

TREVERIA PLC

Retail property investment in Germany Half year report 2010



TREVERIA PLC'S OBJECTIVE IS TO GENERATE SHAREHOLDER VALUE BY THE OWNERSHIP AND ACTIVE MANAGEMENT OF INCOME-PRODUCING RETAIL PROPERTY ASSETS ACROSS GERMANY.

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- ▶ Property assets of €1,837 million after revaluation as at 30 June 2010 (31 December 2009: €1,840 million), a 0.2% decrease after taking into account disposals and capital expenditure during the period

- ▶ Gross rental income for the period of €69.8 million (30 June 2009: €71.9 million)

- ▶ Adjusted profit after tax* for the period of €5.7 million (30 June 2009: €9.4 million)

- ▶ Adjusted EPS** for the period of 0.94c (30 June 2009: 1.56c; 31 December 2009: 1.40c)

- ▶ Adjusted NAV*** per share of 30.8c (31 December 2009: 34.6c)

- ▶ €53.1 million of cash held by the parent company as at 30 June 2010 (31 December 2009: €82.7 million), following the payment of a special dividend of €24.2 million on 19 February 2010

- ▶ Progress made to stabilise the Group's external financing arrangements, with waiver agreements signed with lenders on two debt facilities. This has enabled cash held within the facilities to be used to reduce loan-to-value (LTV) covenants and lower vacancies through investing capital in the portfolios

- ▶ Based on legal advice and current plans for the Group, the previously announced €40.2 million Real Estate Transfer Tax (RETT) provision is likely to be removed from the 31 December 2010 financial statements and be replaced by a contingent liability, which will not be deducted from the Group's net assets

* Adjusted profit after tax excludes revaluation movement, profit from disposal of properties, fair value movements on interest rate hedging and accelerated finance costs as a result of repayment of loans on the disposal of properties and deferred tax.

** Adjusted EPS excludes revaluation movement, profit from disposal of properties, fair value movements on interest rate hedging and accelerated finance costs as a result of repayment of loans from the disposal of properties and deferred tax.

*** Adjusted NAV per share excludes derivative financial instruments and deferred tax on revaluation surpluses.



Our latest figures and shareholder information can be seen via our website. Please visit www.treveria.com

When I became Chairman in January 2010, together with the rest of the Board, our goal was to stabilise the operations of Treveria plc after a period of uncertainty in order to put the Company in a position to recover its equity value. To achieve this goal, our main objectives have been and continue to be to enhance the value of our property portfolio, improve the performance of our asset management activities and find a more sustainable solution for the Group's financing. While we still face challenges, I am pleased to say that we have made good progress across a number of key areas.

Overview

The first half of this year has been a significant period of change for the Group and can be summarised by the following key developments, more details of which can be found later in this statement:

- ▶ **Real Estate Transfer Tax (RETT):** Based on legal advice and current plans for the Group, the €40.2 million RETT provision is likely to be removed from the 31 December 2010 financial statements and be replaced by a contingent liability, which will not be deducted from the Group's net assets.
- ▶ **Group financing:** While the insolvency of Silo C during the period was disappointing, and the financing environment remains challenging, we have made good progress in both improving our relationships with lenders, and stabilising the Group's external financing arrangements. In particular, we have signed waiver agreements with lenders in Silo D, F and K (all of our remaining cash trapped silos), enabling the use of cash trapped monies to reduce loan-to-value (LTV) covenants and lower vacancies through investing capital in the portfolios.
- ▶ **Targeted sales programme:** TAM is currently in negotiations for the sale of a number of assets which we hope to complete in the coming months. Whilst we are not prepared to sell properties at inappropriate prices, should these sales complete at around expected pricing levels, it would generate approximately between €8 million and €15 million of free cash flow.
- ▶ **Asset management:** Whilst the ongoing difficult retail environment continues to put downward pressure on rents, TAM has been working hard to protect income from the portfolio by securing a number of new tenants during the period. In addition, through the focused work of our asset management team, we have been able to reduce irrecoverable costs from €12.5 million for the whole of 2009 to €4.0 million in the first half of 2010.

Results for the six-month period ended 30 June 2010

Cash within the parent company as at 30 June 2010 was €53.1 million (31 December 2009: €82.7 million). During the period a special dividend of €24.2 million was paid. The remainder of the reduction is mainly due to the injection of €4.8 million into the debt silos to support ongoing activities in the portfolios. In addition to this, we expect to inject a further €3.4 million into the silos (of which €2.0 million has already been injected following the period end).

The total cash balance held by Treveria plc and its subsidiaries was €100.4 million (31 December 2009: €128.3 million). Of this, €36.2 million (31 December 2009: €34.5 million) was unavailable for general use and was designated for the payment of interest and other costs associated with the Group's funding arrangements. As at 22 September 2010, the cash within the parent company totalled €50.9 million.

Net rental income for the period was €69.8 million compared to €71.9 million for the comparative period in 2009 and €73.2 million for the second half of 2009. This is a decrease of €2.1 million from the first half of 2009 and €3.4 million compared with the last six months of 2009. The reduction is mainly due to a shortfall in rental income resulting from the interim letting of units previously occupied by C&A and Karstadt.

It has become apparent in successive reporting periods that our leases allow less cost recovery from tenants than had been originally anticipated when the portfolio was assembled. In previous financial statements, it has been necessary to charge the income statement with costs relating to prior periods. In the first six months of 2010 we managed to reduce the irrecoverable service charges significantly to €4.0 million, compared to €12.5 million for the whole of 2009. This equates to 5.5% of net rent and compares favourably with 8.6% in relation to 2009.

Administrative expenses increased to €7.7 million for the period (30 June 2009: €5.1 million; six months ended 31 December 2009: €7.4 million). In 2010 we faced a similar situation to 2009 whereby the Group had to bear high legal and professional fees arising from a number of projects. We will work to reduce administrative costs in the second half of 2010 and through 2011.

The operating profit for the period, which includes unrealised deficits in the value of investment properties (€4.0 million (2009: €179.9 million)), was €45.9 million (2009: loss of €124.9 million).

Net finance cost for the first half of 2010 reduced slightly to €42.6 million (2009: €43.5 million) as the combined effects of lower debt and lower interest rates on the floating part of the Group's loans were partly offset by much lower deposit rates earned on our cash balances.

The profit before tax for the period was €0.2 million (2009: loss of €176.8 million) and the adjusted profit after tax was €5.7 million (2009: profit of €9.4 million; six months ended 31 December 2009: loss of €1.0 million). Adjusted profit after tax is stated net of revaluation deficits, profits from disposals of properties, fair values on interest rate hedging and accelerated finance costs as a result of property disposals and all related deferred tax.

Basic and adjusted EPS for the period were a loss of 0.10c and a profit of 0.94c, respectively (2009: loss of 28.6c and profit of 1.56c, respectively). Adjusted EPS excludes revaluation movement, profits from disposals of properties, movements on fair values of derivative financial instruments and accelerated finance costs as a result of property disposals and all related tax.

