categories of financial assets with the balance sheet classes is presented in Note 23.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial assets. Available-for-sale financial assets and financial assets at fair value next through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income in the period in which they arise and are reclassified to profit or loss upon disposal or impairment.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from other comprehensive income to profit or loss.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and reliability of related collateral, if any.

2 Summary of Significant Accounting Policies (Continued)

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Impairment testing of the non-financial assets is described in Note 2.5. The same impairment policy is applied to loans and other financial assets carried at amortised cost.

Financial liabilities. The Group classifies its financial liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The classification depends on the contractual provisions of the instrument and the intentions with which management entered into the contract. Management determines the classification of its financial liabilities at initial recognition.

Other financial liabilities (other than derivative financial instruments) are recognised initially at fair value net of transaction costs that are directly attributable to the origination of the financial liability. After initial recognition, the Group measures all financial liabilities (except for derivative financial instruments) at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value determined by the market EUR yield curve for the related derivative financial instruments and related period as at the balance sheet date.

2.7 Leases

IAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

Operating leases. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the

lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.
Where rental contracts are indexed by a fixed percentage, the revenue is recognized on the straight line basis over the lease term together with impact of any other contractual arrangements such as stepped rent. The resulting receivable is recognised within non--current assets or trade and other receivables depending on expected collection pattern. In determining the fair value of the related investment property, the Group does not double-count assets; the fair value of such investment property excludes accrued operating lease income because it is recognised as a separate asset.

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term with the exception of the operating leases for land classified as investment property; such leases are accounted for as finance leases.

Finance leases and property interests held under operating leases. Where the Group is a lessee in a lease (a) which transferred substantially all the risks and rewards incidental to ownership to the Group or (b) the Group elected to classify a property interest held under an operating lease as investment property and therefore accounts for the lease as if it was a finance lease, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the property interest or 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 future finance charges, are included in borrowings. The interest cost is charged to the consolidated profit and loss over the lease period using the effective interest method. The investment properties acquired under finance leases are carried at fair value.

2.8 Income Taxes

Income taxes have been provided for in the consolidated financial statements in accordance with applicable legislation enacted or substantively enacted by the financial position date and on entity by entity basis. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the financial position date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries to the extent that it is probable that the temporary differences will reverse in the foreseeable future through a taxable disposal or other taxable event.

2 Summary of Significant Accounting Policies (Continued)

Deferred taxes are provided in full on revaluation differences arising on investment properties which are held by companies in taxable jurisdictions even if the Group may effect the sale of such properties in a tax free manner through disposals of the subsidiaries holding the property interests.

2.9 Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated profit and loss. The primary factors that the Group considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation; and
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Guarantees received are not recognised but are considered when assessing recoverability of related receivables.

2.10 Prepayments

Prepayments are recognised initially at fair value and subsequently are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. If there is an indication that the goods or services relating to a prepayment will not be received, a corresponding impairment is recognised in profit or loss.

2.11 Cash and Cash Equivalents

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. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current assets.

2.12 Share Capital and Share Premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium. Contributions made by shareholders to other consolidated entities without corresponding change in non controlling interests are recorded directly in retained earnings.

2.13 Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

2 Summary of Significant Accounting Policies (Continued)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, borrowings are carried at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income using the effective interest method. The Group does not capitalise interest related to qualifying assets that are carried at fair value, including investment properties. Accordingly, interest costs on borrowings are expensed as incurred.

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.

2.15 Trade and Other Payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions for Liabilities and Charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 the passage of time is recognised as interest expense. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.17 Uncertain Tax Positions

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

2.18 Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

2.19 Revenue Recognition

Revenue includes rental income, service charges and management charges from properties.

Rental income 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. This applies to discounted rent periods, indexation and stepped rents. The contingent payments under lease agreements depending on agreed level of sales turnover of tenants are recognized as income in the period when earned because the Group is unable to reliably estimate the future sales turnover of tenants in order to be able to recognise such expected contingent rents on a straight line basis over the lease term.

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.

2 Summary of Significant Accounting Policies (Continued)

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Other operating expenses

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

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties using income capitalisation method. The fair value estimates of all of investment properties were determined by the Group having received valuation advise from international valuation company which has experience in valuing properties of similar location and characteristics. Due to the nature of the properties and lack of comparable market data, the fair value of investment properties is estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation.

The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates. These valuations are regularly compared to actual market data, and actual transactions by the Group and those reported by the market.

