

# TREVERIA

THE GERMAN RETAIL PROPERTY COMPANY

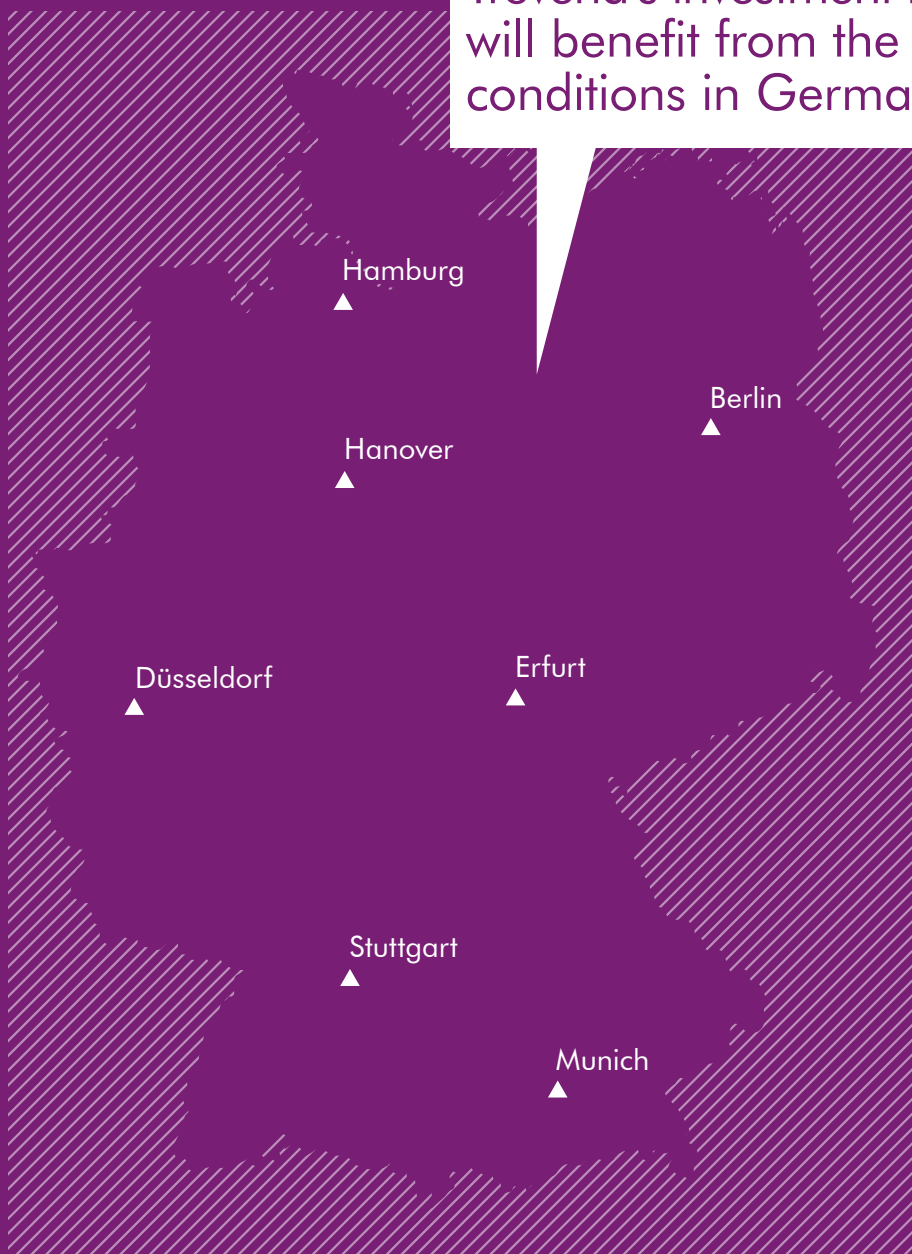


**TREVERIA PLC**  
ANNUAL REPORT AND ACCOUNTS 2010

## About us

**Treveria plc's objective is to generate shareholder value by actively managing its German retail properties. This will be achieved by investing in, refurbishing and the letting of its property assets.**

Treveria's investment in **373 retail assets** will benefit from the improved market conditions in Germany.



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## Highlights

### Financial highlights

- ▶ **Reported profit before tax of €143.0 million** (2009: loss €165.1 million)
- ▶ **Basic and adjusted\* EPS were 21.6c and 0.8c respectively** (2009: loss of 27.5c and profit of 1.4c)
- ▶ **Adjusted\*\* net asset value per share increased 56% to 54.0c** (2009: 34.6c)
- ▶ **Cash balances of €49.2 million** (2009: €82.7 million) held by the parent company
- ▶ **Special dividend of €24.2 million** or 4c per share paid in February 2010
- ▶ **Gross rental income was €124.3 million** (2009: €145.1 million), while **net rental income was €94.4 million** (2009: €112.9 million) (both affected by the deconsolidation of Silo C in August 2010)
- ▶ **Total value of portfolio €1.4 billion** (2009: €1.3 billion on a like-for-like basis)

### Operational highlights and post period events

- ▶ **299 new leases secured during 2010** (excluding Silo C) generating an annual rent of €14.5 million, of which 156 leases with €8.5 million were contracted in the second half
- ▶ **Up to a further €20 million has been allocated** to additional asset re-developments and refurbishments in 2011
- ▶ **In February 2011 it was announced that a share buy-back programme** would be activated which has resulted in the purchase of 2,060,000 shares at an average price of 15.01c per share

\* Adjusted EPS excludes profit from disposal of investment properties, revaluation surplus/deficit, German RETT, change in fair value of derivative financial instruments and gain on derecognition of subsidiaries, net of related tax.

\*\* Adjusted NAV per share excludes the fair value of derivative financial instruments and deferred tax on revaluation surpluses.

Our latest figures and shareholder information can be viewed online at [www.treveria.com](http://www.treveria.com)



## Chairman's statement



**“The Group’s successful restructuring in 2010 has laid the ground to benefit from the increasingly positive German real estate markets.”**

**Rolf Elgeti** Non Executive Chairman

During 2010 the Group successfully restructured its operations. All asset management activities are now centralised in Germany with a head office in Frankfurt and three satellite offices in Hamburg, Munich and Düsseldorf. The number of staff was increased so as to improve the quality and speed of lettings and to enable the Group to more professionally handle additional functions such as sales and major refurbishment programmes. With these changes we have laid the ground to benefit from the increasingly positive German real estate markets.

In the Half year report the Chairman at the time explained the background to the banks taking control of Silo C in August 2010. As a result of their actions, with effect from 16 August 2010, this silo no longer forms part of the Group and consequently the assets and liabilities of that silo are excluded from the 2010 Statement of financial position.

In the Half year report we updated shareholders on the German RETT position and, as indicated, have removed the liability from the 2010 Statement of financial position, save for a provision of €1 million. This remaining provision is there to cover the amount that we believe will be payable should the German RETT authorities grant the relief for which we applied in January 2011.

The result of all the above activities is to increase our adjusted net asset value per share from 34.6c to 54.0c.

It is the Board's view that the price at which shares were being traded on the stock exchange was significantly below the NAV and their true worth. Whilst this may be the case in general for property investment companies it was felt there was an opportunity for the Company to buy shares in the market at a heavily discounted price which would further enhance NAV per share for the benefit of shareholders. As a consequence, it was announced in February 2011 that a share buy-back programme would be activated. Since the start of this programme the Company has purchased 2,060,000 shares at an average price of 15.01c per share.

The Board wishes to continue with the improvements in the transparency of its reporting. For the first time we have therefore produced segmental financial information on a silo-by-silo basis, both for the Statement of comprehensive income and the Statement of financial position. This provides additional information to shareholders to help them better understand the Group's results.

### Results

At 31 December 2010 the parent company held cash balances of €49.2 million (2009: €82.7 million). During the year the Company paid a special dividend of €24.2 million and invested €8.2 million in supporting the debt silos mainly to fund capital expenditure improvement and major repair programmes. Since the year end a further €1.5 million has been injected into Silo D pursuant to the waiver obtained in July 2010.

The results for Silo C are only included in the Statement of comprehensive income until 16 August 2010, the date from when Treveria no longer had control of that silo. Gross rental income for the year was €124.3 million (2009: €145.1 million). Net rental income for the year was €94.4 million (2009: €112.9 million). Irrecoverable service charge expenditure represented 7.4% of gross rents compared with 8.6% in 2009.

Silo C had a recorded negative net asset value at the time the banks took control. By derecognising this silo and removing the net liabilities from our financial statements, we generated a credit of €23.1 million to the Statement of comprehensive income.

The profit before tax for the year was €143.0 million (2009: loss €165.1 million). This includes the write back of €37.4 million for the German RETT provision which is no longer required and the credit of €23.1 million arising from the derecognition of the subsidiaries in Silo C. The adjusted profit before tax, which excludes the profit from disposal of investment properties, revaluation surplus/deficit, RETT, change in the fair value of derivative financial instruments and gain on derecognition of subsidiaries was €5.6 million (2009: €13.3 million).

Basic and adjusted EPS were 21.6c and 0.8c respectively (2009: loss 27.5c and profit 1.4c). Adjusted EPS excludes the profit from disposal of investment properties, revaluation surplus/deficit, RETT, change in the fair value of derivative financial instruments and gain on derecognition of subsidiaries, all net of related tax.

€11.0 million of property sales was completed during 2010 (2009: €6.3 million) giving rise to a profit before tax of €1.5 million (2009: €1.2 million) after allowing for sales costs.

The matter of the German RETT was explained in detail in the statement attached to the Half year report and the advice from our lawyers is that the RETT liability is not enforceable against the Group. The provision is therefore no longer required and, after deducting the expenses in relation to dealing with the matter, €37.4 million has been credited to the Statement of comprehensive income.

### Markets

The German economy has been recovering remarkably swiftly from the global recession. Initial signs were evident at the end of 2009 and the recovery continued through 2010. The German Government's temporary policies targeting job retention caused unemployment to rise only moderately. Since its peak in 2009 at 7.7%, the unemployment rate has reduced to 6.7% at the end of 2010. The strong labour market afforded private consumers better confidence in their own job security and future financial position. As a result the consumer price index in Germany showed the sharpest growth of all European countries and was followed by nominal retail sales growth of 2.0% to €407 billion in 2010.

This recovery in retail sales growth had the expected positive effect on the retail real estate market in Germany. With an

investment volume of €9 billion, being 50% of the total commercial real estate investments, the retail segment exceeded office investments and showed an increase against 2009 of some 80%. The takeover of Karstadt (the department store group) by Nicolas Berggruen, in September, resolved a major uncertainty for the German retail market. Importantly for us, it removed what would have been a large number of vacant department stores in the retail real estate market. Yields for top class shopping centres in A-locations hardened slightly to around 5.0%–5.25%; yields for similar properties in B-locations were in the region of 5.8%. Yields for retail warehousing reduced by some 15 basis points to 6.25%.

### Portfolio performance

In 2010 the Group (excluding Silo C) secured 299 new leases, generating an annual rent of €14.5 million of which 156 leases with annual rents of €8.5 million were contracted in the second half.

The portfolio now comprises properties with a total lettable area of 1.1 million square metres. At the end of 2010 we had vacant space of less than 15% of available area compared with 13% in 2009. However, around one-half of this space, including the ex C&A stores which became vacant during the year, is in properties currently in our redevelopment programmes which we expect to be let within the next 18 months and provide a positive impact on rental income.

### Revaluation and net asset value

As at 31 December 2010 the Group's property portfolio was valued by DTZ Debenham Tie Leung Limited at €1.39 billion. This represents a net surplus of €73.5 million, on a like-for-like basis, compared with the 31 December 2009 valuation.

The adjusted net asset value per share of the Group was 54.0c compared with 34.6c as at 31 December 2009.

### Property acquisitions and disposals

The sale of seven properties with a gross consideration of €14.3 million was notarised in 2010. These sales generate free cash of €3.0 million. Of these notarised sales, five properties were completed in 2010 together with the sale of another property which was notarised in 2009. The two notarised but not completed sales are shown as investment property held for sale in the Statement of financial position.

The Group did not acquire, or enter into any new contracts to acquire, property in 2010.

### Finance and banking

2010 has been a mixed year regarding our loan portfolio. On the one hand we negotiated important waivers (Silos D and F/K) but, on the other hand, Deutsche Bank chose to file for insolvency for certain subsidiaries in Silo C. In December 2010 the Group engaged N M Rothschild & Sons Limited (Rothschild) to advise and support the 2011 loan extension negotiations.



## Chairman's statement continued

### Finance and banking continued Silo C (Deutsche Bank/Citigroup; loan €552.7 million, securitised)

As described in the Half year report, on 16 August 2010 insolvency proceedings in relation to the German subsidiaries were initiated by the banks. Within the silo there is cross-collateralisation between all the property companies and the silo parent company, Treveria C S.à r.l. This was waived by Deutsche Bank. Following these proceedings the Group lost control over all assets in Silo C. Consequently, in December 2010, Treveria Asset Management GmbH terminated the contract to provide corporate services to all of the property owning subsidiaries of that silo with effect from the end of 2010.

As a result of the recorded negative NAV position in Silo C at the time the banks took control, the derecognition of the silo increased the Group's net assets by €23.1 million, equivalent to 3.8c per share.

### Silo D (Deutsche Bank/Citigroup; loan €218.3 million; securitised)

This silo had been cash trapped since July 2009 following successive breaches of the debt-service-cover-ratio (DSCR) covenant. As explained in the 2010 Half year report, by our injecting €2 million into the silo, Deutsche Bank and Citigroup agreed to waive the covenant breaches until 28 February 2011. Additionally, it was agreed that in March 2011 this waiver will be extended until loan maturity (20 July 2011), so long as the LTV as at 31 December 2010 had not exceeded the LTV as at 30 June 2010 and provided that Treveria had injected €1.5 million into the silo. Both those conditions have been met and the waiver has been extended.

