Invista European Real Estate Trust Company Summary

As at 30 September 2012, Invista European Real Estate Trust SICAF (the "Company") and its subsidiaries (together the "Group") held a diversified real estate portfolio comprising 39 commercial properties across six Continental European countries. The combined aggregate value of these properties was €412.0 million.

The long term investment objective of the Company is to provide shareholder returns through investing in a diversified commercial real estate portfolio in Continental Europe with the potential for income and capital growth. The geographical focus of the Group is France and Germany due to the relative stability, transparency and liquidity of these markets.

The Company is pursuing a structured realisation of its assets in line with the resolution approved by the Company's shareholders at the EGM on 14 October 2011, as an investment strategy under the Company's original investment policy.

Financial Summary

- Net Asset Value decreased during the year from €136.1 million to €99.0 million
- Net Asset Value per share decreased by 27.3% to €0.381
- Loss per share of €0.143[3]

	Year ended 30 Sep 12	Year ended 30 Sep 11
Net Asset Value ("NAV")[1,2]	€99.0m	€136.1m
NAV per share [1,2]	€0.38	€0.52
NAV per share [1,2,4]	£0.30	£0.46
NAV per preference shares [5]	€1.29	€1.18
NAV per preference shares [4,5]	102.6p	102.7p
Ordinary share price	13.0p	28.0p
Preference share price	95.75p	103.88p
Warrant price	0.60p	6.75p
Share price discount to NAV [1,2]	57.1%	39.1%
NAV total return	-27.2%	-2.8%
Total Group assets less current liabilities [6]	€446.5m	€494.8m

Sources: Internos Global Investors; Datastream

1 NAV is calculated using International Financial Reporting Standards and adjusted to add back the change in fair value of the warrants and deferred tax.

2 As at 30 September 2012, deferred tax liabilities of €23.4 million, based upon temporary differences at the time of initial recognition arising from transactions treated as asset acquisitions have not been recognised in accordance with IAS 12. The Group has deferred tax assets of €23.4 million which have also not been recognised.

3 Loss for the period divided by the weighted average number of ordinary shares in the year.

4 €:£ exchange rate used was €1.257 as at 30 September 2012; €1.149 as at 30 September 2011.

5 The NAV for preference share is equal to the nominal value plus accrued interest divided by the total number of preference shares.

6 Current liabilities exclude banking facilities and deferred tax liabilities arising from the existing portfolio and asset held for sale.

Performance Summary

Property performance

	Year ended 30 Sep 12 €m	Year ended 30 Sep 11 €m
Value of property assets	412.0	451.1
Current annualised rental income	31.8	36.8
Estimated open market rental value per annum on rental area	36.0	36.9

Summary consolidated income statement

	Year ended 30 Sep 12 €m	Year ended 30 Sep 11 €m
Net rental and other income	34.5	38.5
Net gain on disposal of investment property	-	0.5
Net valuation gain on derivative financial instruments	2.0	0.2
Net valuation losses on investment property	(42.5)	(16.2)
Expenses	(7.5)	(8.0)
Net finance costs	(25.1)	(26.5)
Loss before tax	(38.6)	(11.5)
Taxation	1.4	(0.2)
Loss for the year	(37.2)	(11.7)

Earnings and dividends

	Year ended 30 Sep 12	Year ended 30 Sep 11
Loss per share (euro) [1]	(0.1432)	(0.0450)

Bank borrowings

	Year ended 30 Sep 12	Year ended 30 Sep 11
Borrowings €m	286.7	298.0
Borrowings as % of total assets less current liabilities	64.2%	60.2%
Borrowing as % of market value of property assets	69.6%	66.1%
BoS loan covenant of borrowings as % of market value of property assets	75.0%	82.5%

Estimated annualised total expense ratio [2]

	Year ended 30 Sep 12	Year ended 30 Sep 11
As % of total assets less current liabilities [2]	1.68%	1.56%
As % of shareholders' funds [2,3]	6.56%	5.78%

1 Share price converted to Euro at exchange rate of €:£ of 1.257 prevailing at 30 September 2012 and 1.149 prevailing at 30 September 2011. During the 2009, 2010, and 2011 financial years no ordinary dividend was paid.