Since 2009 there has been a marked reduction in comparable real estate transactions in Slovakia and therefore lack of observable market prices. Despite slight improvement to the end of year 2010 and throughout 2011 and 2012, there is still increased inherent degree of uncertainty in their valuations and that the effects of the described events on the market were difficult to assess at the time of valuations. The Group management and the valuation experts have applied their judgment when assessing the fair values of the properties.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes in these assumptions, are as follows:

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuer. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 16.4 million (2011: EUR 16.8 million).
- The income capitalisation rate (yield) across the portfolio was assumed to be from 7.25% to 9.25% (2011: from 7.10% to 9.25%), or 7.61% (2011: 7.48%) on average. Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 5.4 million (2011: EUR 5.6 million) lower/higher.

Income taxes The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. The Group recognizes 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 income tax and deferred tax provisions in the period in which such determination is made.

The calculation of deferred tax on investment properties is not based on the fact that they will be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

4 Supplementary information to the basis of preparation of the consolidated financial statements

4.1. New and amended standards and interpretations adopted by the Group

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 12	"Deferred tax: recovery of underlying assets"	1 January 2012

Amendment to IAS 12, "Deferred tax – recovery of underlying assets"
The IASB has amended IAS 12, "Income taxes", to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The IASB believes that entities holding investment properties that are measured at fair value sometimes find it difficult or subjective to estimate how much of the carrying amount will be recovered through rental income and how much will be recovered through sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes – recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The IASB has added the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

Adoption of this amendment did not have a significant impact on the consolidated financial statements of the Group.

There were no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

4.2. New standards, amendments and interpretations issued, but not yet effective

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of items of other comprehensive income	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

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

IFRS 9, "Financial instruments"
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standards also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRS 10, "Consolidated financial statements"
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on 1 January 2013.

4 Supplementary information to the basis of preparation of the consolidated financial statements (Continued)

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

IFRS 13 "Fair value measurement"
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013.

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 19	Amendments to IAS 19, "Employee benefits"	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IAS 32	Amendment to IAS 32, "Financial instruments: Presentation", on offsetting financial assets and financial liabilities	1 January 2014
IFRS 1	Amendment to IFRS 1, "First time adoption of international financial reporting standards", on government loans	1 January 2013
IFRS 7	Amendment to IFRS 7, "Financial instruments: Disclosures", on offsetting financial assets and financial liabilities	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

4.3. Early adoption of standards

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

5 Redeemable Shares

The Fund was incorporated on 25 May 2011 with subscribed capital of EUR 31,000 divided into

- One Management Share (share of Unlimited Shareholder) of EUR 1,000, with no par value and fully paid up:
- Thirty Investor Shares (share of Limited Shareholder) at an initial value of EUR 1,000, with no par value and fully paid up.

The Investor Shares are redeemable shares and can be redeemed at any time at the General Partner's discretion for cash equal to a proportionate share of the Fund's net asset value and are carried at the redemption amount that is payable at the statement of financial position date. Redeemable shares are issued at nominal value and are redeemed at the General Partner's discretion at prices based on the Sub Fund's net asset value per unit at the time of issue or redemption. The Management share will remain in the Fund for the duration of the Fund life.

The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class.

The relevant movements are shown on the statement of changes in net assets attributable to redeemable shares.

At 31 December 2012, the number of shares was as follows:

		2012	
Number of shares	**Management Class**	**Investor Class**	**Total**
As at 31 December 2012	**1.000**	**51,891.875**	**51,892.875**

During the period from incorporation on 25 May 2011 and ended on 31 December 2011, the number of shares that have been issued, redeemed and outstanding were as follows:

		2011	
Number of shares	**Management Class**	**Investor Class**	**Total**
At incorporation, 25 May 2011	1.000	30.000	31.000
Redeemable shares issued	-	51,861.875	51,861.875
As at 31 December 2011	**1.000**	**51,891.875**	**51,892.875**

Net assets value as of 31 December 2012 was EUR 57,090,050.42 (as of 31 December 2011: EUR 54,338,646.49) which is EUR 1,100.15 (2011: EUR 1,047.13 per share).

6 Distributions Payable

Distrubution of dividends is described in Note 12.
There was no directors' remuneration in the year.

7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Fund's immediate parent is disclosed in Note 1.

During 2011 the Group acquired 6 SPV's from the company HB Reavis Group B.V. which is a related party to the Group. Details of the acquisitions are further disclosed in Note 8.

Key management of the Group consists of 3 senior managers, one of which is a non-executive director. Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2012 are detailed below.