Real Estate Transfer Tax

In last year's Annual Report we explained that Treveria Holdings S.à r.l. may be subject to a potential liability for German RETT and made a provision in the amount of €40.2 million in the consolidated financial statements. We also stated in last year's Annual Report that our legal advisers informed us that, in the event the RETT was deemed to be payable, the likelihood of the authorities having any actual recourse

to the assets of Treveria plc was remote. This view has been re-confirmed by our lawyers. Our lawyers have also confirmed that the RETT based on the applicable law in Luxembourg is not enforceable at present against Treveria Holdings S.à r.l. Whether the "European Council Directive 2008/55/EC on mutual assistance for the recovery of claims relating to certain levies, duties, taxes and other measures" (Recovery Directive) will change this legal situation in Luxembourg in the foreseeable future is unclear. In the Isle of Man, the RETT is not presently enforceable and the Recovery Directive is not expected to be implemented in the Isle of Man.

We have taken the decision to relocate our present Luxembourg holding companies, Treveria Holdings S.à r.l. and Treveria Properties S.à r.l. from Luxembourg to the Isle of Man, where Treveria plc is already domiciled. This move will streamline the corporate structure of the Treveria Group, improve management controls and simplify our legal environment. Once this move is implemented, based on our legal advice, the €40.2 million provision in our next financial statements (year ending 31 December 2010) will be removed. Instead this will be noted as a contingent liability, which will not be deducted from the Group's net assets.

Irrespective of the advice that RETT is not presently enforceable in Luxembourg or in the Isle of Man, we continue to challenge the assessment of the RETT on various legal grounds. We shall also be initiating a relief procedure with the relevant German fiscal authorities.

Revaluation and net asset value

The Group's property portfolio was valued at €1,837 million by DTZ Debenham Tie Leung Limited (DTZ) at 30 June 2010, a 0.2% decrease compared to the valuation as at 31 December 2009, after taking into account disposals and capital expenditure in the period.

The Adjusted Net Asset Value (NAV) per share of the Group was 30.8c compared to 34.6c as at 31 December 2009. Adjusted NAV excludes derivative financial instruments and deferred tax on revaluation surpluses. Cash in the parent company as at 30 June 2010 accounts for 8.7c per share of the adjusted NAV.

Property acquisitions and disposals

The Group did not acquire or enter into any new contracts to acquire property in the first six months of 2010. In the period, the Group notarised contracts to sell three properties for a gross consideration of €5.6 million. All three properties are in Silo E. One sale completed in the period for a gross consideration of €2.5 million, which was €0.8 million (48%) above the DTZ valuation as at 31 December 2009. The net cash generated out of the completed sale was €0.7 million.

Portfolio performance

During the period, the Group secured 164 new leases and lease extensions, generating an annual rental income of €6.8 million. This compares to 155 new leases with an annual rent of €3.0 million achieved in the second half of 2009. These new leases were offset by an increase in the void rate arising specifically from the five C&A retail stores in Silo D becoming vacant. The annualised rent roll decreased in the period by €4.1 million, with the C&A vacancies

reducing income by €2.4 million and a further €1 million reduction coming from properties in Silo C.

Finance and banking

The environment for Treveria remains difficult. The Group's properties are owned in six subgroups or 'silos', each with a Luxembourg parent company, five of which are financed with bank debt. The properties and debt are held by many subsidiary companies in Germany, Luxembourg and The Netherlands. It is important to note that there is no cross-collateralisation between the silos and no guarantees have been given by Treveria plc to the lenders. Eurohypo, the lender in Silo F/K, was given a limited cross-default right which I explain in detail below in the Silo F/K section of my statement.

In the first six months of 2010, management continued its ongoing discussions with its lending banks, negotiating waivers and beginning to explore possible sources of debt to refinance the loans that are repayable from 2011 onwards. The status of each silo is as follows:

► **Silo C (Deutsche Bank/Citigroup; loan €552.7 million; securitised):** This silo had been cash trapped since October 2008. As at 30 June 2010 the silo had an LTV ratio of 106% and an interest-cover-ratio (ICR) of 125%. A waiver of the "hard breach" LTV covenant was agreed with Deutsche Bank and Citigroup in January 2010 until 30 April 2010, as well as a waiver of the ICR covenant until 19 July 2010. The negotiations on extensions of the waivers came to an end on 6 July 2010 when Deutsche Bank, the servicer of this silo, called for repayment of the loan and filed in the German courts for the insolvency

of those property owning subsidiaries in Silo C that were incorporated in Germany (the German Subsidiaries). The loan amount relating to the companies concerned is €329 million. The remaining €224 million is owed by Dutch incorporated property companies.

On 16 August 2010, insolvency proceedings were initiated. Within the silo there is a cross-collateralisation between all property companies and the silo parent company, Treveria C S.à r.l. Deutsche Bank has to date not taken any action against Treveria C S.à r.l. or its subsidiaries other than the German Subsidiaries. The outcome of the current negotiations with Deutsche Bank and the future for the Dutch incorporated property companies and the silo parent company is unclear. The Board believes that in the next few months the parent company of Silo C will either be sold or declared insolvent.

The assets and liabilities of Silo C are still included within the consolidated financial statements at their fair value. In note 21 to these financial statements you will see a pro-forma consolidated balance sheet of the Group as at 30 June 2010. This assumes Silo C had been declared insolvent as at that date with a zero value to the Group and a loss of ownership of all the subsidiaries in that silo. The pro-forma Adjusted NAV per share of the Group without Silo C was 35.5c per share as at 30 June 2010.

While the insolvency of Silo C during the period was disappointing, the manner in which the Group has structured its borrowings has meant this has had no implications upon the remainder of our business (see below in relation to Silo F/K).

- ▶ **Silo D (Deutsche Bank/Citigroup; loan €220.1 million; securitised):** This silo has been cash trapped since July 2009 following successive breaches of the debt service cover ratio (DSCR) covenant. In addition to a further DSCR breach at 31 December 2009, a new valuation as at 31 December 2009 disclosed a breach of the LTV covenant and the lenders declared an event of default in April 2010. Management thereafter negotiated waivers and, on 8 July 2010, a waiver of both covenants was agreed by Deutsche Bank and Citigroup until 28 February 2011. As a condition for this waiver, Treveria plc injected €2 million into the silo. In addition, as of March 2011, this waiver will be extended (subject to the satisfaction of certain legal conditions) until loan maturity (20 July 2011) if the LTV as at 31 December 2010 is less than the LTV as at 30 June 2010 and Treveria plc has injected a further €1.5 million into the silo. The lenders also agreed to allow up to €5.5 million of the trapped cash to be used for capital expenditure and refurbishment works on the silo's properties.
- ▶ **Silo E (ABN Amro; loan €432.2 million; securitised):** This silo is not cash trapped. We continue to negotiate with the servicer of the loan with the objective of entering into a new interest rate cap to benefit from the current low interest rate levels. To meet the formal requirements of the securitisation, the servicer will arrange an additional valuation of the portfolio with a valuer other than DTZ (who continue to act for the Group) within the next few months.