2 The Total Expense Ratio ('TER') reflects the total of all operating costs associated with running the Group, including the Investment Manager's annual management charge, but excluding any costs associated with the day to day maintenance of the assets.

3 These calculations are presented as a percentage of average shareholder's funds over the period.

Chairman's Statement

The past financial year has seen both weak tenant demand and very thin investment markets for secondary property assets in Continental Europe. This has posed substantial challenges to the Company and its new investment manager, Internos Global Investors, in implementing the disposal programme needed to repay borrowings and ultimately return capital to shareholders, as set out in the Company's new investment strategy.

Vacancies in the Company's property portfolio rose significantly during the period, as a result of the numerous lease breaks which occurred during this time and, although some significant lettings and extensions were negotiated, the Company's annualised rental income fell overall by 12.8% on a like for like basis and, at the same time, this factor adversely affected the disposal programme. Nonetheless, the sale of one of the Company's largest properties for €31.8 million was agreed by year end and completed at the end of November and the ground has been laid for further sales expected in coming months.

Adjusted net asset value declined in the year from €0.52 (45.5p) to a figure of €0.38 (30.3p) per share, due to a fall in property valuations of 8.7% and further reductions in the mark-to-market valuation of the Company's interest rate swaps; net earnings (on an EPRA basis) were €2.1 million (€4.7 million 2011). Net debt levels have increased to 62.6% as at 30 September 2012 from 57.7% as at 30 September 2011 as a result of both the valuation decline and a reduction in cash balances. The gross LTV was 69.6%, compared to 66.1% at the end of the previous year.

As at 30 September 2012, the Company's property portfolio was valued at €412.0 million and comprised 39 commercial property investments across 6 countries (€451.1 million, as at 30 September 2011). Portfolio valuations have suffered steady declines from 30 September 2011 as market uncertainty has pushed out yields and rising vacancy has weakened cash flows. However, successful re-gearing of 17.8% of portfolio income over the year has helped stabilise a number of assets and maintain an attractive lease profile at 6.22 years (6.25 years; 30 September 2011). Several asset management and disposal initiatives are in train. Upon completion of the disposals currently in the pipeline, the Company will be able to further reduce outstanding debt.

The Company has also taken steps to mitigate the impact of weakened rental income by conducting a comprehensive review of corporate costs. Since the year end the Company has agreed in principle new arrangements for corporate administration and accounting which will save over €500,000 per annum, an approximate 40% reduction on a like-for-like basis, as well as substantially reducing future transactional costs. Taking into account these and other operational savings along with the reduction of asset management fees resulting from the appointment of the new investment manager, the Company's cost base by the middle of the current financial year should be approximately €2 million per annum lower than before the appointment of the new manager.

Over the past three years, the Company, after the sale of the Lutterberg property, will have repaid approximately €135 million of bank borrowings (a third of the €400 million outstanding as at 30 September 2009): but the difficult conditions in the investment property market and the consequential delay in the disposal programme noted above make the repayment of the balance before the facility's current maturity in December 2013 very challenging. The significant structural change in the European real estate debt markets, itself a major factor in the weakness of property valuations, makes the prospect of refinancing the facility currently just as challenging.

The investment manager, working with the Company's advisers Rothschild, is in dialogue with Lloyds Banking Group in order to identify the best way forward over the next year and the Board will continue to explore all possible avenues for the maximising of shareholder value. In the meantime, a relentless focus on the management of the Company's properties should, even in these difficult conditions, maximise the opportunities for sales, at the same time as protecting and enhancing the value of the continuing portfolio.

On 28 September 2012, the Board was pleased to appoint William Scott as a new director, bringing wide experience in the financial markets and on the boards of several listed investment companies. Mr. Scott replaced Luxembourg director Jaap Meijer to whom I would like to extend my sincere thanks for his contribution in his five years on the Board.

