

**Ghelamco Invest  
(Previously International  
Real Estate Construction)  
NV**

**IFRS Consolidated Financial  
Statements at 31 December 2014**

**Approved by the Board of Directors  
with the Independent Auditor's opinion**

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## I. General information and performance

### 1. Business activities & profile

**Ghelamco Invest NV (as the Belgian legal entity with all its subsidiaries) represents the Belgian and Western European activities of Ghelamco Group Comm. VA, a leading European real estate investor active in the offices, residential, retail and logistics markets.**

Ghelamco maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing.

Ghelamco Group's successes on the Belgian, French, Polish, Ukrainian and Russian markets are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

Ghelamco is one of the largest commercial property developers in Poland and has aspirations to become one of the major players in the Belgian market. The group's market position has been recognized by numerous prestigious awards, collected over several years and granted both to the company and to many of its projects.

In Belgium, during the month of February 2014, the Ghelamco Arena was voted 'Stadium of the year' by voters spread over many different countries through stadiumDB.com, one of the world's largest websites for football lovers. Ghelamco was confronted with strong competition: 6 Brazilian stadiums, built in view of the FIFA 2014 world championships, were found among the 18 nominated new stadiums of 2013. The Ghelamco Arena is a multifunctional football stadium, housing football club KAA Gent and accommodating 20,000 seats and about 50,000 m<sup>2</sup> of modern office and retail space.

In Poland, Ghelamco's founder, president and CEO Paul Gheysens received a CEEQA award for Lifetime Achievement in Real Estate, in recognition of his services to the real estate sector, his company's extensive and award winning achievements in the Central & Eastern European market place and the kick-off of the construction of the Spire, tallest tower in CEE.

Since 2007, Ghelamco's business activities are structured in three major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**"):

- **Investment Holding:** comprises resources invested in the realization of real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles;
- **Development Holding:** represents international entities that provide construction, engineering and development services to the Investment Holding;
- **Portfolio Holding:** consists of all other activities and real estate investments controlled by the ultimate beneficial owners.



## 2. Legal status

**Ghelamco Invest NV** is the holding company of the Belgian and Western European activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Holding**. Besides its holding activities, Ghelamco Invest also has direct stakes in real estate projects.

Ghelamco Invest, together with its subsidiaries (jointly referred to as the **“Company”**) (Note 5), constitute the reporting entity for the purpose of these financial statements.

Ghelamco Invest is a limited liability company registered under Belgian law, with its registered office at Zwaanhofweg 10, 8900 Ieper, Belgium.

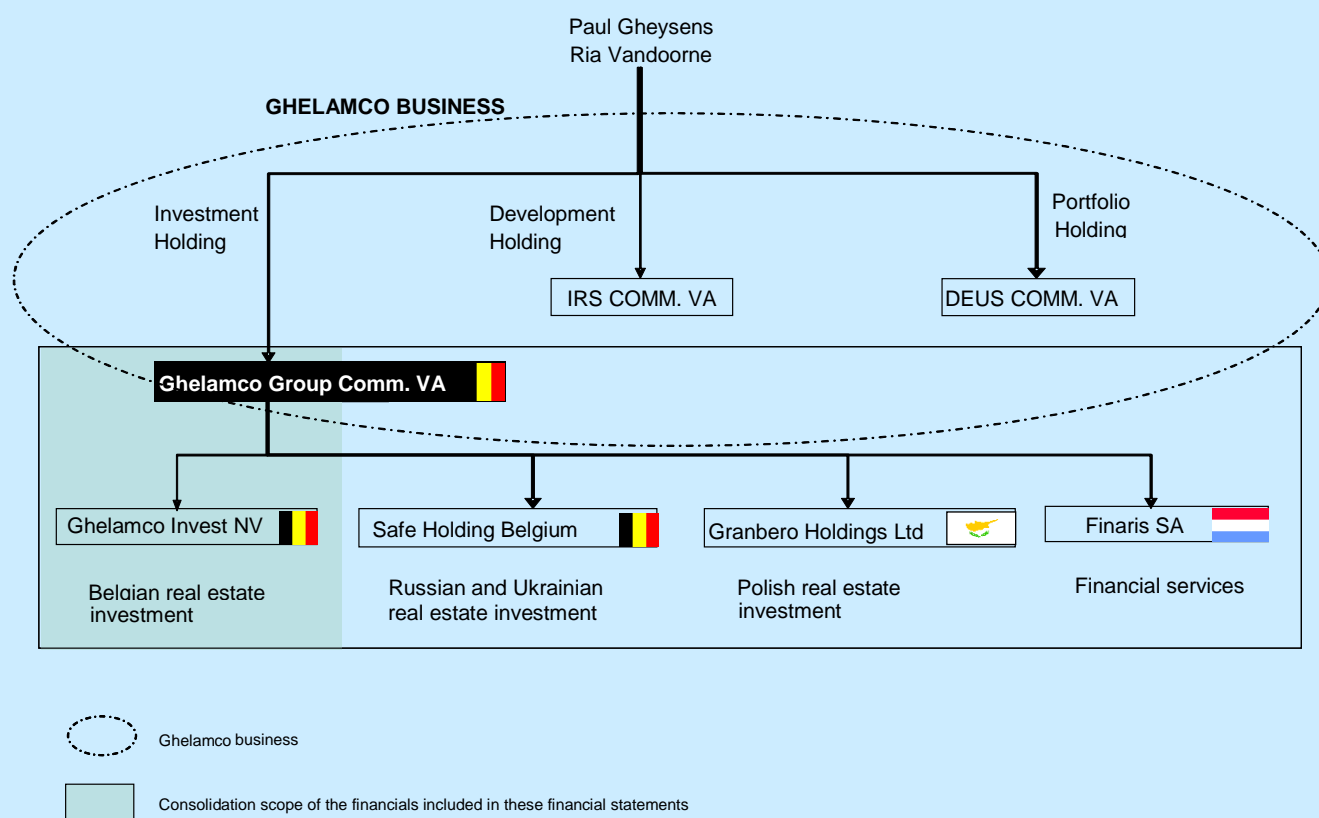
Ghelamco Invest is registered in the Belgian commercial register under the number BE0431.572.596.

## 3. Consolidation scope

**These consolidated financial statements comprise the resources and activities of Ghelamco Invest and its legal subsidiaries (the Company).**

At 31 December 2014 (the reporting date), all the assets and liabilities of the reporting entity (Ghelamco Invest and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).

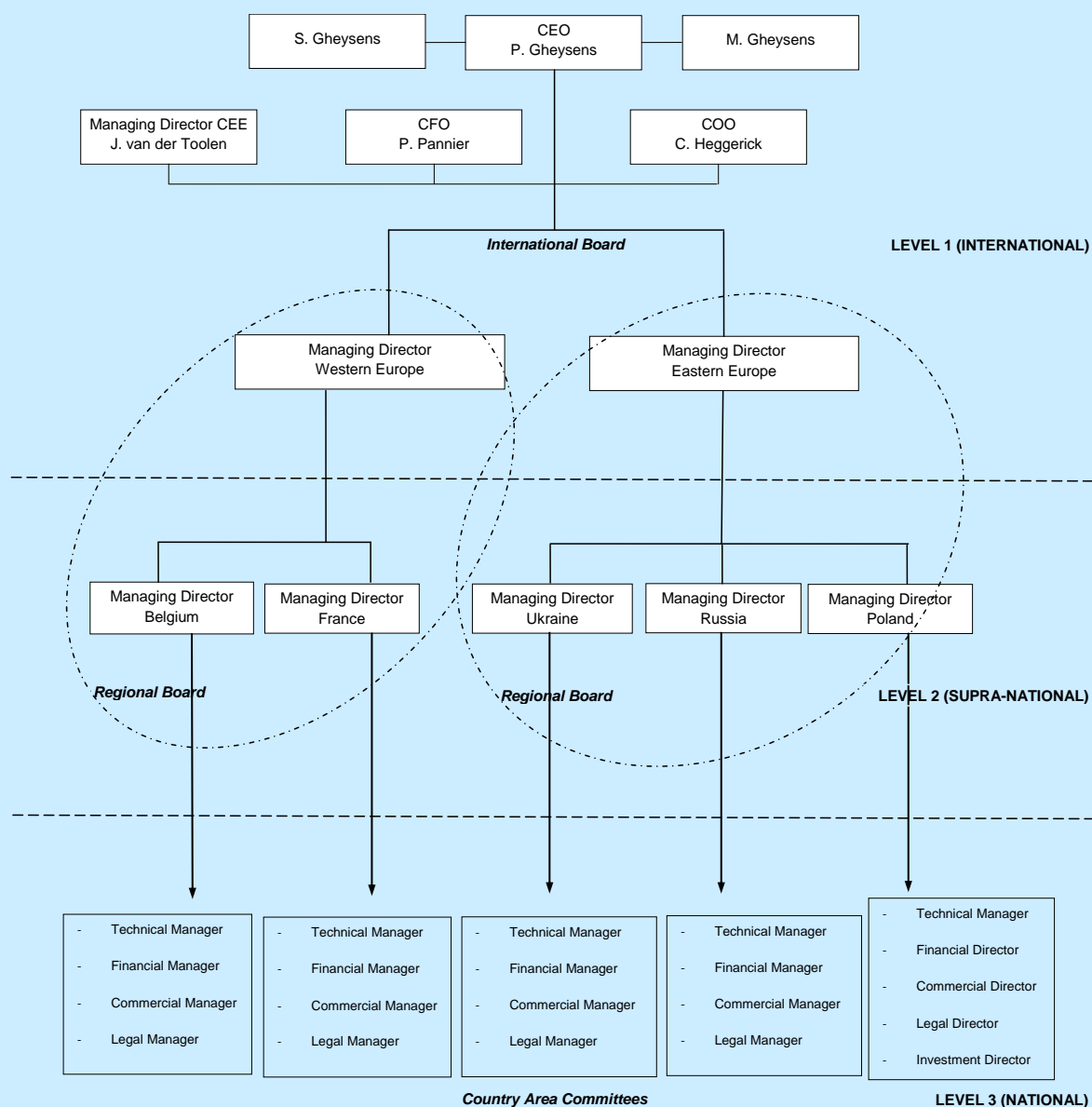
All assets, liabilities, income and expenses that represented an integral part of the Company activities, are included in the accounts of the legal subsidiaries of Ghelamco Invest at 31 December 2014 and at 31 December 2013.



4. Staffing level

Given its nature, there is only limited employment in the Company. At 31/12/2014, Ghelamco Invest employed 8 people. The construction, engineering and other related services are mainly provided to the Company by the Development Holding’s legal subsidiaries. The parent company of the Development Holding (International Real Estate Services Comm. VA – abbreviated IRS Comm. VA), together with all its direct and indirect legal subsidiaries, employed 227 people on 31 December 2014 (226 on 31 December 2013).

5. Management committee



Ghelamco's Management consists of:

Mr. Paul Gheysens (Chief Executive Officer)  
Mr. Simon Gheysens (board member)  
Mr. Michael Gheysens (board member)  
Mr. Philippe Pannier (Chief Financial Officer)  
Mr. Chris Heggerick (Chief Operational Officer)  
Mr. Jeroen Van Der Toolen (Managing Director CEE)

The Management actively coordinates and supervises the different management teams and supports them in all commercial, legal, financial and technical aspects of their activities.