- ▶ **Silo F/K (Eurohypo; loan €436.8 million; sole lender):** This silo has been cash trapped since October 2008. Eurohypo granted a waiver of the LTV test until April 2011. Eurohypo is Treveria's only lender with any cross-silo default right, which was granted to Eurohypo in October 2008 as part of the loan restructuring negotiated at that time. It allows Eurohypo to accelerate the loan (demand repayment) in the event there is an acceleration of another loan in another silo. The bank waived this cross-silo default right in September 2010 until April 2011 in return for an increase in margin. Eurohypo is allowing any trapped cash to be available for capital expenditure programmes, provided it is matched equally by Treveria plc or by surplus cash generated through property sales.
- ▶ **Silo G (J P Morgan; loan €47.0 million; syndicated loan):** This silo is not cash trapped and the loan is performing in accordance with the loan agreement with the lender.
- ▶ **Silo J (properties free of any mortgage or charge):** This silo contains eight properties free of any mortgage or charge with a property value of €11.6 million as at 30 June 2010.

Strategy and outlook

In the 2009 interim report, the then chairman addressed the notable 'disconnect' between the Company's share price and the Group's net asset value. That situation remains to be the case as recently the market capitalisation of the Company has valued Treveria plc at a figure that approximates the cash held by

Treveria plc at the parent level alone. The pro-forma Adjusted NAV per share of the Group without Silo C was 35.5c per share as at 30 June 2010 of which 8.7c per share was cash held at the parent level.

In my statement in the 2009 annual report I laid down the main objectives of Treveria for 2010: to improve the performance of our asset management, to increase the value of the portfolios and de-leverage through sales as well as the ongoing restructuring of our debt facilities. Provided we meet these objectives, the shareholder value of the Company will increase. Since the beginning of 2010 Treveria has made further progress in achieving these objectives.

In 2010 we aligned the asset management organisation, including the back office functionalities, with the business needs. We increased our efforts in letting activities and hired 13 additional staff to help us achieve our objectives. The team has been establishing detailed business plans for each property and prepared refurbishment and capital expenditure programmes in various properties. It has been of great benefit to the Group that we achieved agreement with Deutsche Bank/Citigroup (Silo D) and Eurohypo (Silo F/K) to allow us to use trapped cash to invest into these properties. There are a number of cases where the careful use of funds will significantly increase the value of those properties. Our asset management team will continue to concentrate on these opportunities.

Strategy and outlook continued

The allocation of dedicated resources to the letting of our residential units should add further revenues to the Group. The new sales team is now becoming actively engaged. At present it is focussing on properties close to the top of their life cycle and where, because of particular situations, we can achieve attractive sales prices. Should these sales complete at around expected pricing levels, it would generate approximately between €8 million and €15 million of free cash flow.

The restructuring of the debt facilities in Silos D and F/K progressed well in 2010. The waivers which have been negotiated, especially with regard to the use of trapped cash for development measures, should be value enhancing to our real estate portfolio. Our asset management team is focussing on the implementation of these measures for the next twelve months. While the environment for refinancing of commercial properties in Germany remains challenging, and it is too early to know if we will succeed in refinancing Silos D and F/K, we believe these waiver agreements plus our asset management activities are positive steps.

Silo C had an LTV ratio of 105% with a negative equity of €29 million at the beginning of 2010. In order to achieve a waiver the lenders requested a significant equity injection, which the Board did not feel was the best use of Group resources. In the light of this, Silo C will be deconsolidated with, paradoxically, a resulting increase in the Group's net asset value, leaving management able to concentrate their resources on the other silos.

The focus in the non-trapped Silos E and G will continue to be on lettings and sales in order to de-leverage. The majority of the planned free cash coming from the disposals I mentioned earlier is expected from these two silos.

In my full year 2009 statement I also described the plan to streamline Treveria's management structures and locations. I can confirm that these proposals are being implemented according to plan (the London office will close at the end this month) and that all central asset management and all corporate functions will be centralised in Frankfurt by the end of October 2010. In parallel with this, we replaced certain service providers to the Treveria Group, mainly in the financial area.

The results of various management initiatives are reflected in the Income statement and the deterioration in rental income has slowed. Whilst our property management costs have decreased, our administrative costs increased slightly compared to the second half of 2009 as a result of the transition phase of moving offices, changing staff and service providers, as well as the increased legal and tax advice we have had to take. Much of the legal and tax advice has been in connection with understanding issues arising from the original loan agreements, negotiating waivers with lenders and researching the position on RETT. Many of these issues are now cleared and we will work to reduce administrative costs in the second half of 2010 and through 2011.

Treveria will continue with the implementation of value enhancing measures through asset management (letting, developments, property cost monitoring), sales and streamlining of our administration.

We believe that the strategies and actions described in this statement will help to achieve our goal of maximising shareholder value. As part of this goal to maximise shareholder value, the Board will also continually evaluate all strategic options regarding the different property silos and the company as a whole.



Josef (Yossi) Raucher
Chairman
22 September 2010

	Notes	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Gross rental income	4	69,797	71,884	145,073
Direct costs	5	(12,928)	(11,915)	(32,157)
Net rental income		56,869	59,969	122,916
Profit from disposal of investment properties	4	737	169	1,233
Deficit on revaluation of investment properties	10	(4,002)	(179,910)	(174,464)
Administrative expenses	5	(7,700)	(5,091)	(12,530)
Operating profit/(loss)		45,904	(124,863)	(72,845)
Finance revenue	4, 6	798	1,145	1,583
Finance expense	6	(43,447)	(44,631)	(88,758)
Change in fair value of derivative financial instruments	14	(3,062)	(8,415)	(5,033)
Profit/(loss) before tax		193	(176,764)	(165,053)
Income tax (charge)/credit	7	(952)	2,426	(1,424)
Loss for the period		(759)	(174,338)	(166,477)
Attributable to:				
Equity holders of the parent company		(597)	(172,620)	(165,675)
Non-controlling interests		(162)	(1,718)	(802)
Loss for the period		(759)	(174,338)	(166,477)
Earnings per share				
Basic, for loss for the period attributable to ordinary equity holders of the parent company*	8	(0.10)c	(28.60)c	(27.45)c
Diluted, for loss for the period attributable to ordinary equity holders of the parent company*	8	(0.10)c	(28.60)c	(27.45)c

* Adjusted earnings per share are shown in note 8.

All results arise from continuing operations.

