Granbero Holdings
Ltd

IFRS Consolidated Financial Statements at 31 December 2014

Approved by Management
with the Independent Auditor’s opinion

Contents

I. General information and performance

1. Business activities & profile

Granbero Holdings (as the legal Cyprus entity with all its Polish subsidiaries) represents the Polish activities of the Ghelamco Group, a leading European real estate investor active in the offices, residential, retail and logistics markets.

As Granbero Holdings acts in Poland under the commercial name Ghelamco, we refer hereafter to Granbero Holdings under the reference 'Ghelamco'.

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, 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 the past 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 m² 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 in 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 shareholders (jointly referred to as "Ghelamco"):

- **Investment Holding**: comprises resources invested in real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles – hereafter the "**Ghelamco Group**", the "**Investment Group**" or the "**Group**";
- **Service 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 shareholders.

2. Legal status

Granbero Holdings Ltd (the "Company") is the holding company of the Polish activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Group.**
Granbero Holdings Ltd, together with its subsidiaries (Note 5), constitute the reporting entity for the purpose of these financial statements.

Granbero Holdings Ltd is a limited liability company registered under Cypriot law, with its registered office at Arch. Makariou III, 229, Meliza Court, 3105 Limassol, Cyprus.

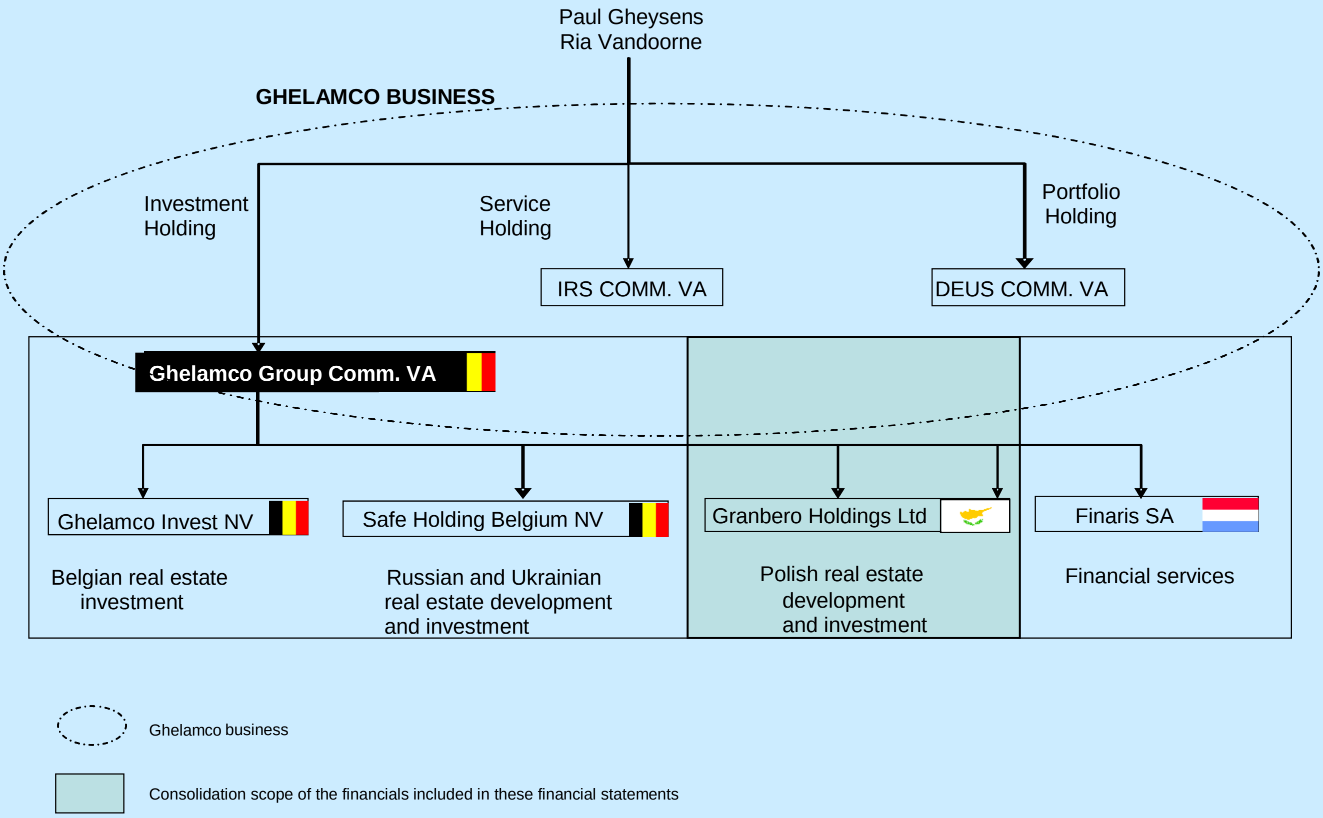
The Company is registered in the Cypriot commercial register under the number 183542.

3. Consolidation scope

These consolidated financial statements comprise the resources and activities of the Company and its legal subsidiaries.

At 31 December 2014 (the reporting date), all the assets and liabilities of the reporting entity (the Company 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).

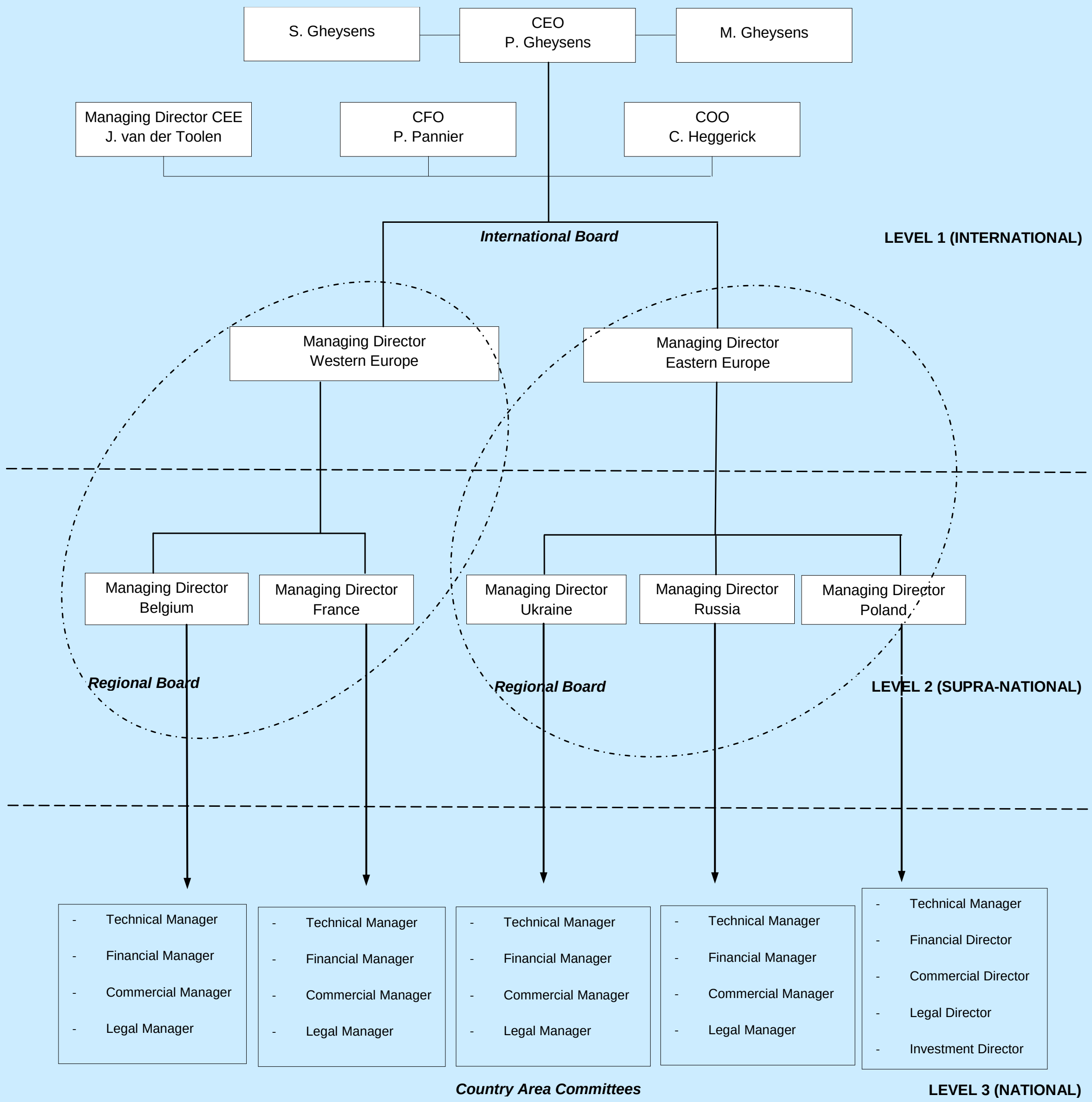
All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2014 and at 31 December 2013.