The Belgian teams consist of a technical, commercial, legal & financial department. The Managing Directors are granted a large degree of autonomy to support their area/country strategy and development.

The statutory board consists of 4 directors (of which the CEO) for most of the Belgian entities.

At end of 2014, it has been decided to expand the international board and add an independent board member. Formal appointment of the independent board member, together with the installation of an audit committee will take place in the first half of 2015. These decisions and evolutions are connected with the growing importance which the Management attaches to corporate governance and the further professionally structuring of the Group.

## 6. Business environment and results

### 2014 performance and results

The Company closed its 2014 accounts with an operating profit of 20,008 KEUR, resulting from its continued development, construction and commercial efforts. In 2014 the Company realised a significant part of previously created value (i.c. through the disposal of the mixed offices-retail project L-Park in Leuven, Vaartkom), while further investing in existing and new developments. This results in an increased balance sheet total of 424,397 KEUR and an equity of 89,835 KEUR. The solvency ratio – including related party financing, which is subordinated – amounts to 30% (vs. 30% per 31/12/13).

Over the past 5 years, the Company intensified its project development activities in Belgium (with currently a portfolio of more than 40 projects). As a consequence, a significant part of the portfolio has evolved to the delivery or realisation phase. In this respect, significant further realisation efforts were done a.o. for the Blue Towers (Artevelde Park, Gent). The office buildings were delivered and welcomed their first tenants during the first half of 2014. Further realisation efforts were also done in Leuven, in the Waterview project (third phase - mixed retail, student housing and parking space project in the Vaartkom). At the date of the current report, a significant part of the project has already been (pre-)sold/leased.

2014 expansion and investment activities mainly related to:

- Completion, delivery and welcoming of the first tenants in the Blue Towers in Gent (28,600 sqm office space in total in the Artevelde Park). Per date of the current report, over 70% of the project has been leased.
- Continuation of the construction works of the Waterview project in Leuven Vaartkom (mixed project of +/- 460 student homes, +/- 5,000 sqm retail and +/- 1,000 parking spaces). Per date of the current report



approx. 240 student units have already been (pre-)sold and approx. 1,800 sqm of the available retail space has been leased to Albert Heijn for its new retail shop, to be opened early Q2 2015.

- Further realisation and commercialisation of the residential project Blaisantpark in Gent (comprising 67 apartments, 46 student units, 135 parkings and some retail space). Per date of the current report approx. 85% of the residential units have been sold.

- Further realisation of high-end residential/leisure projects at the Belgian coast side (mainly “Le 8300”, luxurious wellness hotel in Knokke-Zoute and residential/retail project Locarno in Knokke).

- Signing of a right to build and put/call contract in February 2014 with a third party on a 30,580 sqm plot on the Duinenwater site in Knokke, for the realization of a residential project (24 plots of land).

As to divestures/revenues:

- At end of November the L-Park mixed office and retail project in Leuven, Vaartkom has been sold to AXA Belgium at a (share) price of approx. 9.9 MEUR (i.e. reflecting a yield of +/- 6% and a gross project sales value of 40 MEUR). At the moment of the sale the L-Park (with a leasable offices and retail area of resp. 13.7 Ksqm and 3.4 Ksqm and approx. 275 parking spaces) was leased for aprox. 80%.

- In addition, some (office space) parts of the Ghelamco Arena have been sold for a total sales value of 2,500 KEUR.

- Sale of residential projects (31,455 KEUR): mainly the ground floor of the Locarno project in Knokke, apartments and student units in Blaisant Park in Gent, student units in the Waterview project in Leuven, Vaartkom, land positions in Wezenbeek-Oppem (in connection with the senior homes project which the Company is realising in a joint venture structure) and residential projects at the Belgian coast.

#### Main post balance sheet events

- Acquisition at end of February 2015 of 2 buildings located at the Louizalaan and the Boulevard Bischoffsheim, Brussels for a total amount of 24,5 MEUR, for the future development and realisation of resp. a combined retail-residential project (52 luxurious apartments and approx. 500 sqm of shopping space, in the centre of Brussels) and an offices-residential project (approx. 16,615 sqm office space and 174 parkings).

- On 19 March 2015 the City of Brussels has retained the BAM/Ghelamco Consortium as preferred bidder for the construction of the Euro-stadium on parking C of the Heizel site. This new national stadium will amongst others comprise 60.000 seats, over 6.000 VIP places and over 14.000 parking spaces. The project is expected to be realized in 2018.



## Outlook

It is the Company's strategy to further diversify its investment portfolio by spreading its investments over different real estate segments.

For 2015, the Company will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Company is confident to achieve its goals for 2015 in general.

## 7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2014, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) are carried at fair value.

As such, residential properties are presented as Property Development Inventories.

Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 8 in Part II for more details on their presentation.





## II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2014 were approved by the Company's Board of Directors on 19 March 2015. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

### A. Consolidated statement of financial position (in KEUR)

	Note	31/12/2014	31/12/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment Property	6	223,360	214,859
Property, plant and equipment	7	277	321
Investments in associates	4	590	1,380
Receivables and prepayments	9	2,580	2,457
Deferred tax assets	15	2,985	2,530
Other financial assets	4.3	561	500
<b>Total non-current assets</b>		<b>230,353</b>	<b>222,047</b>
<b>Current assets</b>			
Property Development Inventories	8	132,720	111,503
Trade and other receivables	9	20,512	12,423
Current tax assets		0	9
Assets classified as held for sale	6	975	3,475
Cash and cash equivalents	10	39,837	20,752
<b>Total current assets</b>		<b>194,044</b>	<b>148,162</b>
<b>TOTAL ASSETS</b>		<b>424,397</b>	<b>370,209</b>



Consolidated statement of financial position (cont'd)
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	Note	31/12/2014	31/12/2013
<b>Capital and reserves attributable to the Group's equity holders</b>			
Share capital	11	61,490	1,490
Retained earnings	12	28,278	23,710
		<u>89,768</u>	<u>25,200</u>
Non-controlling interests	11.2	67	90
<b>TOTAL EQUITY</b>		<u><b>89,835</b></u>	<u><b>25,290</b></u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	13	165,346	230,471
Deferred tax liabilities	15	12,190	13,121
Long-term provisions		178	178
<b>Total non-current liabilities</b>		<u><b>177,714</b></u>	<u><b>243,770</b></u>
<b>Current liabilities</b>			
Trade and other payables	16	23,605	26,566
Current tax liabilities		829	1,437
Interest-bearing loans and borrowings	13	132,414	73,146
<b>Total current liabilities</b>		<u><b>156,848</b></u>	<u><b>101,149</b></u>
<b>Total liabilities</b>		<u><b>334,562</b></u>	<u><b>344,919</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>424,397</b></u>	<u><b>370,209</b></u>



<b>B. Consolidated income statement and consolidated statement of comprehensive Income</b>
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	<b>Note</b>	<b>2014</b>	<b>2013</b>
Revenue	17	37,747	9,868
Other operating income	18	4,288	946
Cost of Property Development Inventories	19	-19,348	-6,230
Employee benefit expense	18	-402	-389
Depreciation amortisation and impairment charges		-70	-368
Gains from revaluation of Investment Property	6	7,538	21,012
Other operating expense	18	-8,955	-4,844
Share of results of associates		-790	0
<b>Operating profit - result</b>		<b>20,008</b>	<b>19,995</b>
Finance income	20	607	350
Finance costs	20	-13,205	-9,465
<b>Profit before income tax</b>		<b>7,410</b>	<b>10,880</b>
Income tax expense/income	21	-2,853	-4,778
<b>Profit for the year</b>		<b>4,557</b>	<b>6,102</b>
<b>Attributable to:</b>			
Equity holders of parent		4,544	6,081
Non-controlling interests		13	21



**Consolidated statement of comprehensive income – items recyclable to the income statement**

	<b>2014</b>	<b>2013</b>
<b>Profit for the year</b>	<b>4,557</b>	<b>6,102</b>
Exchange differences on translating foreign operations	0	0
Other	25	-141
<b>Other comprehensive income of the period</b>	<b>25</b>	<b>-141</b>
<b>Total Comprehensive income for the year</b>	<b>4,582</b>	<b>5,961</b>
<b>Attributable to:</b>		
Equity holders of the parent	4,569	5,940
Non-controlling interests	13	21



C. Consolidated statement of changes in equity
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**Consolidated statement of changes in equity per 2014**

	Note	Attributable to the equity holders		Retained earnings	Non-controlling interests	Total Equity
		Share capital	Cumulative translation reserve			
<b>Balance at 1 January 2013</b>		<b>1,490</b>	<b>0</b>	<b>17,783</b>	<b>73</b>	<b>19,346</b>
Profit/(loss) for the year				6,081	21	6,102
Dividend distribution				-13		-13
Change in non-controlling interests				5	-4	1
Change in the consolidation scope				-146		-146
<b>Balance at 31 December 2013</b>		<b>1,490</b>	<b>0</b>	<b>23,710</b>	<b>90</b>	<b>25,290</b>
Capital increase	11	60,000				60,000
Profit/(loss) for the year	12			4,544	13	4,557
Dividend distribution						0
Change in non-controlling interests	11.2			36	-36	0
Change in the consolidation scope	12			-12		-12
Other						0
<b>Balance at 31 December 2014</b>		<b>61,490</b>	<b>0</b>	<b>28,278</b>	<b>67</b>	<b>89,835</b>



D. Consolidated cash flow statement
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**Consolidated cash flow statement for 2014 and 2013**

Cash Flow Statement	31/12/2014	31/12/2013
<b>Operating Activities</b>		
<b>Profit / (Loss) before income tax</b>	<b>7,410</b>	<b>10,880</b>
<i>Adjustments for:</i>		
- Share of results of associates	790	-
- Change in fair value of investment property	6 -7,538	-21,012
- Depreciation, amortization and impairment charges	7 70	68
- Result on disposal Investment Property	-1,659	-16
- Change in provisions	-	111
- Net interest charge	20 11,320	8,152
- Movements in working capital:		
- Change in inventory	-22,547	-12,358
- Change in trade & other receivables	-8,089	5,124
- Change in trade & other payables	-203	561
- Change in MTM derivatives	-	-
- Movement in other non-current liabilities		
- Other non-cash items	29	-134
Income tax paid	-1,482	-210
Interest paid (*)	-14,301	-6,324
<b>Net cash from operating activities</b>	<b>-36,200</b>	<b>-15,158</b>
<b>Investing Activities</b>		
Interest received	607	350
Purchase of property, plant & equipment	-24	-13
Purchase of investment property	-37,608	-83,124
Capitalized interest in investment property	6 -2,324	-1,285
Proceeds from disposal of investment property	6 40,675	17,385
Net cash outflow on acquisition of subsidiaries	-	-
Cash outflow on other non-current financial assets	-184	-399
Net cash inflow/outflow on NCI transactions		
Movement in restricted cash accounts		-
<b>Net cash flow used in investing activities</b>	<b>1,142</b>	<b>-67,086</b>
<b>Financing Activities</b>		
Proceeds from borrowings	36,139	84,656
Repayment of borrowings	-41,996	-10,002
Capital increase	60,000	-
Dividends paid		-13



<b>Net cash inflow from / (used in) financing activities</b>	<b>54,143</b>	<b>74,641</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,085</b>	<b>-7,603</b>
<b>Cash and cash equivalents at 1 January</b>	<b>20,752</b>	<b>28,355</b>
<b>Cash and cash equivalents per end of the year</b>	<b>39,837</b>	<b>20,752</b>

(\*): Interests directly capitalized in IP not included (2014: 2,324 KEUR; 2013: 1,285 KEUR, separately presented under investing activities)



## 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the IFRS consolidated financial statements, are set out below.

### 1.1. Introduction

We refer to the section “General Information: business activities” and Note 5 “Organizational chart” of these financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of International Real Estate Construction NV and its legal subsidiaries that are part of the Company at 31 December 2014.