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Loss for the period	(759)	(174,338)	(166,477)
Foreign exchange translation differences	186	4	—
Total comprehensive loss for the period, net of tax	(573)	(174,334)	(166,477)
Attributable to:			
Equity holders of the parent company	(411)	(172,616)	(165,675)
Non-controlling interests	(162)	(1,718)	(802)
Total comprehensive loss for the period, net of tax	(573)	(174,334)	(166,477)

	Notes	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 Restated €000	(Audited) 31 December 2009 €000
Non-current assets				
Investment properties	10	1,876,717	1,877,855	1,881,064
Other fixed assets		327	195	242
Total non-current assets		1,877,044	1,878,050	1,881,306
Current assets				
Trade and other receivables		16,897	19,814	20,551
Prepayments		8,654	10,447	4,487
Cash and short-term deposits	11	100,369	134,155	128,250
Total current assets		125,920	164,416	153,288
Total assets		2,002,964	2,042,466	2,034,594
Current liabilities				
Trade and other payables		40,544	42,068	41,230
Provision for German Real Estate Transfer Tax	12	40,200	40,200	40,200
Interest-bearing loans and borrowings	13	1,635,929	1,080,055	1,442,957
Finance lease obligations		4,007	4,213	4,008
Current tax liabilities		7,823	2,689	7,947
Derivative financial instruments	14	27,074	27,661	24,413
Total current liabilities		1,755,577	1,196,886	1,560,755
Non-current liabilities				
Interest-bearing loans and borrowings	13	46,375	628,516	247,673
Finance lease obligations		38,534	38,654	39,333
Deferred tax liabilities	7	7,108	6,423	7,174
Derivative financial instruments	14	3,374	3,158	2,973
Total non-current liabilities		95,391	676,751	297,153
Total liabilities		1,850,968	1,873,637	1,857,908
Net assets		151,996	168,829	176,686
Equity				
Issued capital	15	6,071	6,035	6,035
Capital redemption reserve		1,088	1,088	1,088
Own shares held		(25)	—	—
Retained earnings and other distributable reserve		142,263	159,861	166,802
Total equity attributable to the equity holders of the parent company		149,397	166,984	173,925
Non-controlling interests		2,599	1,845	2,761
Total equity		151,996	168,829	176,686

	Issued capital €000	Capital redemption reserve €000	Own shares held €000	Retained earnings and other distributable reserve €000	Total equity attributable to the equity holders of the parent company €000	Non-controlling interests €000	Total equity €000
As at 31 December 2008 as reported	6,035	1,088	—	372,677	379,800	3,563	383,363
Prior year restatement	—	—	—	(40,200)	(40,200)	—	(40,200)
As at 31 December 2008 as restated	6,035	1,088	—	332,477	339,600	3,563	343,163
Loss for the period	—	—	—	(172,620)	(172,620)	(1,718)	(174,338)
Other comprehensive income	—	—	—	4	4	—	4
Total comprehensive loss for the period	—	—	—	(172,616)	(172,616)	(1,718)	(174,334)
As at 30 June 2009 as restated (unaudited)	6,035	1,088	—	159,861	166,984	1,845	168,829
Profit for the period	—	—	—	6,945	6,945	916	7,861
Other comprehensive income	—	—	—	(4)	(4)	—	(4)
Total comprehensive income for the period	—	—	—	6,941	6,941	916	7,857
As at 31 December 2009 as reported (audited)	6,035	1,088	—	166,802	173,925	2,761	176,686
Loss for the period	—	—	—	(597)	(597)	(162)	(759)
Other comprehensive income	—	—	—	186	186	—	186
Total comprehensive loss for the period	—	—	—	(411)	(411)	(162)	(573)
Issue of shares	36	—	(36)	—	—	—	—
Equity-settled share based payment transactions, reserve movement	—	—	11	106	117	—	117
Equity dividend	—	—	—	(24,234)	(24,234)	—	(24,234)
As at 30 June 2010 as restated (unaudited)	6,071	1,088	(25)	142,263	149,397	2,599	151,996

	Notes	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Operating activities				
Profit/(loss) before tax		193	(176,764)	(165,053)
Deficit on revaluation of investment properties	10	4,002	179,910	174,464
Profit from disposal of investment properties	4	(737)	(169)	(1,233)
Depreciation of fixed assets		34	31	—
Finance revenue	6	(798)	(1,145)	(1,583)
Finance expense	6	43,447	44,631	88,758
Change in fair value of derivative financial instruments	14	3,062	8,415	5,033
Equity-settled share based payment transactions		117	—	—
Net cash flows from operations before changes in working capital		49,320	54,909	100,386
Changes in working capital				
(Increase) in trade and other receivables		(2,927)	(5,085)	(1,968)
Increase/(decrease) in trade and other payables		105	(413)	937
Income tax paid		(1,142)	(905)	(197)
Net cash flows from operating activities		45,356	48,506	99,158
Investing activities				
Movement in investment properties and other fixed assets		150	(450)	(296)
Proceeds from disposal of investment properties		2,427	1,189	6,133
Finance revenue received		798	1,145	1,583
Net cash flows from investing activities		3,375	1,884	7,420
Financing activities				
Dividends paid to equity holders of the parent company	17	(24,234)	—	—
Repayment of loans		(10,399)	(18,409)	(38,226)
Finance expense paid		(42,165)	(43,109)	(85,723)
Settlement of derivative financial instruments		—	—	(36)
Finance charges paid		—	(643)	(265)
Net cash flows from financing activities		(76,798)	(62,161)	(124,250)
Decrease in cash and short-term deposits		(28,067)	(11,771)	(17,672)
Cash and short-term deposits as at 1 January		128,250	145,922	145,922
Exchange translation movement		186	4	—
Cash and short-term deposits as at 30 June/31 December	11	100,369	134,155	128,250

1. General information

Treveria plc (the Company) is a company incorporated and domiciled in the Isle of Man whose shares are publicly traded on AIM.

The consolidated financial statements of Treveria plc comprise the Company and its subsidiaries (together referred to as the Group).

The principal activities of the Group are described in note 3.

The Company acts as the investment holding company of the Group.

2. Significant accounting policies

(a) Basis of preparation

These condensed consolidated interim financial statements are unaudited, have not been reviewed by the auditors, and do not constitute statutory accounts. The statutory accounts for 2009, which received an unqualified report from the auditors, are available on the Company's website, www.treveria.com.

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

These financial statements have been prepared on a going concern basis as it is the view of the Directors that this is the most appropriate basis of preparation to adopt having considered the issues identified below.

The Group's property portfolios are partly funded by debt facilities. Under the terms of the debt agreements each debt obligation is "ring-fenced" within a sub-group of companies. Treveria plc, the ultimate parent company, itself is not a party to any of the finance documents (in any capacity including as borrower, guarantor or security provider). The finance providers would therefore not have any recourse to the ultimate parent under the finance documents. Further details of the loans and post balance sheet events are provided in notes 13 and 19.

Due to the falling property values in recent periods, there is a significant risk that the Group will be unable to comply with loan-to-value ratio covenants set out in the Group's debt facilities in the foreseeable future.

The 30 June 2010 portfolio valuation indicates that the loan-to-value ratios on certain loans could, in the case of certain facilities and if tested by the finance providers as set out in the facilities agreements (see note 13), be above the permitted ratio levels. Should the real estate market deteriorate and valuations fall, then other loan-to-value ratios could rise above permitted ratio levels. On 11 September 2009, Eurohypo AG agreed to extend the existing waiver on the loan-to-value covenant up to 30 April 2011.