4. Staffing level

Given its nature, there is no employment in the Company. The construction, engineering and other related services are mainly provided to the Company by Ghelamco Consortium's Service Holding's legal subsidiaries. The parent company of the Service 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 Vander Toolen (Managing Director Eastern Europe)

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

The Polish 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 of the Polish entities consists of 5 board members: the Managing Director Eastern Europe (president of the board) and the local Financial, Commercial, Legal and Investment Directors.

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 Group closed its 2014 accounts with an operating profit of 14,528 KEUR, mainly as a result from its continued development, investment and commercialisation efforts. In 2014 the Group managed to realise a significant part of previously created value (i.c. through the disposal of 3 office projects to Starwood Capital Group), while further investing in existing and new developments. The Group confirmed and further strengthened its position in its core markets in Poland. This is reflected in a balance sheet total of 883,610 KEUR and an increased equity of 479,641 KEUR. The solvency ratio amounted to 54.3% (vs. 50.5% at 31 Dec. 2013).

Land bank
In Poland, the Company in first instance maintained its existing land bank but also took advantage of some expansion opportunities. Main 2014 land bank transactions were the acquisition of a plot in Powisle (for the future development of a +/- 7 Ksqm office project), a land plot at Woloska Street 24 (6.6 Ksqm plot for the development of an office project with a GLA of approx. 20 Ksqm) and a site at Grzybowska Street 73, all in Warsaw.

Development and construction
The Company focused on the continuation of construction works of the Warsaw Spire project, 220-meter, 49-storey development in the Warsaw Wola District which is to offer 108,000 sqm office space in total. During the first half of 2014, satellite building B has been delivered, exploitation permit has been received and the first tenant (Frontex, leasing 14,000 sqm of the available 20,000 sqm in total) has been welcomed. Per date of the current report, satellite building C is being finalized and exploitation permit is expected to be received in Q1 2015; while for the tower building A the concrete structure has been finalized.

(Pre-)leasing and occupation of projects:
-Per date of the current report, the Warsaw Spire project has been (pre-)leased for approx. 32% and firm and well advanced negotiations are currently ongoing for other parts of the project.

Divestures
As to divestures, at end of August the Katowice Business Point (+/- 17,000 net sqm office project in Katowice), the Marynarska 12/T-Mobile Office Park (+/- 41,000 net sqm office project in Warsaw) and the Lopuszanska Business Park (+/- 16,500 net sqm office project in Warsaw) projects have been sold to Starwood Capital Group. This record sales deal for a net sales price of approx. 189 MEUR resulted in a net cash inflow for the Group of approx. 80 MEUR. At the moment of sale, the 3 projects together were leased for over 90% and are occupied by renowned tenants

Outlook

It is the Company's strategy to further diversify its development portfolio by spreading its developments 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 development of and 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 7 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 Management on 16 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
ASSETS			
Non-current assets			
Investment Property	6	417,553	480,765
Property, plant and equipment		32	22
Receivables and prepayments	8	234,996	268,232
Deferred tax assets	16	2,821	73
Other financial assets		1,022	2,451
Restricted cash	10	256	471
Total non-current assets		**656,680**	**752,014**
Current assets			
Property Development Inventories	7	50,183	66,547
Trade and other receivables	8	129,702	80,812
Current tax assets		0	0
Derivatives	9	290	1,842
Cash and cash equivalents	11	46,755	38,808
Total current assets		**226,930**	**188,009**
TOTAL ASSETS		**883,610**	**940,023**

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Consolidated statement of financial position (cont'd)

	Note	31/12/2014	31/12/2013
Capital and reserves attributable to the Group's equity holders			
Share capital	12	10	10
CTA	13	6,708	7,215
Retained earnings	13	471,022	465,771
		477,740	472,996
Non-controlling interests	12.2	1,901	1,901
TOTAL EQUITY		**479,641**	**474,897**
Non-current liabilities			
Interest-bearing loans and borrowings	14	329,154	318,412
Deferred tax liabilities	16	6,961	2,739
Total non-current liabilities		**336,115**	**321,151**
Current liabilities			
Trade and other payables	17	31,020	55,982
Current tax liabilities	18	434	335
Interest-bearing loans and borrowings	14	36,400	87,658
Total current liabilities		**67,853**	**143,975**
Total liabilities		**403,968**	**465,126**
TOTAL EQUITY AND LIABILITIES		**883,610**	**940,023**

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B. Consolidated income statement and consolidated statement of comprehensive Income

Consolidated Income Statement

	Note	2014	2013
Revenue	19	16,455	26,860
Other operating income	20	9,610	3,440
Cost of Property Development Inventories	21	-16,676	-14,576
Employee benefit expense		-277	-286
Depreciation amortisation and impairment charges		0	0
Gains from revaluation of Investment Property	6	24,120	30,336
Other operating expense	20	-18,704	-14,614
Operating profit – result		**14,528**	**31,160**
Finance income	22	11,454	8,373
Finance costs	22	-18,799	-25,081
Profit before income tax		**7,183**	**14,452**
Income tax expense/income	23	-1,921	-2,760
Profit for the year		**5,262**	**11,692**
Attributable to:			
Equity holders of parent		5,262	11,692
Non-controlling interests		-	-

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Consolidated statement of comprehensive income – items recyclable to the profit & loss statement

		2014	2013
Profit for the year		**5,262**	**11,692**
Exchange differences on translating foreign operations	13	-507	5,486
Other		-11	-44
Other comprehensive income of the period		**-518**	**5,442**
Total Comprehensive income for the year		**4,744**	**17,134**
Attributable to:			
Equity holders of the parent		4,744	17,134
Non-controlling interests			

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C. Consolidated statement of changes in equity

Consolidated statement of changes in equity per 2014

	Note	Attributable to the equity holders			Non-controlling interests	Total Equity
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2013		**10**	**1,729**	**454,123**	**1,901**	**457,763**
Foreign currency translation (CTA)			5,486			**5,486**
Profit/(loss) for the year				11,692		**11,692**
Dividend distribution						
Change in non-controlling interests						
Change in the consolidation scope				-35		**-35**
Other				-9		**-9**
Balance at 31 December 2013		**10**	**7,215**	**465,771**	**1,901**	**474,897**
Foreign currency translation (CTA)	13		-507			**-507**
Profit/(loss) for the year	13			5,262		**5,262**
Dividend distribution						
Change in non-controlling interests	12.2					
Change in the consolidation scope	13			-21		**-21**
Other				10		**10**
Balance at 31 December 2014		**10**	**6,708**	**471,022**	**1,901**	**479,641**

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D. Consolidated cash flow statement

Consolidated cash flow statement for 2014 and 2013

		2014	2013
Operating Activities			
Profit / (Loss) before income tax		**7,183**	**14,452**
Adjustments for:			
- Share of results of associates			
- Change in fair value of investment property	6	-24,120	-30,336
- Gain on disposal of subsidiary			
- Gain on disposal of interest in former associates			
- Depreciation, amortization and impairment charges			
- Result on disposal investment property		-9,857	-1,833
- Change in provisions			0
- Net interest charge	22	5,236	9,037
- Movements in working capital:			
- Change in inventory		14,849	11.003
- Change in trade & other receivables		-48,890	-20,813
- Change in trade & other payables		-5,998	-16,346
- Change in MTM derivatives	9	1,552	80
- Movement in other non-current liabilities			0
- Other non-cash items		-133	353
Income tax paid		-348	-1,134
Interest paid (**)		-29,091	-17,410
Net cash from operating activities		**-89,617**	**-52,947**
Investing Activities			
Interest received	22	9,461	8,373
Purchase of property, plant & equipment		0	-22
Purchase of investment property	6	-87,260	-74,785
Capitalized interest in investment property	6	-10,635	-9,017
Proceeds from disposal of investment property	6	189,084	235,793
Net cash outflow on acquisition of subsidiaries			
Net cash inflow on disposal of subsidiary			
Net cash inflow on disposal of associate			
Cash in-/outflow on other non-current financial assets		34,665	-43,050
Net cash inflow/outflow on NCI transactions		0	
Change in trade & other payables		215	
Movement in restricted cash accounts	11		234
Net cash flow used in investing activities		**135,530**	**117,526**

Financing Activities			
Proceeds from borrowings	14	151,605	84,726
Repayment of borrowings	14	-192,121	-138,943
Other non-cash items, realized CTA			
Net cash inflow from / (used in) financing activities		**-40,516**	**-54,217**
Net increase/decrease in cash and cash equivalents		**5,397**	**10,362**
Cash and cash equivalents at 1 January of the year		38,808	20,896
Effects of exch. rate changes, mainly on EUR/USD balances in non-EUR countries		2,550	7,550
Cash and cash equivalents at 31 December of the year		**46,755**	**38,808**

(**): Interests directly capitalized in IP not included (2014: 10,635 KEUR; 2013: 9,017 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 Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group 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 Management on March 16, 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 intra-group transactions and are eliminated in full.