The Group, together with its debt adviser Rothschild, is currently engaged in discussions with Deutsche Bank and Citigroup regarding a loan extension until April 2015. We expect these discussions to conclude by the end of May 2011.

### Silo E (ABN Amro; loan €428.0 million; securitised)

This silo is not cash trapped. We are currently in negotiations with Hatfield Philips, the bank's appointed servicer for this loan, concerning a loan extension until October 2014. We expect these discussions to lead to an agreement, by the end of May 2011.

### Silo F/K (Eurohypo; loan €433.3 million; sole lender)

This silo has been cash trapped since October 2008. Eurohypo granted a waiver of the LTV covenant 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 (i.e. demand repayment) in the event there is an acceleration of another loan in a separate silo. The bank waived this cross-silo default right in September 2010 until April 2011. The final maturity date of the loan is 25 July 2012.

The Group is currently considering various options as to how best to proceed with the refinancing of this loan with a view to reaching a loan extension agreement prior to 2012. Negotiations are currently progressing well and no firm decisions have yet been made.

### Silo G (JPMorgan; loan €43.7 million; syndicated loan)

This silo is not cash trapped and the loan is performing in accordance with the loan agreement with the lender. This loan matures on 19 November 2012.

### 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 €13.2 million at 31 December 2010.

### Operations

As planned, all asset management functions were centralised under Treveria Asset Management GmbH in Germany in 2010. The streamlining of internal processes was accompanied by the replacement of certain external service providers. We have changed the Company's auditors, the corporate service providers in Luxembourg and the Isle of Man and those used to provide tax advice and compliance work for the property owning companies.

The total number of staff at the end of 2010 was 45 compared to 33 at the end of 2009. Numbers in key asset management areas such as lettings, refurbishments and sales were increased whereas back office staff was slightly reduced.

All these changes were introduced in order to improve the quality of our asset management services, reduce administration costs and ultimately increase shareholder value. It is expected that the full effect will be seen from 2011 onwards. In 2010 the one-off cost of implementing these measures was €0.7 million.



## Our strategy

The main objectives of the Group for 2011 continue to be:

**Improve the performance of asset management to increase the value of the portfolios**

**De-leverage through improvements to properties and by a targeted sales programme**

**Ongoing stabilisation and restructuring of debt facilities**

### Board and management

Michael Neubürger, a former director of the Company, took on the role of Chief Executive Officer of Treveria Asset Management at the beginning of 2010. After he left us at the end of December 2010 Bernhard Fuhrmann, the CFO, took over the role as interim CEO while Thomas Lämmerhirt replaced him as CFO. I look forward to working together with the management team to achieve the objectives we have set ourselves.

In January 2011, Eitan Milgram, executive vice president of Weiss Asset Management, was appointed as a Non Executive Director.

Although I was only appointed Chairman at the beginning of the current year I would like to thank the Board for their considerable help and guidance and pay tribute to Yossi Raucher who, during 2010, led the Group through this programme of extensive change.

### Outlook and strategy

In 2011 we expect to start seeing the benefits of the positive market developments and our improved internal structure being reflected in the Company's performance. We expect German retail sales to rise 1.8% to around €413 billion and we expect retail real estate transaction volumes to grow at around 30%, with average yields going down by 25 basis points. According to various surveys (e.g. CB Richard Ellis: European Investor Intentions in 2011) Germany is the most attractive country

for making investment purchases in 2011. Retail real estate was ranked as the highest category for such investments. The Treveria property portfolio comprising high street, retail warehouses and shopping centres, of which more than 75% are located in the western part of Germany, fits perfectly into this anticipated investment demand.

2010 was the year for Treveria's internal restructuring. 2011 will be the year for refurbishment, new lettings, sales and de-leveraging. However, the overriding objective for management is to de-leverage the portfolio and the strategic goal is to reduce the loan-to-value-ratio to around 65% by 2014.

One of the most important tasks facing the Group is to invest its cash resources wisely on those properties where it believes the best value can be created, particularly through the reduction of vacancies. In 2011 we expect to spend between €15 million and €20 million in such re-developments and refurbishments. In order to accelerate this programme, we contemplate bringing in joint venture partners to mitigate risk whilst still allowing the Company to benefit from any value created. Required capital expenditures will be funded through a mixture of currently trapped cash (Silo D and Silo F/K) and disposal proceeds. It is our aim that the new lettings of the refurbished properties will reduce the vacancy rate (in terms of area) from 14.7% to 11.0% by the end of 2011.

An important factor for the success of the Group is to arrange satisfactory loan extensions in Silos D and E and a waiver extension/loan extension in Silo F/K. Rothschild is supporting us in our negotiations in Silos D and E and constructive meetings have already been held.

The measures described in this statement are all designed to enable Treveria to maximise value for shareholders.



**Rolf Elgeti**  
Non Executive Chairman  
11 April 2011

## Board of Directors

Brief biographical details of the Directors are as follows:

### **Rolf Elgeti**

#### **Non Executive Chairman (aged 34)**

Rolf Elgeti is currently Chief Executive Officer of TAG Immobilien AG and Bau-Verein zu Hamburg AG. Before joining TAG as Chief Executive Officer in July 2009 he was already a member of the Supervisory Board of TAG Immobilien AG, a German listed real estate group with over €950 million real estate assets. Since 2007 he has worked as an independent real estate fund manager and co-founded Elgeti Ashdown Advisers Limited, a London-based property fund manager specialising in German property. Prior to Elgeti Ashdown, Mr Elgeti was founding and administering many German real estate investment firms. Before that he gained experience as a European macro analyst and equity strategist focusing on Germany, at UBS, Commerzbank Securities and ABN Amro. Mr Elgeti graduated with an MBA from the University of Mannheim, Germany and received an MBA from ESSEC, Paris in 1999.

### **Christopher H Lovell**

#### **Non Executive Director (aged 58)**

Christopher Lovell is a partner in Governance Partners LP, an independent corporate governance practice based in Jersey. Mr Lovell qualified as a Solicitor of the Supreme Court of England and Wales in 1979. He was a partner in the law firm of Theodore Goddard until 1993 when he set up his own legal practice. In 2000 he was one of the founding principals of Channel House Trustees Limited, a Jersey regulated trust company, which was acquired by Capita Group plc in 2005, when he became a Director of Capita's Jersey regulated trust company. He currently sits on the Board of other property funds including Aseana Properties Limited, NR Nordic & Russia Properties Limited, EMAC Illyrium Land Fund Limited and EMAC Illyrium Land Fund II Limited.

### **Eitan Milgram**

#### **Non Executive Director (aged 31)**

Eitan Milgram is a Portfolio Manager and Executive Vice President at Weiss Asset Management LP, where he has worked for the last ten years. He graduated summa cum laude from Boston University where he won the Prize for Excellence in Economics. Eitan has served on the board of directors of thirteen publicly listed companies, advising a number of businesses on corporate restructurings.

### **David J Parnell**

#### **Non Executive Director (aged 41)**

David Parnell is a Fellow of the Chartered Institute of Management Accountants and a Member of the Securities Institute. He has over fifteen years' experience in fund management, corporate finance, private equity and public markets commencing when he joined Baring Brothers in 1994. Since 2006 he has worked as an independent consultant specialising in real estate funds and alternative investments. Mr Parnell works and resides in the Isle of Man.

### **Jeffrey A Strong**

#### **Non Executive Director (aged 33)**

Jeffrey Strong is a senior investment professional at QVT Financial LP, focusing primarily on global special situations. Previously, from 2001 until 2005, he was an analyst at Shenkman Capital Management, focusing on high yield bond investments. Mr Strong has an MBA from the College of William & Mary, a Bachelor's degree from the University of Missouri and is a CFA charterholder member. Mr Strong currently serves as a Director of Texas Petrochemicals Incorporated and is a member of the Nomination Committee for Fornebu Ultvikling.

## Shareholder information and corporate details

**Directors****Rolf Elgeti**

Non Executive Chairman

**Christopher H Lovell**

Non Executive Director

**Eitan Milgram**

Non Executive Director

**David J Parnell**

Non Executive Director

**Jeffrey A Strong**

Non Executive Director

**Registered office**

IOMA House  
Hope Street  
Douglas  
Isle of Man IM1 1AP

**Registered number**

Registered in the Isle of Man no. 114610C

**Company Secretary**

David J Parnell

**Asset managers****Treveria Asset Management Limited**

54 Clarendon Road  
Watford WD17 1DU

**Treveria Asset Management GmbH**

Ulmenstrasse 23-25  
Frankfurt am Main D-60325  
Germany

**Nominated adviser and broker****Singer Capital Markets Limited**

1 Hanover Street  
London W1S 1YZ

**Administrator****IOMA Fund and Investment Management Limited**

IOMA House  
Hope Street  
Douglas  
Isle of Man IM1 1AP

**Property valuer****DTZ Debenham Tie Leung Limited**

European Valuations  
48 Warwick Street  
London W1B 5NL

**Solicitors****Norton Rose LLP**

3 More London Riverside  
London SE1 2AQ

**Auditors****KPMG Audit LLC**

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

**Registrar and Crest service provider****Computershare Investor Services (Jersey) Limited**

Queensway House  
Hilgrove Street  
St Helier  
Jersey JE1 1ES

## Directors' report

The Directors submit their report with the audited financial statements for the year ended 31 December 2010. A review of the Group's business and results for the year is contained in the Chairman's statement, which should be read in conjunction with this report.

### Business of the Group

Treveria plc is the Group holding company. The principal activity of its operating subsidiaries is the business of investing in and managing German commercial real estate, with a primary focus on retail assets.

### Results for the year and dividends

The results are set out in the Statements of comprehensive income on page 14.

The total comprehensive income/(loss) attributable to the equity holders of the parent company for the year was €131,342,000 (2009: loss €165,675,000). On 19 February 2010 the Company paid a special dividend of 4.0c per share totalling €24,234,000 (2009: €nil) resulting in €107,108,000 (2009: loss €165,675,000) being retained/(charged) and transferred to reserves.

The Board decided that there would be no interim dividend (2009: €nil) and the Directors now recommend no payment of a final dividend (2009: €nil) for the year ended 31 December 2010.

### Valuation and net assets

#### (i) Valuation

DTZ Debenham Tie Leung Limited valued the Group's investment properties at €1,386,382,000 from which is to be deducted investment property held for disposal of €5,780,000, a net total of €1,380,602,000 as at 31 December 2010 (2009: €1,839,829,000) net of lease liabilities and lease incentives (see note 12).

#### (ii) Net assets

The investment property valuation has been incorporated into the financial statements for the year ended 31 December 2010 and the net assets of the Group at that date amounted to €284,208,000 (2009: €176,686,000).

### Directors

The Directors who held office during the year were:

Rolf Elgeti who was appointed Non Executive Chairman on 1 January 2011.

Christopher H Lovell.

Michael Neubürger who resigned on 11 January 2010.

David J Parnell.

Josef (Yossi) Raucher who was appointed Non Executive Chairman on 18 January 2010, resigned as Non Executive Chairman on 1 January 2011 and then remained as Non Executive Director until 20 January 2011 when he resigned from the Company.

Jeffrey A Strong who was appointed Non Executive Director on 18 January 2010.

Eitan Milgram was appointed Non Executive Director on 20 January 2011.

Particulars of the interests of each Director who held office during the year in the shares of the Company and of their holdings of options over ordinary shares are shown in the Remuneration report.

### Substantial shareholders

At 15 March 2011, the following shareholders had substantial interests in the issued share capital of the Company:

Shareholder	Number of ordinary shares in which interested	% of issued share capital of the Company
Montpelier Investment Management LLP	129,209,736	21.31
Brookdale International Partners LP	118,464,824	19.54
QVT Financial LP	61,705,605	10.18
Brookdale Global Opportunity Fund	57,021,352	9.41
LCF Edmond De Rothschild	48,956,200	8.06
Alpine Woods Capital Investors LLC	26,017,763	4.29
Taube Hodson Stonex Partners LLP	25,321,141	4.18

Brookdale International Partners LP and Brookdale Global Opportunity Fund are independent funds managed by Weiss Asset Management LP.

### Treasury operations and financial instruments

The Group's policy in relation to financial risk management and use of financial instruments is set out in note 21 to the financial statements.

### Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to reappoint KPMG Audit LLC as auditors to the Company will be proposed at the Annual General Meeting. In accordance with section 12(2) of the Companies Act 1982, KPMG Audit LLC have indicated their willingness to continue in office.

### Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting.

By order of the Board



**David Parnell**  
Company Secretary  
11 April 2011

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether they have been prepared in accordance with International Financial Reporting Standards; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

## Remuneration report

The Directors who served during the year were:

Josef (Yossi) Raucher (appointed Non Executive Chairman on 18 January 2010, resigned as Non Executive Chairman on 1 January 2011 and remained as a Non Executive Director until 20 January 2011 when he resigned from the Company).

Christopher H Lovell.

David J Parnell.

Rolf Elgeti (acted as a Non Executive Director throughout the year and was appointed Non Executive Chairman on 1 January 2011).

Jeffrey A Strong (appointed Non Executive Director on 18 January 2010).

Michael Neubürger (resigned on 11 January 2010).

The Company has entered into a letter of appointment with each of the above Directors, or Foyle Associates in the case of the services of Ian Henderson. Each letter provides for the Director to act as a Non Executive Director of the Company. Each appointment is terminable by six months' notice in writing by either party. Each Director has given a confidentiality undertaking that is without limit in time.

Christopher Lovell, who was appointed Interim Chairman on 21 December 2009 until 18 January 2010, is entitled to an annual fee of €50,000 from 1 October 2009. He received a fee of €30,000 per annum in the period from 1 January 2009 to 30 September 2009.

Rolf Elgeti is entitled to an annual fee of €50,000 from the date of his appointment on 6 February 2009.

David Parnell is entitled to an annual fee of €50,000 from 1 October 2009 and received a fee of £40,000 per annum in the period from 1 January 2009 to 30 September 2009.