At 31 December 2012, the outstanding balances with related parties were as follows:

In millions of EUR	**Total**
Trade and other receivables - current	**0.2**
Loans and receivables	**0.2**
Trade and other payables - current	**(1.1)**
Accrued expenses – management fee (Note 14)	**(0.7)**
Accrued expenses – performance fee (Note 14)	**(0.3)**

At 31 December 2011, the outstanding balances with related parties were as follows:

In millions of EUR	**Total**
Trade and other receivables - current	**0.2**
Trade and other payables - current	**(0.9)**
Accrued expenses – management fee (Note 14)	**(0.2)**
Accrued expenses – performance fee (Note 14)	**(2.1)**

The income and expense items with related parties for the year ended 31 December 2012 were as follows:

In millions of EUR	**Total**
Revenue from service rendered	**0.3**
Other services	**(1.1)**
Other income - Waiver of Performance fee (Note 16)	**2.1**
Management fee (Note 18)	**(0.9)**
Performance fee (Note 18)	**(0.3)**

The income and expense items with related parties for the year ended 31 December 2011 were as follows:

In millions of EUR	**Total**
Revenue from service rendered	**0.1**
Other services	**(0.5)**
Management fee (Note 18)	**(0.2)**
Performance fee (Note 18)	**(2.1)**

7 Balances and Transactions with Related Parties (Continued)

a) Management fee

The Fund is managed by HB Reavis Investment Management S.à r.l., an investment management company incorporated in Luxembourg (the General partner). Under the terms of the Prospectus of the Fund dated 25 May 2011, the Fund appointed HB Reavis Investment Management S.à r.l. as an investment manager to provide management services to the Fund. HB Reavis Investment Management S.à r.l. receives a fee of 1.65% per annum by calculating the average of the Net asset Value during the previous 3 months and to be paid on a quarterly basis in arrears. The total fees for the year ended 31 December 2012 amounted to EUR 927,820 (2011: EUR 209,530) with EUR 702,592 (2011: EUR 209,530) outstanding to HB Reavis Investment Management S.à r.l. at year end.

b) Performance fees

The General partner, HB Reavis Investment Management S.à r.l., is entitled to a performance fee calculated on an annual basis on the total return per share during each performance period. It is calculated as follows:

i. Up to 9% the General partner is not entitled to collect any performance fee, and
ii. Between 9% and 12%, the General partner is entitled to collect a performance fee equal to 30% of the difference between the actual return and 9% multiplied by the Net Asset Value per share at the beginning of the performance period multiplied by the number of shares outstanding at the beginning of the performance period, and
iii. Between 12% and 15%, the General partner is entitled to collect a performance fee equal to 60% of the difference between the actual return and 12% (plus 30% of the difference between 12% and 9%) multiplied by the Net Asset Value per share at the beginning of the performance period multiplied by the number of shares outstanding at the beginning of the performance period, and
iv. More than 15%,the General partner is entitled to collect a performance fee equal to 90% of the difference between the actual return and 15% (plus 60% of the difference between 15% and 12% plus 30% of the difference between 12% and 9%) multiplied by the Net Asset Value per share at the beginning of the performance period multiplied by the number of shares outstanding at the beginning of the performance period.

The total return per share for the performance period shall be calculated net after deduction of all costs and regular fees. The annualized performance fee for the year ended 31 December 2012 is calculated at EUR 261,825 (2011: EUR 2,080,512) with the full amount outstanding to HB Reavis Investment Management S.à r.l. at year end (2011: EUR 2,080,512).

c) Custodian fees

The Fund has engaged the services of Citco Bank Nederland N.V.- Luxembourg Branch to provide custodian services for a fee. Custody fees will be charged quarterly at a rate of 0.02% per annum of the Assets, with a minimum fee of EUR 40,000 per annual. In addition a transaction fee of EUR 1,200 will be charged for any acquisition or disposal of real estate assets. The total fees for the period amounted to EUR 40,000 (2011: EUR 26,300) with EUR 12,400 (2011: EUR 13,600) outstanding to Citco Bank Nederland N.V.- Luxembourg Branch at year end.

d) Domiciliary agent, Registrar and Transfer Agent and Administrative Agent fees

The Fund has engaged the services of Citco REIF Services (Luxembourg) S.A., a company incorporated in Luxembourg, to provide administration services for a fee. The total fees for the period amounted to EUR 110,256.15 (2011: EUR 74,742.56) with EUR 31,557.96 (2011: EUR 30,686.27) outstanding to Citco REIF Services (Luxembourg) S.A. at year end.

e) Related Party Shareholdings

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties of the Fund hold the following shares at 31 December 2012:

Shareholder	Class	Number of shares at the beginning of the period	Disposals of shares	Number of shares at year end
HBR Investors LTD	Investor	44,079.825	(5,546.24)	38,533.585
HB Reavis Investment Management S.à r.l.	Management	1.000	-	1.000
HB Reavis Investment Management S.à r.l.	Investor	1.000	-	1.000
Number of shares at 31 December 2012		**44,081.825**	**(5,546.24)**	**38,535.585**

7 Balances and Transactions with Related Parties (Continued)

Related parties of the Fund held the following shares at 31 December 2011.