Since the balance sheet date the following events have occurred:

- ▶ on 6 July 2010, Deutsche Bank AG, acting as the Servicer of the first facility from Deutsche Bank AG and Citigroup Global Markets Limited – Silo C (see note 13), filed for insolvency of the silo's subsidiary companies incorporated in Germany. On 16 August 2010, the Court (Amtsgericht Düsseldorf) appointed an Insolvency Administrator (Insolvenzverwalter) due to these companies' insolvency. This may result in the investment properties and other assets, and the related debt and other liabilities being derecognised from the Group financial statements. This would result in either a gain or loss being recorded for the Group depending on the relative carrying amounts of the derecognised assets and liabilities. The bank debt relating to the companies concerned amounted to €328,669,000 of this specific facility's loan value of €552,688,000. Discussions are continuing with the various parties involved;
- ▶ on 8 July 2010, an agreement was reached with Deutsche Bank AG and Citigroup Global Markets Limited in relation to the second facility – Silo D (see note 13). Under this agreement the banks agreed to waive any loan-to-value and debt service cover ratio hard breaches until 28 February 2011. In addition, provided the loan-to-value ratio as at 31 December 2010 does not exceed the level as at 30 June 2010, these waivers will be extended until the loan maturity date of 20 July 2011; and
- ▶ on 31 August 2010, Eurohypo AG – Silo F/K (see note 13) has agreed to waive its right of acceleration of debt repayment under the cross-default provisions in its loan agreements until 30 April 2011.

The permitted loan-to-value ratios in the debt arrangements as at 30 June 2010 were between 76% and 85% with a weighted average of 83.5%. The "hard breach" loan-to-value ratio covenants were between 76% and 95% with a weighted average of 89.3%. Were the lenders to adopt the valuations carried out for the purpose of these financial statements as at 30 June 2010, the weighted average loan-to-value ratio in respect of all the property as security under those debt arrangements would have been 90.5% after adjusting for cash held in bank accounts that have been restricted by lenders (see note 11).

2. Significant accounting policies continued

(a) Basis of preparation continued

Where the potential loan-to-value ratio based on the 30 June 2010 valuation is above the covenant level, the amount that would be required to be repaid to cure a potential default has been reclassified as a current liability. Where that liability is in excess of the cash balance available, it has been necessary to reclassify the entire loan amount within current liabilities as there would be no unconditional right to defer settlement should a covenant be breached. The total amount reclassified as at 30 June 2010 was €1,072,456,000 (31 December 2009: €1,439,465,000). However, because of the "ring-fencing" of the debt facilities described above the Directors do not consider that the risk of breaching loan-to-value covenants will impact the ability of the Group to continue as a going concern.

Nevertheless, in the event that a breach of covenant occurs or a loan matures and no satisfactory waiver, refinancing or renegotiation of terms is obtained, in general a lender can enforce its security against the relevant sub-group (although in one instance, such action could trigger a cross-default acceleration of debt repayment in another sub-group – see above), with a consequent loss of the assets in return for the extinguishment of the debt within that sub-group only. As described above, on 6 July 2010, Deutsche Bank AG, acting as the Servicer of the first facility from Deutsche Bank AG and Citigroup Global Markets Limited, filed for insolvency of certain of the Group's German property companies. Whilst none of the above events would affect the ability of the Group to continue as a going concern, it could have a significant potential impact on the classification and valuation of the relevant property assets included in the Group balance sheet as at 30 June 2010 and hence on the reported loss of the Group for the period then ended. The impact on the net assets of the Group of the enforcement of security on individual sub-groups by lenders would depend on the respective carrying values of the assets and the debt in the sub-groups concerned. Notwithstanding the events described in note 19, it is uncertain whether any of the lenders will choose to enforce their security in future and, therefore, no adjustments have been made in the financial statements to reflect the possible impact of such action.

In assessing the implications of potential covenant breaches, the Directors have also considered:

- ▶ the various cure rights that are available in relation to any breach. The principal cure rights are a potential repayment of part of the loan or the use of cash trapped within each ring-fenced sub-group of companies providing the security to that bank facility to amortise the loan balance; and
- ▶ that the lenders to each sub-group have the ability to waive any breaches of covenant in relation to their sub-group where the lenders consider it to be in their best interests. The current economic environment has given rise to substantial asset valuation reductions across most global real estate markets and many have seen declines in value much more substantial than those experienced in the German retail markets in which the Group operates. The sub-groups are each made up of numerous companies holding various properties requiring active management. In addition, they each retain interest cover, i.e. the ratio of net rental income to interest payable. Interest cover (or, where relevant, debt service cover) as reported to the banks in the June 2010 quarter is between 111% and 158% against breach covenants ranging from 105% to 120%.

With the exception described above relating to the first facility from Deutsche Bank AG and Citigroup Global Markets Limited, nothing has come to the attention of the Directors to indicate that satisfactory arrangements will not be made with the lenders in respect of the loans which will fall due in the foreseeable future.

(b) Prior year restatement

Real Estate Transfer Tax

As notified to shareholders and the Stock Exchange in November 2009, a transaction in December 2008 relating to the purchase of certain Group non-controlling interests, gave rise to an obligation under German Real Estate Transfer Tax (RETT). In the financial statements for the year ended 31 December 2008, this obligation was not recognised. Under IAS 37, the obligation should have been provided for.

This gave rise to a prior year restatement in the year ended 31 December 2008.

The effect on the Group income statement for the year ended 31 December 2008 was to expense the provision for RETT thereby increasing the loss for that year by €40,200,000. The effect on the Group balance sheet as at 31 December 2008 was an increase in the current liabilities of €40,200,000, resulting in a decrease in net assets of €40,200,000 and this has been reflected in a restated balance sheet as at 30 June 2009.

The effect on the Group balance sheet as at 30 June 2009 and as at 31 December 2009 of the appropriate application of IAS 37 has been an increase in the current liabilities resulting in the full liability of €40,200,000 remaining as at 30 June 2009 and as at 31 December 2009. The restatement had no impact on the Group income statement for the period ended 30 June 2009 or the year ended 31 December 2009.

As this prior year restatement impacted the net asset values of the underlying subsidiaries, the carrying value of the amounts due from subsidiaries in the Company balance sheet (see note 20) has been reduced, and the Retained earnings and other distributable reserve has been adjusted, by €40,200,000 as at 30 June 2009 and as at 31 December 2009.

2. Basis of preparation and significant accounting policies continued

(c) Significant accounting policies

The condensed 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. The condensed financial statements are presented in euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

Except as described below, the accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended 31 December 2009.

Amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment which was issued and is not yet effective.

Accounting policies for new transactions

Share-based payment arrangements, in which the Group receives services as consideration for its own equity instruments, are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group. The grant date fair value of such awards is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the award.