Yossi Raucher was entitled to an annual fee of €130,000.

Jeffrey Strong is entitled to an annual fee of €50,000.

Michael Neubürger was entitled to an annual fee of €50,000 from the date of his appointment on 6 February 2009 until his resignation on 11 January 2010.

Nicholas Cournoyer was entitled to an annual fee of €135,000 from 1 April 2009, when he was appointed Chairman, until his resignation on 21 December 2009. He received a fee of €50,000 per annum in the period from his appointment as a Director on 6 February 2009 until 31 March 2009.

Foyle Associates, in respect of the services of Ian Henderson, was entitled to an annual fee of €150,000 until his resignation on 1 April 2009, and also received a fee of €75,000 as a termination payment.

Manfred Maus was entitled to an annual fee of €60,000 until his resignation on 6 February 2009.

During the year, the Directors received the following emoluments in the form of fees:

	Year ended 31 December 2010 €	Year ended 31 December 2009 €
Christopher Lovell	50,000	35,000
Rolf Elgeti	50,000	44,744
David Parnell*	57,500	54,768
Yossi Raucher	130,000	—
Jeffrey Strong	50,000	—
Michael Neubürger	1,507	44,744
Nicholas Cournoyer	—	108,493
Ian Henderson	—	112,500
Manfred Maus	—	6,200
<b>Total</b>	<b>339,007</b>	<b>406,449</b>

\* The amount paid in fees is inclusive of VAT for all remuneration for David Parnell.

## Remuneration report continued

### Directors' interests

Josef (Yossi) Raucher, who resigned as a Director on 20 January 2011, is an investment professional at Weiss Asset Management LP which manages, independently, Brookdale International Partners LP and Brookdale Global Opportunity Fund, both of which hold an interest in the shares in the Company as shown in the Directors' report.

Eitan Milgram who was appointed a Director on 20 January 2011, is a Portfolio Manager and Executive Vice President at Weiss Asset Management LP which manages, independently, Brookdale International Partners LP and Brookdale Global Opportunity Fund, both of which hold an interest in the shares in the Company as shown in the Directors' report.

Jeffrey Strong is a senior investment professional at QVT Financial LP which holds an interest in the shares in the Company as shown in the Directors' report.

Nicholas Cournoyer was appointed a Director on 6 February 2009 and resigned on 21 December 2009. Throughout this period he was Managing Director of Montpelier Investment Management LLP which holds an interest in the shares in the Company as shown in the Directors' report.

None of the other Directors listed above had an interest in the share capital of the Company in the year ended 31 December 2010 (2009: €nil).

### Number of ordinary shares under option

Options were granted in 2005, expiring in 2015, over a total of 862,500 ordinary shares with an option price per ordinary share equal to €1.00 to the following persons:

- ▶ Foyle Associates (in respect of the services provided to the Company by Ian Henderson who resigned on 1 April 2009): an option over 450,000 ordinary shares;
- ▶ David Hunter (a former Manager of Treveria Properties S.à r.l. and a former Chairman of Treveria Asset Management Limited): an option over 300,000 ordinary shares; and
- ▶ Nicholas Moore (a former consultant to the Company): an option over 112,500 ordinary shares.

## Independent auditors' report to the members of Treveria plc

We have audited the financials of Treveria plc for the year ended 31 December 2010 which comprise the Consolidated and the Company statements of comprehensive income, the Consolidated and the Company statements of financial position, the Consolidated and the Company statements of cash flows and the Consolidated and the Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 10, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

### Opinion on the financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2010 and of the Group's and the Company's profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRS; and
- ▶ have been properly prepared in accordance with the provisions of Companies Acts 1931 to 2004.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- ▶ proper books of account have not been kept by the Company and proper returns adequate for our audit have not been received from branches not visited by us;
- ▶ the Company's Statement of comprehensive income and Statement of financial position are not in agreement with the books of account and returns;
- ▶ certain disclosures of Directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

### Emphasis of matter – negotiations with lenders

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the possible outcome of on-going negotiations with the lenders to the Group. The outcome of such negotiations is uncertain, leading to the risk that one or more lenders could enforce their security against the Group. Whilst this would not 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 Statement of financial position at 31 December 2010 and hence on the reported profit of the Group for the year then ended. However, the ultimate outcome of this matter cannot be presently determined and therefore no adjustment has been made in the financial statements to reflect this matter.

*KPMG Audit LLC*

### KPMG Audit LLC

Chartered Accountants  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN  
11 April 2011

## Statements of comprehensive income

### for the year ended 31 December 2010

	Notes	Group		Company	
		Year ended 31 December 2010 €000	Year ended 31 December 2009 €000	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Gross rental income	5	<b>124,324</b>	145,073	—	—
Direct costs	6	<b>(29,883)</b>	(32,157)	<b>(303)</b>	(431)
<b>Net rental income</b>		<b>94,441</b>	112,916	<b>(303)</b>	(431)
Profit from disposal of investment properties	5	<b>1,486</b>	1,233	—	—
Surplus/(deficit) on revaluation of investment properties	12	<b>73,529</b>	(174,464)	—	—
RETT provision no longer required (net of related expenses)	18	<b>37,417</b>	—	—	—
Write back/(down) of amounts due from subsidiaries	28	—	—	<b>136,033</b>	(164,967)
Administrative expenses	6	<b>(12,414)</b>	(12,530)	<b>(2,080)</b>	(1,499)
<b>Operating profit/(loss)</b>		<b>194,459</b>	(72,845)	<b>133,650</b>	(166,897)
Finance revenue	8	<b>986</b>	1,583	<b>578</b>	1,222
Finance expense	8	<b>(77,531)</b>	(88,758)	—	—
Change in fair value of derivative financial instruments	22	<b>1,945</b>	(5,033)	—	—
Gain on derecognition of subsidiaries	2(a)	<b>23,140</b>	—	—	—
<b>Profit/(loss) before tax</b>		<b>142,999</b>	(165,053)	<b>134,228</b>	(165,675)
Income tax charge	9	<b>(11,601)</b>	(1,424)	—	—
<b>Profit/(loss) for the year</b>		<b>131,398</b>	(166,477)	<b>134,228</b>	(165,675)
<b>Profit/(loss) attributable to:</b>					
Equity holders of the parent company		<b>131,273</b>	(165,675)	<b>134,228</b>	(165,675)
Non-controlling interests		<b>125</b>	(802)	—	—
<b>Profit/(loss) for the year</b>		<b>131,398</b>	(166,477)	<b>134,228</b>	(165,675)
<b>Other comprehensive income</b>					
Foreign exchange translation differences		<b>69</b>	—	—	—
<b>Other comprehensive profit for the year</b>		<b>69</b>	—	—	—
<b>Total comprehensive income/(loss) for the year</b>		<b>131,467</b>	(166,477)	<b>134,228</b>	(165,675)
<b>Total comprehensive income/(loss) attributable to:</b>					
Equity holders of the parent company		<b>131,342</b>	(165,675)	<b>134,228</b>	(165,675)
Non-controlling interests		<b>125</b>	(802)	—	—
<b>Total comprehensive income/(loss) for the year</b>		<b>131,467</b>	(166,477)	<b>134,228</b>	(165,675)
<b>Earnings/(loss) per share</b>					
Basic earnings/(loss) for the year attributable to ordinary equity holders of the parent company	10	<b>21.64c</b>	(27.45)c		
Diluted earnings/(loss) for the year attributable to ordinary equity holders of the parent company	10	<b>21.61c</b>	(27.45)c		

Dividends of €24,234,000 (2009: €nil) were paid during the year (see note 26).

## Statements of financial position

### as at 31 December 2010

	Notes	Group		Company	
		2010 €000	2009 €000	2010 €000	2009 €000
<b>Non-current assets</b>					
Investment properties	12	1,412,070	1,881,064	—	—
Fixed assets		274	242	—	—
Investments in subsidiaries	13	—	—	250	250
Amounts due from subsidiaries	28	—	—	235,914	91,661
<b>Total non-current assets</b>		<b>1,412,344</b>	1,881,306	<b>236,164</b>	91,911
<b>Investment property held for disposal</b>	14	<b>5,780</b>	—	—	—
<b>Current assets</b>					
Trade and other receivables	15	13,639	20,551	20	20
Prepayments		2,768	4,487	—	56
Cash and short-term deposits	16	79,393	128,250	49,154	82,658
<b>Total current assets</b>		<b>95,800</b>	153,288	<b>49,174</b>	82,734
<b>Total assets</b>		<b>1,513,924</b>	2,034,594	<b>285,338</b>	174,645
<b>Current liabilities</b>					
Trade and other payables	17	26,897	41,230	1,130	720
Provision for RETT	18	1,000	40,200	—	—
Interest-bearing loans and borrowings	19	1,076,121	1,442,957	—	—
Finance lease obligations	20	3,181	4,008	—	—
Current tax liabilities		7,020	7,947	—	—
Derivative financial instruments	22	23,856	24,413	—	—
<b>Total current liabilities</b>		<b>1,138,075</b>	1,560,755	<b>1,130</b>	720
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	19	43,264	247,673	—	—
Finance lease obligations	20	28,918	39,333	—	—
Deferred tax liabilities	9	18,084	7,174	—	—
Derivative financial instruments	22	1,375	2,973	—	—
<b>Total non-current liabilities</b>		<b>91,641</b>	297,153	—	—
<b>Total liabilities</b>		<b>1,229,716</b>	1,857,908	<b>1,130</b>	720
<b>Net assets</b>		<b>284,208</b>	176,686	<b>284,208</b>	173,925
<b>Equity</b>					
Issued capital	23	6,071	6,035	6,071	6,035
Capital redemption reserve	24	1,088	1,088	1,088	1,088
Own shares held		(8)	—	(8)	—
Retained earnings and other distributable reserve	24	277,057	166,802	277,057	166,802
<b>Total equity attributable to the equity holders of the parent company</b>		<b>284,208</b>	173,925	<b>284,208</b>	173,925
Non-controlling interests		—	2,761	—	—
<b>Total equity</b>		<b>284,208</b>	176,686	<b>284,208</b>	173,925

The financial statements on pages 14 to 42 were approved by the Board of Directors on 11 April 2011 and were signed on its behalf by:



**Rolf Elgeti**  
Director



**David Parnell**  
Director

## Statements of changes in equity

### for the year ended 31 December 2010

Group	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 €000	Non-controlling interests €000	Total equity €000
<b>As at 31 December 2008</b>	6,035	1,088	—	332,477	339,600	3,563	343,163
Loss for the year	—	—	—	(165,675)	(165,675)	(802)	(166,477)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	(165,675)	(165,675)	(802)	(166,477)
<b>As at 31 December 2009</b>	6,035	1,088	—	166,802	173,925	2,761	176,686
Profit for the year	—	—	—	131,273	131,273	125	131,398
Other comprehensive income	—	—	—	69	69	—	69
Total comprehensive income	—	—	—	131,342	131,342	125	131,467
Issue of shares	36	—	(36)	—	—	—	—
Equity-settled share-based payment transactions, reserve movement	—	—	28	261	289	—	289
Equity dividend	—	—	—	(24,234)	(24,234)	—	(24,234)
Effect of derecognition of subsidiaries	—	—	—	2,886	2,886	(2,886)	—
<b>As at 31 December 2010</b>	<b>6,071</b>	<b>1,088</b>	<b>(8)</b>	<b>277,057</b>	<b>284,208</b>	<b>—</b>	<b>284,208</b>
<b>Company</b>							
<b>As at 31 December 2008</b>	6,035	1,088	—	332,477	339,600	—	339,600
Loss for the year	—	—	—	(165,675)	(165,675)	—	(165,675)
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	(165,675)	(165,675)	—	(165,675)
<b>As at 31 December 2009</b>	6,035	1,088	—	166,802	173,925	—	173,925
Profit for the year	—	—	—	134,228	134,228	—	134,228
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	134,228	134,228	—	134,228
Issue of shares	36	—	(36)	—	—	—	—
Equity-settled share-based payment transactions, reserve movement	—	—	28	261	289	—	289
Equity dividend	—	—	—	(24,234)	(24,234)	—	(24,234)
<b>As at 31 December 2010</b>	<b>6,071</b>	<b>1,088</b>	<b>(8)</b>	<b>277,057</b>	<b>284,208</b>	<b>—</b>	<b>284,208</b>

## Cash flow statements

### for the year ended 31 December 2010

	Notes	Group		Company	
		2010 €000	2009 €000	2010 €000	2009 €000
<b>Operating activities</b>					
Profit/(loss) before tax		<b>142,999</b>	(165,053)	<b>134,228</b>	(165,675)
Profit from disposal of investment properties	5	<b>(1,486)</b>	(1,233)	—	—
(Surplus)/deficit on revaluation of investment properties	12	<b>(73,529)</b>	174,464	—	—
RETT provision no longer required	18	<b>(37,417)</b>	—	—	—
Gain on derecognition of subsidiaries	2(a)	<b>(23,140)</b>	—	—	—
Depreciation of fixed assets		<b>138</b>	—	—	—
Write (back)/down of amounts due from subsidiaries	28	—	—	<b>(136,033)</b>	164,967
Finance revenue	8	<b>(986)</b>	(1,583)	<b>(578)</b>	(1,222)
Finance expense	8	<b>77,531</b>	88,758	—	—
Change in fair value of derivative financial instruments	22	<b>(1,945)</b>	5,033	—	—
Equity-settled share-based payment transactions		<b>253</b>	—	<b>253</b>	—
<b>Net cash flows from operations before changes in working capital</b>		<b>82,418</b>	100,386	<b>(2,130)</b>	(1,930)
<b>Changes in working capital</b>					
Decrease/(increase) in trade and other receivables		<b>2,751</b>	(1,968)	<b>56</b>	6
(Decrease)/increase in trade and other payables		<b>(1,535)</b>	937	<b>410</b>	(954)
Income tax paid		<b>(1,536)</b>	(197)	—	—
<b>Net cash flows from operating activities</b>		<b>82,098</b>	99,158	<b>(1,664)</b>	(2,878)
<b>Investing activities</b>					
Purchase of and additions to investment properties and fixed assets		<b>(2,363)</b>	(296)	—	—
Proceeds from disposal of investment properties		<b>9,231</b>	6,133	—	—
Finance revenue received		<b>986</b>	1,583	<b>578</b>	1,222
<b>Net cash flows from investing activities</b>		<b>7,854</b>	7,420	<b>578</b>	1,222
<b>Financing activities</b>					
Dividends paid to equity holders of the parent company	26	<b>(24,234)</b>	—	<b>(24,234)</b>	—
Amounts (lent to)/received from subsidiary companies		—	—	<b>(8,220)</b>	2,908
Proceeds from issue of shares		<b>36</b>	—	<b>36</b>	—
Repayment of loans		<b>(23,093)</b>	(38,226)	—	—
Finance expense paid		<b>(79,413)</b>	(85,723)	—	—
Settlement of derivative financial instruments		<b>(283)</b>	(36)	—	—
Finance charges paid		—	(265)	—	—
<b>Net cash flows from financing activities</b>		<b>(126,987)</b>	(124,250)	<b>(32,418)</b>	2,908
(Decrease)/increase in cash and short-term deposits		<b>(37,035)</b>	(17,672)	<b>(33,504)</b>	1,252
Cash and short-term deposits as at 1 January		<b>128,250</b>	145,922	<b>82,658</b>	81,406
Effects on cash held in derecognised subsidiaries		<b>(11,822)</b>	—	—	—
<b>Cash and short-term deposits at 31 December</b>	16	<b>79,393</b>	128,250	<b>49,154</b>	82,658

# Notes to the consolidated financial statements

## for the year ended 31 December 2010

### 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 parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements for the Group and the parent company have been prepared for the year ended 31 December 2010.