The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 26.

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”, except for the following in 2013: Acquisition by Signal Bud Sp. z o.o of shares of 9 entities (of which 6 belonging to the Service Holding), which have early 2014 been liquidated through merger into Signal Bud. These transactions had no impact on the Group’s 2014 and 2013 consolidated financial statements. In this respect, further reference is made to section 4.3 below.

However, all of those transactions qualified as ‘transactions under common control’ (as all combined entities were controlled ultimately by the same party before and after the transaction, cfr Ghelamco Group description in general information above), and were therefore outside the scope of IFRS3. The Group elected not to apply IFRS 3, but to recognize assets and liabilities acquired based on their carrying amounts in the IFRS consolidated financial statements of the previous shareholder as of acquisition date (a method often described as ‘predecessor accounting’).

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
During 2014, no commercial project SPVs have been sold.
In addition, no residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

The same goes for 2013.

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.

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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.

The principal exchange rates versus EUR that have been used are as follows:

	2014		2013	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.2623	4.1845	4.1472	4.1976
United States Dollar (USD)	1.2141	1.3285	1.3791	1.3281

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 (inclusive of taxes).

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 four 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 m²;
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 received its exploitation permit.

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), an active program to locate a buyer and to complete the plan should have been initiated, and 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 7).

Perpetual usufruct and operating lease contracts of land:

The Company holds land in Poland under the right of perpetual usufruct. The right of perpetual usufruct is in substance a long-term land lease that grants the lessee the right to use and administer land owned by the state or local authorities under the terms and conditions of a contract concluded for 99 years. The holder of such right is obliged to pay an annual fee during the term of the perpetual usufruct estimated by the state or local authority.

Payments, including prepayments, made under the perpetual usufruct contracts are capitalized to the Property Development Inventories.

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 shareholders 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 15 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, it 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. This relates mainly to the residential projects held by the Company.

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.

In connection with the acquisition in Poland of closed-end funds in 2011 and the related transfer process of SPVs to those funds, outstanding deferred tax balances of entities which were transferred to the funds were released (9.3 MEUR per end 2011 and 21.9 MEUR per end 2012) (and no further deferred taxes were set up in 2011, 2012 and 2013), as the funds-structure was under the Polish tax regulations exempt from tax. Within the framework of a change in Polish tax legislation and the resulting abolishment from 1 January 2014 onwards of tax transparency of the Polish project companies (SKAs) under the above closed-end funds, a fiscal step-up operation was organized and accomplished before year-end 2013. In this respect, the Company acquired in the course of 2013 new shelf companies (SKAs), to which the existing project companies sold their real estate projects in December 2013, at market value. In total, 15 projects were subject to this step-up exercise. This way, market value per 31/12/2013 of the involved projects was definitively fiscally exempted. And from 2014 onwards, deferred tax liabilities are again recognized on (new) fair value adjustments.

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 16).

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 uses 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 the Group'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

The Company operates internationally and enters into transactions in currencies (US Dollar, Polish Zloty) other than the Company's functional currency being Euro. The major part of the Company's financial assets and financial liabilities are however denominated in Euro.

Within the Eurozone, the Company concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Company has over the past four years and via its financial vehicle Ghelamco Invest SP. z o.o., issued Polish bearer bonds for a total amount of 824.7 MPLN. Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro. The Polish Zloty's risk is limited to some smaller local contracts and the sale prices of residential projects.

In short, the Company mitigates its currency risk exposure by matching as much as possible the currency of the income with that of the expenditure.

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 534.687 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2014 would resp. have increased/decreased the profit before tax and equity by approx. 12,7 MEUR. This analysis assumes that all othe variables (e.g. interest rates) remain constant.

When a member of the Service Holding is exposed to eventual currency risks, the Company may choose to enter into an intra-group hedging.

Over 2013, Ghelamco Poland Sp. z o.o (belonging to the Service Holding) hedged the sale of an amount of EUR into PLN with its counterpart Granbero Capital. In practice, Granbero Capital covered the currency exposure for Ghelamco Poland Sp. z o.o for an amount of 420 KEUR on the Mokotow Nova project (Kalea SKA) at a fixed rate of 3.95 PLN/EUR, for an amount of 576 KEUR on the Senator project (HQ SKA) at a fixed rate of 3.90 PLN/EUR, for an amount of 9,790 KEUR on the M12 project (Kappa SKA) at a fixed rate of 3.8 PLN/EUR, for an amount of 8,324 KEUR on the Lopuszanska project (Focus SKA) at a fixed rate of 3.9 PLN/EUR and for an amount of 38,435 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3,9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 4,754 KEUR.

The remaining amounts covered by the above contracts for 2013 consisted of 777 KEUR on the M12 project, 3,949 KEUR on the Lopuszanska project and 23,644 KEUR on the Warsaw Spire project. The market value of these contracts amounted to 1,445 KEUR as of balance sheet date; value which was recognized through the profit and loss statement.

Over 2014, Ghelamco Poland Sp. z o.o again hedged the sale of an amount of EUR into PLN with its counterpart Granbero Capital. In practice, Granbero Capital covered the currency exposure for Ghelamco Poland Sp. z o.o for an amount of 41,387 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3,9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 2,748 KEUR.
The remaining amounts covered by the above contract for 2014 consist of 3,400 KEUR on the Warsaw Spire project. The market value of these contracts amounted to 290 KEUR as of balance sheet date; value which has been recognized through the profit and loss statement. These derivatives were classified as held for trading under IFRS.

A weakening/strengthening of the PLN (average and 31/12/14 spot) exchange rates versus the EUR by 5% would, as a consequence of the above hedging, have resulted in a 1,803 KEUR higher/lower profit before tax for 2014.

Despite those closely monitored initiatives and as a consequence of its international activity, foreign exchange risks may still affect the Company's financials and results.

2.1.2 Interest rate risk

The Company actively uses external and related party borrowings to finance its property development projects. A property development project's external financing is usually in the form of a bank loan denominated in Euro (see Note 14). Since the 824.7 MPLN + 6.3 MEUR total amount of bearer bond issues (of which 546.6 MPLN + 6.3 MEUR actually still outstanding per balance sheet date) by Ghelamco Invest Sp. z o.o., Polish projects can also be partly financed through the proceeds of these bonds.

Except for some ad-hoc past interest hedging, the Company did not enter into significant external interest rate hedging transactions to eliminate exposure arising from the long-term investment loans over the last 5 years. The Group'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.

- Development 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 development loan.

- Once the property is completed, leased and meets all ongoing covenants, the development loan allocated to it can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. 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), payable on a quarterly base together with the accrued interest.

- For the Polish projects: 546.6 MPLN + 6.3 MEUR proceeds from bond issues with a term of 3 years and bearing an interest of Wibor 6 months + 3.5%-6% and Euribor 6 months + 4,3% resp.; proceeds of which can be used over the resp. project development stages.

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

For sensitivity analysis, reference is made to disclosure 14 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 projects constitute a major part of the property development assets capitalized in the accounts of the Company's property development 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 development projects are realized in cooperation with parties related to the Company (see Note 26.2).

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 Ghelamco Group'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 Ghelamco Group 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 Ghelamco Group. This avoids cost overruns and delivery delays.
The Company also maintains full control over the building site coordination of (sub) contractors through its team of site managers.

Engineering risk
The Company has to remain in control for the design, layout 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 outside the Ghelamco Group.

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 the past three years, the Company in addition proved to be able to call upon alternative financing through the issue of bearer bonds (546.6 KPLN + 6.3 MEUR total outstanding as of 31 December 2014).

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 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 group 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 8.

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 14.

We also refer to note 11 and note 14.1 where the available financing is described.

2.1.6 Economic risk

The Company's projects are operated through subsidiaries located and operated in Poland, held through a Cypriot holding structure. As a result, the operation of these projects and the upstreaming of related revenues are subject to certain inherent risks to these countries which may include, but are not limited to unfavourable political, regulatory and tax conditions.

In this respect, e.g. reference is made to the changes to the Polish tax law related to fund structures, as described in section 1.16 above.

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 the strategic growth plans of the Company.
As all profits of the last years are being 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 international financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels.

The Company monitors capital primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
Equity	479,641	474,897
Total assets	883,609	940,023
Solvency ratio	**54.3%**	**50.5%**

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 assets

The risk of impairment arises from uncertainties typical to the real estate development industry. At the balance sheet date cumulated impairment losses/write-offs to net realizable value have been recognized on the inventory in the following SPVs:

- Signal Bud Sp. z o.o: 141 KEUR
- Expert Invest Sp. z o.o: 220 KEUR
- Others (immaterial impairments): 85 KEUR

No additional impairments/write-offs to the profit and loss statement were deemed necessary in 2014.