A list of legal entities included in these IFRS consolidated financial statements and major changes in the organizational structure of the reporting entity are outlined in Notes 4 and 5.

### 1.2. Basis of preparation

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by the Board of Directors on March 19, 2015. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) as adopted by the European Union at 31 December 2014. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2014.

These financial statements have been prepared under the historical cost convention except for Investment Properties and derivative financial instruments that have been measured at fair value.





### 1.3. Standards and Interpretations that became applicable in 2014

Standards and Interpretations that the Company anticipatively applied in 2013 and 2014:

- None

Standards and Interpretations that became effective in 2014

- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)

Standards and Interpretations which became effective in 2014 but which are not relevant to the Company:

- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)

### 1.4. Standards and Interpretations issued but not yet effective

Standards and Interpretations issued at the date of these IFRS consolidated financial statements, which were authorized for issue but not yet mandatory and have not been early adopted by the Company:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)



- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 17 June 2014)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application. With respect to the changes in IFRIC 21 and IFRS 15, the company is still evaluating the potential impact.

## 1.5. Principles of consolidation

### **1.5.1. Consolidation scope**

The entities included in the consolidation scope are those that are under control of the Company on 31 December 2014 and on 31 December 2013 (see Notes 4 and 5).

The transactions, balances and unrealized gains and losses between these legal entities are deemed to be intra-group transactions and are eliminated in full.



The transactions with other entities owned directly or indirectly by the ultimate beneficial owners of the Company are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 24.

### **1.5.2. Acquisition of subsidiaries**

Although the Company obtained control over several subsidiaries over the past years, these transactions are not considered business combinations as defined under IFRS 3 “Business Combinations”. In these transactions, the Company primarily acquired land and therefore these transactions are to be considered as a purchase of selective assets and liabilities and not as a purchase of a “business”. The purchase consideration has been allocated to each of the assets and liabilities acquired based on their relative fair values.

During the course of 2014 and 2013, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 “Business Combinations”.

### **1.5.3. Sale of subsidiaries**

As was the case in the past, the 2014 and 2013 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for lease. Residential properties are offered for sale.

General rule:

- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;
- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Income Statement on a gross basis (i.e. revenue from the sale of inventories and cost of sales) and not as a disposal of a subsidiary. Still, a sale of residential projects is generally structured as a sale of assets.

Comments 2014

In November 2014 and upon an attractive bid by an investor, the L-Park mixed office and retail project in Leuven has been sold. The sales transaction was structured as a share deal (i.c. 100% of the shares of the project SPV L-Park NV), in line with the general approach to sell commercial projects. The transaction has in the financial statements been presented as a disposal of IP.

On the other hand, (office space) parts of the Ghelamco Arena (for a total sales value of 2.5 MEUR) have been sold through asset deals.

In October and November 2014 the subsidiaries Rubia NV (holding an exploitation licence for 115 senior home (bed-)places) and RPI NV (holding land positions) have been sold to resp. a third party operator and a third party investor. Both sales transactions are connected with the Wezembeek-Oppem senior homes project the Company is realising in a joint venture structure. These sales transactions were structured as share deals, while they have in the financial statements been presented on a gross basis (i.e. revenue and cost of sales).

No other residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.



### Comments 2013

In March 2013 and upon an attractive bid by an investor, the Wevelgem Retail Park was sold. The sale of the project was structured as a share deal (i.c. sale of 100% of the shares of project SPV Klippan Cabs NV), in line with the general approach to sell commercial projects. The transaction has in the financial statements been presented as a disposal of IP.

On the other hand, first parts of the Ghelamco Arena project (for a total sales value of 10.7 MEUR) have been sold through asset deals.

No residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

#### **1.5.4. Increase in ownership interests in subsidiaries**

The Company applies the parent company model to transactions with minority shareholders. The difference between the cost of additional interest in the subsidiary and the carrying amount of the minority interest reflected in the consolidated balance sheet is allocated to the Property Development Inventories or Investment Properties.

#### **1.5.5. Foreign currency translation**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements.

##### *Foreign currency transactions*

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

##### *Foreign entities*

In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Company's "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.

As Ghelamco Invest and its subsidiaries are all EU (and Eurozone) companies, with functional currency Euro, and almost exclusively involved in Euro-transactions, foreign currency impact is not applicable in the Company's financial statements.



**1.5.6. Hyperinflationary economies**

None of the Company entities operated in a hyperinflationary economy in 2014 and 2013.

**1.6. Property, plant and equipment**

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost of bringing the asset to working condition for its intended use (taxes included).

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost.

The applicable useful lives are:

Tangible fixed assets	Years
Buildings	20 to 40
Vehicles	5
Equipment	5 to 10

**1.7. Finance leases**

A finance lease that substantially transfers all the risks and rewards incident to ownership, is recognized as an asset and a liability at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

**1.8. Impairment of assets**

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the unit to which the asset belongs.

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 and value in use.



## 1.9. Investment Property

Investment Property is defined as property (land or a building – or part of a building – or both) held by the owner to earn rentals, realize capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment Property, principally comprising land and commercial buildings (“commercial property”), is held for capital appreciation or for the long-term rental yields and is not occupied by the Company.

Investment Property (Under Construction) is carried at fair value. Fair value is determined by external appraisers or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

Gains or losses as a result of changes in the fair value are included in the Income Statement of the year in which they occur. Gains and losses as a result of an Investment Property disposal are considered into the Income Statement of the year in which the disposal occurs.

The Company distinguishes 4 different stages for Investment Property:

- A. Land without pre-permit approval;
- B. Land with a pre-permit approval;
- C. Land with a building permit and construction ongoing;
- D. Land with a completed building.

The above stages can again be divided in 2 main categories:

### **Investment Properties under construction (A), (B), (C)**

The fair value of the land is determined based on the following methods:

1. Based on comparative method;
2. Based on realizable m<sup>2</sup>;
3. Based on residual method.

In assessing the fair value, the Company considers whether both following conditions have been met:

- Building permit on the property has been obtained and
- Binding lease agreements have been signed for over 40% of the net leasable area of the property.

In case the above mentioned conditions are not fulfilled, the fair value of the IPUC (part not included in land) is deemed to be the cost of the in-process development.

In case the conditions are fulfilled, the fair value of IPUC (both land and construction part) will be determined by an independent appraiser report, based on RICS Valuation Standards.

Fair value of IP(UC) is determined as follows:

- Projects under (A): fair value of the land plus cost of in process development
- Projects under (B): fair value of the land, to the extent the valuation expert has considered the value of the master plan and/or building permit OR fair value of the land plus cost of in process development, to the extent the valuation expert has not yet considered the value of the master plan and/or building permit
- Projects under (C): fair value of the (permitted) land plus construction part at cost, if the above building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the above building permit and lease conditions are fulfilled
- Projects under (D): fair value of the completed project



By consequence, fair value adjustments have been recognized as follows:

- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs and possible goodwill) ;
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the above conditions are met.
- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

### **Completed Investment Properties (D)**

Investment Properties are considered completed as from the moment the project is delivered.

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards.

They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

In the case of a contingent consideration payable for a property acquired, the asset (inventory or IP) is recognized initially at cost, determined based on the fair value of the total consideration paid or payable. The fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial liability. Subsequent changes in the fair value of the liability are recorded via the income statement (and are not part of the asset value).

## 1.10. Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity which the entity has disposed of or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), to an active program to locate a buyer or to complete a plan which was already initiated. In addition, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

## 1.11. Property Development Inventory

Land and premises acquired and held for future development as well as in-process development projects (other than Investment Properties) are classified as inventories. Property Development Inventories mainly comprise residential properties.

Inventories are measured at the lower of cost and net realizable value at the balance sheet date.





The cost of in-process development projects comprises architectural design, engineering studies, geodesic studies, raw materials, other production materials, direct labour, other direct and external borrowing costs directly attributable to the acquisition or construction of the qualifying inventories.

External borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalization commences when expenditures and borrowings are being incurred for the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use or sale are complete. The capitalization criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Company as from that date.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down is necessary when the net realizable value at balance sheet date is lower than the carrying value. The Company performs regular reviews of the net realizable value of its Property Development Inventory.

The most recent review indicated that the global net realizable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 8).

#### 1.12. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or undergo financial reorganization and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement. When a trade receivable is uncollectible, it is written down against the allowance account for trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

No provision for impairment has been considered necessary as a result of the impairment review on the balance sheet date.

#### 1.13. Financial assets

The Company classifies its financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the intention of the investment's acquisition. Management determines the investments' classification at initial recognition and re-evaluates this designation on every reporting date.





Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of the ultimate beneficial owners of the Company not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to note 14 below.

#### 1.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### 1.15. Share capital

Ordinary shares are classified as equity under the caption "share capital". When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Company's shareholders.

#### 1.16. Current and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred income tax.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences, even arising on the assets and liabilities located in the Special Purpose Vehicles. Most of the Special Purpose Vehicles hold one specific property development project.

The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Company will be realized through asset deals. Sales through asset deals mainly apply to the residential projects held by the Company (which are classified as inventory; which is not subject to fair value accounting).



As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the Company is confident that in the case of a share deal these conditions will be complied with, deferred tax liabilities have consistently been recognized, without taking into account those potential tax exemptions.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Company is also required to make a provision for deferred income tax on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

No deferred taxes are accounted for temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting nor taxable profit, and differences relating to the investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 15).

#### 1.17. Trade and other payables

Trade and other payables are measured at amortized cost. As the impact of discounting is immaterial, trade and other payables are measured at the nominal value.

#### 1.18. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a contractual right (provided all covenants are fulfilled) to defer settlement of the liability for at least 12 months after the balance sheet date.

#### 1.19. Revenue recognition

Revenue mainly includes sales of properties and rental income.

Revenue is recognized based on the fair value of the consideration received or receivable. For contingent consideration related to the sale of properties, the fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial asset. Subsequent changes in the fair value of the financial asset are recorded via the income statement.



### *Sale of Property Development Inventory*

Revenue from the sale of *property development inventory* is recognized when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals might be structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form. Thus, the amount of inventories recognized as an expense during the period referred to as “Cost of Property Development Inventories sold” comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the market value of the properties sold.

### *Rental income*

Rental income from Investment Properties leased is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income (i.e. are spread over the lease term).

The Company did not enter into any financial lease agreements with tenants; all lease contracts qualify as operating leases.

### *Sale of Investment Property*

Revenue from the sale of investment property is recognized when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals are often structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely their legal form. The gain realized on a sold investment property is shown on a net basis under “Result on disposal Investment Property” in the income statement.



## 2. Financial risk management

### 2.1 Financial risk factors

Due to its activities, the Company is exposed to a variety of financial risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. Financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. The Company may use derivative financial instruments (external or internal) on an ad hoc basis to hedge against the exposures arising from the individual transactions significant to the Company as a whole.