The principal activities of the Group are described in note 4.

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

### 2. Significant accounting policies

#### (a) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value. The financial statements are presented in euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

The financial statements have been prepared in accordance with IFRS and also to comply with the Isle of Man Companies Acts 1931 to 2004.

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 largely funded by external 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, is not itself 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 financial risks are provided in note 21 to the financial statements.

In the event that the real estate market deteriorates and valuations fall, certain loan-to-value ratio levels could rise above permitted ratio levels. Various events which have an impact to certain of the loans have occurred:

- ▶ on 11 September 2009, Eurohypo AG – Silo F/K (see note 19) agreed to extend the existing waiver on the loan-to-value covenant up to 30 April 2011;
- ▶ 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 19), 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. The Directors, having taken legal advice, have determined that the conditions required to meet the definition of a subsidiary company no longer exist and that as at 16 August 2010, Silo C will no longer be consolidated in the Consolidated financial statements and that the revenue and costs relating to this group will only be included in the Consolidated statement of comprehensive income up to that date. A gain on derecognition of subsidiaries representing the net liabilities as at that date and amounting to €23,140,000 has been credited to the Consolidated statement of comprehensive income in the year to 31 December 2010;
- ▶ on 31 August 2010, Eurohypo AG – Silo F/K (see note 19) has agreed to waive, until 30 April 2011, its right of acceleration of debt repayment under the cross-default provisions in its loan agreements; and
- ▶ on 7 March 2011, an agreement was reached with Deutsche Bank AG and Citigroup Global Markets Limited in relation to the second facility – Silo D (see note 19). Under this agreement the banks agreed to waive any loan-to-value and debt service cover ratio hard breaches until the loan maturity date of 20 July 2011.

The permitted loan-to-value ratios in the debt arrangements as at 31 December 2010 were between 76% and 85% with a weighted average that was 82.6%. The "hard breach" loan-to-value ratio covenants were between 76% and 95% with a weighted average that was 90.3%. Were the lenders to adopt the valuations carried out for the purposes of these financial statements as at 31 December 2010, the weighted average loan-to-value ratio in respect of the property as security under the total debt arrangements would have been 79.9% after adjusting for cash held in bank accounts that have been restricted by lenders (see note 16).

Where the loan-to-value ratio based on the 31 December 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 31 December 2010 was €432,510,000 (2009: €1,439,465,000). However, because of the ring fencing of the debt facilities described above and the low likelihood, in the view of the Directors, that such a cure would be required by the funders, 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 achieved, 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. Whilst this would not 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 Consolidated statement of financial position as at 31 December 2010 and hence on the reported results of the Group for the year 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. Although the Directors consider the prospect unlikely, 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.

## 2. Significant accounting policies continued

### (a) Basis of preparation continued

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. In addition, they each retain sufficient 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 last quarter of 2010 is between 121% and 192% against breach covenants ranging from 110% to 120%.

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) Basis of consolidation

The consolidated financial statements comprise the financial statements of Treveria plc and its subsidiaries as at 31 December. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Statement of comprehensive income and within equity in the consolidated Statement of financial position, separately from parent shareholders' equity.

### (c) Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted the following new and amended IFRS as of 1 January 2010:

- ▶ IAS 27 Consolidated and Separate Financial Statements; and
- ▶ IAS 17 Leases (amendment).

#### IAS 27 Consolidated and Separate Financial Statements

IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction would no longer give rise to goodwill in the case of increase ownership interests, nor give rise to a gain or loss in the case of decrease ownership interests. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

#### IAS 17 Leases (amendment)

This amendment is effective for financial periods beginning on or after 1 January 2010.

This amendment deletes much of the existing wording in the standard to the effect all leases of land (where title does not pass) were operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. All leases of land by the Group as lessee are already accounted for as finance leases under the fair value option for leases in IAS 40 Investment Property. The Group does not have finance leases of land as lessor. Therefore, this change has no impact on 2009 or 2010. However, this may have the impact in the future that disposals of land via a long lease will be treated as disposals under finance leases rather than the issue of operating leases.

### (d) Acquisitions

Acquisitions of corporate interests in property are accounted for on consolidation as if the Group had acquired the underlying property asset directly. Accordingly no goodwill arises on such acquisitions as any difference between the fair values of the assets acquired and the acquisition consideration are allocated to the investment property asset, which is subject to subsequent revaluation under IAS 40, to its market value.

### (e) Foreign currency translation

The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency and is the functional currency for the majority of subsidiaries within the Group.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the Statement of financial position. All differences are taken to the Statement of comprehensive income.

The assets and liabilities of foreign operations are translated into euro at the rate of exchange ruling at the date of the Statement of financial position and their statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of comprehensive income.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 2. Significant accounting policies continued

##### (f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

##### Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Fixed or determinable rental increases are recognised on a straight-line basis over the term of the lease or over the period until the next market review date.

Contingent rents, such as turnover rent and market rent adjustments, are recognised as income in the financial period in which they are earned.

Lease incentives granted are recognised in the Statement of comprehensive income as an integral part of rental income.

##### Interest income

Interest income is recognised as interest accrues, using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

##### Service charges

In relation to amounts receivable in respect of service charges, such income is not treated as revenue, rather it is set off against the costs to which such income relates.

##### (g) Disposals

Investment property disposals are recognised in the financial statements on the date of completion. Profits or losses arising on disposal of investment properties are calculated by reference to the carrying value of the asset at the beginning of the year, adjusted for subsequent capital expenditure.

##### (h) Leases

###### Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

###### Group as lessee

The Group's investment properties held under a lease are accounted for as finance leases and are recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the Statement of financial position at fair value, gross of the recognised finance lease liability. Lease payments, where material, are allocated between the liability and finance charges so as to achieve a constant financing rate.

##### (i) Income tax

###### Current income tax

Current income tax assets and liabilities are measured at the date of the Statement of financial position at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the Statement of financial position.

A 0% rate of corporate income tax applies to the Company and certain of its subsidiaries which are resident in the Isle of Man.

Certain subsidiaries may be subject to foreign taxes in respect of sources of income arising in those foreign countries.

###### Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- ▶ where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- ▶ in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- ▶ deferred tax assets are disclosed net of deferred tax liabilities and are only recognised to the extent that:
  - (i) it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised; and
  - (ii) there are deferred tax liabilities within a property-owning subsidiary in which the deferred tax asset may be offset against the deferred tax liability in the same company.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the related asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the Statement of financial position.

## 2. Significant accounting policies continued

### (j) Investment properties

Investment properties are properties owned or leased under finance leases by the Group which are held either for long-term rental income or for capital appreciation or both.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the Statement of the financial position. Surpluses or deficits arising from changes in the fair values of investment properties are included in the Statement of comprehensive income in the period in which they arise. Investment property held under a finance lease is stated gross of the recognised finance lease liability.

### (k) Fixed assets

Fixed assets are stated at cost less depreciation and any additional provision for impairment which may be required.

Depreciation is provided on the fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

### (l) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment in value.

Investments in subsidiaries are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised in the Statement of comprehensive income.

### (m) Investment property held for disposal

Investment property is transferred to non-current assets held for disposal when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate disposal in its present condition subject only to terms that are usual and customary for disposals of such property and its disposal must be highly probable.

For a sale to be highly probable:

- ▶ the Board of Directors must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated;
- ▶ the property must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- ▶ the disposal should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification, investment property that is measured at fair value continues to be so measured.

### (n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### (o) Amounts due from subsidiaries

Amounts due to the Company from subsidiaries are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Company will not be able to recover the amounts in full.

### (p) Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### (q) Bank borrowings

Interest-bearing bank loans are initially recorded at fair value, net of direct issue costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### (r) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### (s) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group does not apply hedge accounting to its interest rate swaps. Any change in the fair value of such derivatives is recognised immediately in the Statement of comprehensive income as a finance cost or finance revenue as appropriate.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 2. Significant accounting policies continued

##### (t) Equity-settled share-based payments

The Company established the Treveria Employee Benefit Trust for the benefit of certain employees. Ordinary shares are issued and allotted to the Trust at par and shown in Equity in Own shares held. At the time any such shares are transferred to the employees:

- ▶ 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 Statement of comprehensive income.

##### (u) Standards issued but not yet effective

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. The Directors have set out below only those which may have a material impact on the financial statements in future periods.

##### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected during 2011. The Directors will quantify the effect on the Group in conjunction with other phases, when issued, to present a comprehensive picture.

#### 3. Significant accounting judgements, estimates and assumptions

##### Judgements

In the process of applying the Group's accounting policies, which are described in note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

##### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

##### Provisions

A provision is only recognised when:

- ▶ an entity has a present obligation (legal or constructive) as a result of a past event;
- ▶ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ▶ a reliable estimate can be made of the amount of the obligation.

##### Contingent liability

A contingent liability is recorded by way of note to the consolidated financial statements when there is:

- ▶ a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- ▶ a present obligation that arises from past events but is not recognised because:
  - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii) the amount of the obligation cannot be measured with sufficient reliability.

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the Statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### Valuation of investment properties

The fair value of the Group's investment properties of €1,386,382,000 (2009: €1,839,829,000) was determined by independent valuers. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate capitalisation rate. The valuers also make reference to market evidence of transaction prices for similar properties.

The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 12.

##### Fair value of derivatives and other financial instruments

The Group's interest rate swaps and caps are shown in these financial statements (note 22) at fair value as a liability of €25,231,000 (2009: €27,386,000) based on valuations prepared by the relevant banks. Such valuations are based on market prices, estimated future cash flows and forward rates as appropriate.

#### 4. Segmental reporting

The Group's portfolio consists predominantly of retail investment properties in Germany. Discrete financial information is provided to the Board of Directors, which is the Chief Operating Decision Maker, on a silo-by-silo basis.

2010	Silo C €'000	Silo D €'000	Silo E €'000	Silo F/K €'000	Silo G €'000	Silo J €'000	Other €'000	Total €'000
<b>Statement of comprehensive income</b>								
Gross rental income	23,772	18,378	32,642	40,095	7,227	2,210	—	124,324
Surplus/(deficit) on revaluation of investment properties	(4,713)	3,258	34,103	36,252	3,066	1,563	—	73,529
RETT provision no longer required (net of related expenses)	—	—	—	—	—	—	37,417	37,417
Operating profit	9,792	16,424	61,458	65,395	5,301	1,404	34,685	194,459
Net finance (expense)/income	(23,834)	(15,131)	(26,455)	(35,769)	(4,562)	(754)	31,905	(74,600)
Gain on derecognition of subsidiaries	—	—	—	—	—	—	23,140	23,140
Profit/(loss) before tax	(14,042)	1,293	35,003	29,626	739	650	89,730	142,999
<b>Statement of financial position</b>								
Investment properties at valuation	—	260,985	505,280	532,155	74,755	13,207	—	1,386,382
Other assets	—	10,884	12,299	16,449	17,594	13,528	56,788	127,542
Total assets	—	271,869	517,579	548,604	92,349	26,735	56,788	1,513,924
Interest-bearing loans and borrowings	—	(217,974)	(427,419)	(431,150)	(42,842)	—	—	(1,119,385)
Other liabilities	—	(77,227)	(120,288)	(238,163)	(51,814)	(27,140)	404,301	(110,331)
Total liabilities	—	(295,201)	(547,707)	(669,313)	(94,656)	(27,140)	404,301	(1,229,716)
Net equity/(deficits) as shown by silo and Group	—	(23,332)	(30,128)	(120,709)	(2,307)	(405)	461,089	284,208
Effect of intercompany eliminations	—	69,812	104,837	197,657	27,911	14,258	(414,475)	—
Net equity attributable to the ordinary equity holders of the parent company as shown by silo and Group	—	46,480	74,709	76,948	25,604	13,853	46,614	284,208

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 4. Segmental reporting continued