Income taxes

The Company operates within a complex international 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):

Poland :	19%
Cyprus :	12.5%
Luxemburg :	21.84% (exceptions for financial rulings)

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, 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.

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4. List of subsidiaries

Granbero Holdings Ltd. 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
Granbero Capital (branch)	LU	n/a	n/a	
Apollo Invest Sp. z o.o	PL	40	40	*
Expert Invest Sp. z o.o	PL	100	100	
Industrial Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	100	100	
Signal Bud Sp. z o.o	PL	100	100	
Leader Invest Sp. z o.o.	PL	n/a	100	4.3
Proud Invest Sp. z o.o	PL	n/a	100	4.3
Quality Invest Sp. z o.o	PL	n/a	100	4.3
Expansion Invest Sp. z o.o	PL	n/a	100	4.3
Ghelamco Invest Sp. z o.o	PL	100	100	
CC 26 F.I.Z.	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Axiom SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Konstancin SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Dystryvest SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Spolka z ograniczona odpowiedzialnoscia Dahlia SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Tillia SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Innovation SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Sobieski Towers SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Office SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Matejki SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Market SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Erato SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Pattina SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia UNIQUE SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia PIB SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Callista SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 5 Spolka z ograniczona odpowiedzialnoscia Capital SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Sienna Towers SKA	PL	100	100	
Ghelamco GP 5 Spolka z ograniczona odpowiedzialnoscia Pro Business SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością SBP SKA	PL	100	100	
Ghelamco GP 5 Spolka z ograniczona odpowiedzialnoscia Creative SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Bellona Grzybowska 77 SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Grzybowska 77 SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Logistyka SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Business Bud SKA	PL	100	100	

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Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Postępu SKA	PL	100	100	
CC 28 F.I.Z.	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Excellent SKA	PL	100	100	
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością KBP SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Primula SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Kalea SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Proof SKA	PL	100	100	
Ghelamco GP 4 Sp. Z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Kappa SKA	PL	100	100	
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością M12 SKA	PL	100	100	
Ghelamco GP 3 Spolka z ograniczona odpowiedzialnoscia Focus SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością ŁBP SKA	PL	100	100	
Ghelamco Warsaw Spire Sp. z o.o. (former Immediate Investment Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire Spolka z ograniczona odpowiedzialnoscia SKA (former Eastern Europe Bud Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire spółka z ograniczoną odpowiedzialnością WS SKA	PL	100	100	
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Spolka z ograniczona odpowiedzialnoscia HQ SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Isola SKA	PL	100	n/a	**
Ghelamco GP 8 Sp.z o.o.	PL	100	n/a	
ACG1 Sp.z o.o.	PL	100	n/a	**
Creditero Holdings Ltd.	CY	100	100	
Bellona Bema 87 Sp. z o.o.	PL	100	100	
Portfolio Invest Ltd.	UA	n/a	99	4.2
Preferent Invest Ltd.	UA	n/a	99	4.2

(*): Although the Company does not dispose of the majority of the SPV's voting rights, in practice it does have control over the SPV. Therefore, the SPV has been included in the consolidated financial statements applying the full consolidation method.
(**): 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 (except for the Holding, sub-holding(s) and Financing Vehicle) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate development 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 1.5.2 and 1.5.3 (and not in accordance with IFRS 3 on Business Combinations).

4.1 Acquisitions of subsidiaries

None

4.2 Disposal of subsidiaries

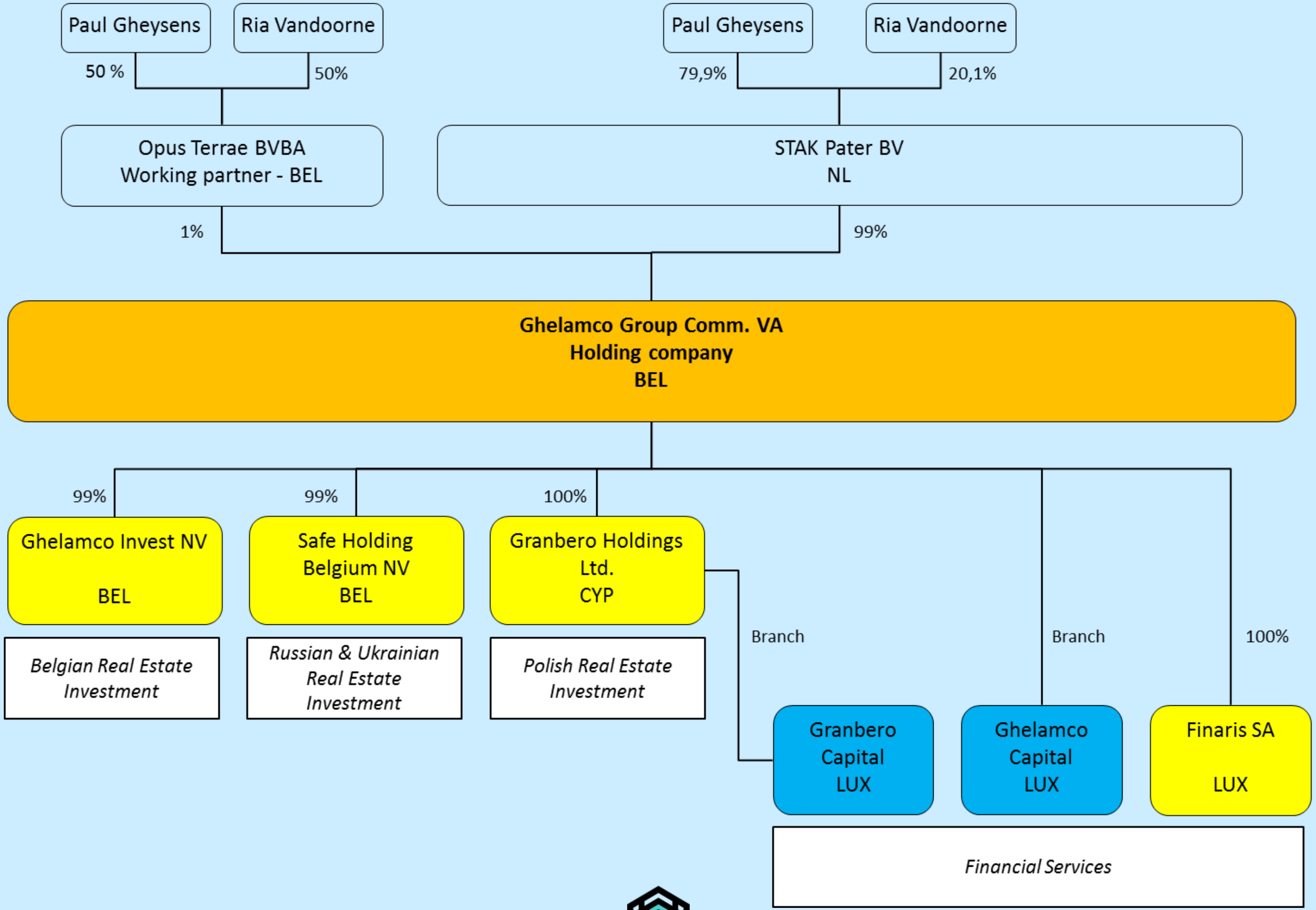
There have been no disposals of subsidiaries during the year ended on 31 December 2014, except for Portfolio Invest Ltd. (and its subsidiary Preferent Invest ltd.) which have been sold and transferred to Impetira Holdings Ltd., related party which makes part of the Service Holding. The share sale has been done at arm's length and had no impact on the Group's 2014 financial statements.