Tom Chandos
20 December 2012

Investment Manager's Report

Business review

The last financial year marked a transition for the Company as, with the take over of investment management by Internos Global Investors on 15 December 2011 following approval from by the CSSF, the Company's strategy shifted focus to achieving a structured realisation of its assets in line with the shareholder vote at the EGM on 14 October 2011. Since that time, market conditions have progressively deteriorated. As a result, the 2012 financial year has been challenging where completion of asset sales and maintaining portfolio occupancy levels has been difficult.

The portfolio valuation decreased by 8.7% over the year, reflecting weakened market conditions in Europe and increased vacancies across a number of assets. The investment market is thin and the gap discounting core to non-core assets is significant. Therefore, the Company has had to take careful consideration on which assets are sold immediately and which assets would benefit from asset management initiatives to improve liquidity and maximise value. A number of assets brought to the market over the last twelve months have required asset management completion, including the asset in Lutterberg, Germany which exchanged on 28 September 2012 and completed on 30 November 2012. The Company continues to progress on other sales, with three assets in Germany, Belgium and France under exclusivity post quarter end. Nevertheless, cautious investors and limited financing ability have prolonged the sale process which will likely to continue should market conditions persist.

A major challenge in the past year has been that 24% of rental income was subject to lease break or expiry which was made more difficult by the fragile occupational market. With weakening business prospects, a number of tenants have chosen to vacate sites at break, and portfolio vacancy over the year has increased as a result. Nevertheless, the Company retained 60% of income due to break. With income security expected to stabilise during 2013 and a number of prospective new lettings, we anticipate an improvement in rental income on a like for like basis during 2013 which should stabilise valuations, improve liquidity of those assets and thus achieve further sales.

Nevertheless, the next financial year will still be extremely challenging as the current debt facility with Lloyds Banking Group ("LBG") matures in December 2013. The Company has undertaken an extensive review of the refinancing options over the last nine months and appointed Rothschild as an independent financial advisor to assist. Conditions in the European debt markets remain constrained, as banks continue to focus on reducing their real estate exposure and new regulation is expected to reduce bank lending capacity. With lenders able to choose the better assets for new financing, there is limited appetite to provide debt on non-core assets, particularly on a multi-jurisdictional scale. The investment manager is in dialogue with the Company's bankers, Lloyds Banking Group, in order to identify the best way forward over the next year.

The Company has been reviewing a number of corporate cost reductions. Post year end, the Company concluded a tender process on the Company's corporate accounting and administrative services having served protective notice on 3 October 2011 to terminate the administration and accounting agreement with the current provider, Citco S.A, effective on 31 January 2013. Following a comprehensive appraisal and consultation with a number of new and existing providers, the Company appointed Internos Global Investors to service the Company's accounting and Citco S.A., to continue to serve as the Company central administrator. As a result of the tender process and appointments, the Company will reduce those costs by 40% per annum and significantly reduce future transactional costs. The Company will continue to review potential to reduce cost across the fund where it is appropriate.

Post year end, the Company appointed Savills to undertake both the quarterly valuations for the Company's accounting and results and the bi-annual reporting for Lloyds Banking Group to be effective from 10 December 2012. Savills has been appointed following a tender process with several valuation providers who were on a shortlist agreed with Lloyds, the Company's current senior debt provider. DTZ, who have undertaken quarterly valuations on the property portfolio since 2006 have been served notice by the Company.

Results

The Company's Adjusted NAV as at 30 September 2012 was €0.381 (30.3p) per share. This decreased over the financial year by 27.2% (33.4%) from €0.523 (45.5p) principally due to the combined effect of a fall in property valuations of 8.7% and further reductions in the mark-to-market valuation of the Company's interest rate swaps.

Over the 12 months to September 2012, the Company generated net earnings of €2.1 million as calculated on an EPRA basis.

The Company exchanged contracts for sale on Lutterberg in Germany on 28 September 2012 and closed post quarter end. The sale generated €29.5 million in sale proceeds, net of a cash payment to the tenant and has enabled the Company to deleverage the portfolio.

Despite weak occupational markets, the Company extended several leases with tenants representing 17.8% of income with a further 5.9% income in secured heads of terms.