2009	Silo C €'000	Silo D €'000	Silo E €'000	Silo F/K €'000	Silo G €'000	Silo J €'000	Other €'000	Total €'000
<b>Statement of comprehensive income</b>								
Gross rental income	40,942	20,296	34,333	41,320	6,522	1,660	—	145,073
(Deficit)/surplus on revaluation of investment properties	(79,218)	(26,984)	(28,839)	(39,876)	(820)	1,273	—	(174,464)
Operating (loss)/profit	(51,308)	(10,833)	(931)	(9,236)	208	(43)	(702)	(72,845)
Net finance (expense)/income	(39,470)	(15,083)	(27,121)	(40,204)	(5,771)	(764)	36,205	(92,208)
(Loss)/profit before tax	(90,778)	(25,916)	(28,052)	(49,440)	(5,563)	(807)	35,503	(165,053)
<b>Statement of financial position</b>								
Investment properties at valuation	524,995	257,650	476,335	495,595	73,645	11,609	—	1,839,829
Other assets	33,468	8,368	14,395	14,042	18,408	15,858	90,226	194,765
Total assets	558,463	266,018	490,730	509,637	92,053	27,467	90,226	2,034,594
Interest-bearing loans and borrowings	(551,079)	(220,971)	(434,357)	(438,468)	(45,755)	—	—	(1,690,630)
Other liabilities	(233,068)	(67,795)	(116,434)	(217,584)	(49,187)	(28,077)	544,867	(167,278)
Total liabilities	(784,147)	(288,766)	(550,791)	(656,052)	(94,942)	(28,077)	544,867	(1,857,908)
Net assets/(liabilities)	(225,684)	(22,748)	(60,061)	(146,415)	(2,889)	(610)	635,093	176,686
Non-controlling interests	(2,761)	—	—	—	—	—	—	(2,761)
Net equity/(deficits) as shown by silo and Group	(228,445)	(22,748)	(60,061)	(146,415)	(2,889)	(610)	635,093	173,925
Effect of intercompany eliminations	207,001	61,760	104,678	181,229	24,809	13,364	(592,841)	—
Net equity/(deficits) attributable to the ordinary equity holders of the parent company as shown by silo and Group	(21,444)	39,012	44,617	34,814	21,920	12,754	42,252	173,925

#### 5. Revenue and profit from disposal of investment properties

	Group		Company	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Rental income from investment properties	124,324	145,073	—	—
Finance revenue (see note 8)	986	1,583	578	1,222
	125,310	146,656	578	1,222

#### Profit from disposal of investment properties

	Group	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Gross disposal proceeds	11,045	6,265
Book value of properties disposed	(9,045)	(4,900)
Other disposal costs	(514)	(132)
	1,486	1,233

## 6. Operating profit

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

### Direct costs

	Group		Company	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Service charge expenditure	27,559	34,071	—	—
Service charge income	(18,406)	(21,524)	—	—
Irrecoverable service charges	9,153	12,547	—	—
Property management fee	6,795	7,249	—	—
Asset management fee	—	—	303	431
Ground rent/lease charges	4,123	5,267	—	—
Other property costs	9,812	7,094	—	—
	<b>29,883</b>	<b>32,157</b>	<b>303</b>	<b>431</b>

### Administrative expenses

	Group		Company	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Audit fee	429	439	404	59
Directors' fees	339	406	339	406
Directors' expenses	42	18	42	18
Net foreign exchange loss/(gain)	129	(22)	13	180
Bank fees	295	210	4	6
Staff costs (see note 7)	4,320	3,057	—	—
Legal and professional fees and other administrative costs	6,860	8,422	1,278	830
	<b>12,414</b>	<b>12,530</b>	<b>2,080</b>	<b>1,499</b>

Included in administrative expenses is €1,820,000 (2009: €223,000) of fees receivable by the auditors and their associates in respect of other non-audit services. €498,000 (2009: €nil) relates to services provided in prior periods.

The total Directors' fees were €339,000 (2009: €406,000).

Details of Directors' emoluments, entitlements to share options and interests in the share capital of the Company are contained in the Remuneration report on page 11.

## 7. Employee costs and numbers

	Group	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Wages and salaries	3,830	2,710
Social security costs	411	320
Other employment costs	79	27
	<b>4,320</b>	<b>3,057</b>

The average number of persons employed by the Group during the year was 46 (2009: 26).

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 8. Finance revenue and expense

	Group		Company	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
Bank interest receivable	986	1,583	578	1,222
<b>Finance revenue</b>	<b>986</b>	<b>1,583</b>	<b>578</b>	<b>1,222</b>
Bank loan interest payable	(74,530)	(84,652)	—	—
Amortisation of capitalised finance charges	(2,928)	(4,050)	—	—
Accelerated amortisation due to loan prepayments on the disposal of investment properties	—	(15)	—	—
Loss on termination of swap arrangements on disposal of investment properties	(73)	(41)	—	—
<b>Finance expense</b>	<b>(77,531)</b>	<b>(88,758)</b>	<b>—</b>	<b>—</b>
	<b>(76,545)</b>	<b>(87,175)</b>	<b>578</b>	<b>1,222</b>
<b>Change in fair value of derivative instruments (note 22)</b>	<b>1,945</b>	<b>(5,033)</b>	<b>—</b>	<b>—</b>
<b>Net finance revenue/(expense)</b>	<b>(74,600)</b>	<b>(92,208)</b>	<b>578</b>	<b>1,222</b>

Interest is charged by the Company on loans to subsidiaries principally based on a rate that relates to the underlying performance of these subsidiaries and amounts to €36,792,000 (2009: €34,897,000). However, this interest has not been recognised in the Statement of comprehensive income as it is not considered to be collectable at the present time (see note 28).

#### 9. Income tax

	Group	
	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
<b>Current income tax</b>		
Current income tax charge	373	4,768
Tax charge relating to disposal of investment properties	235	196
	<b>608</b>	<b>4,964</b>
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	10,993	(3,540)
Income tax charge reported in the Statement of comprehensive income	<b>11,601</b>	<b>1,424</b>

As the Company does not receive income from land/property situated on the Isle of Man and is not in receipt of income from an Isle of Man banking business, it is subject to tax at the standard Isle of Man rate of 0%. The current income tax charge of €608,000 (2009: €4,964,000) represents tax charges on profits arising in Germany, that is subject to corporate income tax of 15.825% (2009: 15.825%). The effective income tax rate for the year differs from the standard rate of corporation tax in Germany; the differences are explained below:

	Year ended 31 December 2010 €000	Year ended 31 December 2009 €000
<b>Profit/(loss) before tax</b>	<b>142,999</b>	<b>(165,053)</b>
Other comprehensive income	69	—
<b>Total comprehensive income for the year</b>	<b>143,068</b>	<b>(165,053)</b>
Total comprehensive income before tax multiplied by rate of corporation tax in Germany of 15.825% (2009: 15.825%)	<b>22,640</b>	<b>(26,120)</b>
Effects of:		
Different rates of tax in other countries	(369)	347
Income exempt from tax	(20,144)	—
Expenses deductible for tax purposes	(5,058)	(5,663)
Tax losses carried forward	3,539	7,994
Deferred tax liability recognised	10,993	—
Deferred tax assets on revaluation deficits not recognised	—	24,866
Total income tax charge in the statement of comprehensive income (as above)	<b>11,601</b>	<b>1,424</b>

**9. Income tax continued**

## Deferred tax liability

	2010 €000	2009 €000
As at 1 January	7,174	10,714
Released in respect of property disposals	—	(13)
Effect of derecognition of subsidiaries	(83)	—
Revaluation of investment properties to fair value	10,993	(3,527)
<b>Balance as at 31 December</b>	<b>18,084</b>	7,174

The Group has tax losses of €90 million (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 €nil as at 31 December 2010 (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.

**10. Earnings per share**

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

	2010 €000	2009 €000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share		
Profit/(loss) for the year attributable to the equity holders of the parent company	131,273	(165,675)
Profit from disposal of investment properties, revaluation surplus/deficit, RETT, change in fair value of derivative financial instruments and gain on derecognition of subsidiaries, net of related tax	(126,216)	174,140
<b>Adjusted earnings</b>	<b>5,057</b>	8,465
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	606,726,891	603,468,809
Weighted average effect of dilutive share options*	862,500	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	607,589,391	603,468,809
<b>Basic earnings per share</b>	<b>21.64c</b>	(27.45)c
<b>Diluted earnings per share</b>	<b>21.61c</b>	(27.45)c
<b>Adjusted earnings per share</b>	<b>0.83c</b>	1.40c

\* The share options in issue have not been included in the calculation of the diluted earnings per share for the year ended 31 December 2009 as they are antidilutive and would decrease the loss per share.

The Directors have chosen to disclose adjusted earnings per share in order to provide a better indication of the Group's underlying business performance; accordingly it excludes the effect of profit from disposal of investment properties, revaluation surplus/deficit, RETT, change in fair value of derivative financial instruments and gain on derecognition of subsidiaries, net of related tax.

**11. Net assets per share**

	2010 €000	2009 €000
<b>Net assets</b>		
Net assets for the purpose of assets per share (assets attributable to the equity holders of the parent company)	284,208	173,925
Deferred tax arising on revaluation surpluses	18,084	7,174
Derivative financial instruments	25,231	27,386
<b>Adjusted net assets attributable to equity holders of the parent company</b>	<b>327,523</b>	208,485
<b>Number of shares</b>		
Number of ordinary shares for the purpose of net assets per share	607,068,809	603,468,809
<b>Net assets per share</b>	<b>46.82c</b>	28.82c
<b>Adjusted net assets per share</b>	<b>53.95c</b>	34.55c

The effect of share options has no material impact on the net assets per share of the Group.

The Directors have chosen to disclose adjusted net assets per share in order to provide a better indication of the Group's underlying net asset value; accordingly it excludes the fair value of derivative financial instruments and deferred taxation on revaluation surpluses, as the Directors do not consider that these items will crystallise as actual liabilities of the Group in the foreseeable future.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 12. Investment properties

A reconciliation of the valuation carried out by the external valuer to the carrying values shown in the Statement of financial position is as follows:

	2010 €000	2009 €000
Investment properties at market value	<b>1,386,382</b>	1,840,615
Onerous leases	—	(786)
<b>Total investment properties at market value per valuers' report</b>	<b>1,386,382</b>	1,839,829
Adjustment in respect of minimum payments under head leases separately included as a liability at present value in the Statement of financial position (see note 20)	<b>32,099</b>	43,341
Adjustment in respect of rent free periods	<b>(631)</b>	(2,106)
	<b>1,417,850</b>	1,881,064
Less reclassified property held for disposal (see note 14)	<b>(5,780)</b>	—
	<b>1,412,070</b>	1,881,064

All properties were valued as at 31 December 2010, by qualified professional valuers working for the company of DTZ Debenham Tie Leung Limited, (DTZ), Chartered Surveyors, acting in the capacity of external valuers.

All properties were valued individually on the basis of market value as defined in the RICS Valuation Standards. DTZ's opinion of the market value of the properties was primarily derived using comparable recent market transactions on arm's length terms. The aggregate portfolio value equates to an equivalent yield of 6.85% (2009: 7.50%).

As a result of the level of judgement used in 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 Statement of financial position.

All valuations were carried out in accordance with the RICS Valuation Standards. DTZ's valuation report is dated 28 March 2011 (Valuation Report) and has been signed by Taco Brink, a Director of DTZ, which has provided valuation reports to Treveria plc for the same purpose as the Valuation Report for a continuous period since 2006.

In addition to the matters referred to above, DTZ provides the Group with valuations for acquisition and other purposes including secured lending.

DTZ is a wholly owned subsidiary of DTZ Holdings plc. In the financial year ended 30 April 2010, the proportion of total fees payable by the Group to the total fee income was less than 5%.

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

	2010 €000	2009 €000
Total investment properties at market value per valuers' report as at 1 January	<b>1,839,829</b>	2,016,590
Additions and subsequent expenditure	<b>2,449</b>	2,603
Disposals	<b>(9,045)</b>	(4,900)
Derecognition of Silo C (see note 2(a))	<b>(520,380)</b>	—
Surplus/(deficit) on revaluation of investment properties	<b>73,529</b>	(174,464)
<b>Total investment properties at market value per valuers' report as at 31 December</b>	<b>1,386,382</b>	1,839,829

#### 13. Investments in subsidiaries

The Company's investments in subsidiaries are as follows:

	2010 €000	2009 €000
<b>Balance as at 1 January and 31 December</b>	<b>250</b>	250

The investments in the subsidiaries in the Company financial statements relate to Treveria Holdings Limited and Treveria Asset Management Limited.

#### 14. Investment property held for disposal

As at 31 December 2010, the Group held two properties (2009: none) that were notarised for sale to third parties. The assessed fair value of these properties as at 31 December 2010 was €5,780,000.

As set out in note 32 Events after the date of the Statement of financial position, these properties were disposed of by mid February 2011, realising net €5,519,000, after taking into account attributable expenses which were accrued as at 31 December 2010.

**15. Trade and other receivables**

	Group		Company	
	2010 €000	2009 €000	2010 €000	2009 €000
Trade receivables	<b>7,065</b>	13,082	<b>20</b>	20
Other receivables	<b>6,574</b>	7,469	<b>—</b>	—
	<b>13,639</b>	20,551	<b>20</b>	20

As at 31 December 2010, trade receivables at nominal value of €7,240,000 (2009: €14,388,000) were impaired and fully provided for.

Movements in the provision for impairment of receivables were as follows:

	2010 €000	2009 €000
Total individually impaired		
As at 1 January	<b>14,388</b>	9,350
Charge for the year	<b>5,499</b>	5,400
Effect of derecognition of subsidiaries	<b>(11,444)</b>	—
Utilised	<b>(1,203)</b>	(362)
As at 31 December	<b>7,240</b>	14,388

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total €000	<30 days €000	30–60 days €000	60–90 days €000	>90 days €000
<b>2010</b>					
Gross trade receivables	<b>14,305</b>	<b>4,658</b>	<b>978</b>	<b>552</b>	<b>8,117</b>
Provision for impairment	<b>(7,240)</b>	<b>—</b>	<b>(72)</b>	<b>—</b>	<b>(7,168)</b>
Net of provision	<b>7,065</b>	<b>4,658</b>	<b>906</b>	<b>552</b>	<b>949</b>
<b>2009</b>					
Gross trade receivables	27,470	9,065	1,989	85	16,331
Provision for impairment	(14,388)	—	(664)	—	(13,724)
Net of provision	13,082	9,065	1,325	85	2,607

Included in the Group's trade receivables are amounts of €2,407,000 (2009: €4,017,000) which are past due as at year end and for which the Group has not made a provision as the amounts are still considered recoverable because there has not been a significant change in the credit quality.