4.3 Mergers and liquidations of subsidiaries

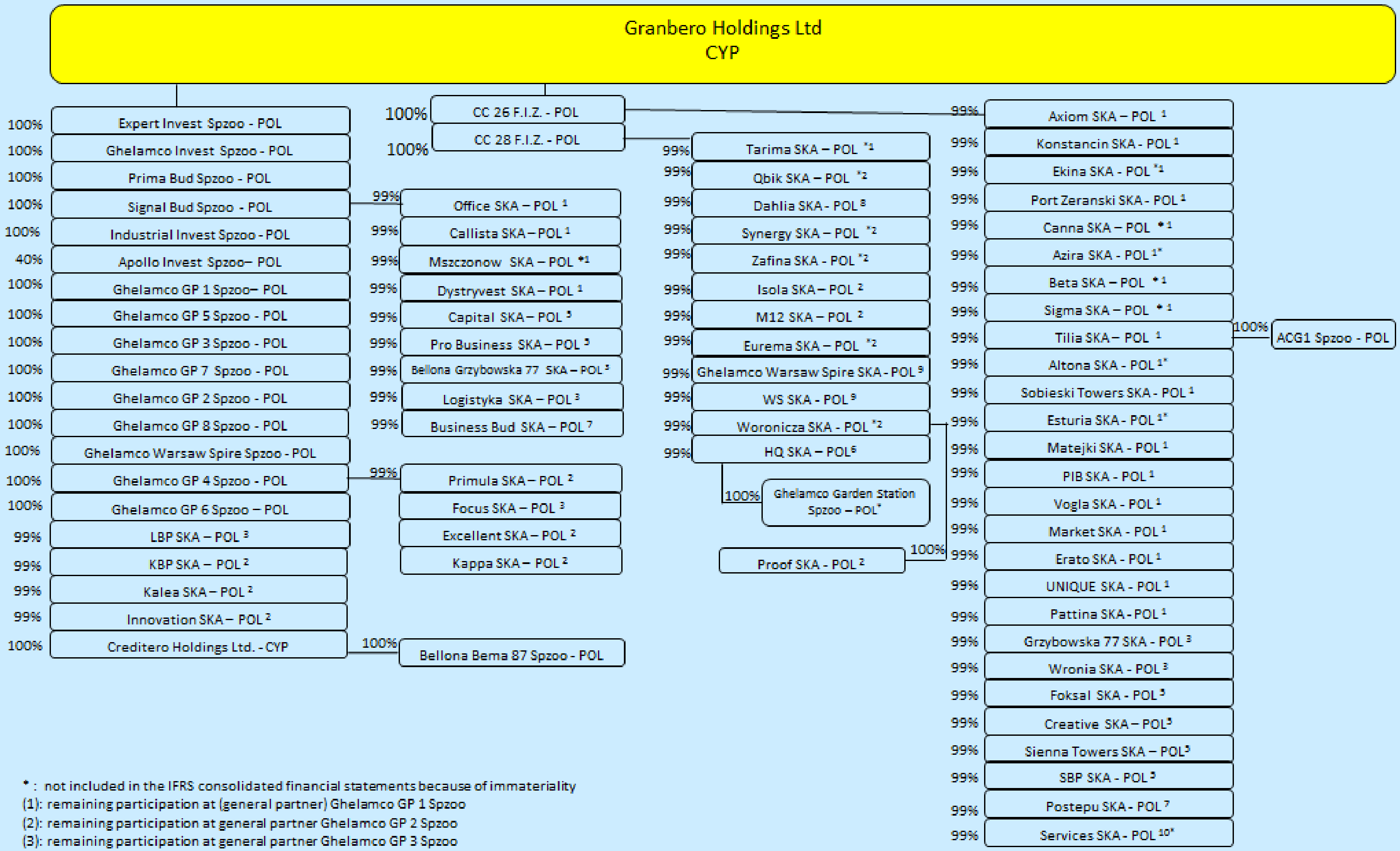
In the course of 2013, 100% of the shares of four related party entities (Leader Invest, Proud Invest, Quality Invest, Expansion Invest) have been transferred from Granbero Holdings to Signal Bud. Purchase price amounted to 50 KPLN each. In January 2014, involved entities have been liquidated through merger into Signal Bud. This operation had no impact on the Group's 2013 and 2014 consolidated financial statements.

5. Company structure

5.1. Ghelamco Group (Investment & Development Holding) as per December 31st, 2014



5.2. Polish Real Estate Development as per December 31st, 2014



* : not included in the IFRS consolidated financial statements because of immateriality
(1): remaining participation at (general partner) Ghelamco GP 1 Spzoo
(2): remaining participation at general partner Ghelamco GP 2 Spzoo
(3): remaining participation at general partner Ghelamco GP 3 Spzoo
(4): remaining participation at general partner Ghelamco GP 4 Spzoo
(5): remaining participation at (general partner) Ghelamco GP 5 Spzoo
(6): remaining participation at (general partner) Ghelamco GP 6 Spzoo
(7): remaining participation at (general partner) Ghelamco GP 7 Spzoo
(8): remaining participation at (general partner) Ghelamco GP 8 Spzoo
(9): remaining participation at general partner Ghelamco Warsaw Spire Spzoo
(10): remaining participation at general partner Ghelamco Poland Spzoo

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 either by independent appraisers or by management and are classified in four 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 m²);
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**
Apollo Invest	Spinnaker Tower	KNF	B	17,259	15,728
Postepu SKA/Business Bud SKA	Postepu Business Park	KNF	A	10,043	10,516
Sienna Towers SKA/Capital SKA	Sienna Towers	KNF	B	52,897	45,607
WS SKA/Warsaw Spire	Spire and Chopin Tower	KNF	C/D	244,183	160,555
KBP SKA/Excellent SKA	Katowice Business Point	n/a	n/a	0	36,599
LBP SKA/Focus SKA	Lopuszanska Bus. Park	n/a	n/a	0	34,835
Sobieski SKA/Innovation SKA	Sobieski Tower	DTZ	B	17,748	14,360
Market SKA	Mszczonow Logistics	ASB	A	2,832	2,910
Kappa SKA	Marynarska12/ T-Mobile Office Park	n/a	n/a	0	105,308
SBP SKA/Pro Business SKA	Synergy Business Park Wroclaw	KNF	B	20,002	19,339
Grzybowska 77 SKA	Grzybowska	KNF	A	9,700	10,570
Wronia SKA/Logistyka SKA	Logistyka	KNF	A	16,650	16,555
Vogla SKA/Callista SKA	Wilanow Retail	KNF	A	6,927	7,883
Tillia SKA/ACG1 SKA	Powisle	KNF	A	6,120	0
Dahlia SKA	Woloska 24	KNF	C	13,192	0
TOTAL :				**417,553**	**480,765**

Legend : Man = Management valuation, KNF = Knight Frank, JLL = Jones Lang Lasalle, DTZ= DTZadelhof, CLL = Colliers, ASB = Asbud

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Balance at 31 December 2012	**603,048**
Acquisition of properties	**9,704**
Acquisition through business combinations	
Subsequent expenditure	**77,145**
Transfers	
- Assets classified as held for sale	
- Other transfers	
Adjustment to fair value through P/L	**30,336**
Disposals	**-233,960**
FX difference	**-5,508**
Other	
Balance at 31 December 2013	**480,765**

Balance at 31 December 2013	**480,765**
Acquisition of properties	**8,551**
Acquisition through business combinations	
Subsequent expenditure	**87,642**
Transfers	
- Assets classified as held for sale	
- Other transfers	**1,515**
Adjustment to fair value through P/L	**24,120**
Disposals	**-176,742**
FX difference	**-8,298**
Other	
Balance at 31 December 2014	**417,553**

Categories	**A**	**B**	**C**	**D**	**Total**
Balance at 1 January 2013	**37,981**	**83,664**	**212,343**	**269,060**	**603,048**
Acquisition of properties	4,282	4,958		464	9,704
Subsequent expenditure	653	4,020	38,013	28,951	71,637
Transfers					
- Assets classified as held for sale					
- Other transfers			-90,855	90,855	0
Adjustment to fair value	5,518	2,392	1,054	21,372	30,336
Disposals				-233,960	-233,960
Balance at 31 December 2013	**48,434**	**95,034**	**160,555**	**176,742**	**480,765**
Acquisition of properties	2,120		6,431		8,551
Subsequent expenditure (*)	2,705	5,388	71,251		79,344
Transfers					
- Assets classified as held for sale					
- Other transfers	1,515		-48,643	48,643	1,515
Adjustment to fair value	-2,502	7,484	2,041	17,097	24,120
Disposals				-176,742	-176,742
Balance at 31 December 2014	**52,272**	**107,906**	**191,635**	**65,740**	**417,553**

(*) in this detailed overview net of CTAs (and other)

On 20 August 2014 the office projects Katowice Business Point, Lopuszanska Business Park and Marynarska 12/T-Mobile Office Park have been sold upon an attractive bid by an investor (Starwood Capital Group, with its headquarters in Connecticut, USA). All three properties (with a total net leasable area of approx. 75,000 sqm) were at the moment of sale leased for over 90% and are occupied by renowned tenants such as T-Mobile, Citibank International, Allianz, Allior Bank, PWC and Northgate Arinso. The sales transaction (considering a net sales price of approx. 189 MEUR and the reimbursement of the related bank loans) resulted in a net cash-inflow for the Company of +/- 80 MEUR and in the realisation of previously recognized fair value adjustments for an amount of 44.98 MEUR.

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

	2014	2013
Rental income	1,620	11,038

The 2014 rental income mainly relates to rent agreements in Katowice Business Point, Lopuszanska Business Park and T-Mobile Office Park; projects which have in the current year been disposed.