Shareholder	Class	Number of shares at incorporation	Number of shares acquired in year	Number of shares at year end
HBR Investors LTD	Investor	29.000	44,050.825	44,079.825
HB Reavis Investment Management S.à r.l.	Management	1.000	-	1.000
HB Reavis Investment Management S.à r.l.	Investor	1.000	-	1.000
Number of shares at 31 December 2011		**31.000**	**44,050.825**	**44,081.825**

8 Investment Property

In millions of EUR	2012	2011
Fair value at the beginning of the period	**168.0**	-
Additions (see Asset acquisitions below)	-	164,7
Additions – construction costs	1.5	0.7
Fair value gains/(losses)	(5.1)	2.6
Fair value at 31 December	**164.4**	**168.0**

The investment properties are valued annually on 31 December at fair value, with benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations (2011: 100% of properties were valued by independent, professionally qualified valuation expert). The methods and significant assumptions applied in determining the fair value are described in Notes 2.4 and 3.

At 31 December 2012, investment properties carried at EUR 164.4 million (At 31 December 2011: EUR 168.0 million) have been pledged to third parties as collateral with respect to borrowings. All properties have been properly insured for the total amount of EUR 124.7 million (risk of damage mainly through fire, natural disasters, theft, burglary).

Valuations obtained for investment property were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	Note	31 December 2012	31 December 2011
Valuations obtained		**166.1**	**168.4**
Less rental receivables – indexation	9	(1.7)	(0.4)
Fair value at 31 December		**164.4**	**168.0**

Asset acquisitions

On 31 July 2011 the Group acquired 100% of the share capital of Aupark Piešťany, s.r.o ("PN"), a company incorporated in the Slovak republic which is operating a retail shopping mall in the Spa city of Piešťany. Total purchase consideration amounted to cash of EUR 10,776 thousand.

On 31 July 2011 the Group acquired 100% of the share capital of Aupark Piešťany SC, s.r.o ("PN SC"), a company incorporated in the Slovak republic which is administering rental contracts associated with the property of Aupark Piešťany, s.r.o. Total purchase consideration amounted to cash of EUR 38 thousand.

On 30 September 2011 the Group acquired 100% of the share capital of CBC I – II, a.s. ("CBC"), a company incorporated in the Slovak republic which is operating an office building in Bratislava. Total purchase consideration amounted to cash of EUR 4.434 thousand.

8 Investment Property (Continued)

On 30 September 2011 the Group acquired 100% of the share capital of Logistické centrum Malý Šariš, spol. s r.o. ("LC MS"), a company incorporated in the Slovak republic which is operating a logistic centre in the eastern Slovakia. Total purchase consideratioin amounted to cash of EUR 26,138 thousand.

On 31 July 2011 the Group acquired 100% of the share capital of Logistické Centrum Svätý Jur, s.r.o. ("JUR"), a company incorporated in the Slovak republic which is operating a logistic centre close to Bratislava. Total purchase consideration amounted to cash of EUR 8,976 thousand.

On 30 September 2011 the Group acquired 100% of the share capital of UNI - CC, s.r.o. ("UNI"), a company incorporated in the Slovak republic which is operating an office building in Bratislava. Total purchase consideration amounted to cash of EUR 1,895 thousand.

Management considers that at acquisition the above mentioned companies constituted groups of net assets, rather than businesses as defined in IFRS 3, 'Business combinations', as prior to acquisition the subsidiaries were holding properties and were leasing them under one or more operating leases. As such the buildings were classified as investment property by the Group at initial recognition.

As the acquisitions of the above mentioned companies were not accounted for as business combinations and neither accounting profit nor taxable profit were affected at the time of the transactions, the initial recognition exemption in IAS 12, 'Income taxes' applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition. The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2011 were:

	Asset acquisitions						
	PN SC	**PN**	**CBC**	**LC MS**	**JUR**	**UNI**	**Total**
Investment property	0.0	30.8	97.7	10.1	20.0	6.1	**164.7**
Cash and cash equivalents	0.8	0.2	1.8	0.6	0.6	0.2	**4.2**
Borrowings	0.0	(19.5)	(71.5)	(6.0)	(11.1)	(4.0)	**(112.1)**
Trade and other (payables)/receivable	(0.8)	(0.7)	(1.9)	(0.3)	(0.5)	(0.4)	**(4.6)**
Total purchase consideration settled in cash	**0.0**	**10.8**	**26.1**	**4.4**	**9.0**	**1.9**	**52.2**
Less: cash and cash equivalents of subsidiary acquired	(0.8)	(0.2)	(1.8)	(0.6)	(0.6)	(0.2)	**(4.2)**
Net outflow of cash and cash equivalents on acquisition	**(0.8)**	**10.6**	**24.3**	**3.8**	**8.4**	**1.7**	**48.0**

9 Non-current Assets

In millions of EUR	Note	31 December 2012	31 December 2011
Rental indexation receivables	(a)	1.7	0.4
Total non-current assets		**1.7**	**0.4**

Description and analysis by credit quality of receivables and loans is as follows:

(a) Rental indexation receivables of EUR 1.7 million represent rental receivables related to earned but unbilled income from indexation of rent due.