The Market

A succession of positive steps taken towards resolving the Eurozone crisis initially lifted the stock markets and had the desired effect of reducing government bond yields for Southern members. However, the Eurozone economy continues to experience significant political and economic headwinds that are evident in the deterioration of the labour market where unemployment increased to 11.6% in September compared to 10.3% in September 2011. Europe's largest economy continued to show signs that it is not totally immune from the impact of the wider Eurozone contraction with German business confidence falling to a level that was last recorded in June 2009 and manufacturing output falling by 1.6% and 1.7% year on year in July and August (Eurostat).

The weakened economic outlook meant occupiers remained extremely cautious and this was evident in the take-up for French logistic assets during the first nine months of 2012 where demand declined by 33% on the level recorded over the same period in 2011 (BNP Paribas). Demand for logistic space in the Greater Paris region showed more resilience than in the regional markets. Over the quarter immediate supply declined 15% quarter on quarter at the national level but was driven by falling levels of Grade A space with the quantity of Grade B and C supply increasing.

German retail occupiers remain focused on securing assets in locations that deliver the necessary sale volumes. In some markets the limited availability of Grade A space has led to some good quality assets in more secondary locations experiencing stable demand but remains low for poorer quality Grade B and Grade C assets. The German office market also experienced lower levels of demand with total take-up for 2012 down 14% year on year for the top seven cities but remains at historically robust levels (JLL).

The core European markets of the UK, France, Germany and Nordics have accounted for 77% of the €78billion invested in during the first nine months of 2012 with the perceived 'safe haven' markets of London and Paris attracting significant amounts of capital (CBRE). With investors remaining risk averse, investment outside of prime assets in 'safe haven' markets is expected to remain low.

Property Portfolio

As at 30 September 2012, the Company's property portfolio was valued at €412.0 million and comprised 39 commercial property investments across six countries (€451.1 million, 39 assets and six countries as at 30 September 2011). On a like-for-like basis the portfolio value decreased by 8.7% during the year; as European economies continued to falter, and as a result of increased vacancy risk as, at the beginning of the period, 24% of portfolio income was open to lease breaks within a year.

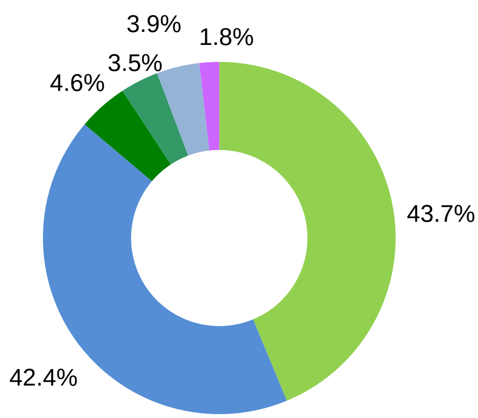
Top 10 properties by value*- Table 1

Address	Sector	%
Heusenstamm, Frankfurt, Germany	Office	14.1%
Riesa, Germany	Retail	9.4%
Lutterberg, Germany	Logistics	6.9%
Cergy, Paris, France	Office	6.7%
Grenoble, France	Office	4.1%
Miramas, France	Logistics	3.8%
Monteux II, France	Logistics	3.7%
Pocking, Germany	Retail	3.5%
Fos-Distriport, France	Logistics	3.4%
Alovera, Spain	Logistics	3.3%
Total		**58.9%**

* Percentage of aggregate asset value plus cash as at 30 September 2012.

Table 1 above shows the Company's ten largest properties by value calculated as a proportion of the open market value of the portfolio (including cash) as at 30 September 2012.

Country Weightings (1)

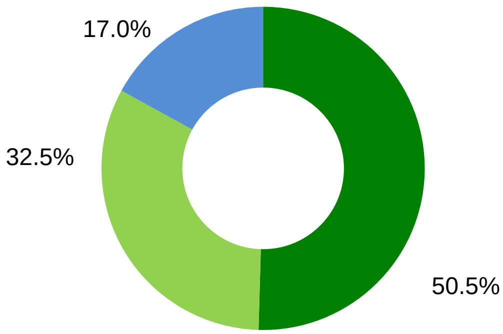


Split by Country	Sept 12 Net Market Value	% Portfolio
France	€ 180,200,000	43.74%
Germany	€ 174,800,000	42.43%
Spain	€ 18,900,000	4.59%
Netherlands	€ 14,490,000	3.52%
Belgium	€ 16,180,000	3.93%
Czech Republic	€ 7,440,000	1.81%
Total	**€ 412,010,000**	

Note: percentages are calculated as a proportion of aggregate asset value as at 30 September 2012

Over 86% of the portfolio is located in the Company's key markets, France and Germany. These are the largest property markets in Continental Europe and account for 32.53% of the total European real estate investment market (Source: CBRE 2012).