Financial risks are managed by Ghelamco's Chief Financial Officer (CFO) and his team. The CFO identifies, evaluates and mitigates financial risks in accordance with the objectives set by the Chief Executive Officer.

#### **2.1.1 Foreign exchange risk**

To the extent the Company enters in transactions in foreign currencies, other than its functional currency, being the Euro, it is subject to the following currency exchange risks: (i) the foreign currency transaction risk: which occurs when a member of the Company enters into a transaction where the settlement of the transaction occurs in a currency other than the functional currency of that member of the group; and (ii) the foreign currency translation risk: which occurs at the translation of the foreign operations of the group into Euro.

A change in exchange rates or authorities imposing exchange controls could affect the Company's business, financial condition, results and prospects.

However, since Ghelamco Invest and its subsidiaries exclusively operate in Belgium and Western Europe, such currency risk is very limited to not applicable.

The Company concludes all financing, engineering, architectural and construction contracts in Euro; leasing of the properties is in Euro and eventual later disposal of assets or shares are also expressed and negotiated in Euro.

#### **2.1.2 Interest rate risk**

The Company actively uses external and related party borrowings to finance its property projects. A property project's external financing is either in the form of a bank loan or a bond issue denominated in Euro (see Note 13).

The Company did not enter into external interest rate hedging transactions to eliminate exposure arising from the long term investment loans over the last 5 years. The Company's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project development phases (acquisition of land, development and holding of the properties) as follows:



- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Construction loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the construction loan.
- Once the property is completed, leased and meets all ongoing covenants, the construction financing is swapped into an investment loan, usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable gradually with rental income or fully upon sale of the property. The banks are usually willing to offer investment loans up to an amount that reflects 65% to 70% of the property's market value. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), usually payable on a quarterly basis together with the accrued interest.
- For the Belgian and French projects; 42 MEUR bond issue due 13 December 2015 (60%) and due 13 December 2017 (40%) and bearing an interest of resp. 7% and 7.875%; 70 MEUR bond issues due 28 February 2018, bearing an interest of 6.25%; proceeds of which can be used over the resp. project investment stages.

The Company actively uses related party borrowings provided by the Investment Holding Financing Vehicles acting as financial intermediaries (mainly Peridot SL at 31 December 2014 and 31 December 2013) to finance the property projects in Belgium and France. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 13 on interest-bearing loans and borrowings.

### **2.1.3 Operational risk (price risk in first instance)**

#### **Price risk**

Raw materials, supplies, labour and other costs directly related to the construction process constitute a major part of the property development assets capitalized in the accounts of the Company's project companies.

Although construction prices may substantially vary during each accounting year, the Company succeeds in reducing its operational risk by either entering into fixed price contracts or into open book contracts with related and unrelated companies.

Most property projects are realized in cooperation with parties related to the Company (see Note 23.2).

#### **Market research**

Before starting an investment, the Company's management teams have performed their market research, comprising the following:

- status of the project's current zoning (eventual timing for rezoning necessary)
- attitude of the local government towards a particular project
- are comparable projects being launched (timing and location)
- type of potential buyers/tenants - reasonable delivery date of the project
- projected sale/lease prices at the date of delivery
- yield expectations at that time
- time frame to achieve 50%-60% leasing level



**Permit risk**

A detailed advance study of the existing master plan or zoning plans substantially reduces the risks on obtaining building permits. On this issue, it is the Company's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

**Construction risk**

Construction risks are monitored by the Consortium in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within the Consortium. This avoids cost overruns and delivery delays for the Company. The Company also maintains full control over the building site coordination of (sub)contractors.

**Engineering risk**

The Company has to remain in control for the design, lay-out and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Company hardly ever outsources these tasks.

**Financing risk**

The Company relies since 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.

In 2012, 2013 and 2014 the Company in addition was able to call upon alternative financing through the issue of bonds (in total 112 MEUR unsecured bonds, ut infra).

**Commercial risk**

Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately triggers the intense involvement of both the Consortium's internal commercial departments and the external brokers. So far, the Company's track record shows at least a 50% (or more) leasing level before the end of construction works.

**Investment market risk**

Each developer or investment fund is influenced by the currently applicable yield expectations. Therefore, good project timing is essential. While securing the construction financing, the Company also negotiates a binding transition from construction loan into investment loan. This allows us to keep the property in portfolio and to wait for attractive offers of investors.

**2.1.4 Credit risk**

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (mostly renowned international companies) and outstanding balances with related parties. The Company's entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 9.



### **2.1.5 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Company's liquidity needs. Due to the dynamic nature of the underlying business activities, the Company actively uses external and related party funds to ensure that adequate resources are available to finance the Company's capital needs. The Company's liquidity position is monitored by management, based on 12 months rolling forecasts.

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 13.

We also refer to note 10 and note 13.4 where the available financing is described.

### **2.2 Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to support its strategic growth plans.

As all profits of the last years have been re-invested, the management's focus is mainly set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Company may decide to issue bonds or similar financial instruments in the (inter-)national financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels.

The Company monitors capital primarily on the basis of the solvency ratio. This ratio is calculated as total equity (considering the related party financing, which is subordinated) divided by the balance sheet total. The solvency ratios at 31 December 2014 and 2013 were as follows:

	<b>2014</b>	<b>2013</b>
Equity	89,835	25,290
Net related party loans payable	35,838	87,125
Total assets	424,397	370,209
<b>Solvency ratio</b>	<b>30%</b>	<b>30%</b>





### 3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects future periods.

In addition to the estimates already explained in the accounting policies, the estimates and assumptions that might significantly affect the valuation of assets and liabilities are outlined below.

#### *Impairment of inventory*

The risk of impairment arises from uncertainties typical to the real estate industry. At the balance sheet date no impairment losses and/or write-offs to net realizable value have been recognized on the inventory.

#### *Income taxes*

The Company operates within a complex (inter-)national legal and regulatory environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

Basic Company Income Tax levels (excluding tax exemptions or other incentives):

Belgium:	33.99%
France:	33.33%

#### *Fair value estimation*

The carrying value less impairment write down of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

In conformity with IAS39 and to the extent applicable, all derivatives are recognized at fair value in the balance sheet.

With respect to the determination of fair value of IP(UC), we refer to section 1.9 above.





#### 4. List of subsidiaries

Ghelamco Invest subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2014 % voting rights	31/12/2013 % voting rights	Remarks
<b>Ghelamco Invest NV</b>	<b>BE</b>	<b>99</b>	<b>99</b>	*
The White House Zoute NV	BE	99	99	*
Dock-Site NV	BE	99	99	*
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Rubia NV	BE	n/a	99	4.2
De Leewe III NV	BE	99	99	*
Immo Simava 13 NV	BE	99	99	*
Leisure Property Invest NV	BE	99	99	*
Waterview NV	BE	99	99	*
Retail Leuven NV (former Estate of the Art)	BE	99	99	***
Leuven Student Housing NV	BE	99	99	***
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
Artevelde Stadion CVBA	BE	57	57	**
Wavre Retail Park NV	BE	99	99	*
L-Park NV	BE	n/a	99	4.2
Docora NV	BE	99	99	*
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Retail Gent NV	BE	99	99	*
Parking Estates NV	BE	99	99	*
Parking Gent NV	BE	99	99	*
Arte Offices NV	BE	99	99	*
Schelde Offices NV	BE	99	99	*
Ring Offices NV	BE	99	99	*
Ring Hotel NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Forest Parc NV	BE	99	99	*
De Nieuwe Filature NV	BE	99	99	*

(\*) the 1% remaining voting rights are owned directly or indirectly by Mr. P. Gheysens, the ultimate beneficial owner

(\*\*): included in the Ghelamco Invest consolidated financial statements under the equity method. Balance sheet of this entity mainly relates to the land position re. the football-related part of the Ghelamco Arena.

(\*\*\*): Subsidiaries were (as shelf entities) already controlled in 2013 but only have been consolidated for the first time in 2014.



Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property.

Most subsidiaries are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate investment activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2014. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.19 (and not in accordance with IFRS 3 on Business Combinations).

#### 4.1 Acquisition of subsidiaries

None in 2014.

#### 4.2 Disposal of subsidiaries

In November 2014 the L-Park mixed office and retail project in Leuven (with a leasable offices and retail area of resp. 13.7 Ksqm and 3.4 Ksqm and approx. 275 parking spaces) has been sold to AXA Belgium. The sales transaction was structured as a share deal (i.c. 100% of the shares of the project SPV L-Park NV). The share price amounted to +/- 9.9 MEUR.

In October and November 2014 the subsidiaries Rubia NV (holding an exploitation licence for 115 senior home (bed-)places) and RPI NV (holding land positions) have been sold to resp. a third party operator and a third party investor. Both sales transactions are connected with the Wezembeek-Oppem senior homes project which the Company is realising in a joint venture structure. The share prices amounted to resp. 0.2 MEUR and 1.1 MEUR.

#### 4.3 Incorporation of new shelf companies

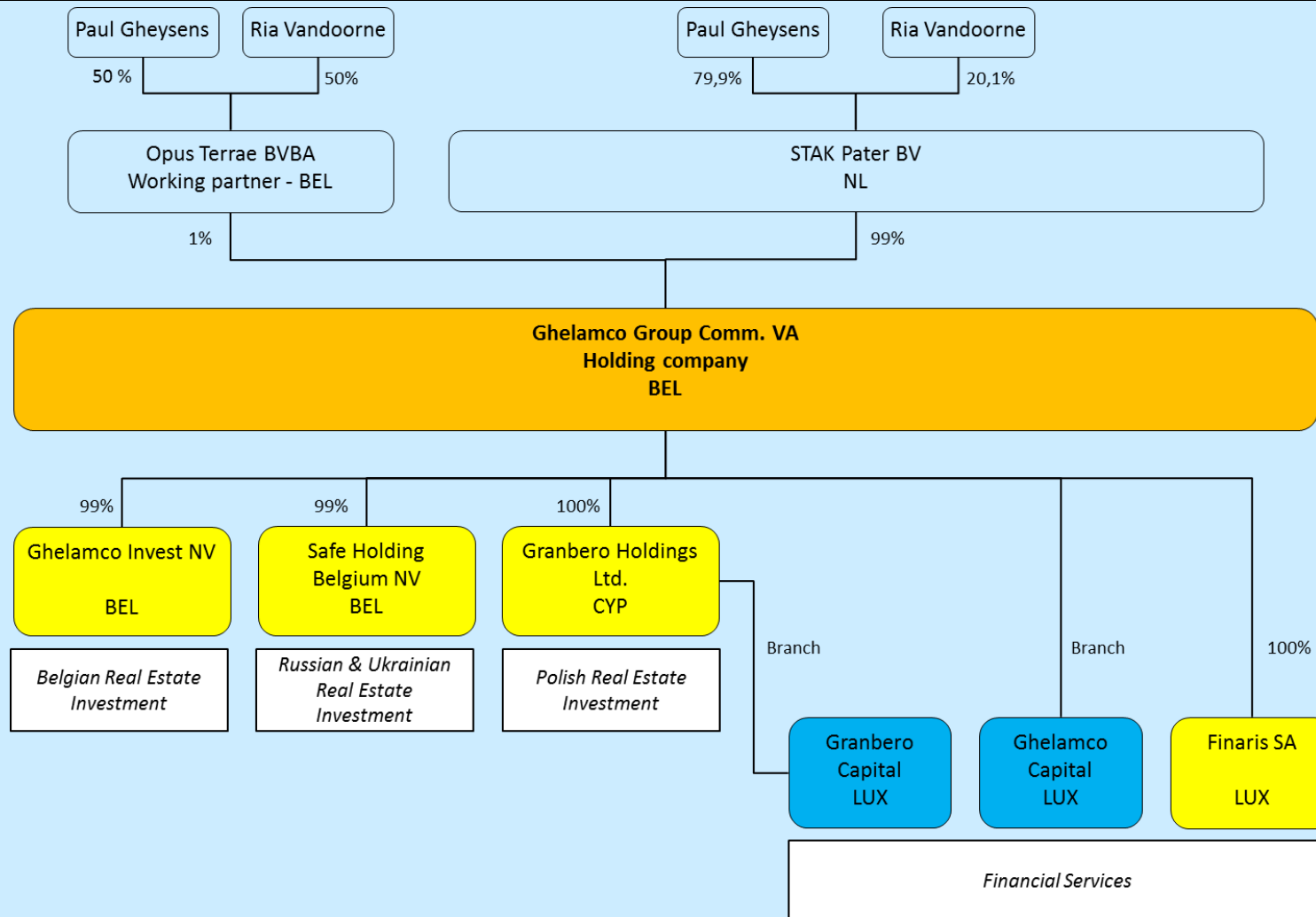
In May 2014, 1 new SPV (Brussels & Regional NV) has been incorporated for the development of future real estate projects. In this entity, all shares (250) but one have been subscribed by Ghelamco Invest and one by Mr. P. Gheysens. The entity has a share capital of 250 KEUR, of which 63.5 KEUR has been paid in.