Significant assumptions and sensitivity analysis

Main part of Polish IP(UC) relates to office projects (with often ground floor retail space), which are valued based on the residual method (for IPUC) and 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:

- 6.50% to 8.25% for Polish projects, depending on the location, specifics and nature of the project (vs. 6.25% to 8.50% last year).

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

- 11 EUR/sqm/month to 18.5 EUR/sqm/month for office space (vs. 12 EUR to 20 EUR last year),
- 11 EUR/sqm/month to 27.5 EUR/sqm/month for retail space (vs. 20 EUR to 28 EUR last year),

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

On 31 December 2014, the Company has – after the disposal of Katowice Business Point, Lopuszanska Business Park and Marynarska 12/T-Mobile Office Park – one income producing investment property in portfolio (category D) which is valued at 65,740 KEUR (Warsaw Spire Building B). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 8,480 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.

We also refer to note 1.9 for a description of the valuation process and methodology

7. Property Development Inventory

The Property Development Inventories amount to 50,183 KEUR on 31 December 2014 (2013: 66,547 KEUR).

	Carrying value (at cost) at 31 December 2014 - KEUR	Carrying value (at cost) at 31 December 2013 - KEUR
POLISH PROJECTS		
Axiom-Constancin	4,128	6,103
Bellona-Bema	1,841	1,848
Creative Invest - Foksal	8,963	12,230
Dystryvest-Port Zeranski	2,725	1,211
Erato Invest	1,646	1,513
Isola SKA	1,571	
Leader Invest		16
M12 SKA	1,361	
Office Investment-Matejki	1,256	1,341
Pattina Ivest	7	7
P.I.B.	3,017	2,994
Primula Invest	18	19
Proof Invest - Q-Bik soft lofts	23,022	36,990
Signal Bud	603	734
Tilia		1,515
Unique Invest	25	26
TOTAL POLAND	**50,183**	**66,547**

Reference is also made to section 3.

8. Non-current receivables & prepayments and current trade & other receivables

8.1 Non-current receivables & prepayments

	Note	31/12/2014	31/12/2013
Non-current			
Receivables from related parties	26.3	223,435	245,809
Trade and other receivables		11,561	22,423
Total non-current receivables and prepayments		**234,996**	**268,232**

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 2% and 4%.
Further reference is made to Note 26.3.

Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2014 mainly consist of:
- Balance still to be received from SEB after the TP III sale: 256 KEUR
- Degi: 649 KEUR
- Earn-out and rental guarantee receivables in connection with the sale in 2013 of the Senator project: 6.1 MEUR
- Rental guarantee receivables (and other retentions) in connection with the sale in 2013 of the Mokotow Nova project: 0.6 MEUR
- Master lease and rental guarantee retentions in connection with the disposal of Lopuszanska Business Park: 0.2 MEUR
- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 0.35MEUR
- Receivable which Granbero has on Tallink, related to the restructuring and merger end 2013 at the level of Signal Bud for an amount of 3 MEUR

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.

8.2 Current trade & other receivables

	Note	31/12/2014	31/12/2013
Current			
Receivables from related parties	26.3	3,014	2,133
Receivables from third parties		1,114	2,244
Less: allowance doubtful debtors (bad debt provision)		0	0
Net trade receivables		4,128	4,377
Other receivables		493	879
Related party current accounts	26.3	75,943	19,164
VAT receivable		5,674	5,561
Prepayments		3,055	4,490
Interest receivable		40,409	46,341
Total current trade and other receivables		**129,702**	**80,812**
TOTAL		**364,698**	**349,044**

Current trade and other receivable

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 prepayments, see below) include invoices for construction, engineering and other services as described in Note 26.2.

Outstanding balance on related party current accounts receivable (75.943 KEUR in total) is mainly towards Ghelamco Group (72,950 KEUR) and Ghelamco Poland (2,993 KEUR).

Prepayments

Outstanding prepayments as of 31 December 2014 mainly represent:

- 190 KEUR down-payment at SPV Expert Invest for the acquisition of a land plot
- 1,128 KEUR option on a land plot at Industrial Invest
- 524 KEUR (vs. 528 KEUR last year) down payments (and related costs) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and services centre.
- 812 KEUR (vs. 702 KEUR last year) down payments (and related costs) for the acquisition of a land plot (Plac Grzybowski, near the Palace of Culture in Warsaw) at SPV Unique S.K.A.
- 367 KEUR (vs. 365 KEUR last year) down-payment (and related costs) at SPV Pattina Invest for the acquisition of a land plot in Piaseczno, suburbs of Warsaw, for the development of a trade and services centre

Interest receivable

The interest receivable balance includes interests receivable from related parties for an amount of 40,409 KEUR.

VAT receivable

The outstanding balance as of 31 December 2014 relates to VAT receivables, mainly on the following projects: Woloska 24, Warsaw Spire.

The SPVs involved 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, which, 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 shareholders of the Ghelamco Group. As such, credit risk concentrations with respect to trade and other receivables are assessed as very limited.

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.

9. Derivatives

Balances as of balance sheet date of 290 KEUR relates to the market value of outstanding (currency and – to the extent applicable – interest) hedging contracts. Marking to market of these level 2 derivatives has been recognized through the profit and loss statement.

Also refer to section 2.1.1 above.

10. Restricted Cash

	31/12/2014	31/12/2013
Restricted cash non-current	256	471
Restricted cash current	-	-
	256	**471**

Outstanding balance as of 31 December 2014 (and 31 December 2013) relates to the amount on escrow and still to be released after the Trinity Park III sale (2010).

11. Cash and cash equivalents

	31/12/2014	31/12/2013
Cash at banks and on hand	46,755	38,808
	46,755	**38,808**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits may be 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 sources of financing:

- additional capacity on the debt ratio (Ghelamco 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 the bearer bonds issues on the alternative Catalyst trading system in Poland (546.6 MPLN + 6.3 MEUR total outstanding bonds at 31 December 2014).

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12. Share capital

	31/12/2014	31/12/2013
Authorized		
9.731 ordinary shares of 1 EUR each	10	10
issued and fully paid	10	10

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

- **Ghelamco Group Comm VA** (Belgium) - 100% (9,731 shares)

12.1 Distribution of dividends within the Group

In the course of 2014 (and 2013), no dividends have been declared or distributed.

12.2 Non-Controlling Interests

	31/12/2014	31/12/2013
balance at beginning of year	1,901	1,901
share of profit for the year		
acquisitions/disposals		
Balance at end of year	**1,901**	**1,901**

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13. Reserves and retained earnings

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

	Cumulative translation reserve	Retained earnings
At 1 January 2013	1,729	454,123
Cumulative translation differences (CTA)	5,486	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-9
Other		-35
Profit for the year		11,692
At 31 December 2013	**7,215**	**465,771**

	Cumulative translation reserve	Retained earnings
At 1 January 2014	7,215	465,771
Cumulative translation differences (CTA)	-507	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-21
Other		10
Profit for the year		5,262
At 31 December 2014	**6,708**	**471,022**

14. Interest-bearing loans and borrowings

		31/12/2014	31/12/2013
Non-current			
Bank borrowings – floating rate	14.1	94,515	168,177
Other borrowings	14.2/3	234,639	150,235
		329,154	**318,412**
Current			
Bank borrowings – floating rate	14.1	19,832	36,683
Other borrowings	14.2/3	16,568	50,975
		36,400	**87,658**
TOTAL		**365,554**	**406,070**

14.1 Bank Borrowings

During the year the Group obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 36.3 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 126.9 MEUR, net of prolongation of a number of borrowings; bringing the total outstanding amount of bank borrowings to 114.3 MEUR (compared to 204.9 MEUR at 31/12/2013).

When securing debt finance for its (larger) projects, the Company always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2-year term) into development loans (additional 2 year term) and swaps development 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 development loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

At 31 December 2014, the Company has bank loans available to be drawn for a total amount of 166.6 MEUR.

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2015, part will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).

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	24,739	21,669	95,617	142,025	45,554	126,456	63,790	235,800
Financial lease				0				0
Total	**24,739**	**21,669**	**95,617**	**142,025**	**45,554**	**126,456**	**63,790**	**235,800**
Percentage	17%	15%	67%	100%	19%	54%	27%	100%

External borrowings by currency

Large parts of external borrowings are Euro denominated except for mainly Proof in Poland (PLN loan).

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 and in connection with the recent disposal of 3 delivered projects to Starwood, the Company had no outstanding investment loans:

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

- Poland: between 3.0% and 5.5%

Loans for the pre-financing of VAT returns in Poland are expressed in local currency.

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 1,950 KEUR lower/higher profit before tax for 2014.

14.2 Other borrowings: Bonds (117,959 KEUR long-term – 13,806 KEUR short-term)

The Company has in the current year issued the remaining series H, I, J, K within its 200 MPLN Catalyst bearer bonds program for an amount of 98.4 MPLN. These bonds have as earliest maturity date 25/04/2018 and bear an interest rate of Wibor 6 months + 4.5%-5.0%.