10 Trade and Other Receivables

In millions of EUR	31 December 2012	31 December 2011
Trade receivables due from third parties	2.5	2.0
Accrued rental income	0.1	0.1
	2.6	**2.1**
Other financial receivables	0.1	0.1
Total trade and other receivables	**2.7**	**2.2**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

In millions of EUR	31 December 2012	31 December 2011
EUR	2.7	2.2
Total trade and other receivables	**2.7**	**2.2**

Certain trade receivables from third parties are collateralised as follows:

In millions of EUR	31 December 2012	31 December 2011
Trade receivables collateralised by:		
- bank guarantees	0.8	0.7
- financial guarantees	0.7	0.7
Total	**1.5**	**1.4**

There is no collateral in respect of receivables individually determined to be impaired.

The Management applies judgement in determining classes of assets and groups of financial instruments into classes that are appropriate taking into account the characteristics and risks of those financial instruments. At minimum, management distinguishes instruments measured at amortised cost from those measured at fair value and also treats as separate classes those financial instruments that are outside the scope of IFRS 7, Financial Instruments: Disclosures.

10 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables as of 31 December 2012 is as follows:

In millions of EUR	Trade receivables including accrued rental income	Other financial receivables	Total
Neither past due nor impaired – exposure to			
Receivables secured by bank or other financial guarantees	0.9	-	0.9
Receivables not secured	0.1	0.1	0.2
Total current and not impaired	**1.0**	**0.1**	**1.1**
Overdue but not individually impaired			
- less than 30 days overdue	1.3	-	1.3
- 30 to 90 days overdue	-	-	-
- 90 to 180 days overdue	0.1	-	0.1
- 180 – 360 days overdue	-	-	-
- over 360 days overdue	0.2	-	0.2
Total overdue but not individually impaired	**1.6**	**-**	**1.6**
Total	**2.6**	**0.1**	**2.7**

Analysis by credit quality of trade and other receivables as of 31 December 2011 is as follows:

In millions of EUR	Trade receivables including accrued rental income	Other financial receivables	Total
Neither past due nor impaired – exposure to			
Receivables secured by bank or other financial guarantees	0.1	-	0.1
Receivables not secured	0.1	0.1	0.2
Total current and not impaired	**0.2**	**0.1**	**0.3**
Overdue but not individually impaired			
- less than 30 days overdue	1.7	-	1.7
- 30 to 90 days overdue	0.1	-	0.1
- 90 to 180 days overdue	0.1	-	0.1
- 180 – 360 days overdue	-	-	-
- over 360 days overdue	-	-	-
Total overdue but not individually impaired	**1.9**	**-**	**1.9**
Total	**2.1**	**0.1**	**2.2**

Certain trade receivables are secured by either bank guarantee or deposit. The unsecured trade receivables are from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

The carrying amount of trade and other receivables was not substantially different from their fair value. There is no significant concentration of credit risk with respect to other trade receivables as the Group has a large number of customers.

11 Cash and Cash Equivalents

In millions of EUR	31 December 2012	31 December 2011
Cash at bank and in hand	5.9	4.5
Total cash and cash equivalents	**5.9**	**4.5**

At 31 December 2012 and 2011, cash and cash equivalents were fully available for the Fund's use.

All the bank balances are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

In millions of EUR	31 December 2012 Cash at bank	31 December 2011 Cash at bank
Rating by the Company		
- Banks rated 1	2.8	3.9
- Banks rated 2	1.6	0.5
- Banks unrated	1.5	0.1
Total	**5.9**	**4.5**

Note: The Fund classifies banks based on ratings as follows:

Banks rated 1: Rating by Moody's A1, A2, A3 or rating by Fitch A+, A, A-
Banks rated 2: Rating by Moody's Baa1, Baa2, Baa3 or Fitch BBB+, BBB, BBB-

The carrying amounts of cash and cash equivalents as of 31 December 2012 and 2011 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited by the carrying value of cash and cash equivalents.