Given its limited size as of 31 December 2014, the concerned entities have not yet been consolidated in these consolidated financial statements. The participating interests which Ghelamco Invest holds in these entities have been kept at cost.

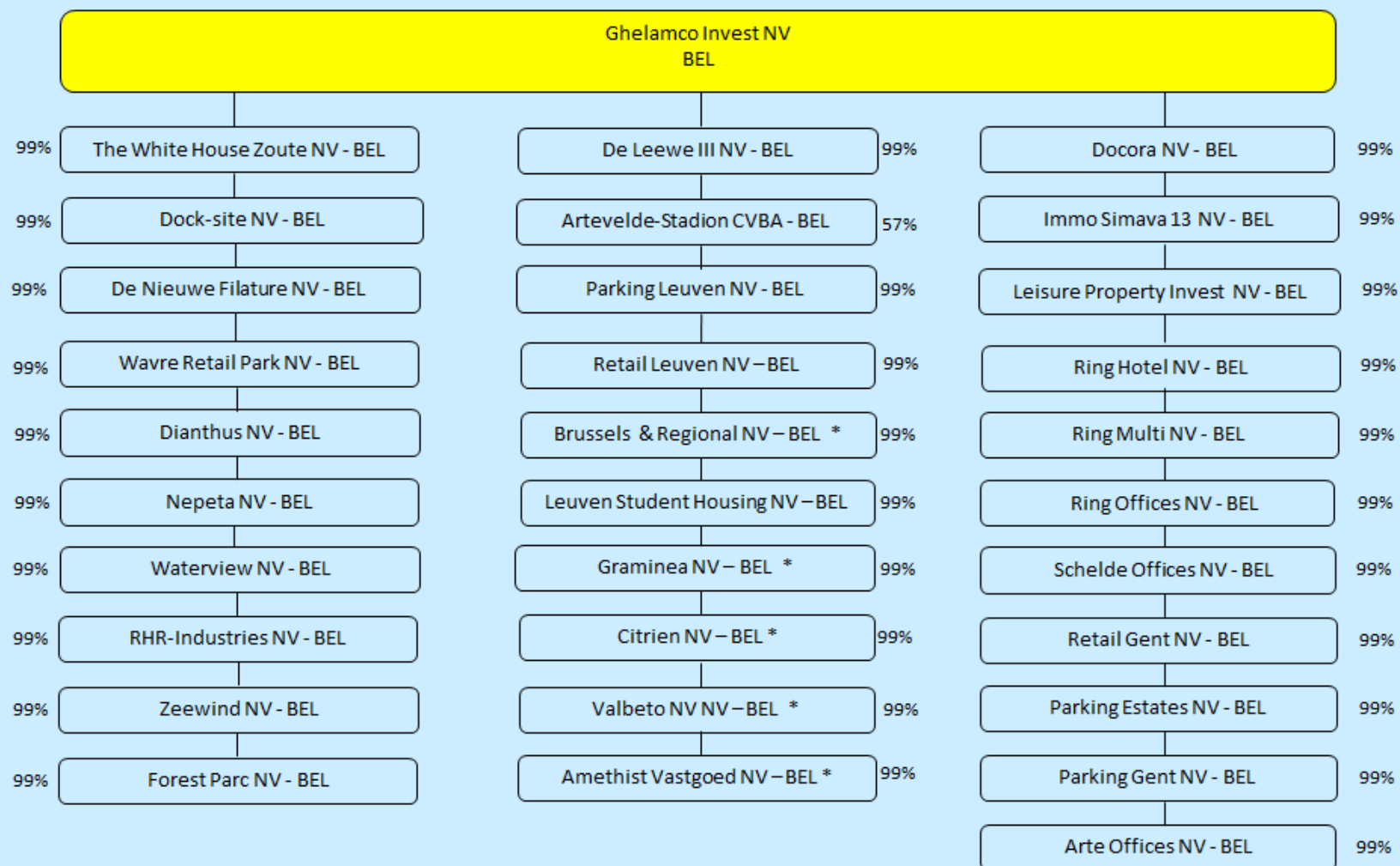


5. Group structure

5.1. Investment Holding as per December 31<sup>st</sup>, 2014



5.2. Belgian and French Real Estate Investment as per December 31<sup>st</sup>, 2014



\*: not included in the IFRS consolidated financial statements because of immateriality



## 6. Investment Property

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.

All plots of land held for undetermined use, or where the management determines that the plot will be used in a project where the building will be rented, are classified as Investment Properties on 31 December 2014 and 31 December 2013.

Investment Properties are stated at fair value determined by either independent appraisers or by management and are classified in 4 categories:

- A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value based on comparative method);
- B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable m<sup>2</sup>);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

SPV	Commercial Name	Valuation	Cat	31/12/2014	31/12/2013
				KEUR	KEUR
<b>BELGIUM</b>					
Leisure Property Invest	Golf Knokke Zoute	Man	A	31,700	26,159
WRP	Wavre Retail Park	Man	A	12,600	12,600
L-Park	L-Park	CBRE	n/a	-	35,200
Retail Gent	Retail Gent	CBRE	D	17,250	17,450
Parking Gent	Parking Gent	CBRE	C/D	29,729	28,848
Parking Estates	Parking Estates	CBRE	C/D	2,371	2,371
Zeewind	Zeewind	Man	D	1,737	1,737
Schelde Offices	Schelde Offices	Cushman	D	27,450	20,478
Arte Offices	Arte Offices	Cushman	D	29,350	19,107
Ring Hotel	Ring Hotel	Man	B	5,473	1,155
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	D	19,275	17,935
Docora	Ghelamco Arena Offices	Cushman	C/D	13,926	13,300
Ring Offices	Ghelamco Arena Offices	Cushman	D	2,410	2,350
Ghelamco Invest	Le 8300	Man	C	19,566	16,169
Waterview/Parking Leuven	Waterview Parkings	Man	C	5,691	-
Waterview/Retail Leuven	Waterview Retail space	Man	C	4,832	-
<b>TOTAL :</b>				<b>223,360</b>	<b>214,859</b>

Legend : Man = Management valuation, CBRE = CBRE valuation report, Cushman = Cushman & Wakefield valuation report



<b>Balance at 1 January 2013</b>	<b>107,382</b>
Acquisition of properties	3,051
Subsequent expenditure	81,358
Transfers	
- Assets classified as held for sale	-3,475
- Other transfers	16,200
Adjustment to fair value through P/L	21,012
Disposals	-10,669
other	
<b>Balance at 31 December 2013</b>	<b>214,859</b>
Acquisition of properties	3,024
Subsequent expenditure	36,524
Transfers	
- Assets classified as held for sale	
- Other transfers	1,330
Adjustment to fair value through P/L	7,538
Disposals	-39,915
other	
<b>Balance at 31 December 2014</b>	<b>223,360</b>

<i>Categories</i>	A	B	C	D	Total
<b>Balance at 1 January 2013</b>	<b>35,708</b>	<b>979</b>	<b>52,747</b>	<b>17,948</b>	<b>107,382</b>
Acquisition of properties	3,051				3,051
Acquisition through business combinations					
Subsequent expenditure	-190	176	77,634	3,738	81,358
Transfers					
- Assets classified as held for sale			-3,475		-3,475
- Other transfers			-14,141	30,341	16,200
Adjustment to fair value	190		18,462	2,360	21,012
Disposals			-10,669		-10,669
Other					
<b>Balance at 31 December 2013</b>	<b>38,759</b>	<b>1,155</b>	<b>120,558</b>	<b>54,387</b>	<b>214,859</b>
Acquisition of properties	3,024				3,024
Acquisition through business combinations					
Subsequent expenditure	1,516	1,283	28,985	4,740	36,524
Transfers			-75,569	75,569	0
- Assets classified as held for sale					
- Other transfers			1,330		1,330
Adjustment to fair value	1,001	3,035	811	2,691	7,538
Disposals				-39,915	-39,915
Other					
<b>Balance at 31 December 2014</b>	<b>44,300</b>	<b>5,473</b>	<b>76,115</b>	<b>97,472</b>	<b>223,360</b>



At end of November the L-Park mixed office and retail project in Leuven, Vaartkom has been sold to AXA Belgium at a (share) price of approx. 9.9 MEUR (i.e. reflecting a yield of +/- 6% and a gross project sales value of 40 MEUR). At the moment of the sale the L-Park (with a leasable offices and retail area of resp. 13.7 Ksqm and 3.4 Ksqm and approx. 275 parking spaces) was leased for approx. 80%.

In addition, some (office space) parts of the Ghelamco Arena have been sold for a total sales value of 2,500 KEUR. These items were classified as assets held for sale in the Company's 2013 financial statements.

Amounts that have been recognized in the Income Statement include the following:

	<u>2014</u>	<u>2013</u>
rental income	5,509	2,778

The 2014 rental income mainly relates to rent agreements in Retail Gent, Parking Gent, L-Park, Blue Towers Gent, Ring Multi (retail in the Ghelamco Arena).

### **Significant assumptions and sensitivity analysis**

Main part of Belgian IP(UC) relates to office and retail projects, which are valued based on the residual method (for IPUC) and income approach/yield/DCF method (for delivered projects).

For IFRS 13 purposes, IP(UC) projects are categorized in level 3.

The average yields (or capitalization rates) used in the expert valuations on 31 December 2014 are as follows:

- 6.00% to 7.00% for Belgian office projects (vs. 6.00% to 6.65% last year), depending on the location, specifics and nature of the investment
- 6.00% to 7.0% for Belgian retail projects (vs. 6.25% to 6.5% last year), depending on the location, specifics and nature of the investment.