3. Segmental reporting

The Group's portfolio consists predominantly of retail investment properties in Germany. The Chief Operating Decision Maker reviews information on a property by property basis, as each property is considered a reportable segment.

The Directors consider that all the properties have similar economic characteristics and, consequently, the Group has presented only one reportable segment.

4. Revenue and profit from disposal of investment properties

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Rental income from investment properties	69,797	71,884	145,073
Finance revenue (see note 6)	798	1,145	1,583
	70,595	73,029	146,656

Profit from disposal of investment properties

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Gross disposal proceeds	2,500	1,200	6,265
Book value of properties disposed	(1,690)	(1,020)	(4,900)
Other disposal costs	(73)	(11)	(132)
	737	169	1,233

5. Operating profit/(loss)

The following items have been charged or (credited) in arriving at operating profit/(loss):

Direct costs

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Service charge expenditure	15,199	15,302	34,071
Service charge income	(11,239)	(11,435)	(21,524)
Irrecoverable service charges	3,960	3,867	12,547
Property management fee	2,308	2,406	7,249
Ground rent/lease charges	2,504	2,557	5,267
Other property costs	4,156	3,085	7,094
	12,928	11,915	32,157

Administrative expenses

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Audit fee	212	153	439
Directors' fees	243	203	406
Directors' expenses	14	8	18
Net foreign exchange loss/(gain)	325	140	(22)
Bank fees	146	89	210
Staff costs	1,821	1,589	3,057
Legal and professional fees and other administrative costs	4,939	2,909	8,422
	7,700	5,091	12,530

6. Finance revenue and expense

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Bank interest receivable	798	1,145	1,583
Finance revenue	798	1,145	1,583
Bank loan interest payable	(41,357)	(41,901)	(84,652)
Amortisation of capitalised finance charges	(2,073)	(2,567)	(4,050)
Accelerated amortisation due to loan prepayments on disposal of investment properties	—	—	(15)
Other interest payable	(17)	(163)	—
Loss on termination of swap arrangements on disposal of investment properties	—	—	(41)
Finance expense	(43,447)	(44,631)	(88,758)
Net finance expense	(42,649)	(43,486)	(87,175)

7. Income tax

Consolidated income statement

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
Current income tax			
Current income tax charge	901	1,865	4,768
Tax charge relating to disposal of investment properties	117	—	196
	1,018	1,865	4,964
Deferred tax			
Relating to origination and reversal of temporary differences	(66)	(4,291)	(3,540)
Income tax charge/(credit) reported in the income statement	952	(2,426)	1,424

Deferred income tax liability

	(Unaudited) Six months ended 30 June 2010 €000	(Unaudited) Six months ended 30 June 2009 €000	(Audited) Year ended 31 December 2009 €000
As at 1 January	7,174	10,714	10,714
Released in respect of property sales	(66)	—	(13)
Revaluation of investment properties to fair value	—	(4,291)	(3,527)
Balance as at 30 June/31 December	7,108	6,423	7,174

The Group has tax losses of €120 million (31 December 2009: €118 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time.

The Group has an unprovided deferred tax liability of €13 million (31 December 2009: €13 million) in respect of the difference between the tax base and the carrying value of investment properties that arose upon the acquisition of subsidiaries. This liability is unprovided, as the Directors consider that, as the acquisitions are treated as asset purchases rather than business combinations, the initial recognition exemption in paragraph 24 of IAS 12 is available for this temporary difference. To the extent that any taxation is payable in respect of this temporary difference, it will be recognised as current tax in the period it becomes payable.

8. Earnings per share

The calculation of the basic, diluted and adjusted earnings per share is based on the following data:

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Earnings			
Earnings for the purpose of basic and diluted earnings per share			
Loss for the period attributable to the equity holders of the parent company	(597)	(172,620)	(165,675)
Revaluation deficits, profit from disposal of investment properties and related costs, and movements on the fair value of derivative financial instruments, net of related tax (attributable to equity holders)	6,282	182,035	174,140
Adjusted earnings	5,685	9,415	8,465
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	606,379,306	603,468,809	603,468,809
Weighted average effect of dilutive share options*	—	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	606,379,306	603,468,809	603,468,809
Basic earnings per share	(0.10)c	(28.60)c	(27.45)c
Diluted earnings per share	(0.10)c	(28.60)c	(27.45)c
Adjusted earnings per share	0.94c	1.56c	1.40c

* The share options in issue have not been included in the calculation of the dilutive earnings per share for the six months ended 30 June 2010 as they are antidilutive and would decrease the loss per share.

9. Net assets per share

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 Restated €000	(Audited) 31 December 2009 €000
Net assets			
Net assets for the purpose of assets per share			
Assets attributable to the equity holders of the parent company	149,397	166,984	173,925
Deferred tax arising on revaluation surpluses	7,108	6,423	7,174
Derivative financial instruments	30,448	30,819	27,386
Adjusted net assets attributable to equity holders of the parent company	186,953	204,226	208,485
Number of shares			
Number of ordinary shares for the purpose of net assets per share	607,068,809	603,468,809	603,468,809
Net assets per share	24.61c	27.67c	28.82c
Adjusted net assets per share	30.80c	33.84c	34.55c

10. Investment properties

A reconciliation of the valuation carried out by the external valuer to the carrying values shown in the balance sheet is as follows:

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Investment properties at market value	1,837,360	1,838,180	1,840,615
Onerous lease	(770)	(1,230)	(786)
Total investment properties at market value per valuers' report	1,836,590	1,836,950	1,839,829
Adjustment in respect of minimum payments under head leases separately included as a liability in the balance sheet	42,541	42,867	43,341
Adjustment in respect of rent free periods	(2,414)	(1,962)	(2,106)
Balance as at 30 June/31 December	1,876,717	1,877,855	1,881,064

The fair value of the Group's investment properties as at 30 June 2010 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited (DTZ), an independent external valuer.

All properties were valued individually on the basis of market value. DTZ's opinion of the market value of the properties was primarily derived using comparable recent market transactions on arm's length terms.

As a result of the level of judgement used arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property, may differ from the valuations shown in the balance sheet.

The movement on the valuation of the investment properties at market value per the valuers' report is as follows:

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Total investment properties at market value per valuers' report as at 1 January	1,839,829	2,016,590	2,016,590
Additions and subsequent expenditure	2,453	1,290	2,603
Disposals	(1,690)	(1,020)	(4,900)
Deficit on revaluation of investment properties	(4,002)	(179,910)	(174,464)
Total investment properties at market value per valuers' report as at 30 June/31 December	1,836,590	1,836,950	1,839,829

11. Cash and short-term deposits

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Cash at banks and in hand	100,369	134,155	128,250

As at 30 June 2010 €36,224,000 (31 December 2009: €34,457,000) is held in blocked accounts. This is where rents received, in the ordinary course of business, are deposited at banks pending the quarterly interest payment dates and, subject to the financial covenant tests, any net surplus is returned to the Group.