The Group's policy is to trade only with recognised, creditworthy third parties. It is the policy of the Group that all potential tenants, who wish to trade on credit terms, are subject to credit verification procedures. Outstanding tenants' receivables are monitored on an ongoing basis.

**16. Cash and short-term deposits**

	Group		Company	
	2010 €000	2009 €000	2010 €000	2009 €000
Cash at banks and in hand	<b>79,393</b>	128,250	<b>49,154</b>	82,658
	<b>79,393</b>	128,250	<b>49,154</b>	82,658

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and two months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is €79,393,000 (2009: €128,250,000).

As at 31 December 2010, €23,596,000 (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 31 December 2010, €15,494,000 (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.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 17. Trade and other payables

	Group		Company	
	2010 €000	2009 €000	2010 €000	2009 €000
Trade payables	6,087	11,653	2	—
Accrued operating expenses	8,094	6,808	1,128	720
Accrued interest	11,173	16,056	—	—
Other payables	1,543	6,713	—	—
	<b>26,897</b>	41,230	<b>1,130</b>	720

Terms and conditions of the above financial liabilities:

- ▶ trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14–60 days; and
- ▶ other payables are non-interest bearing and as above are paid within stated terms.

#### 18. Provision

	Group		Company	
	2010 €000	2009 €000	2010 €000	2009 €000
Real Estate Transfer Tax (RETT)	1,000	40,200	—	—

In the Annual report for the year ended 31 December 2009, it was reported that a transaction in December 2008 relating to certain group non-controlling interests gave rise to an obligation for payment of German RETT. At that time a provision of €40,200,000 was made as a prior year adjustment. This was in respect of the acquisition of shares in Treveria Properties S.à r.l. by Treveria Holdings S.à r.l. It has also been reported that the Group's legal advisers have confirmed that, in the event the RETT was deemed payable, the likelihood of the authorities having any actual recourse to the assets of Treveria plc was remote. The Group is continuing to challenge the assessment of the RETT on various legal grounds and has, as announced in the Group's Half year report, initiated relief procedures with the relevant German tax authorities. The outcome of such legal action and relief procedures is typically hard to predict. In the Isle of Man, the RETT is not presently enforceable and 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) is not expected to be implemented in the Isle of Man.

In September 2010, it was decided to continue (redomicile) both 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. These became effective on 10 November 2010 and 17 November 2010 respectively and their names were changed to Treveria Holdings Limited and Treveria Properties Limited. These actions will help to streamline further the corporate structure of the Treveria Group, to improve management controls and to simplify the legal environment in which they work.

In light of the above, the Group has reassessed the probability that Treveria Holdings Limited might be subject to the RETT liability. Based on legal advice received, it has been concluded that, following the relocation to the Isle of Man, it is no longer more likely than not that Treveria Holdings Limited will be required to settle the RETT obligation. A balance of €1,000,000 has been retained within this provision to settle amounts which may become payable in relation to the RETT relief procedures (as mentioned above) and therefore the balance of the provision of €39,200,000 is no longer required and has been released to the consolidated Statement of comprehensive income for the year ended 31 December 2010, net of related expenses.

At the time the provision for RETT was computed for inclusion as a prior year restatement in the Consolidated financial statements prepared for the year ended 31 December 2009, conservative estimates were used to determine the relevant property values and tax bases. During the year ended 31 December 2010, a more detailed analysis has been performed and a reasonable estimate of the possible liability is now €32,000,000. However, it is not probable that an outflow of resources embodying economic benefits will be required to settle this liability but, due to the uncertainties relating to the outcome of the challenge to the assessments, the relief procedures and possible future legislation, this amount is shown as a contingent liability as at 31 December 2010 (see note 30).

## 19. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2010 €000	2009 €000
<b>Current</b>				
Deutsche Bank and Citigroup loan – first facility	4.58	20 January 2011	—	552,688
Deutsche Bank and Citigroup loan – second facility	4.79	20 July 2011	<b>218,334</b>	19,199
ABN Amro loan	4.76	15 July 2011	<b>385,204</b>	392,160
ABN Amro loan Floating – capped		15 July 2011	<b>42,800</b>	43,573
Eurohypo loan Floating – swapped		25 July 2012	<b>391,507</b>	391,507
Eurohypo loan Floating – capped		25 July 2012	<b>41,797</b>	50,348
Capitalised finance charges on all loans			<b>(3,521)</b>	(6,518)
			<b>1,076,121</b>	1,442,957
<b>Non-current</b>				
Deutsche Bank and Citigroup loan – second facility	4.79	20 July 2011	—	202,628
JPMorgan loan Floating – swapped		19 November 2012	<b>43,651</b>	46,972
Capitalised finance charges on all loans			<b>(387)</b>	(1,927)
			<b>43,264</b>	247,673
<b>Total</b>			<b>1,119,385</b>	1,690,630
<b>The borrowings are repayable as follows:</b>				
On demand or within one year			<b>1,076,121</b>	1,442,957
In the second year			<b>43,264</b>	201,106
In the third to fifth years inclusive			—	46,567
<b>Total</b>			<b>1,119,385</b>	1,690,630

As required by IAS 1, €432,510,000 (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 date of the Statement of financial position.

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

**Deutsche Bank AG and Citigroup Global Markets Limited**

Under the first facility (Silo C), the amount outstanding at 31 December 2009 amounted to €552,688,000. As disclosed in note 2(a), Deutsche Bank AG 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) arising from these companies' insolvency. The Directors have determined that the conditions required to meet the definition of a subsidiary company no longer existed with effect from 16 August 2010. From that date, the silo's assets, upon which the loan was secured, and the liabilities within this Group, would no longer be consolidated in the consolidated Statement of financial position and the revenue and costs relating to this silo would only be included in the consolidated Statement of comprehensive income up to that date. The interest rate charged on the outstanding balance up to that date was fixed at 4.58% and was payable quarterly. The facility had been in cash trap since October 2008.

Under the second facility (Silo D), during the year amounts of €3,493,000 (2009: €3,493,000) were repaid arising from amortisations due under the loan agreement, resulting in a balance at the end of the year of €218,334,000 (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 16) since July 2009. The loan is secured over the assets and the undertakings of companies within the relevant sub-group.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 19. Interest-bearing loans and borrowings continued

##### ABN Amro N.V. (Silo E)

During the year amounts of €7,729,000 (2009: €2,889,000) were repaid arising from proceeds of disposal of investment property and other prepayments due under the loan agreement, resulting in a balance at the end of the year of €428,004,000 (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 year amounts of €8,551,000 (2009: €19,409,000) were repaid arising from amortisations and other prepayments due under the loan agreement, resulting in a balance at the end of the year of €433,304,000 (2009: €441,855,000). Interest on approximately 90% of the loan is fixed at a weighted average interest rate of 6.05% per annum by means of interest rate swaps, with interest on the remaining approximately 10% 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 16) since October 2008. The loan is secured over the assets and the undertakings of companies within the relevant sub-group.

##### JPMorgan plc (Silo G)

During the year amounts of €3,321,000 (2009: €1,127,000) were repaid arising from proceeds of disposal of investment property resulting in a balance at the end of the year of €43,651,000 (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.

#### 20. Finance lease obligations

The Group leases certain of its investment properties under finance leases (see note 12).

	2010		2009	
	Minimum lease payments €000	Present value of minimum lease payments €000	Minimum lease payments €000	Present value of minimum lease payments €000
Within one year	3,372	3,181	4,248	4,008
In the second to fifth years inclusive	12,997	11,283	16,733	14,514
After more than five years	33,217	17,635	48,383	24,819
Total minimum lease payments	49,586	32,099	69,364	43,341
Less amounts representing finance charges	(17,487)	—	(26,023)	—
<b>Present value of minimum lease payments</b>	<b>32,099</b>	<b>32,099</b>	43,341	43,341
Current liabilities		3,181		4,008
Non-current liabilities		28,918		39,333
<b>Present value of minimum lease payments</b>		<b>32,099</b>		43,341

#### 21. Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans, finance leases and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The risk management policies employed by the Group to manage these risks are discussed below:

##### Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the date of the Statement of financial position. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and may incur additional costs, including legal expenses in maintaining, insuring and re-letting the property until it is re-let. The asset manager monitors the tenants in order to anticipate, and minimise the impact of, defaults by occupational tenants, as well as ensuring that the Group has a diversified tenant base.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the date of the Statement of financial position. There are no significant concentrations of credit risk within the Group.

The realisability of the amounts due from subsidiaries in the Company is based on the performance of the underlying subsidiaries.

## 21. Financial risk management objectives and policies continued

### Liquidity risk

Liquidity risk is the risk an entity will encounter in meeting its obligations associated with financial liabilities. This may arise when the realisation of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the Group's desire to maintain a high level of liquidity in order to enable timely completion of investment transactions.

A breach of loan-to-value ratio covenant would occur if the ratio of the loan amount drawn under a particular facility were to rise above a set percentage of the adopted valuation of the portfolio providing security under that loan facility. The ratio would be calculated on the basis of an externally prepared valuation by a suitably qualified valuer addressed to the finance parties providing that loan. The calculation is not based on the valuation prepared by the Group's valuers unless that valuation is also addressed to the finance parties following a separate instruction. At the date of the approval of the financial statements the valuations prepared for the financial statements as at 31 December 2010 have not been adopted by any lenders. Certain of the Group's lenders have requested or indicated that they may request new valuations, but these have not been completed. Consequently, as yet, no actual breaches of covenants have been called by the lenders arising from these valuation processes.

Should valuations be called for, nothing has come to the attention of the Directors to indicate that satisfactory arrangements will not be made with the lenders. Each facility also has to meet interest cover or debt service cover ratio tests. In the event that a breach occurs in the foreseeable future and no satisfactory waiver or renegotiation of terms is obtained, the risk remains that a lender could enforce its security against the assets of the relevant sub-group, with a consequent loss of net equity within that sub-group only and in one instance, it could trigger a cross default acceleration in another sub-group.

Cash can become trapped within property companies if certain financial tests set out in the Group's bank loan agreements are not met. Cash traps do not represent events of default under the finance documents but there is a risk that cash is retained within the property companies for the payment of interest and other amounts due under the finance documents and cannot be used for other Group purposes.

Nothing has come to the attention of the Directors to indicate that satisfactory arrangements will not be made with the lenders in respect of loans which will fall due in the foreseeable future.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2010 and 2009 based on contractual undiscounted payments.

2010	Bank loans €000	Derivatives €000	Minimum lease payments due under finance leases €000	Trade and other payables €000	Total €000
<b>Undiscounted amounts payable in:</b>					
– under one year	1,121,758	24,981	3,372	26,897	1,177,008
– one to two years	45,770	1,375	3,372	—	50,517
– two to five years	—	—	9,625	—	9,625
– more than five years	—	—	33,217	—	33,217
	<b>1,167,528</b>	<b>26,356</b>	<b>49,586</b>	<b>26,897</b>	<b>1,270,367</b>

2009	Bank loans €000	Derivatives €000	Minimum lease payments due under finance leases €000	Trade and other payables €000	Total €000
<b>Undiscounted amounts payable in:</b>					
– under one year	1,530,728	26,627	4,248	41,230	1,602,833
– one to two years	212,446	990	4,248	—	217,684
– two to five years	49,536	990	12,485	—	63,011
– more than five years	—	—	48,383	—	48,383
	<b>1,792,710</b>	<b>28,607</b>	<b>69,364</b>	<b>41,230</b>	<b>1,931,911</b>

### Currency risk

There is no significant foreign currency risk as the majority of the assets and liabilities of the Group are maintained in euro.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 21. Financial risk management objectives and policies continued

##### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's long-term floating rate debt obligations. The Group's policy is to mitigate interest rate risk by ensuring that a minimum of 80% of its borrowing is at fixed interest rates, either by taking out fixed rate loans or through the use of interest rate swaps, and to manage its remaining interest cost using interest rate caps designed to limit the interest payable on the loan.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	Within 1 year €000	1-2 years €000	2-3 years €000	Total €000
<b>2010</b>				
<b>Fixed rate</b>				
Deutsche Bank and Citigroup loan – second facility	(218,334)	—	—	(218,334)
ABN Amro loan	(385,204)	—	—	(385,204)
<b>Floating rate</b>				
Cash and short-term deposits	79,393	—	—	79,393
Derivative financial instruments	(23,856)	(1,375)	—	(25,231)
ABN Amro loan – capped	(42,800)	—	—	(42,800)
Eurohypo loan – swapped	(391,507)	—	—	(391,507)
Eurohypo loan – capped	(41,797)	—	—	(41,797)
JPMorgan loan – swapped	—	(43,651)	—	(43,651)
<b>2009</b>				
<b>Fixed rate</b>				
Deutsche Bank and Citigroup loan – first facility	(552,688)	—	—	(552,688)
Deutsche Bank and Citigroup loan – second facility	(19,199)	(202,628)	—	(221,827)
ABN Amro loan	(392,160)	—	—	(392,160)
<b>Floating rate</b>				
Cash and short-term deposits	128,250	—	—	128,250
Derivative financial instruments	(24,413)	—	(2,973)	(27,386)
ABN Amro loan – capped	(43,573)	—	—	(43,573)
Eurohypo loan – swapped	(391,507)	—	—	(391,507)
Eurohypo loan – capped	(50,348)	—	—	(50,348)
JPMorgan loan – swapped	—	—	(46,972)	(46,972)

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

##### Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and derivative instruments).