Sector Weightings [1]



Split by Sector	Sep 12 Net Market Value	% Portfolio
Logistics	€ 207,860,000	50.45%
Offices	€ 134,050,000	32.54%
Retail	€ 70,100,000	17.01%
Residential	€ -	0.00%
Other	€ -	0.00%
Total	**€ 412,010,000**	

Note: percentages are calculated as a proportion of aggregate asset value as at 30 September 2012

The portfolio is invested in the three main commercial property sectors, logistics, offices and retail.

Income/Tenancies –

As at 30 September 2012 the Company's portfolio generated a gross income of €31.8 million per annum (net €30.7 million) and a Net Initial Yield at property level ("NIY") of 6.99%. The yield decreased over the year as a result of the portfolio void level increasing to 20.3% as at 30 September 2012 from 10.2% as at 30 September 2011. This risk was noted in previous result statements and is mostly a reflection of the continued weakness of occupier markets in the Eurozone. As a result, like for like portfolio income decreased over the year by 12.8% from 30 September 2011.

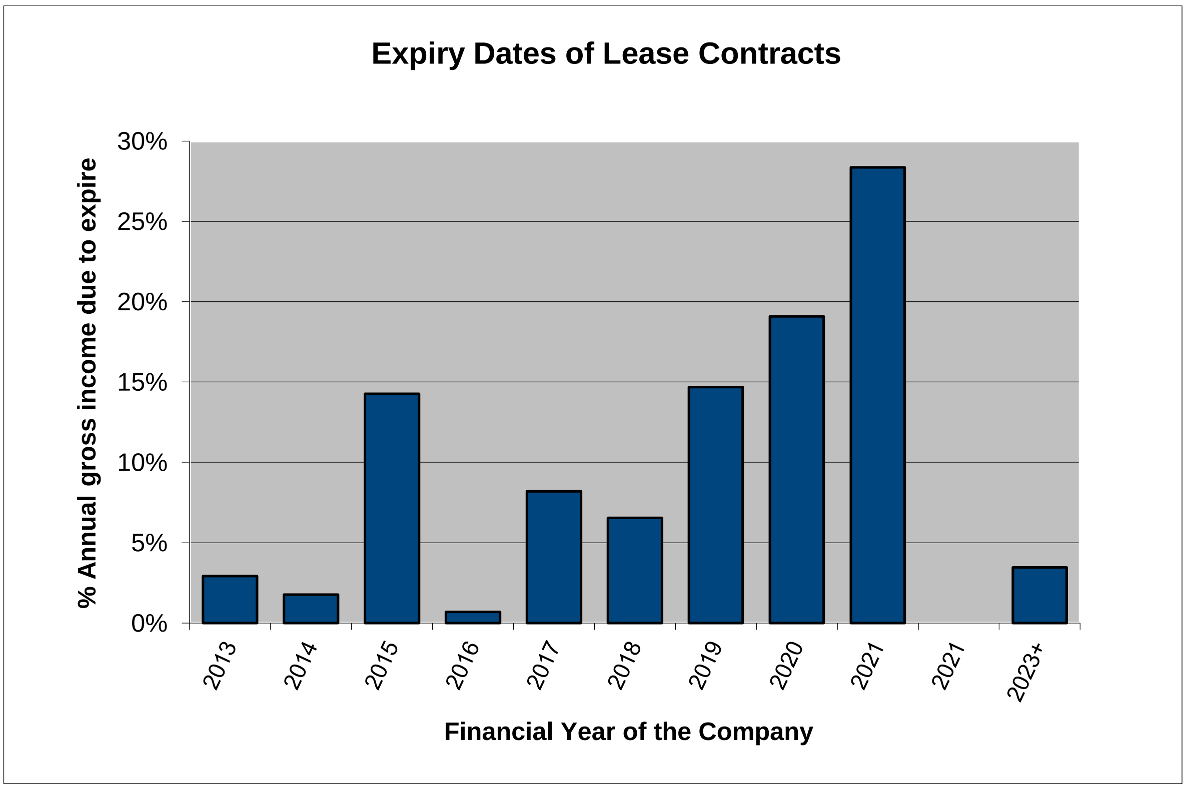
The weighted average lease length to expiry has remained relatively stable over the year at 6.22 years as at 30 September 2012 (6.25 years as at 30 September 2012). The weighted average lease length to first break has improved slightly to 4.67 years from 4.27 years as at 30 September 2011. The portfolio's credit rating, as measured by the Investment Property Databank's M-IRIS credit analysis system in October 2012, has also remained stable over the year at 73 out of 100 which is classified as "low to medium risk" and over 65% of the portfolio income is considered to have negligible or low credit risk.