Within this balance at 30 June 2010 €27,676,000 (31 December 2009: €25,705,000) is cash that has become cash trapped within property companies. This is where certain quarterly financial covenant tests, set out in the Group's bank loan agreements, have not been met. This does not represent an event of default under these agreements. This cash remains under the control of the banks to be used for the payment of interest and amounts due under these loan agreements, and cannot be used for the Group's purposes until the financial covenant tests are satisfied.

12. Provision

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 Restated €000	(Audited) 31 December 2009 €000
German Real Estate Transfer Tax (see note 2(b))	40,200	40,200	40,200

13. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Current					
Deutsche Bank and Citigroup loan – first facility	4.58	20 January 2011	552,688	558,788	552,688
Deutsche Bank and Citigroup loan – second facility	4.79	20 July 2011	220,081	17,975	19,199
ABN Amro loan	4.76	15 July 2011	388,956	54,625	392,160
ABN Amro loan	Floating – capped	15 July 2011	43,217	6,069	43,573
Eurohypo loan	Floating – swapped	25 July 2012	391,507	391,506	391,507
Eurohypo loan	Floating – capped	25 July 2012	45,255	58,578	50,348
Capitalised finance charges on all loans			(5,775)	(7,486)	(6,518)
			1,635,929	1,080,055	1,442,957
Non-current					
Deutsche Bank and Citigroup loan – second facility	4.79	20 July 2011	—	205,599	202,628
ABN Amro loan	4.76	15 July 2011	—	339,888	—
ABN Amro loan	Floating – capped	15 July 2011	—	37,765	—
JPMorgan loan	Floating – swapped	19 November 2012	46,972	48,099	46,972
Capitalised finance charges on all loans			(597)	(2,835)	(1,927)
			46,375	628,516	247,673
Total			1,682,304	1,708,571	1,690,630

As required by IAS 1 €1,072,456,000 (31 December 2009: €1,439,465,000) of debt facilities have been reclassified as current liabilities though it is not anticipated that settlement of these liabilities is likely to occur within twelve months of the balance sheet date.

The Group has pledged investment properties to secure related interest-bearing debt facilities granted to the Group for the purchase of such investment properties.

13. Interest-bearing loans and borrowings continued

Deutsche Bank AG and Citigroup Global Markets Limited

Under the first facility (Silo C), during the period amounts of €nil (31 December 2009: €11,308,000) were repaid, resulting in a balance at the end of the period of €552,688,000 (31 December 2009: €552,688,000). The interest rate on this loan is fixed at 4.58% per annum payable quarterly in arrears. The loan is not amortising and is repayable on 20 January 2011. The facility has been in cash trap (note 11) since October 2008. The loan is secured over the assets and the undertakings of companies within the relevant sub-group. As set out in note 2(a), on 6 July 2010, Deutsche Bank AG, acting as the Servicer of the first facility from Deutsche Bank AG and Citigroup Global Markets Limited, filed for insolvency of the silo's subsidiary companies incorporated in Germany. On 16 August 2010, the Court (Amtsgericht Düsseldorf) appointed an Insolvency Administrator (Insolvenzverwalter) due to these companies' insolvency.

Under the second facility (Silo D), during the period amounts of €1,746,000 (31 December 2009: €3,493,000) were repaid arising from amortisations due under the loan agreement, resulting in a balance at the end of the period of €220,081,000 (31 December 2009: €221,827,000). The interest rate on this loan is fixed at 4.79% per annum payable quarterly in arrears. The loan amortises by 1.5% per annum with a final repayment due on 20 July 2011. The facility has been in cash trap (note 11) since July 2009. The loan is secured over the assets and the undertakings of companies within the relevant sub-group. As set out in note 2(a), on 8 July 2010, an agreement was reached with Deutsche Bank AG and Citigroup Global Markets Limited in relation to the second facility. Under this agreement the banks agreed to waive any loan-to-value and debt service cover ratio hard breaches until 28 February 2011. In addition, provided the loan-to-value ratio as at 31 December 2010 does not exceed the level as at 30 June 2010, these waivers will be extended until the loan maturity date of 20 July 2011.

ABN Amro N.V. (Silo E)

During the period amounts of €3,560,000 (31 December 2009: €2,889,000) were repaid arising from prepayments due under the loan agreement, resulting in a balance at the end of the period of €432,173,000 (31 December 2009: €435,733,000). Interest on 90% of the loan is fixed at a weighted average interest rate of 4.76% per annum, with interest on the remaining 10% floating at a rate based on EURIBOR, but capped at 5.35% per annum by means of an interest rate cap. Interest is payable quarterly in arrears. The loan amortises by increasing amounts up to 1% per annum with a final repayment due on 15 July 2011. The loan is secured over the assets and the undertakings of companies within the relevant sub-group.

Eurohypo AG (Silo F/K)

During the period amounts of €5,093,000 (31 December 2009: €19,409,000) were repaid arising from prepayments due under the loan agreement, resulting in a balance at the end of the period of €436,762,000 (31 December 2009: €441,855,000). Interest on approximately 89% of the loan is fixed at a weighted average interest rate of 5.75% per annum by means of interest rate swaps, with interest on the remaining approximately 11% floating at a rate based on EURIBOR, but capped at 6.25% per annum by means of an interest rate cap. Interest is payable quarterly in arrears. The loan amortises by increasing amounts up to 1.75% per annum with a final repayment due on 25 July 2012. The facility has been in cash trap (note 11) since October 2008. The loan is secured over the assets and the undertakings of companies within the relevant sub-group. As set out in note 2(a), on 11 September 2009, Eurohypo AG agreed to extend the existing waiver on the loan-to-value covenant up to 30 April 2011 and on 31 August 2010, they have agreed to waive its right of acceleration of debt repayment under the cross-default provisions in its loan agreements until 30 April 2011.

JPMorgan plc (Silo G)

During the period amounts of €nil (31 December 2009: €1,127,000) were repaid resulting in a balance at the end of the period of €46,972,000 (31 December 2009: €46,972,000). The interest rate on this loan is fixed at 5.46% per annum by means of an interest rate swap and is payable quarterly in arrears. The loan is not amortising and is repayable on 19 November 2012. The loan is secured over the assets and the undertakings of companies within the relevant sub-group.

14. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	(Unaudited) 30 June 2010		(Unaudited) 30 June 2009		(Audited) 31 December 2009	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets						
Cash	100,369	100,369	134,155	134,155	128,250	128,250
Trade and other receivables	16,897	16,897	19,814	19,814	20,551	20,551
Financial liabilities						
Trade and other payables	40,544	40,544	42,068	42,068	41,230	41,230
Interest-bearing loans and borrowings:						
– floating rate loans capped	88,472	88,472	102,412	102,412	93,921	93,921
– floating rate loans swapped into fixed rates	438,479	438,479	439,606	439,606	438,479	438,479
– fixed rate loans	1,161,725	1,188,573	1,176,875	1,222,804	1,166,675	1,203,784
Derivative financial instruments	30,448	30,448	30,819	30,819	27,386	27,386
Finance leases	42,541	42,541	42,867	42,867	43,341	43,341

The fair value of derivative financial instruments has been calculated by JC Rathbone Associates Limited, independent financial risk consultants, based on market prices, estimated future cash flows and forward rates, as appropriate.