The average rent rates used in the expert valuations are as follows:

- 100 EUR/sqm/year to 165 EUR/sqm/year for office space,
- 77 EUR/sqm/year to 120 EUR/sqm/year for retail space,

depending on the location, specifics and nature of the project.

On 31 December 2014, the Company has a number of income producing investment properties (category D) which are valued at 97,472 KEUR (Retail Gent, Blue Towers Gent, Ring Multi, Ring Offices and Zeewind). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 13,780 KEUR.

The investment properties (under construction) (category B and C) are valued using a number of assumptions in terms of e.g. construction cost, expected rental values etc. that are interlinked and for which a sensitivity analysis per variable would not make sense.



## 7. Property, Plant and Equipment

	Property, plant and equipment	
	31.12.2014	31.12.2013
in thousands €		
Cost	918	989
Accumulated depreciation/amortisation and impairment	-641	-668
<b>TOTAL</b>	<b>277</b>	<b>321</b>

	Property, plant and equipment
in thousands €	
<b>Cost</b>	
Balance at 1 January 2013	1,003
Additions	13
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-27
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	989
Additions	24
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-95
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2014	918

<b>Accumulated depreciation and impairment</b>	
Balance at 1 January 2013	616
Depreciation/Amortisation expense	68
Disposals or classified as held for sale	-16
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	668
Depreciation/Amortisation expense	60
Disposals or classified as held for sale	-87
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2014	641





## 8. Property Development Inventory

The Property Development Inventories amount to 132,720 KEUR on 31 December 2014 (2013: 111,503 KEUR) and are detailed as follows:

		<b>31/12/2014</b>	<b>31/12/2013</b>
Property Development Inventories		132,671	111,386
Raw materials		49	77
Finished goods		0	40
		<b>132,720</b>	<b>111,503</b>

Carrying value (at cost) at 31 December 2014 - KEUR	Carrying value (at cost) at 31 December 2013 - KEUR

### **BELGIAN PROJECTS**

I.R.C. - others	7,012	7.484
Le Valeureux Liégeois - East Dune	25.536	22,815
The White House Zoute	840	2.171
Locarno Knokke	5,713	6.835
Residentie Zegemeer Knokke	-	1,324
Blinckaertlaan Knokke	5,979	5.739
Kanonstraat Brussel	793	815
Bleko Doornstraat Kortrijk	2,281	2.036
Dock-site	2.648	2.648
"Residentie Katelijne"	9,094	9.091
"Project Waterside"	1,485	1.618
Waterview	23.201	5.253
Sylt	10.285	10.939
Cromme Bosh	12,984	12.497
Kinder Siska	7,471	7.164
RHR	1.545	1.737
Farida-Knokke	-	494
De Nieuwe Filature	10,338	10.079
Blaisantpark Gent	5,515	764
<b>TOTAL Belgium</b>	<b>132.720</b>	<b>111,503</b>

Main part of current year expenditures have been done on the (residential part of the) Waterview project in Leuven, consisting of 461 student units, of which per date of the current report approx. 50% have been (pre-)sold.



## Main divestures:

- Locarno, sale of the retail ground floor of the mixed retail-residential project in Knokke
- Blaisantpark, mixed project in Gent: Per end of 2014, 47 apartments (of 67 in total) and 51 parkings have been sold (70% invoiced under the Breyne legislation); in addition 19 student homes have been sold in 2014 (100% invoiced).
- Waterview: sale of 43 student homes (of 461 in total) in 2014 (70% invoiced under the Breyne legislation)
- Farida, sale of remaining 3 apartments (of 12 in total) in the residential project in Knokke
- Beau Site, sale of 1 apartment in the residential project in De Panne
- Zegemeer, sale of 1 villa-apartment in the residential project in Knokke
- East Dune, sale of 3 apartments in the residential project in Oostduinkerke
- Sylt, sale of 1 unit in the residential project in Knokke
- White House: sale of the last apartment in the residential project in Knokke
- Bahia: sale of an apartment in Knokke

Further reference is also made to section 3.

## 9. Non-current receivables & prepayments and current trade & other receivables

### 9.1 Non-current receivables & prepayments

	Note	31/12/2014	31/12/2013
<b>Non-current</b>			
Receivables from related parties	24.3	2,255	2,455
Trade and other receivables		325	2
<b>Total non-current receivables and prepayments</b>		<b>2,580</b>	<b>2,457</b>

#### Non-current receivables from related parties

All non-current loans to related parties are granted for a term of 3 to 5 years.

Contractual interest rates on non-current receivables to related parties for 2014 were as follows: Euribor/ Libor + margins in the range between 1% and 3%.

Further reference is made to Note 24.3.

The 2014 (and 2013) balance mainly consists of a receivable which Ghelamco Invest holds vs. Artevelde Stadion CVBA (1,960KEUR); associated company which is in these financial statements included under the equity method).

#### Non-current trade and other receivables

No significant amounts included.

The carrying amounts of non-current receivables approximate their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.



**9.2 Current trade & other receivables**

	Note	31/12/2014	31/12/2013
<b>Current</b>			
Receivables from related parties	24.3	0	15
Receivables from third parties		5,736	1,406
Less: allowance doubtful debtors (bad debt provision)		-31	-33
Net trade receivables		5,705	1,388
Other receivables		1,831	2,353
Related party current accounts	24.3	10,976	7,143
VAT receivable		1,398	1,463
Prepayments		0	0
Interest receivable		602	76
<b>Total current trade and other receivables</b>		<b>20,512</b>	<b>12,423</b>

Current trade and other receivables

The carrying amounts of trade and other receivables approximate their fair values determined based on the future cash flows discounted at the prevailing rate for a similar instrument of an issuer with a similar credit rating.

Trade receivables with related parties (and to the extent applicable, prepayments) include invoices for construction, engineering and other services as described in Note 24.2.

Current Account receivables from related parties consist of:

-10,976 KEUR current account which Ghelamco Invest holds vs. Ghelamco Group Comm. VA.

Interest receivable

The interest receivable fully consists of interests receivable from related parties.

VAT receivable

The SPVs holding VAT receivable balances may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.

VAT receivables are the result of VAT paid on their investment expenditures.

Credit risk exposure and impairment

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.



Allowances are determined on a case-by-case basis. An allowance for impairment is booked when there is an identified loss event that, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate beneficial owners of the Consortium. As such, credit risk concentrations with respect to trade and other receivables are assessed as very limited.

Movement in the allowance for doubtful debts

in thousands of €	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Balance at beginning of the year</b>	<b>33</b>	<b>33</b>
Impairment losses recognised on receivables		
Amounts written off during the year as uncollectible		
Amounts recovered during the year		
Impairment losses reversed	-2	
Foreign exchange translation gains and losses		
<b>Balance at end of the year</b>	<b>31</b>	<b>33</b>

As of 31 December 2014 and 2013, trade and other receivables disclosed above do not include amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

## 10. Cash and cash equivalents

	<b>31/12/2014</b>	<b>31/12/2013</b>
Cash at banks and on hand	39,837	20,752
Short-term deposits		
	<u><b>39,837</b></u>	<u><b>20,752</b></u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for various periods not more than three months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term deposit rates.

The Company also has access to the following additional resources of financing:

- additional capacity on the debt ratio (the Company chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to previous and current year's private bonds issues for a total amount of 112 MEUR.



## 11. Share capital

	<b>31/12/2014</b>	<b>31/12/2013</b>
Authorised		
119,389 ordinary shares without par value	61,490	1,490
issued and fully paid	61,490	1,490

In November 2014 the Company's capital has been increased by 60,000 KEUR through the issue of 116,496 new shares. The capital increase, paid in cash, has been fully subscribed by Ghelamco Group Comm. VA, parent company of Ghelamco Invest NV. Purpose of the capital increase is to strengthen the capital structure of the Company and this way confirming and further supporting its Belgian growth strategy for the future.

At 31 December 2014, the Company's direct shareholders are:

- Ghelamco Group Comm. VA – 99,996% (119,384 shares)
- Paul Gheysens – 0,004% (5 shares)

### 11.1 Distribution of dividends within the Company

No dividends have been distributed in the course of 2014.

End 2013, Ghelamco Invest received an interim dividend for an amount of 996 KEUR from Rubia NV.

### 11.2 Non-Controlling Interests

	<b>31/12/2014</b>	<b>31/12/2013</b>
balance at beginning of year	90	73
share of profit for the year	13	21
acquisitions/disposals	-36	-4
<b>Balance at end of year</b>	<b>67</b>	<b>90</b>



## 12. Reserves and retained earnings

Reserves and retained earnings on the balance sheet date are as follows:

	<b>Cumulative translation reserve</b>	<b>Retained earnings</b>
At 1 January 2013	0	17,783
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate shareholders		-13
Change in non-controlling interests		5
Change in the consolidation scope		-146
Profit for the year		6,081
<b>At 31 December 2013</b>	<b>0</b>	<b>23,710</b>

	<b>Cumulative translation reserve</b>	<b>Retained earnings</b>
At 1 January 2014	0	23,710
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		36
Change in the consolidation scope		-12
Profit for the year		4,544
<b>At 31 December 2014</b>	<b>0</b>	<b>28,278</b>



### 13. Interest-bearing loans and borrowings

		31/12/2014	31/12/2013
<b>Non-current</b>			
Bank borrowings – floating rate	13.1	44,755	73,581
Other borrowings	13.2/3	120,591	156,890
		<b>165,346</b>	<b>230,471</b>
<b>Current</b>			
Bank borrowings – floating rate	13.1	104,650	73,146
Other borrowings	13.2/3	27,764	0
		<b>132,414</b>	<b>73,146</b>
<b>TOTAL</b>		<b>297,759</b>	<b>303,617</b>

#### 13.1 Bank Borrowings

During the year, the Company contracted new bank borrowings and withdrew on existing credit facilities for a total amount of 44.7 MEUR, all of which are Euribor based. On the other hand, reimbursements and re-financings have been done for an amount of 42.0 MEUR, bringing the total outstanding bank borrowings to 149.4 MEUR (compared to 146.7 MEUR at 31/12/2013).

When securing debt finance for its (larger) projects, the Company negotiates long term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2 year term) into construction loans (additional 2 year term) and swaps construction loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions. Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

For the purpose of these financial statements, the Company treated its bank borrowings (or the maturing part of it) as current when the swap date from “acquisition loan into construction loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

With respect to the outstanding short-term bank borrowings, it is to be mentioned that currently approx. 50% of the balance per books is in the advanced process of prolongation and/or refinancing (e.g. through a swap to investment loans).

Summary of contractual maturities of external bank borrowings, including interest payments.

	31.12.2014				31.12.2013			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	106,941	44,410	1,000	152,351	76,757	74,119	1,000	151,876
Financial lease			0	0	0	0		0
<b>Total</b>	<b>106,941</b>	<b>44,410</b>	<b>1,000</b>	<b>152,351</b>	<b>76,757</b>	<b>74,119</b>	<b>1,000</b>	<b>151,876</b>
Percentage	70%	29%	1%	100%	51%	49%	1%	100%



**Interests on bank borrowings – interest rate risk**

Interests on land acquisition and development loans are considered as floating since the variable component of the interest formula will always be fixed for a period not superseding one year.

Depending on a project's potential debt service, interest rates on investment loans are sometimes partially fixed and the remainder is floating.