Top 10 tenants by income- Table 2**

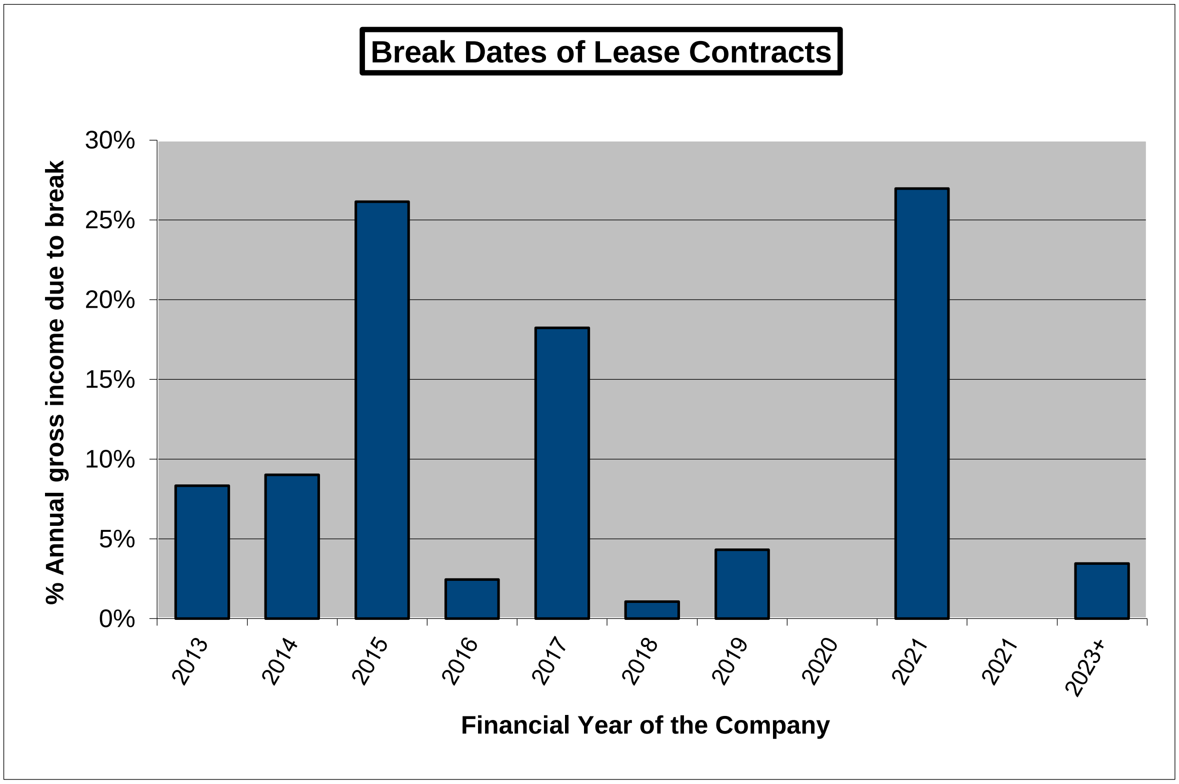
Tenant	%
Deutsche Telekom	18.3%
DHL	12.0%
Valeo	6.9%
Norbert Dentressangle	6.4%
Carrefour	5.1%
SDV Logistique	3.4%
Strauss	3.4%
Real SB-Warenhaus	3.2%
Toom	3.1%
Euromaster	2.7%
Total	**64.5%**