12 Share Capital

At 31 December 2012	Number of shares	Total in EUR
Authorised share capital	31.000	**31,000**
Redeemable shares-issued and fully paid	51,861.875	**52,420,000**

The total authorised number of ordinary shares is 31 shares at an initial value of EUR 1,000 with no par value and fully paid up.

The terms of external borrowings drawn by the Group impose certain limitations on the ability of the subsidiaries to pay dividends. These limitations are typically linked to financial covenants such as debt service coverage ratio or loan to value ratio.

Dividends declared and paid during the year were as follows:

In millions of EUR	2012	2011
Dividends payable at 1 January	-	-
Dividends declared during the year	2.8	-
Dividends paid during the year	(2.8)	-
Dividends payable at 31 December	-	-

13 Borrowings

In millions of EUR	31 December 2012	31 December 2011
Non-current		
Bank borrowings	34.3	9.2
	34.3	**9.2**
Current		
Bank borrowings	74.6	101.9
	74.6	**101.9**
Total borrowings	**108.9**	**111.1**

All of the Group's borrowings are denominated in EUR. Refer also to Note 21 for further information.

The carrying amounts and fair value of the non-current borrowings are set out below:

In millions of EUR	Carrying amounts at 31 December 2012	Carrying amounts at 31 December 2011	Fair values at 31 December 2012	Fair values at 31 December 2011
Bank borrowings	34.3	9.2	34.0	9.2
Non-current borrowings	**34.3**	**9.2**	**34.0**	**9.2**

Assumptions used in determining fair value of borrowings are described in Note 22. The carrying values of current borrowings approximate their fair values.

i) Bank borrowings

In millions of EUR	31 December 2012	31 December 2011
Current	74.6	101.9
Repayable between 1 and 2 years	-	9.2
Repayable between 2 and 5 years	34.3	-
Repayable over 5 years	-	-
	34.3	**9.2**
Total bank borrowings	**108.9**	**111.1**

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates at balance sheet dates are as follows:

In millions of EUR	31 December 2012	31 December 2011
6 months or less	87.0	111.1
6 – 12 months	21.9	-
Total bank borrowings	**108.9**	**111.1**

The Group doesn't have undrawn borrowing facilities.

13 Borrowings (Continued)

Investment properties (refer to Note 8) are pledged as collateral for borrowings of EUR 108.9 million (2011: EUR 111.1 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 65% to 70% (2011: 60% to 75%) and and minimum debt service coverage ratios ranging from 1.05 to 1.2 (2011: 1.05 to 1.2).

During 2012 and 2011 and up to date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults.

14 Trade and Other Payables

In millions of EUR	Note	31 December 2012	31 December 2011
Non – current			
Other long term payables/ Prepayments for rent		2.0	2.3
Total trade and other payables – non-current		**2.0**	**2.3**
Current			
Trade payables		1.6	1.1
Accrued liabilities		0.9	0.4
Other payables		-	0.1
Financial payables due to third parties – current		**2.5**	**1.6**
Accrued expenses - management fee		0.7	0.2
Accrued expenses – performance fee		0.3	2.1
Financial payables due to related parties – current	7	**1.0**	**2.3**
Total financial payables – current		**3.5**	**3.9**
Deferred income		2.9	2.8
Total trade and other payables – current		**6.4**	**6.7**
Total trade and other payables		**8.4**	**9.0**

Trade payables are denominated in the following foreign currencies:

In millions of EUR	31 December 2012	31 December 2011
Non – current		
EUR	2.0	2.3
Current		
EUR	6.4	6.7
Trade and other payables	**8.4**	**9.0**

The fair value of trade and other payables is not significantly different from their carrying amount.

15 Rental and Similar Income from Investment Properties

In millions of EUR	2012	2011
Rental income	14.3	4.3
Total revenue	**14.3**	**4.3**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

In millions of EUR	31 December 2012	31 December 2011
Not later than 1 year	11.1	9.2
Later than 1 year and not later than 5 years	28.3	21.6
Later than 5 years	9.9	12.6
Total operating lease payments receivable	**49.3**	**43.4**

16 Operating Income

In millions of EUR	Note	2012	2011
Waiver of performance fee	(a)	2.1	-
Total		**2.1**	**-**

Description of the transaction is as follows:

(a) Based on meeting of the Board of the General Partner held 21 December 2012, the General Partner resolved to waive its Performance fee for the year 2011 in the amount of EUR 2,080,511.77.