On 31 December 2014, the Company has an outstanding investment loan (12,820 KEUR) on Retail Gent, serviced by the actual rental income of the property (Brico Plan-It).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in:

- Belgium: between 1.80% and 3.5%

***Interest sensitivity analysis***

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 1,500 KEUR lower/higher profit before tax for 2014.

**13.2 Other borrowings: Bonds (110,119 KEUR)**

The Company has in 2012 issued private unsecured bonds for a total amount of 42 MEUR (25.05 MEUR bond serie A, 16.95 MEUR bond serie B). These bonds, which are secured by a first demand guarantee from Ghelamco Group Comm. VA and of which the issuance has been coordinated by KBC Securities and Belfius Bank, have been underwritten by a select group of institutional investors and high-net-worth individuals.

Bonds serie A has as maturity date 13/12/15 and bears a fixed interest of 7.0%. Bonds serie B has as maturity date 13/12/17 and bears a fixed interest of 7.875%.

Goal of the issue is to diversify financial resources and secure the mid-term funding necessary to secure the realization of the pipeline of Belgian and French projects.

In addition, the Company has in the second half of 2013 and the first half of 2014 again issued private unsecured bonds for a total amount of 70 MEUR, secured by a first demand guarantee from Ghelamco Group Comm. VA, having as maturity date 28/02/2018 and bearing an interest rate of 6.25%. The above bond program has again been coordinated by KBC Securities and Belfius Bank.

Total balance of outstanding bonds per balance sheet date (110.119 KEUR) represents the amount of issue (112 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.





**13.3 Other borrowings: Other****31/12/2014 38,236 KEUR**

Other borrowings in EUR at 31 December 2014 are mainly connected to following related party balances:

- Peridot SL: 34,736 KEUR

**31/12/2013 79,381 KEUR**

Other borrowings in EUR at 31 December 2013 related to following related party balances:

- Peridot SL: 79,381 KEUR

***Interest sensitivity analysis***

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate interco debt at the reporting date, with all variables held constant, would have resulted in a 770 KEUR lower/higher profit before tax for 2014.

**13.4 Miscellaneous information**

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2014.

Bank borrowings are secured by amongst others the property development projects of the Company, including land and in-process construction, pledge on SPV shares, etc.

The bonds are secured by a first demand guarantee by Ghelamco Group Comm. VA.

The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.

Also the terms and conditions of the bond issue have been complied with as of balance sheet date.

At 31 December 2014, the Company has bank loans available to be drawn for a total amount of 12,717 KEUR.



<b>14. Financial instruments</b>
----------------------------------

The table below summarizes all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments (x € 1 000)	31.12.2014				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables/HTM at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			561	561	2
Non-current receivables					
Receivables and prepayments			2,580	2,580	2
Restricted cash			-	-	
Current receivables					
Trade and other receivables			17,634	17,634	2
Derivatives				-	
Cash and cash equivalents			39,837	39,837	2
<b>Total Financial Assets</b>			<b>60,612</b>	<b>60,612</b>	
Interest-bearing borrowings - non-curr.					
Bank borrowings			44,755	44,755	2
Bonds			85,355	93,046	2
Other borrowings			35,236	35,236	2
Interest-bearing borrowings - current					
Bank borrowings			104,650	104,650	2
Bonds			24,764	25,212	
Other borrowings			3,000	3,000	
Current payables					
Trade and other payables			21,247	21,247	2
<b>Total Financial Liabilities</b>			<b>319,007</b>	<b>327,146</b>	



Financial instruments (x € 1 000)	31.12.2013				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables/HTM at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			500	500	2
Non-current receivables					
Receivables and prepayments			2,457	2,457	2
Restricted cash			-	-	
Current receivables					
Trade and other receivables			9,380	9,380	2
Derivatives				-	
Cash and cash equivalents			20,752	20,752	2
<b>Total Financial Assets</b>			<b>33,089</b>	<b>33,089</b>	
Interest-bearing borrowings - non-curr.					
Bank borrowings			73,581	73,581	2
Bonds			77,509	77,509	2
Other borrowings			79,381	79,381	2
Interest-bearing borrowings - current					
Bank borrowings			73,146	73,146	2
Bonds			-	-	
Other borrowings			-	-	
Current payables					
Trade and other payables			22,913	22,913	2
<b>Total Financial Liabilities</b>			<b>326,530</b>	<b>326,530</b>	

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of interest bearing liabilities does not materially differ from the carrying amount, since largest parts of them are floating interest bearing debts. The fair value of long term interest bearing debts (in absence of published price quotations in an active market) is calculated as the present value of cash flows discounted at the relevant current market interest rates adjusted for a company-specific margin. The fair value of short term interest bearing debts and floating interest bearing debts is assumed to be equivalent to their carrying amount.

Largest parts of the Company's interest bearing liabilities are floating interest bearing debts.

## 15. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes arise mainly from the temporary differences in respect of valuation of IP(UC), external borrowing costs capitalized and tax losses carried forward.

in thousands €	<b>31/12/2014</b>	<b>31/12/2013</b>
Deferred tax assets	2,985	2,530
Deferred tax liabilities	-12,190	-13,121
<b>TOTAL</b>	<b>-9,205</b>	<b>-10,591</b>



Deferred tax assets/(liabilities) arise from the following:

<i>In thousands €</i>	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
<b>Balance at 1 January 2013</b>	<b>-6,770</b>	<b>-591</b>	<b>1,150</b>	
Recognised in income statement	-6,015	522	1,007	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		106		
<b>Balance at 31 December 2013</b>	<b>-12,785</b>	<b>37</b>	<b>2,157</b>	
Recognised in income statement	961	-25	450	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other				
<b>Balance at 31 December 2014</b>	<b>-11,824</b>	<b>12</b>	<b>2,607</b>	

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

The following deferred tax assets have not been recognized at the reporting date:

<i>in thousands €</i>	<b>31/12/2014</b>	<b>31/12/2013</b>
DTA on unused tax losses	6,111	4,025
DTA on unused tax credits		
<b>TOTAL</b>	<b>6,111</b>	<b>4,025</b>

Tax losses in Belgium can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries.



<b>16. Trade and other payables</b>
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Trade and other payables are analysed as follows:

	<b>31/12/2014</b>
Trade payables: third parties	12,263
Trade payables: related parties	605
Related parties current accounts payable	-
Misc. current liabilities	10,724
Deferred income	-
Current employee benefits	13
<b>Total trade and other payables</b>	<b><u>23,605</u></b>

	<b>31/12/2013</b>
Trade payables: third parties	8,875
Trade payables: related parties	782
Related parties current accounts payable	-
Misc. current liabilities	16,895
Deferred income	-
Current employee benefits	14
<b>Total trade and other payables</b>	<b><u>26,566</u></b>

Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received. On 31/12/2014, the trade payables include 605 KEUR towards related parties (vs. 782 KEUR last year), as follows

- Ghelamco NV: 406 KEUR
- Keybus: 199 KEUR

Miscellaneous current liabilities mainly relate to interest payable (to related and third parties), VAT payable, accruals and others.



## 17. Revenue

Revenue is mainly generated from the following sources:

	in thousands €	31.12.2014	31.12.2013
Sales of Residential Projects		32,238	6,756
Rental Income		5,509	2,778
Other			334
<b>TOTAL REVENUE</b>		<b>37,747</b>	<b>9,868</b>

Rental income as of 31 December 2014 (and 2013) relates to rent from commercial projects.

The residential projects sales as of 31 December 2014 mainly relate to:

- Villas and apartments at the Belgian coast (7.788 KEUR)
- (Retail) ground floor of the Locarno project in Knokke (6,300 KEUR)
- Blaisantpark Gent: invoicing in accordance with the Breyne legislation re. 47 apartments (of 67 in total) and 51 parkings; sale of 19 student units (8,718 KEUR in total)
- 43 student homes (of 461 in total) and parkings to resp. third parties and the City of Leuven in the Waterview project (5,785 KEUR in total)
- Exploitation licence for 115 senior home (bed-)places and land positions in Wezembeek-Oppem in connection with the senior homes project which the Company is further realising in a joint venture structure (2,676 KEUR in total).

#### Overview of future minimum rental income

The cash value of future minimum rental income till the first expiry date of the non-cancellable leases is subject to the following collection terms:

	in thousands €	31.12.2014	31.12.2013
Future minimum rental income:			
Less than 1 year		5,184	4,666
Between 1 and 2 years		5,637	5,888
Between 2 and 3 years		5,746	6,105
Between 3 and 4 years		5,860	6,227
Between 4 and 5 years		5,978	6,351
More than five years		49,197	56,955
<b>TOTAL FUTURE MINIMUM RENTAL INCOME</b>		<b>77,601</b>	<b>86,192</b>



<b>18. Other items included in operating profit/loss</b>
--

**Other operating income and expenses in 2014 and 2013 include the following items:**

	<b>2014</b>	<b>2013</b>
<b>Other operating income</b>		
Net gains on disposal of investment property	1,659	16
Other	2,629	930
Net gains on disposals of property, plant and equipment		-
<b>total:</b>	<u><b>4,288</b></u>	<u><b>946</b></u>

Current year's other operating income includes the net gain on the disposal of the L-Park project in Leuven for an amount of 1,659 KEUR.

Also re-charges of fit-out expenses to tenants (in mainly the Blue Towers in Gent) are included (for an amount of approx. 1,6 MEUR).

Last year's 'other' items mainly related to the charge-through to tenants of fit-out and real estate tax.

	<b>2014</b>	<b>2013</b>
<b>Gains from revaluation of Investment Property</b>	7,538	21,012

Fair value adjustments over 2014 amount to 7,538 KEUR, which is mainly the result of current year's further investment and leasing efforts (mainly on the Artevelde Park/Ghelamco Arena and the Waterview project), in combination with evolution in market conditions (yield and rent level evolution).

	<b>2014</b>	<b>2013</b>
<b>Other operating expenses</b>		
Operating lease/ rental/housing expenses	805	219
Taxes and charges	639	374
Insurance expenses	175	215
Audit, legal and tax expenses	1,676	1,097
Sales expenses	2,642	685
operating expenses with related parties	1,989	2,436
Miscellaneous	1,029	-182
<b>Total:</b>	<u><b>8,955</b></u>	<u><b>4,844</b></u>

The increased sales expenses are to a significant extent related to the disposal of the L-Park project and to commission expenses in the Waterview (student houses) project.

Other operating expenses with related parties mainly concern the re-invoicing of costs within the framework of Service Level Agreements with Ghelamco Group Comm. VA, IRS Comm. VA and Deus Comm. VA. Also refer to note 24.2.





	2014	2013
<b>Employee benefit expenses</b>		
Wages and salaries	308	285
Social security costs	94	105
Other		-
<b>Total:</b>	<b>402</b>	<b>389</b>

## 19. Cost of Property Development Inventories

The various items comprising the costs of Property Development Inventories are as follows:

	2014	2013
Movement in inventory	15,546	1,492
Purchases (*)	-34,894	-7,722
	<b>-19,348</b>	<b>-6,230</b>

(\*)

Purchases (to an extent from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 39,548 KEUR.

## 20. Finance income and finance costs

The various items comprising the financial income and financial costs are as follows:

	2014	2013
Interest income	607	350
Other finance income	-	-
<b>Total finance income</b>	<b>607</b>	<b>350</b>
Interest expense	-11,927	-8,502
Other interest and finance costs	-1,278	-963
<b>Total finance costs</b>	<b>-13,205</b>	<b>-9,465</b>

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2014 and 2013 figures, as those have directly been capitalized on IP. It concerns an amount of 2,324 KEUR (vs. 1,285 KEUR last year).