** Percentage of aggregate gross rent as at 30 September 2012

Table 2 above shows the Group's ten largest tenants by income, calculated as a proportion of the gross annual rental income receivable by the group as at 30 September 2012.



2013	2.92%
2014	1.76%
2015	14.26%
2016	0.70%
2017	8.20%
2018	6.55%
2019	14.69%
2020	19.09%
2021	28.36%
2022	0.00%
2023+	3.46%



2013	8.34%
2014	9.02%
2015	26.14%
2016	2.45%
2017	18.24%
2018	1.07%
2019	4.31%
2020	0.00%
2021	26.97%
2022	0.00%
2023+	3.46%

Source: Internos and DTZ, valuation as at 30 September 2012

The charts above show the lease expiry and break profile of the Company's portfolio. The percentages represent the proportion of the Group's total annual rental income due to break or expire in each year, as at 30 September 2012. The short term income risk for the portfolio as at 30 September 2012 has reduced significantly from last year when 24% of portfolio income was due to break during the financial year of 2012. Income security has also improved having renegotiated lease terms with tenants representing 17.8% of portfolio income.

Portfolio Statistics [1]	France	Germany	Spain	Netherlands	Belgium	Czech Republic	Total
Number of Tenants [2]	23	91	3	1	6	1	**125**
Number of Leases [2]	24	92	3	1	6	1	**127**
Ten Largest Tenants (%) [2]	52.5%	62.6%	9.9%	6.9%	6.5%	0.0%	**64.5%**
ERV (€,000) [3, 4]	€ 16,975	€ 13,904	€ 1,573	€ 1,589	€ 1,225	€ 727	**€ 35,994**
Gross Rent (€,000) [2]	€ 11,860	€ 15,113	€ 2,052	€ 1,430	€ 1,298	€ 0	**€ 31,754**
Net Rent (€,000) [3]	€ 11,860	€ 14,341	€ 2,051	€ 1,159	€ 1,258	€ 0	**€ 30,670**
Potential Rent [2,3,5]	€ 17,561	€ 16,202	€ 2,052	€ 1,932	€ 1,375	€ 727	**€ 39,848**
Average Occupancy Rate (%) [7]	67.5%	93.3%	100.0%	74.1%	94.4%	0.0%	**79.7%**
Number of Properties [2]	25	6	2	2	3	1	**39**
Average Lot Size (€,000) [3]	7,208	29,133	7,245	8,090	6,300	7,440	**10,564**
Net Initial Yield (%) [8]	6.08%	7.78%	10.50%	7.33%	7.72%	0.00%	**5.37%**
Lettable Floor Space (sqm) [2]	327,694	197,066	48,398	30,082	8,834	17,147	**629,221**
Lettable Floor Space (%) [2]	52.1%	31.3%	7.7%	4.8%	1.4%	2.7%	**100.0%**
Sector [3,9]							
Office	30.9%	35.6%	0.0%	0.0%	100.0%	0.0%	32.5%
Logistics	69.1%	24.3%	100.0%	100.0%	0.0%	100.0%	50.5%

[1] As at 30 September 2012
[2] Source: Internos
[3] Source: DTZ valuation as at 30 September 2012
[4] ERV based on leased and vacant area
[5] Potential Rent is calculated as the sum of Gross Rent and ERV on vacancy
[6] Positive figures represent over-rented, negative figures represent under-rented. Calculated as the percentage difference between Potential Rent and ERV
[7] Calculated as a percentage of ERV on vacancy on total Potential Rent
[8] Weighted average by property
[9] Calculated as a percentage of valuation as at 30 September 2012

Disposals

Over the last year, the Company has been strategically assessing and actively managing the property portfolio in order to undertake a structured realisation of its assets to reduce the outstanding debt and achieve maximum value for shareholders. Achieving this optimal sale strategy is not without challenges given the weak investment market, rising portfolio vacancy and unrecognised deferred tax liabilities on a number of assets.