17 Direct Operating Expenses for Investment Properties

In millions of EUR	2012	2011
Direct operating expenses for investment properties that generate rental income:		
Repairs and maintenance services	(0.1)	-
Utilities costs	(0.6)	(0.2)
Services relating to investment property	(0.8)	(0.5)
Real estate tax	(0.2)	(0.1)
Total	**(1.7)**	**(0.8)**

18 Operating Expenses

In millions of EUR	2012	2011
Management fees (Note 7)	(0.9)	(0.2)
Performance fee (Note 7)	(0.3)	(2.1)
Legal and professional fees	(0.5)	(0.2)
Total operating expenses	**(1.7)**	**(2.5)**

19 Income Taxes

The Fund is currently not liable to pay any corporate income tax or net worth tax in Luxembourg on its profits. Distributions to shareholders as well as capital gain are tax exempt and no withholding tax is applicable. Dividend, interest, other forms of income and capital gains received by the Fund on its investment may have been subject to non-recoverable corporate tax or other taxes in the countries of origin. The Fund will however be subject to an annual subscription tax at an annual rate of 0.01% based on the NAV of the Fund at the end of each quarter.

Income tax expense comprises the following:

In millions of EUR	2012	2011
Current tax	-	-
Deferred tax	0.3	(0.6)
Income tax expense for the year	0.3	(0.6)

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of EUR	2012	2011
Profit/(Loss) before tax	5.4	2.6
Theoretical tax charge/(credit) at applicable rate of 19% (2011: 19%)	1.0	0.6
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	(1.0)	(0.6)
Income tax expense for the year	-	-

The Group uses 19% as applicable tax rate to calculate its theoretical tax charge for 2012 as this is the rate applicable in the Slovak Republic where majority of the Group's operations are located. In December 2012 the Slovak Parliament enacted a change in the income tax rate applicable for periods starting 1 January 2013. The new corporate income tax rate will be 23%.

Differences between IFRS and applicable statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below. Unrecognised tax losses incurred prior to 2011 expire within 3 years, those incurred in 2011 in 6 years and those incurred in 2012 in 7 years.

In millions of EUR	31 December 2011	Charged/ (credited) to profit or loss	Recognised in comprehensive income	31 December 2012
Tax effect of deductible/(taxable) temporary differences				
Investment properties	(1.0)	(0.2)	-	(1.2)
Tax losses carried forward	0.4	0.5	-	0.9
Net deferred tax (liability)	(0.6)	0.3	-	(0.3)

19 Income Taxes (Continued)

In millions of EUR	25 May 2011	Charged/ (credited) to profit or loss	Recognised in comprehensive income	31 December 2011
Tax effect of deductible/(taxable) temporary differences				
Investment properties	-	(1.0)	-	(1.0)
Tax losses carried forward	-	0.4	-	0.4
Net deferred tax (liability)	**-**	**(0.6)**	**-**	**(0.6)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

20 Contingencies, Commitments and Operating

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Group includes companies incorporated outside of the Slovak Republic. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Slovak profits tax because they do not have a permanent establishment in the Slovak Republic. Slovak tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Slovakia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

21 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks: credit risk, market risk (including changes in foreign currency exchange rates, interest rate and price risk), liquidity risks, operational risks and legal risks. 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. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(i) Credit risk

The Group takes on exposure to credit risk, which 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. Exposure to credit risk arises as a result of the Group's rental income on credit terms and other transactions with counterparties giving rise to financial assets.

21 Financial Risk Management (Continued)

The Group's maximum exposure to credit risk by class of assets is as follows:

In millions of EUR	31 December 2012	31 December 2011
Other non-current assets (Note 9)		
Rental indexation receivables	1.7	0.4
	1.7	**0.4**
Trade and other receivables (Note 10)		
Trade receivables including accrued rental income	2.6	2.1
Other financial receivables	0.1	0.1
	2.7	**2.2**
Cash and cash equivalents (Note 11)		
Cash at bank and on hand	5.9	4.5
	5.9	**4.5**
Total maximum exposure to credit risk	**10.3**	**7.1**

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual review.

Management has additional policies in place to secure trade receivables from rental business. The Group uses system of required bank guarantees or financial deposits to secure its receivables from rental business based on the rating of tenant.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 10.

Credit risks concentrations

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 7 (2011: 6) banks as of 31 December 2012. The Group management consider the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 11.

(ii) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements.