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Movement in derivative financial instruments			
As at 1 January	(27,386)	(22,404)	(22,404)
Disposals	—	—	51
Change in fair value of derivative financial instruments	(3,062)	(8,415)	(5,033)
	(30,448)	(30,819)	(27,386)
Current liabilities	(27,074)	(27,661)	(24,413)
Non-current liabilities	(3,374)	(3,158)	(2,973)
	(30,448)	(30,819)	(27,386)

15. Issued capital

	Number of shares	Share capital €
Authorised		
Ordinary shares of €0.01 each		
As at 30 June 2009, 31 December 2009 and 30 June 2010	1,500,000,000	15,000,000
Issued and fully paid		
Ordinary shares of €0.01 each		
As at 1 January, 30 June and 31 December 2009	603,468,809	6,034,688
Issue of shares	3,600,000	36,000
As at 30 June 2010	607,068,809	6,070,688

16. Equity-settled share based payments

During the period ended 30 June 2010, the Company established the Treveria Employee Benefit Trust for the benefit of certain executives. During this period 3,600,000 ordinary shares have been issued and allotted to the Trust at par and shown in Equity in Own shares held. These shares are being transferred to these executives evenly over periods of 12 and 24 months respectively, at which time:

- ▶ the fair value of these awards, being the market price of the shares on the day of commitment, is credited to Retained earnings;
- ▶ own shares held is reduced by the par value of these shares; and
- ▶ the fair value of these awards is expensed in Administrative expenses in the Consolidated income statement.

An administrative expense of €117,000, as a result of the current period transactions, has been recognised in the Consolidated income statement.

17. Dividends

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 €000	(Audited) 31 December 2009 €000
Special dividend of 4.00c per share declared on 11 January 2010 and paid on 19 February 2010	24,234	—	—
	24,234	—	—

On 22 September 2010, the Board resolved that no interim dividend would be paid for the period ended 30 June 2010.

18. Capital commitments

As at 30 June 2010 and 31 December 2009 the Group had no significant capital commitments.

19. Events after the balance sheet date

- (a) On 6 July 2010, Deutsche Bank AG, acting as the Servicer of the first facility from Deutsche Bank AG and Citigroup Global Markets Limited – Silo C (see note 13), filed for insolvency of the silo's subsidiary companies incorporated in Germany. On 16 August 2010, the Court (Amtsgericht Düsseldorf) appointed an Insolvency Administrator (Insolvenzverwalter) due to these companies' insolvency. This may result in the investment properties and other assets, and the related debt and other liabilities being derecognised from the Group financial statements. This would result in either a gain or loss being recorded for the Group depending on the relative carrying amounts of the derecognised assets and liabilities. The bank debt relating to the companies concerned amounted to €328,669,000 of this specific facility's loan value of €552,688,000. Discussions are continuing with the various parties involved.

A pro-forma Consolidated balance sheet of the Group as at 30 June 2010, assuming all the assets and liabilities of Treveria C S.à r.l. are excluded, is set out in note 21.

- (b) On 8 July 2010, an agreement was reached with Deutsche Bank AG and Citigroup Global Markets Limited in relation to the second facility – Silo D (see note 13). Under this agreement the banks agreed to waive any loan-to-value and debt service cover ratio hard breaches until 28 February 2011. In addition, provided the loan-to-value ratio as at 31 December 2010 does not exceed the level as at 30 June 2010, these waivers will be extended until the loan maturity date of 20 July 2011.
- (c) On 31 August 2010, Eurohypo AG – Silo F/K (see note 13) has agreed to waive its right of acceleration of debt repayment under the cross-default provisions in its loan agreements until 30 April 2011.

20. Company balance sheet

	(Unaudited) 30 June 2010 €000	(Unaudited) 30 June 2009 Restated €000	(Audited) 31 December 2009 €000
Non-current assets			
Investment in subsidiaries	367	250	250
Amounts due from subsidiaries	96,529	81,268	91,661
Total non-current assets	96,896	81,518	91,911
Current assets			
Trade and other receivables	20	25	20
Prepayments	25	67	56
Cash and short-term deposits	53,100	85,739	82,658
Total current assets	53,145	85,831	82,734
Total assets	150,041	167,349	174,645
Current liabilities			
Trade and other payables	644	365	720
Total current liabilities	644	365	720
Total non-current liabilities	—	—	—
Total liabilities	644	365	720
Net assets	149,397	166,984	173,925
Equity			
Issued capital	6,071	6,035	6,035
Capital redemption reserve	1,088	1,088	1,088
Own shares held	(25)	—	—
Retained earnings and other distributable reserve	142,263	159,861	166,802
Total equity	149,397	166,984	173,925

21. Pro-forma Consolidated balance sheet and net assets value as at 30 June 2010 excluding Silo C

(a) The following pro-forma Consolidated balance sheet as at 30 June 2010 excludes all the assets and liabilities of Treveria C.S.à r.l. and its subsidiaries (Silo C).

	(Unaudited) 30 June 2010 €000
Non-current assets	
Investment properties	1,348,334
Other fixed assets	332
Total non-current assets	1,348,666
Current assets	
Trade and other receivables	9,807
Prepayments	5,183
Cash and short-term deposits	84,136
Total current assets	99,126
Total assets	1,447,792
Current liabilities	
Trade and other payables	23,057
Provision for German Real Estate Transfer Tax	40,200
Interest-bearing loans and borrowings	1,084,225
Finance lease obligations	3,233
Current tax liabilities	5,723
Derivative financial instruments	27,074
Total current liabilities	1,183,512
Non-current liabilities	
Interest-bearing loans and borrowings	46,375
Finance lease obligations	29,471
Deferred tax liabilities	7,027
Derivative financial instruments	3,374
Total non-current liabilities	86,247
Total liabilities	1,269,759
Net assets	178,033
Equity	
Issued capital	6,071
Capital redemption reserve	1,088
Own shares held	(25)
Retained earnings and other distributable reserve	170,899
Total equity	178,033
(b) Net assets per share	
	(Unaudited) 30 June 2010 €000
Net assets	
Net assets for the purpose of assets per share	
Assets attributable to the equity holders of the parent company	178,033
Deferred tax arising on revaluation surpluses	7,027
Derivative financial instruments	30,448
Adjusted net assets attributable to equity holders of the parent company	215,508
Number of shares	
Number of ordinary shares for the purpose of net assets per share	607,068,809
Net assets per share	29.33c
Adjusted net assets per share	35.50c

Directors

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Non Executive Chairman

Christopher H Lovell
Non Executive Director

David J Parnell
Non Executive Director

Rolf Elgeti
Non Executive Director

Jeffrey A Strong
Non Executive Director

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