In addition, the Company in 2014 issued public bonds (tranche PA and PB) to qualified investors within a new 250 MPLN program for a total amount of 234.88 MPLN. These bonds have a term of 4 years and bear an interest of Wibor 6 months +5.0%.

In addition, the Company in 2014 issued public bonds (tranche PC and PD) to qualified investors within a new 200 MPLN program for a total amount of 68.6 MPLN. These bonds have a term of 3 to 4 years and bear an interest of Wibor 6 months +5.0%.

Also, the Company in 2014 issued private euro-bonds for a total amount of 6.3 MEUR. These bonds have as maturity date end September 2018 and bear an interest rate of Euribor 6 months + 4.3%.

And finally, the Company has end 2014 issued public retail bonds for an amount of 50.0 MPLN within a new 250 MPLN program. These bonds have as maturity date mid June 2019 and bear an interest rate of Wibor 6 months + 3.5%.

The proceeds of the above bond issues have to an extent (278,100 KPLN) been applied to redeem and/or roll-over other/existing outstanding bonds and to service the (interests on) the resp. bond programs. The remainder of the bond proceeds is to be applied for the financing of the Company's further investment projects within the Warsaw metropolitan area, in Wroclaw or Katowice.

Total bonds balance outstanding per balance sheet date (131,766 KEUR) represents the amount of issue (546.6 MPLN + 6.3 MEUR) less capitalized issue costs, which are amortised over the term of the bonds.

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 1,120 KEUR lower/higher profit before tax for 2014.

14.3 Other borrowings: Other

31/12/2014 119,441 KEUR

Other borrowings in EUR at 31 December 2014 include following related party balances:
- Peridot SL: 115,648 KEUR
- Tallink Investments Ltd.: 162 KEUR
- Ghelamco Poland Sp. z o. o: 176 KEUR
- Salamanca Capital Services : 679 KEUR

And also:
- Rent deposits: 14 KEUR (non-current)
- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/09/2015 and bearing an interest rate of 7%

31/12/2013 111,940 KEUR

Other borrowings in EUR at 31 December 2013 include following related party balances:
- Peridot SL: 107,983 KEUR
- Tallink Investments Ltd.: 163 KEUR
- Ghelamco Poland Sp. z o. o: 205 KEUR
- Salamanca Capital Services : 624 KEUR

And also:

- Rent deposits: 215 KEUR (non-current)
- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 31/05/2014 and bearing an interest rate of 10%

14.4 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 redemption surety granted by Granbero Holdings Ltd. (the Company).

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.

In addition, the terms and conditions of the bond issues have been complied with as of balance sheet date.

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15. Financial instruments

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			1,022	1,022	2
Non-current receivables					
Receivables and prepayments			234,996	234,996	2
Restricted cash			256	256	2
Current receivables					
Trade and other receivables			120,972	120,972	2
Derivatives	290			290	2
Cash and cash equivalents			46,755	46,755	2
Total Financial Assets	**290**		**404,001**	**404,291**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			94,515	94,515	2
Bonds			117,959	117,959	2
Other borrowings			116,680	116,680	2
Interest-bearing borrowings - current					
Bank borrowings			19,832	19,832	2
Bonds			13,806	13,806	2
Other borrowings			2,762	2,762	2
Current payables					
Trade and other payables			27,597	27,597	2
Total Financial Liabilities			**393,151**	**393,151**	

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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			2,451	2,451	2
Non-current receivables					
Receivables and prepayments			268,232	268,232	2
Restricted cash			471	471	2
Current receivables					
Trade and other receivables			70,762	70,762	2
Derivatives	1,842			1,842	2
Cash and cash equivalents			38,808	38,808	2
Total Financial Assets	**1,842**		**380,724**	**382,566**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			168,177	168,177	2
Bonds			41,045	41,045	2
Other borrowings			109,190	109,190	2
Interest-bearing borrowings - current					
Bank borrowings			36,683	36,683	2
Bonds			48,225	48,225	2
Other borrowings			2,750	2,750	2
Current payables					
Trade and other payables			49,993	49,993	2
Total Financial Liabilities			**456,063**	**456,063**	

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 carrying amount, since all 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.

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

We also refer to note 8.1 for the description of the fair value determination.

16. 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 €	**31/12/2014**	**31/12/2013**
Deferred tax assets	2,821	73
Deferred tax liabilities	-6,961	-2,739
TOTAL	**-4,140**	**-2,666**

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

In thousands €	**Temporary differences**		**Unused tax losses and credits**	
	Investment property	**Other**	**Tax losses**	**Tax credits**
Balance at 1 January 2013	**-780**	**-1,581**	**1,721**	**-**
Recognised in income statement	-1,471	-428	-47	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-80		
Balance at 31 December 2013	**-2,251**	**-2,089**	**1,674**	**-**
Recognised in income statement	-2,533	1,663	-595	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-9		
Balance at 31 December 2014	**-4,784**	**-435**	**1,079**	**-**

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:

	31/12/2014	**31/12/2013**
DTA on unused tax losses	514	33
DTA on unused tax credits		
TOTAL	514	33

Tax losses in the Polish SPVs can be carried forward for a period of 5 years. In this respect, no deferred tax assets have been recognized on tax losses carried forward in these SPVs to the extent it is deemed not probable that sufficient taxable profit will be available to allow the benefit of part of these tax losses.

Tax losses in the other countries can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries. It should be noted that the distribution of dividends by the subsidiaries to the (Cypriot) Parent would generate no tax charge.

17. Trade and other payables

Trade and other payables are analysed as follows:

	31/12/2014
Trade payables: third parties	2,381
Trade payables: related parties	1,888
Related parties current accounts payable	5,199
Misc. current liabilities	18,651
Deferred income	2,901
Total trade and other payables	**31,020**

	31/12/2013
Trade payables: third parties	3,252
Trade payables: related parties	5,586
Related parties current accounts payable	9,513
Misc. current liabilities	32,819
Deferred income	4,812
Total trade and other payables	**55,982**

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/20134, the trade payables include 1,888 KEUR towards related parties (vs. 5,586 KEUR last year), as follows:

- Apec Ltd: 891 KEUR (765 KEUR last year)
- Ghelamco Poland Sp. z o.o: 668 (3,835 KEUR last year)
- Others: 329 KEUR (986 KEUR last year)

Outstanding balance on related parties C/A payable (5.199 KEUR) is mainly towards Ghelamco Poland Spzoo (5,175 KEUR).

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

As was also the case last year, the outstanding deferred income balance mainly relates to deferred income from pre-sales in the QBik residential project.

Trade payables are non-interest bearing and are settled in accordance with the contractual terms. The carrying amounts of trade and other payables approximate their fair value as those balances are short-term.

18. Current tax liabilities

Current tax payables can be allocated to the following countries (in KEUR):

- Luxemburg: 355 KEUR (vs. 335 KEUR in 2013)
- Poland: 79 KEUR (vs. zero in 2013)

19. Revenue

Revenue is mainly generated from the following sources:

in thousands €	31.12.2014	31.12.2013
Sales of Residential Projects	14,835	15,822
Rental Income	1,620	11,038
TOTAL REVENUE	**16,455**	**26,860**

Rental income as of 31 December 2014 relates to rent from commercial projects (mainly Katowice Business Point, Lopuszanska Business Park, Marynarska 12/T-Mobile Office Park).

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

- Soft loft apartments in the QBik project, Warsaw (14,835 KEUR)

Overview of future minimum rental income

The cash value of future minimum rental income until 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	4,046	7,813
Between 1 and 2 years	7,106	11,108
Between 2 and 3 years	7,803	11,251
Between 3 and 4 years	8,007	11,397
Between 4 and 5 years	8,111	11,545
More than five years	25,625	48,799
TOTAL FUTURE MINIMUM RENTAL INCOME	**60,699**	**101,914**

The decrease compared with last year is mainly related to sale of the Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park projects in 2014.

20. Other items included in operating profit/loss

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

	2014	2013
Other operating income		
Net gains on disposal of investment property	7,757	1,833
Other	1,853	1,607
total:	**9,610**	**3,440**

Current year's other operating income includes the net gain on disposal of the Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park projects.

	2014	2013
Gains from revaluation of Investment Property	24,120	30,336

Fair value adjustments over 2014 amount to 24,120 KEUR, which is mainly the result of current year's further engineering, development, construction and leasing efforts (mainly on the Warsaw Spire), in combination with evolution in market conditions (yield and rent level evolution).