Interest expenses mainly relate to interests on bank loans, bonds and on other (Peridot, related party) loans.

Other finance costs mainly relate to the partly release to the profit and loss statement of the capitalized bond issue expenses (which are amortized over the duration of the resp. bonds).



<b>21. Income taxes</b>
-------------------------

Income tax expense recognized in the consolidated income statement:

	<b>31.12.2014</b>	<b>31.12.2013</b>
current income tax	883	292
deferred tax	1,970	4,486
<b>Total</b>	<b>2,853</b>	<b>4,778</b>

The tax charge on the Company's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies. The analysis is as follows:

The income tax expense for the period can be reconciled to the accounting profit as follows:

	in thousands € <b>31.12.2014</b>	<b>31.12.2013</b>
<b>Result before income taxes</b>	7,410	10,880
Income tax expense calculated at 33.99%	2,519	3,698
Effect of different tax rates in other jurisdictions	-	-
Effect of non-deductible expenses	283	585
Effect of revenue that is exempt from taxation	-	-
Effect of use of previously unrecognized tax losses	-107	-533
Effect of current year losses for which no DTA is recognized	1,290	1,730
Effect of tax incentives not recognized in the income statement	-264	-62
Effect of under/over-accrued in previous years	8	-
Effect of change in local tax rates	-	-
Effect of share deal Rubia	-13	-
Effect of share deal RPI	-321	-
Effect of share deal L-Park	-571	-
Release of 31/12/12 DTL re. Wevelgem Retail Park sale	-	-705
Other	29	65
<b>INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT</b>	<b>2,853</b>	<b>4,778</b>

The theoretical tax rate used for the above reconciliation is the (Belgian) statutory corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law.

Tax incentives not recognized in the income statement mainly relate to notional interest deduction (and DBI).



## 22. Contingent liabilities and contingent assets

### 22.1 (Bank) guarantees

All external borrowings of the subsidiaries are secured by corporate guarantees and/or surety ship agreements issued by Ghelamco Invest. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2014 and 2013.

Company	Project name	Amount of bank loan-books (KEUR)	Corporate guarantees as per 31/12/2014 (KEUR)		
<b>BELGIUM</b>			<b>Guarantee by IRC NV</b>		
Dianthus	Katelijne	EUR	778	778	Corporate Guarantee
Retail Leuven	Waterview	EUR	16,464	13,650	Cash deficiency guarantee, subordination declaration
Waterview					
Parking Leuven					
WRP	Wavre Retail Park	EUR	5,906	5,906	Cash deficiency guarantee
Leisure Property Invest	Golf Knokke Zoute	EUR	13,500	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Docora	kantoren Artevelde stadion	EUR	7,923	5,000	Corporate Guarantee, cash deficiency, cost overrun
Nepeta	East Dune	EUR	1,399	1,399	Corporate Guarantee, cash deficiency, cost overrun subordination declaration Peridot
Zeewind	Zeewind	EUR	570	570	Corporate Guarantee, cash deficiency
Retail Gent	Retail Gent	EUR	12,820	12,820	Corporate Guarantee, cash deficiency, subordination declaration Peridot, minimal rent guarantee
Parking Estates	Parking Estates Gent	EUR	775	14,500	Corporate Guarantee, cash deficiency, cost overrun
Schelde Offices	Blue Towers	EUR	16,051	16,051	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Arte Offices	Blue Towers	EUR	14,431	14,431	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
De Nieuwe Filature	De Nieuwe Filature	EUR	4,300	4,300	Corporate Guarantee, cash deficiency



Parking Gent	Parking Gent	EUR	13,725	14,500	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Ring Multi	deel Ghelamco Arena	EUR	10,125	4,000	Corporate Guarantee, cash deficiency
Ring Offices					

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate beneficial owners) at 31 December 2014 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Ghelamco Invest does not guarantee loans of affiliates belonging to other Investment Holding holdings.

## 22.2 Representations and warranties provided with respect to the real estate projects sold

As a seller of shares of its subsidiaries, the Company acts as a guarantor with respect to the representations and warranties contained in the real estate sales contracts concluded in the past. This mainly concerns representations regarding the title on shares, property, financial matters, tax matters and contractual matters. The Company's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local statutory requirements).

Management's past experience shows that the Company receives very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Company has not deemed it necessary to recognize any provision for representations and warranty obligations.

## 22.3 Guarantees received from the contractors

The statutory warranty obligations born by construction service providers cover the risk of structural and other defects of the properties. Construction service providers (including related parties of the Company) in Belgium have a legal obligation to remediate any construction defects that become apparent within the first 10 years after completion of the construction for structural elements. Shorter guarantee periods apply for other elements, depending on the nature of such elements (each sub-contractor bears similar "back-to-back" obligations).

## 22.4 Securities on assets

Special Purpose Vehicles (SPV) entering into external financing are offering following collaterals:

- first ranking ceiling mortgage on the property belonging to the SPV ( land + buildings)
- registered pledge on the borrower's shares;
- assignment of most receivables (inter alia leases, rents, sales, performance bonds, insurance income, ...);
- cash deficiency/cost overrun (letter of comfort) by the shareholder (if applicable);



Generally no cross guarantees on assets are granted by the different SPV's, or other types of suretyships, cost overruns or debt service commitments.

## 23. Commitments

### 23.1 (Capital) Commitments

(Capital and other) expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2014	2013
Architectural and Engineering contracts	8,262	5,087
Construction contracts	33,361	12,118
Purchase of land plots	2,117	281
Purchase of shares (connected with landbank)	-	-
<b>Total</b>	<b>43,740</b>	<b>17,486</b>

At 31 December 2014, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (plots) or shares:

#### **Binding contracts**

- Per end 2014 preliminary contracts for the acquisition of some smaller plots in the Brussels periphery and in Knokke were outstanding for a total amount of 2,117 KEUR. The related deeds have actually been signed in the course of Q1 2015.
- None per end 2013

#### **Non-binding contracts**

- Different other option contracts or rights to acquire property without the obligation for the Company to take up the property.

As an investor in commercial and residential properties, the Company is committed to continue the realization of properties under the contracts with construction companies, often in cooperation with related parties of the Company.

As to the above architectural and engineering contracts and construction contracts, significant part of the expenditures are spread over the coming 2 to 3 years, depending on management decision to move forward with the involved projects.

The Company in addition declares sufficient flexibility on the commitments, as significant part of those commitments is contracted with related party entities belonging to the Development Holding.

Related party architecture and engineering contracts in the above overview amount to 3.0 MEUR; related party construction contracts to 33 MEUR.

For the on-going construction contracts the respective SPV's concluded binding construction financing contracts with different banks.

Main contracts in the above overview relate to the following projects:

- Waterview project in Leuven: 14.8 MEUR construction contracts in total (related party agreements)
- Ring Hotel project in Gent: 8.5 MEUR construction contracts in total (related party agreements)



## 24. Related party transactions

The Company is together with the other Investment Holding (sub-)holdings, the Development Holding and the Portfolio Holding – all related parties – under common control of the ultimate beneficial owners, Mr. & Ms. Gheysens.

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties (belonging to the Investment Holding, the Development Holding and the Portfolio Holding) are described below.

### 24.1. Relationships with the directors and management

For the year ending 31 December 2014, the Consortium (of which the Company is part) paid a total amount of approx. 7,500 KEUR to the members of the Management Committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

This amount comprises the full compensation. No other short- or long-term benefits, stock option plans or other post-employment benefits have been granted to the members of the Management Committee.

### 24.2. Trading transactions: Purchase of construction, engineering and other related services from related parties

#### *Construction and Development Services*

The Company has entered into property development and construction contracts with property development and construction companies (“Contractors”) – the indirect subsidiaries of the Development Holding:

- Ghelamco NV with its registered office in Ypres;

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:

- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required socio-economical permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labour and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the constructed buildings, to the Company after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Company's real estate company and the Contractor. The Contractor retains an obligation to remedy all defects noted in the minutes of hand-over from the Company to the tenants (when tenants take possession of their premises).



Construction service providers (including Contractors) in Belgium have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 10 years in Belgium.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins of around 15% to 20%.

#### *Engineering and architectural design services*

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland), legal subsidiary of the Development Holding) coordinates engineering and architectural design services provided to the Company's larger projects, in accordance with the terms of the respective contracts.

Apec's services include:

- detailed functional, technical, structural and surface-related programs and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;
- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate investment entity upon achievement by Apec Ltd of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc.). The prices for the services reflect normal commercial terms and conditions as locally in place.



### 24.3. Acquisitions and disposals of shares and other related party transactions

There have been no share transactions or other significant transactions with related parties in 2014 and 2013.

#### *Other*

The excess cash balances generated by the Company's real estate investing activities can, besides being reinvested in own projects and subsidiaries' projects, to an extent and within the requirements of the terms and conditions of the recent bonds issue, also be invested/deposited in entities belonging to the Investment Holding in form of short and long-term loans. These loans are granted at the arm's length conditions.

Above described related party transactions and balances can be detailed as follows:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Purchases of construction, engineering and architectural design:	-34,840	-34,613
related party trade receivable	-	15
related party trade accounts payable	-605	-782
	-	
related party non-current loans receivable	2,255	2,455
related party interests receivable	602	76
related party C/A receivable	10,976	7,143
related party non-current loans payable	-34,736	-79,381
related party interests payable	-3,959	-10,275
related party C/A payable	-	-

### 25. Events after balance sheet date

- Acquisition at end of February 2015 of 2 buildings located at the Louizalaan and the Boulevard Bischoffsheim, Brussels for a total amount of 24,5 MEUR, for the future development and realisation of resp. a combined retail-residential project (52 luxurious apartments and approx. 500 sqm of shopping space, in the centre of Brussels) and an office project (approx. 16,615 sqm office space and 174 parkings).

- On 19 March 2015 the City of Brussels has retained the BAM/Ghelamco Consortium as preferred bidder for the construction of the Euro-stadium on parking C of the Heizel site. This new national stadium will amongst others comprise 60.000 seats, over 6.000 VIP places and over 14.000 parking spaces. The project is expected to be realized in 2018.





26. Auditor's Report

**Deloitte.**

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**Ghelamco Invest NV**  
(Previously International  
Real Estate Construction NV)

**Independent auditor's report on the  
consolidated financial statements  
for the year ended 31 December 2014**

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
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**Ghelamco Invest NV**  
**(Previously International Real Estate Construction NV)**  
**Independent auditor's report on the consolidated financial statements**  
**for the year ended 31 December 2014**

We are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

**Report on the consolidated financial statements – Unqualified opinion**

We have audited the consolidated financial statements of Ghelamco Invest NV (Previously International Real Estate Construction NV) ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 424,397 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 4,544 (000) EUR.

*Board of directors' responsibility for the preparation of the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Independent auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of 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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
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Member of Deloitte Touche Tohmatsu Limited



**Deloitte.**

*Unqualified opinion*

In our opinion, the consolidated financial statements of Ghelamco Invest NV (Previously International Real Estate Construction NV) give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Diegem, 19 March 2015

**The independent auditor**



**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**  
BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by Rik Neckebroeck