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes all non-derivative floating rate financial instruments and derivative financial instruments.

	Increase/ decrease in basis points	Effect on profit before tax and net assets €000
<b>2010</b>		
Euribor	+100	6,944
Euribor	-100	(7,008)
<b>2009</b>		
Euribor	+100	11,058
Euribor	-100	(11,572)

## 21. Financial risk management objectives and policies continued

### Capital management

The Group monitors its capital structure through a combination of a rigorous investment appraisal and disposal process, management of finance costs, monitoring risks, controlling solvency and reviewing key financial ratios. The key financial measures include cash flow projections, the monitoring of interest cover and loan-to-value covenants and ensuring contracted commitments are adequately funded. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity and notes 23 and 24. Debt primarily consists of current and non-current debt as disclosed in note 19. As at 31 December 2010, the weighted average loan-to-value ratio, calculated from the financial statements, was 80.9% (2009: 92.3%) and overall interest cover was 127 (2009: 133).

The Group is not subject to any externally imposed capital requirements.

## 22. Financial instruments

### Fair values

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

	Group 2010		Company 2010	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
<b>Financial assets</b>				
Cash and short-term deposits	79,393	79,393	49,154	49,154
Trade and other receivables	13,639	13,639	20	20
Amounts due from subsidiaries	—	—	235,914	235,914
<b>Financial liabilities</b>				
Trade and other payables	26,897	26,897	1,130	1,130
Interest-bearing loans and borrowings:				
– floating rate loans capped	84,597	84,597	—	—
– floating rate loans swapped into fixed rates	435,158	435,158	—	—
– fixed rate loans	603,538	616,101	—	—
Derivative financial instruments	25,231	25,231	—	—
Finance leases	32,099	32,099	—	—

	Group 2009		Company 2009	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
<b>Financial assets</b>				
Cash and short-term deposits	128,250	128,250	82,658	82,658
Trade and other receivables	20,551	20,551	20	20
Amounts due from subsidiaries	—	—	91,661	91,661
<b>Financial liabilities</b>				
Trade and other payables	41,230	41,230	720	720
Interest-bearing loans and borrowings:				
– floating rate loans capped	93,921	93,921	—	—
– floating rate loans swapped into fixed rates	438,479	438,479	—	—
– fixed rate loans	1,166,675	1,203,784	—	—
Derivative financial instruments	27,386	27,386	—	—
Finance leases	43,341	43,341	—	—

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

The fair value of derivative financial instruments has been calculated by the relevant banks based on market prices, estimated future cash flows and forward rates as appropriate.

### Derivative financial instruments

	2010 €000	2009 €000
As at 1 January	27,386	22,404
Disposals	(210)	(51)
Change in fair value of derivative financial instruments	(1,945)	5,033
	25,231	27,386
Current liabilities	23,856	24,413
Non-current liabilities	1,375	2,973
	25,231	27,386

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 22. Financial instruments continued

##### Fair value hierarchy

The following table shows an analysis of the financial instruments recognised in the Statement of financial position at fair value by the level of the fair value hierarchy as explained below:

	Level 1 €000	Level 2 €000	Level 3 €000	Total fair value €000
<b>2010</b>				
<b>Derivatives</b>	—	<b>25,231</b>	—	<b>25,231</b>
<b>2009</b>				
Derivatives	—	27,386	—	27,386

Explanation of the fair value hierarchy:

- ▶ Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measured date;
- ▶ Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
- ▶ Level 3 – use of a model with inputs that are not based on observable market data.

#### 23. Issued capital

Authorised	Number of shares	Share capital €
Ordinary shares of €0.01 each		
<b>As at 31 December 2010 and 2009</b>	<b>1,500,000,000</b>	<b>15,000,000</b>
Issued and fully paid		
Ordinary shares of €0.01 each		
<b>As at 31 December 2009</b>	603,468,809	6,034,688
Issue of shares (see note 25)	3,600,000	36,000
<b>As at 31 December 2010</b>	<b>607,068,809</b>	<b>6,070,688</b>

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting.

#### 24. Other reserves

##### Capital redemption reserve

The capital redemption reserve reflects the nominal value of shares purchased by the Group for cancellation and is €1,088,000 (2009: €1,088,000).

##### Retained earnings and other distributable reserve

The other distributable reserve was created for the payment of dividends and for the buyback of shares. The deficit on retained earnings has been deducted from this reserve. The resulting balance is €277,057,000 (2009: €166,802,000).

#### 25. Equity-settled share-based payments

During the year ended 31 December 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 Statement of comprehensive income.

An administrative expense of €289,000, as a result of the current period transactions, has been recognised in the Statement of comprehensive income.

#### 26. Dividends

	Group		Company	
	2010 €000	2009 €000	2010 €000	2009 €000
<b>Ordinary dividends paid</b>				
Special dividend of 4.00c per share declared on 11 January 2010 and paid on 19 February 2010	<b>24,234</b>	—	<b>24,234</b>	—
	<b>24,234</b>	—	<b>24,234</b>	—

## 27. Group entities

Names of subsidiaries	Country of incorporation	Field of activity	Ownership interest	Type of share held
<b>Held by the Company</b>				
Treveria Holdings Limited*	Isle of Man	Intermediate holding company	100%	Ordinary
Treveria Asset Management Limited	England and Wales	Asset management	100%	Ordinary
Treveria Employee Benefit Trust	Jersey	Employee benefit trust	100%	Branch
<b>Held by Treveria Holdings Limited</b>				
Treveria Properties Limited**	Isle of Man	Intermediate holding company	100%	Ordinary
<b>Held by Treveria Asset Management Limited</b>				
Treveria Asset Management GmbH	Germany	Asset management	100%	Ordinary
<b>Held by Treveria Properties Limited</b>				
Treveria D S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria E S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria F S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria G S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria H S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria J S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria K S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria L S.à r.l.	Luxembourg	Holding company	100%	Ordinary
Treveria M S.à r.l.	Luxembourg	Holding company	100%	Ordinary
<b>Held by Treveria D S.à r.l.</b>				
Treveria Vermögensverwaltungsgesellschaft Neunkirchen GmbH	Germany	Property investment	100%	Ordinary
Treveria Vermögensverwaltungsgesellschaft Solingen GmbH	Germany	Property investment	100%	Ordinary
Treveria Vermögensverwaltungsgesellschaft Worms GmbH	Germany	Property investment	100%	Ordinary
DD Immobilie Citytreff Ratingen GmbH	Germany	Property investment	100%	Ordinary
Treveria Vermögensverwaltungsgesellschaft Kempten GmbH	Germany	Property investment	100%	Ordinary
Treveria Vermögensverwaltungsgesellschaft Pforzheim GmbH	Germany	Property investment	100%	Ordinary
Treveria Vermögensverwaltungsgesellschaft Zehdenick GmbH	Germany	Property investment	100%	Ordinary
Treveria eins VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zwei VV GmbH	Germany	Property investment	100%	Ordinary
Treveria drei VV GmbH	Germany	Property investment	100%	Ordinary
Treveria vier VV GmbH	Germany	Property investment	100%	Ordinary
Treveria fünf VV GmbH	Germany	Property investment	100%	Ordinary
Treveria sechs VV GmbH	Germany	Property investment	100%	Ordinary
Treveria sieben VV GmbH	Germany	Property investment	100%	Ordinary
Treveria acht VV GmbH	Germany	Property investment	100%	Ordinary
Treveria neun VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria elf VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zwölf VV GmbH	Germany	Property investment	100%	Ordinary
Treveria dreizehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria vierzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria fünfzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria sechzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria siebzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria achtzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria neunzehn VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria einundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zweiundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria dreiundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria vierundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary

\* On 10 November 2010, Treveria Holdings S.à r.l., a company which was incorporated in Luxembourg on 16 November 2005, was continued (redomiciled) as Treveria Holdings Limited, a company limited by shares, incorporated in the Isle of Man.

\*\* On 17 November 2010, Treveria Properties S.à r.l., a company which was incorporated in Luxembourg on 17 November 2005, was continued (redomiciled) as Treveria Properties Limited, a company limited by shares, incorporated in the Isle of Man.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 27. Group entities continued

Names of subsidiaries	Country of incorporation	Field of activity	Ownership interest	Type of share held
<b>Held by Treveria D S.à r.l. continued</b>				
Treveria fünfundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria sechsundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria siebenundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria achtundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria neunundzwanzig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria dreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria einunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria zweiunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria dreiunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria vierunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria fünfunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria sechsunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria siebenunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria achtunddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria neununddreißig VV GmbH	Germany	Property investment	100%	Ordinary
Treveria vierzig VV GmbH	Germany	Property investment	100%	Ordinary
DDT Erste VV GmbH	Germany	Property investment	100%	Ordinary
<b>Held by Treveria E S.à r.l.</b>				
DDT Zweite VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dritte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fünfte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Neunte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Elfte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dreizehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sechszwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Siebenzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Neunzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zweiunddreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dreiunddreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierunddreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fünfunddreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Neunzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sechste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sechzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Siebzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Achtzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zwölfte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Achte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dreiundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fünfundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Neununddreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Achtundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Einundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zweiundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dreiundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fünfundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sechsunvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Siebenundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Dreißigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Solingen B.V.	Netherlands	Property investment	100%	Ordinary

## 27. Group entities continued

Names of subsidiaries	Country of incorporation	Field of activity	Ownership interest	Type of share held
<b>Held by Treveria F S.à r.l.</b>				
DDT Fünfzehnte VV GmbH	Germany	Property investment	100%	Ordinary
DDT Düren B.V.	Netherlands	Property investment	100%	Ordinary
Marba Pump B.V.	Netherlands	Property investment	100%	Ordinary
DDT Fünfzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty one VV GmbH	Germany	Property investment	100%	Ordinary
DDT Vierundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Siebtente VV GmbH	Germany	Property investment	100%	Ordinary
DDT Garbsen B.V.	Netherlands	Property investment	100%	Ordinary
DDT Sechsunndreiðigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Siebenunddreiðigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Einunddreiðigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Zweiundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Achtunddreiðigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Achtundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Neunundvierzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty two VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty three VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty four VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty five VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty six VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty seven VV GmbH	Germany	Property investment	100%	Ordinary
DDT Fifty nine VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty one VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty two VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty three VV GmbH	Germany	Property investment	100%	Ordinary
DDT Seventy VV GmbH	Germany	Property investment	100%	Ordinary
Treveria One S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Two S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Three S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Four S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Dawnay Day Treveria One B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Two B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Three B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Four B.V.	Netherlands	Property investment	100%	Ordinary
Treveria Sixteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Seventeen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Eighteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Nineteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty One S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Six S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Seven S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Nine S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty One S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Four S.à r.l.	Luxembourg	Property investment	100%	Ordinary
DDT Seventy VV GmbH & Co. Frankenthal KG	Germany	Property investment	94.9%	Ordinary
DDT Seventy one VV GmbH	Germany	Property investment	99.7%	Ordinary
DDT Seventy three VV GmbH	Germany	Property investment	99.7%	Ordinary
DDT Seventy four VV GmbH	Germany	Property investment	99.7%	Ordinary
DDT Seventy five VV GmbH	Germany	Property investment	99.7%	Ordinary
HIDD Wilhelmshaven B.V.	Netherlands	Property investment	99.7%	Ordinary
HIDD Marl B.V.	Netherlands	Property investment	99.7%	Ordinary

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 27. Group entities continued

Names of subsidiaries	Country of incorporation	Field of activity	Ownership interest	Type of share held
<b>Held by Treveria G S.à r.l.</b>				
DDT Prime Verwaltungs GmbH	Germany	Property investment	100%	Ordinary
Treveria Six S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Seven S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Eight S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Nine S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Ten S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Eleven S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twelve S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Fourteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Fifteen S.à r.l.	Luxembourg	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Brühl KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Passau KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Freising I KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Nordhorn KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Cloppenburg KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Hamburg Wandsbek KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Aschaffenburg KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Köln II KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Freising II KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Bochum KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co. Objekt Köln III KG	Germany	Property investment	100%	Ordinary
<b>Held by Treveria H S.à r.l.</b>				
DDT Einundzwanzigste VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty nine VV GmbH	Germany	Property investment	100%	Ordinary
Dawnay Day Treveria Ten B.V.	Netherlands	Property investment	100%	Ordinary
AVW Vermögensverwaltungs GmbH & Co. Fünfundzwanzigste Objekt KG†	Germany	Property investment	94.9%	Ordinary
DDT Sixty nine VV GmbH & Co. CBC KG	Germany	Property investment	94.9%	Ordinary
<b>Held by Treveria J S.à r.l.</b>				
Treveria Twenty Two S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Three S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Four S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Five S.à r.l.	Luxembourg	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Darmstadt KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Frechen KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Gelsenkirchen KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Pirmasens KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Remscheid KG	Germany	Property investment	100%	Ordinary
DDT Prime GmbH & Co Objekt Siegen KG	Germany	Property investment	100%	Ordinary
<b>Held by Treveria K S.à r.l.</b>				
Dawnay Day Treveria Five B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Seven B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Eight B.V.	Netherlands	Property investment	100%	Ordinary
Dawnay Day Treveria Nine B.V.	Netherlands	Property investment	100%	Ordinary
Treveria Thirty Two S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Three S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Eight S.à r.l.	Luxembourg	Property investment	100%	Ordinary

† AVW Vermögensverwaltungs GmbH & Co. Fünfundzwanzigste Objekt KG is 94.9% owned by the Treveria Group but has not been included in the consolidation as the Group does not presently control AVW Vermögensverwaltungs GmbH & Co. Fünfundzwanzigste Objekt KG.