	2014	2013
Other operating expenses		
Operating lease/ rental expenses	21	14
Taxes and charges	719	901
Insurance expenses	69	347
Audit, legal and tax expenses	1,543	1,194
Promotion	400	274
Sales expenses	6,073	5,478
Rental guarantee expenses	4,226	1,838
correction earn-out Trinity Park III	-	560
fit-out expenses Senator	530	-
repair expenses	72	-
operating expenses with related parties	1,074	1,574
Miscellaneous	3,977	2,434
Total:	**18,704**	**14,614**

Other operating expenses with related parties mainly concern the re-invoicing of costs within the framework of Service Level Agreements with IRS Comm. VA and Deus Comm. VA. Also refer to note 26.3.

In general, the overall increase of other operating expenses goes to a significant extent together with the disposal of three large projects to Starwood Capital (Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park) in 2014.

21. Cost of Property Development Inventories

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

	2014	2013
Movement in inventory	-13,307	-8,497
Purchases (*)	-3,369	-6,079
	-16,676	**-14,576**

(*) See Note 26.2
Purchases (mainly 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 78,857 KEUR.

22. Finance income and finance costs

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

	2014	2013
Foreign exchange gains	1,993	-
Interest income	9,461	8,373
Other finance income	-	-
Total finance income	**11,454**	**8,373**
Interest expense	-14,697	-17,410
Other interest and finance costs	-4,102	-1,365
Foreign exchange losses	-	-6,306
Total finance costs	**-18,799**	**-25,081**

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 10,635 KEUR (vs. 9,017 KEUR last year).

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

Interest income mainly includes interests on loans to related parties.

It is in addition to be mentioned that current year’s finance income includes an amount of 2.0 MEUR foreign exchange gains (while last year’s finance costs included an amount of 6.3 MEUR foreign exchange losses). Main part of these exchange differences is unrealized (and connected with the conversion of outstanding loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate.

Current year’s other finance costs include hedge results and mainly include the marking to market of the as of balance sheet date outstanding (currency and interest) hedging contracts (1,552 KEUR unfavourable vs. 80 KEUR unfavourable last year). Except for this last item, all financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.

23. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2014	31.12.2013
current income tax	456	814
deferred tax	1,465	1,946
Total	**1,921**	**2,760**

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 €	31.12.2014	31.12.2013
Result before income taxes	7,183	14,452
Income tax expense calculated at 19%	1,365	2,746
Effect of different tax rates in other jurisdictions	450	550
Effect of non-deductible expenses	157	535
Effect of revenue that is exempt from taxation	-475	-2,007
Effect of use of previously unrecognized tax losses	-	-
Effect of current year losses for which no DTA is recognized	563	-
Effect of under/over-accrued in previous years	-92	-17
Effect of change in local tax rates	-	800
Other	-47	153
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**1,921**	**2,760**

The theoretical tax rate used for the above reconciliation is the (Polish) statutory corporate tax rate of 19% payable by corporate entities in Poland on taxable profits under tax law.

24. Contingent liabilities and contingent assets

24.1 (Bank) guarantees

All external borrowings of the subsidiaries are secured by corporate guarantees and/or surety ship agreements issued by Granbero Holdings Ltd. 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)	
POLAND					**Guarantee by Granbero Holdings Ltd.**
Warsaw Spire SKA	Warsaw Spire	EUR	77,963	77,963	Corporate Guarantee, cash deficiency
Sienna Towers SKA	Sienna Towers	EUR	7,707	7,707	Corporate Guarantee, cash deficiency
Proof SKA	Woronicza QBIK	EUR (*)	1,043		Suretyship agreement
SBP SKA	Wroclaw Business Park	EUR	7,000	7,000	Corporate Guarantee, Cash deficiency
Foksal SKA	Foksal	EUR	3,982	3,982	Corporate Guarantee, Cash deficiency
Sobieski SKA	Sobieski Towers	EUR	3,429		Suretyship and cash deficiency
Postepu SKA	Postepu 2	EUR(*)	2,018		Suretyship and cash deficiency
Grzybowska77 SKA	Grzybowska 77	EUR(*)	7,239		Suretyship agreement
Dahlia SKA	Woloska 24	EUR	3,966		Suretyship and cash deficiency

(*): Bank loan itself is denominated in PLN

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 shareholders) at 31 December 2014 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Granbero Holdings Ltd does not guarantee loans of affiliates belonging to other Ghelamco holdings.

24.2 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.

24.3 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 Poland have a legal obligation to remediate any construction defects that become apparent within the first five 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).

24.4 Securities on assets

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

- 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);
- submission to execution.

No cross guarantees on assets have been granted by the different SPV's, nor other types of surety ships, cost overruns or debt service commitments.

25. Commitments

25.1 (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	16,013	21,325
Construction contracts	129,230	142,404
Purchase of land plots	-	2,855
Purchase of shares (connected with landbank)	-	
Total	**145,244**	**166,583**

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

Binding contracts

- None for plots of land for residential/commercial property development

Non-binding contracts

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

As a developer of commercial and residential properties, the Company is committed to continue development 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, 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 are contracted with related party entities belonging to the Ghelamco Service Holding.

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

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

- Warsaw Spire: 102,214 KEUR
- Woloska 24: 27,116 KEUR

25.2 Operating lease commitments (land lease rights)

	2014	**2013**
Within 1 year	688	1,210
After 1 year but not more than 5 years	2,752	2,009
More than 5 years	50,248	37,742
	53,688	**40,961**

The Company has entered into non-cancellable operating leases for the land rights with basic lease terms of usually 99 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

25.3 Rental guarantees

In connection with the sale of two office projects in 2014 (Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park), rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have a 84 months period. In this respect, a rental guarantee provision of 1,600 KEUR has been recognized in the consolidated financial statements at 31/12/14.

In connection with the sale of two office projects in 2013, master lease agreements were closed for the (at the time of the sale) not leased space, for a period of 60 months. In this respect, no liabilities have been recognized in the consolidated financial statements at 31 December 2014.

26. Related party transactions

The Company is together with the other Ghelamco Group (sub-)holdings, the Service Holding and the Portfolio Holding – all related parties – under common control of the ultimate shareholders, 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 & Development Holding, the Service Holding and the Portfolio Holding) are described below.

26.1. Relationships with the directors and management

For the year ending 31 December 2014, the Ghelamco Group (of which the Company is part) paid a total amount of approx. 7,500 KEUR to the members of the Management Committee (the 5 top executives: the managing director Western Europe, the managing director Eastern Europe and the Group CEO, COO and CFO). 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.

26.2. 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 Service Holding (International Real Estate Services Comm. VA (parent company of Ghelamco’s “Service Holding”)):

- Ghelamco Poland with its registered office in Warsaw;

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 occupancy 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 developed 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 Poland 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 5 years in Poland.

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) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of International Real Estate Services Comm. VA, the parent company of Ghelamco's "Service Holding") coordinate engineering and architectural design services provided to the Company in accordance with terms of the respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o exceed 80% of all engineering, architectural design and other related services acquired by the Company. These services include:

- detailed functional, technical, structural and surface-related programmes 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 development entity upon achievement by Apec Ltd or Safe Invest Sp. z o.o 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.

26.3. Acquisitions and disposals of shares and other related party transactions

2014

Except for the finalisation of the merger operation as described in section 4.3 of this report and the sale of the shares of Portfolio Invest Ltd. to the Service Holding as described in section 4.2 of this report, there have been no share transactions or other significant transactions with related parties in 2014.

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2013

Except for the finalization of the contribution process of Polish SPV shares in closed-end investment funds as described in section 4.4 of last year's report, the step-up operation connected to the change in Polish tax law as described in section 4.1 of last year's report and the merger operation connected with a simplification exercise on Ghelamco Consortium level as described in section 4.3 of last year's report, there were no share transactions or other significant transactions with related parties in 2013.

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Other

The excess cash balances generated by the Company's real estate development activities can, besides being reinvested in the entities belonging to the Investment and Development Holding, to an extent and within the requirements of the terms and conditions of the recent bond issues, also invested in entities belonging to the Ghelamco Service Holding and Portfolio 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:

	31/12/2014	**31/12/2013**
Purchases of construction, engineering and architectural design:	-69,573	-65,569
related party trade receivable	3,014	2,133
related party trade accounts payable	-1,888	-5,586
related party non-current loans receivable	223,435	245,809
related party interests receivable	40,409	46,341
related party C/A receivable	75,943	19,164
related party non-current loans payable	-116,664	-108,975
related party interests payable	-13,323	-28,409
related party C/A payable	-5,199	-9,513

27. Events after balance sheet date

No significant events to be mentioned.

28. Auditor's Report

Deloitte.

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Reviseurs d'Entreprises
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Belgium
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Granbero Holdings Ltd.

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

Deloitte.

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Belgium
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Granbero Holdings Ltd.

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 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 Granbero Holdings Ltd. ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated statement of financial position shows total assets of 883,610 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 5,262 (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 for such internal control as the management determines are 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 management, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the management 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.

Unqualified opinion

In our opinion, the consolidated financial statements of Granbero Holdings Ltd. 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.

Diegem, 16 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