Currency risk Management does not consider foreign exchange risk to be a significant exposure to the Group's operations and therefore does not set objectives, policies and processes for its management as Slovak Republic adopted Euro as its legal currency on 1 January 2009. As a result, the Group was not exposed to significant foreign exchange risk related to transactions and balances denominated in EUR.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

21 Financial Risk Management (Continued)

In millions of EUR	Less than 6 months	6 – 12 months	Over 12 months	Total
31 December 2012				
Total monetary financial assets	8.6	-	1.7	**10.3**
Total monetary financial liabilities	(90.5)	(21.9)	-	**(112.4)**
Net interest sensitivity gap at 31 December 2012	**(81.9)**	**(21.9)**	**1.7**	**(102.1)**
31 December 2011				
Total monetary financial assets	6.7	-	0.4	**7.1**
Total monetary financial liabilities	(115.0)	-	-	**(115.0)**
Net interest sensitivity gap at 31 December 2011	**(108.1)**	-	**0.4**	**(107.7)**

Had the interest rates on the Group's variable interest rate loans (generally the third party borrowings) been by one tenth lower than they have been throughout the year ended 31 December 2012 with all other variables constant, profit for the year would have been EUR 0.26 million higher (2011: EUR 0.1 million higher), mainly as a result of lower interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been EUR 0.21 million higher (2011: EUR 0.08 million higher).

Had the interest rates on the Group's variable interest rate loans been by one tenth higher than they have been throughout the year ended 31 December 2012 with all other variables constant, profit for the year would have been EUR 0.26 million lower (2011: EUR 0.1 million lower), mainly as a result of higher interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been lower by EUR 0.21 million (2011: EUR 0.08 million).

(iii) Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 31 December 2012 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the consolidated balance sheet amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 31 December 2012 is as follows:

In millions of EUR	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal incl. future interest charges)	76.0	2.7	37.0	-	**115.7**
Financial payables - current (Note 14)	3.5	-	-	-	**3.5**
Total future payments, including future principal and interest payments	**79.5**	**2.7**	**37.0**	-	**119.2**

21 Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2011 is as follows:

In millions of EUR	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal incl. future interest charges)	104.5	9.5	-	-	**114.0**
Financial payables - current (Note 14)	3.9	-	-	-	**3.9**
Total future payments, including future principal and interest payments	**108.4**	**9.5**	**-**	**-**	**117.9**

The Board of Managers of the General partner reviews on an ongoing basis a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for 2013 shows positive cash flow from property rental after property expenses and general operating expenses of the Group of approximately EUR 11.7 million (2011: EUR 11.5 million). Management has already started negotiations with the banks about the renewal of the balances which are contractually due. As of the date of signing these financial statements the Group has been able to refinance a facility of EUR 64.5 million of bank borrowings which was used to repay the outstanding balance (facility was drawn in February 2013, repayment date 31 December 2016) and has started negotiations with the banks in respect to the rest of the balance. This, together with the Net Operating Income ("NOI") development and existing cash balances makes the management of the Group confident that it will be successful in meeting the 2013 Group's financial obligations as shown above.

22 Fair Value of Financial Instruments

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Fair values of liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.96% p.a. (2011: 3.76% p.a.), refer to Note 13 for the estimated fair values of borrowings. Carrying amounts of trade and other payables approximate fair values.

23 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of classes of financial assets with these measurement categories.

At 31 December 2012

In millions of EUR	Loans and receivables	Total
ASSETS		
Trade receivables due from third parties including accrued rental income (Note 10)	2.6	**2.6**
Other financial receivables (Note 10)	0.1	**0.1**
Cash and cash equivalents (Note 11)	5.9	**5.9**
Rental indexation receivables (Note 9)	1.7	**1.7**
TOTAL FINANCIAL ASSETS	**10.3**	**10.3**

At 31 December 2011

In millions of EUR	Loans and receivables	Total
ASSETS		
Trade receivables due from third parties including accrued rental income (Note 10)	2.1	**2.1**
Other financial receivables (Note 10)	0.1	**0.1**
Cash and cash equivalents (Note 11)	4.5	**4.5**
Rental indexation receivables (Note 9)	0.4	**0.4**
TOTAL FINANCIAL ASSETS	**7.1**	**7.1**

All of the Group's financial liabilities are carried at amortised cost.

At 31 December 2012

In millions of EUR	Other financial liabilities – carried at amortised cost	Total
LIABILITIES		
Trade and other payables excluding liabilities not falling under IFRS 7 (Note 14)	3.5	**3.5**
Borrowings (Note 13)	108.9	**108.9**
TOTAL FINANCIAL LIABILITIES	**112.4**	**112.4**

At 31 December 2011

In millions of EUR	Other financial liabilities – carried at amortised cost	Total
LIABILITIES		
Trade and other payables excluding liabilities not falling under IFRS 7 (Note 14)	3.9	**3.9**
Borrowings (Note 13)	111.1	**111.1**
TOTAL FINANCIAL LIABILITIES	**115.0**	**115.0**

24 Events After the Balance Sheet Date

In February 2013 the Group successfully refinanced a due loan facility amounting to EUR 64.5 million with a new repaymet date of 31 December 2016.

Apart from the above stated there were no material events which occurred after the end of the financial year which have a bearing on the understanding of these financial statements.