## 27. Group entities continued

Names of subsidiaries	Country of incorporation	Field of activity	Ownership interest	Type of share held
<b>Held by Treveria L S.à r.l.</b>				
Treveria Five S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Twenty Eight S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty One S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty Three S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty Four S.à r.l.	Luxembourg	Property investment	100%	Ordinary
DDT Sixty four VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty five VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty six VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty seven VV GmbH	Germany	Property investment	100%	Ordinary
DDT Sixty eight VV GmbH	Germany	Property investment	100%	Ordinary
Treveria Thirty Five S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Six S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Seven S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Thirty Nine S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty Two S.à r.l.	Luxembourg	Property investment	100%	Ordinary
Treveria Forty Five S.à r.l.	Luxembourg	Property investment	100%	Ordinary

## 28. Related parties

### Terms and conditions of transactions with related parties

All of the related party transactions disclosed were carried out on an arm's length basis.

### Terms and conditions of transactions with subsidiaries

The amounts due from subsidiaries to the Company of €646,124,000 (2009: €601,402,000), before provisions for impairment, are interest-bearing and repayable not before 31 December 2015. During the year the Company recorded a write back of the impairment charge amounting to €136,033,000 (2009: increase €164,967,000) resulting in a year end impairment balance of €338,811,000 (2009: €474,844,000) in amounts due from subsidiaries as a result of the increase in net asset value of the underlying subsidiaries following the revaluation of the Group's properties. The interest charge on the loans is based on a rate that relates to the underlying performance of the subsidiaries and amounts to €36,792,000 (2009: €34,897,000). However, this interest has not been recognised in the Statement of comprehensive income as it is not considered to be collectable at the present time. The net amounts after impairment and the adjustment for interest shown in the Company Statement of financial position for amounts due from subsidiaries is €235,914,000 (2009: €91,661,000).

The following transactions took place between the Group and related parties during the financial year:

### Key management personnel compensation

Information on Directors' emoluments, share options and interests in the Company's shares is given in the Remuneration report on page 11.

Fees paid to persons or entities considered to be key management personnel of the Group include:

	2010 €000	2009 €000
Directors' fees	339	406
Fees payable to key management of subsidiary companies	1,270	1,324
Expense in relation to the Treveria Employee Benefit Trust (see note 25)	289	—

### Directors' share options

Share options have been granted to a related company of Ian Henderson, a previous Chairman, who resigned on 1 April 2009, with the following expiry date and exercise prices:

Year issued	Exercise date	Expiry date	Exercise price	Number
2005	2008	2015	€1.00	450,000

## 29. Capital commitments

As at 31 December 2010 the Group had no notarised transactions (2009: none) for completion after the year end for the acquisition of investment properties.

The Company has given guarantees of payment of annual rents of €176,000 (2009: €176,000) payable by its subsidiary undertakings under head leases for varying periods not exceeding 22 years.

## Notes to the consolidated financial statements continued

### for the year ended 31 December 2010

#### 30. Contingent liabilities

As disclosed in more detail in note 18, Treveria Holdings Limited is subject to a contingent liability of up to €32,000,000 for German RETT.

#### 31. Operating lease arrangements

##### Group as lessor

All properties leased by the Group are under operating leases and the future minimum lease payments receivable under non-cancellable leases are as follows:

	2010 €000	2009 €000
Less than one year	<b>92,274</b>	137,051
Between one and five years	<b>268,215</b>	391,959
More than five years	<b>121,063</b>	197,338
	<b>481,552</b>	726,348

The Group leases out its investment properties under operating leases. Most operating leases are for terms of one to 15 years. Some properties have residential leases with unlimited terms.

#### 32. Events after the date of the Statement of financial position

##### Disposal of investment properties

As at 31 December 2010, the Group held two investment properties that were notarised for sale to third parties. The assessed fair value of these properties as at 31 December 2010 was €5,780,000. These properties were disposed of by mid February 2011, realising net €5,519,000, after taking into account attributable expenses which were accrued as at 31 December 2010.

##### Purchase of Own shares

Since the year end, the Company has bought back 2,060,000 (2009: nil) ordinary shares with a total nominal value of €20,600, at an average weighted price of €0.15 per share. These shares have been cancelled and the nominal value has been transferred to the capital redemption reserve.

## Financial summary

Year/period ended 31 December	2010 €000	2009 €000	2008 Restated €000	2007 €000	2006 €000
<b>Assets employed</b>					
Investment properties					
Opening balance	1,881,064	2,065,070	2,383,027	1,726,959	—
Additions, subsequent expenditure and adjustments	(7,318)	(4,642)	35,167	666,816	1,661,706
Disposals	(9,045)	(4,900)	(70,190)	—	—
Derecognition of Silo C	(520,380)	—	—	—	—
Revaluation surplus/(deficit)	73,529	(174,464)	(282,934)	(10,748)	65,253
Closing balance (including properties held for disposal)	1,417,850	1,881,064	2,065,070	2,383,027	1,726,959
Cash at bank	79,393	128,250	145,922	177,015	333,337
Other assets	16,681	25,280	25,235	30,674	17,812
	1,513,924	2,034,594	2,236,227	2,590,716	2,078,108
<b>Financed by</b>					
Share capital	6,071	6,035	6,035	6,288	7,123
Reserves	278,137	167,890	333,565	677,138	759,063
Equity shareholders' funds	284,208	173,925	339,600	683,426	766,186
Borrowings	1,119,385	1,690,630	1,725,056	1,775,043	1,225,087
Deferred tax	18,084	7,174	10,714	25,433	30,560
Other liabilities	92,247	160,104	157,294	100,381	49,441
Non-controlling interests	—	2,761	3,563	6,433	6,834
	1,513,924	2,034,594	2,236,227	2,590,716	2,078,108
<b>Net asset value per share (cents)</b>					
Basic	46.82	28.82	56.27	108.68	107.57
Adjusted	53.95	34.55	61.76	112.93	111.86
<b>Gross debt to property valuation ratio (%)</b>	<b>80.9</b>	92.3	86.2	76.7	72.0
<b>Revenue</b>	<b>124,324</b>	145,073	155,079	129,951	70,758
<b>Net rental income</b>	<b>94,441</b>	112,916	122,815	109,857	59,876
Costs and other income	(12,414)	(12,530)	(10,989)	870	(4,217)
Profit on disposal of investment properties	1,486	1,233	3,906	—	—
Revaluation surplus/(deficit)	73,529	(174,464)	(282,934)	(10,748)	65,253
German RETT	37,417	—	(40,200)	—	—
<b>Operating profit/(loss)</b>	<b>194,459</b>	(72,845)	(207,402)	99,979	120,912
Change in fair value of derivative financial instruments	1,945	(5,033)	(20,831)	(1,314)	—
Net finance expenses	(76,545)	(87,175)	(95,608)	(65,088)	(33,203)
Gain on derecognition of subsidiaries	23,140	—	—	—	—
<b>Profit/(loss) before tax</b>	<b>142,999</b>	(165,053)	(323,841)	33,577	87,709
<b>Total comprehensive income/(loss) for the financial year/period</b>	<b>131,467</b>	(166,477)	(312,147)	34,299	56,171
<b>Earnings per share (cents)</b>					
Basic	21.64	(27.45)	(50.99)	5.06	13.47
Diluted*	21.61	(27.45)	(50.99)	5.05	13.45
Adjusted	0.83	1.40	3.40	5.30	5.15
<b>Dividends per share (cents)</b>					
<b>(all amounts represent the interim dividend paid and final proposed dividend)</b>					
	4.00	—	—	5.10	4.50

\* The share options in issue have not been included in the calculation of the diluted earnings per share for the years ended 31 December 2009 and 2008 as they are antidilutive and would decrease the loss per share.

## Notice of Annual General Meeting

Notice is hereby given that the 2011 Annual General Meeting of Treveria plc (the Company) will be held at the registered office of the Company at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 3 June 2011 at 11 am (the Annual General Meeting).

### A. Ordinary business

At the Annual General Meeting, the following ordinary business will be transacted:

The consideration and, if thought fit, passing of the following resolutions which will be proposed as ordinary resolutions:

#### Ordinary Resolutions

1. THAT the audited accounts of the Company for the year ended 31 December 2010 and the reports of the Directors and the auditors and any other document required to be annexed thereto be and they are hereby considered and adopted.
2. THAT Eitan Milgram, who, being obliged to retire but, being eligible, offers himself for re-election, be and is hereby reappointed as Director of the Company.
3. THAT Christopher Lovell, who, being obliged to retire but, being eligible, offers himself for re-election, be and is hereby reappointed as Director of the Company.
4. THAT KPMG Audit LLC, Douglas, Isle of Man be and are hereby reappointed as auditors to the Company and that the Directors be and they are hereby authorised to determine their remuneration.

### B. Special business

In addition, the following special business will be transacted:

- (1) The consideration and, if thought fit, passing of the following resolution which will be proposed as a special resolution:

#### Special Resolution

1. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 13 of the Companies Act 1992) of ordinary shares in the capital of the Company provided that:
  - (i) the maximum number of ordinary shares authorised to be acquired is 90,690,820 (representing 14.99% of the issued share capital of the Company as at 11 April 2011);
  - (ii) the minimum price that may be paid for each ordinary share is €0.01 (nominal value);
  - (iii) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to 105% of the average of the mid-market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary shares are contracted to be purchased;
  - (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and
  - (v) the Company may make a contract to acquire its ordinary shares under the authority conferred prior to the expiry of such authority, which will or may be executed wholly or partly after such authority, and may purchase its ordinary shares in pursuance of any such contract.
- (2) The consideration and, if thought fit, passing of the following resolution which will be proposed as an ordinary resolution:

#### Ordinary Resolution

1. THAT in revocation of any existing general authority granted to the Directors for the purposes of Article 10 of the Articles of Association and to renew the specific authorities granted in prior financial periods in a manner consistent with such prior authorities, the Directors be generally and unconditionally authorised in accordance with Article 10 of the Articles of Association to exercise all the powers of the Company to allot ordinary shares up to an aggregate nominal amount of €2,016,494, representing approximately one-third of the nominal value of the issued share capital of the Company as at 11 April 2011, such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company provided that the authority shall allow the Company to make an offer or enter into an agreement which would or might require ordinary shares to be allotted after this authority expires.

By order of the Board



**David Parnell**  
Company Secretary  
11 April 2011

**Registered Office:**  
IOMA House  
Hope Street  
Douglas  
Isle of Man IM1 1AP

#### Notes:

1. A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him or her in respect of such shares. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) to the Company's Crest service providers, Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES, so as to arrive not later than 48 hours before the time of the meeting.
3. Completion and return of a Form of Proxy does not preclude a member from attending and voting in person should they wish to do so.
4. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005 (Isle of Man), specifies that only those members registered in the register of members as at close of business on 1 June 2011 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after close of business on 1 June 2011 (or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## Investing strategy

### Generate increasing total returns for shareholders

The Company's principal objective is generating total returns for shareholders primarily through capital appreciation in the Group's portfolio. It seeks to achieve this by investing in a sufficiently large portfolio of commercial real estate assets in Germany, with a primary focus on retail assets, covering a large variety of tenants and a wide geographical area.

From time to time, the Directors, upon the realisation of assets, will give appropriate consideration to the return of capital to shareholders. The Directors will also consult with shareholders regarding proposals for an orderly realisation of the assets of the Group if at any time the Directors consider that such proposals would be in the best interests of shareholders.

### Enhance rental and capital growth through active portfolio management

The property assets acquired by the Group are actively managed with the aim of enhancing rental and capital growth. The Group seeks to generate enhanced value through active portfolio management and leveraging existing tenant relationships when new contracts are negotiated.

The Group, through the subsidiary company asset manager, seeks to generate value through:

- ▶ development of individual asset-level management strategies in order to identify value enhancement potential;
- ▶ increasing occupancy levels of properties through its contact with potential tenants (e.g. larger retailers that may not have a presence in a particular location) and on-the-ground presence;
- ▶ re-configuration of certain properties (e.g. relocating certain tenants in order to maximise footfall through shopping centres or enhancing tenant mix);
- ▶ identification of redevelopment/refurbishment opportunities (e.g. re-zoning former industrial units to permit conversion to retail park space which has the potential to provide rental income and capital value increases);
- ▶ negotiation of lease expiries/renewals/rent reviews/lease extensions in order to enhance the rental income profile/income quality for particular properties; and
- ▶ on an asset-by-asset basis, undertaking performance analysis of the various assets (e.g. timeliness of rent collection and rapid resolution of tenant issues).

## Glossary

Adjusted earnings per share	Earnings per share adjusted to add back profit from disposal of investment properties, revaluation surplus/deficit, RETT, change in fair value of derivative financial instruments and gain on derecognition of subsidiaries, net of related tax.
Adjusted net asset value per share	Net asset value adjusted to add back the deferred tax associated with investment properties and the carrying value of derivative financial instruments.
Basic earnings per share	A revenue related performance measure calculated by dividing the profit or loss in the financial year by the weighted average number of shares in issue during the year.
Basic net asset value per share	The most generally accepted performance measure within the property investment sector arrived at by dividing shareholders' funds by the number of shares in issue at the end of the year.
Diluted earnings per share	Basic earnings per share adjusted for the dilutive effect of share options.
Diluted net asset value per share	Basic net asset value per share adjusted for the dilutive effect of share options.
Euribor	The euro interbank offered rate is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank.
Finance lease	A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.
IASB	International Accounting Standards Board.
IAS/IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board which apply to the Group's financial statements.
IFRIC	International Financial Reporting Interpretations Committee.
Interest rate cap	A financial instrument where the buyer receives money at the end of each period in which an interest rate exceeds the agreed strike price. These are used by the Group to cap interest rate payments.
Interest rate swap	A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are used by the Group to convert floating rate debt to fixed rates.
LTV	Loan-to-value. Debt against property assets.
Net asset value	Shareholders' funds.
The Company	Treveria plc.
The Group	Treveria plc and its subsidiaries.