Assets which have been indentified for immediate sale are encountering a market where cautious investors are slow to progress and requesting prolonged exclusivity periods. Other assets require active asset management in re-gearing leases, letting vacant space or restructuring space, without which these assets struggle to attract interested buyers.

Despite these sale constraints, the Company has successfully implemented the disposal process on several assets which have sold or are under exclusivity. On 28 September 2012, the Company exchanged contracts for Lutterberg in Germany, one of the largest assets in the portfolio representing 7.4% of portfolio valuation as at 30 September 2012. The sale of the logistics distribution centre was completed post year end on 30 November 2012 at a sales consideration of €29.5 million, 3.4% below 30 September 2012 valuation and net of a cash payment made to the tenant Deutsche Post Immobilien GmbH ("DPI") in exchange for a lease extension of five years until 2022. Sale proceeds have further reduced after taking into account sale costs, holdbacks and deferred tax liabilities crystallised by the sale. The following net proceeds of €22.0 million will enable the Company to repay the outstanding loan amount on the asset and further amortise the debt.

Post year end, the Company is under exclusivity on three assets in Germany, France and Belgium for a total consideration of €27.0m. Expected closing of these assets is anticipated in the first quarter of 2013. Discussions are progressing with prospective purchasers in respect of a number of other asset sales representing over €75 million in asset value. Further progress is being made on assets that require asset management initiatives prior to sale.

Asset Management Highlights

As at 30 September 2012, the Company had 24% of income due to lease break or expiry within the financial year. The last twelve months have therefore been challenging to retain tenants, particularly in a market where occupiers are facing a number of economic difficulties. Portfolio vacancy increased as a result of tenants exercising breaks or disputing lease contracts to obtain an early exit of the lease. Nevertheless, the Company retained 60% of the income known to break during the financial year, improving income security and fixed weighted average lease length.

Retaining tenants over the year has required actively negotiating with existing tenants representing 17.8% of portfolio income to extend those leases' weighted average fixed lease term by 6.0 years. Approaching tenants ahead of lease break or expiry has helped secure a weighted average lease length to expiry of 6.22 and to break of 4.67 years which has remained stable over the year (6.25 years on expiry and 4.27 years on break as at 30 September 2011). In addition, actively re-gearing leases has been central to achieving the Company's strategic objectives. Lease extensions with main tenants has improved the liquidity of assets in Lutterberg, Germany, Brussels, Belgium and Grenoble, France, all of which have either been sold or under offer post year end. The Company is continuing to focus on lease extensions to improve asset liquidity with 5.9% of income under agreed heads of terms and 11.9% of income in advance negotiation to extend leases.

While the Company has retained and extended lease terms with a number of tenants during the year, the occupancy level of the portfolio has declined. The Company anticipates occupancy in the short term to remain weak as tenants have exercised break options at logistics sites in Spain and France and will vacate by the end of 2012. However, the Company is confident that portfolio income security will stabilise in 2013 and active negotiations advancing on 49,636 sqm of vacant space should provide upside on rental revenue and stabilise valuation on those assets.

Offices

The portfolio's seven office assets in France, Belgium and Germany remained relatively robust over the year with occupancy levels improving from 95.2% as at 30 September 2011 to 97.1% as at 30 September 2012 and valuations declining 4.5%, less than the portfolio yearly average at 8.7%. A number of asset management initiatives have helped secure income and position assets for sale. In Grenoble, France, the lease was extended with Rolls Royce who also took 1,500 sqm of vacant space. With the asset fully occupied, the Company has been able to secure a bid on the asset and enter exclusivity for sale post year end. In Brussels, Belgium, the Company signed a new nine year firm lease ahead of expiry with Communauté Française who fully occupy the 3,744 sqm building, thus mitigating vacancy risk and enhancing the asset's saleability. The asset is now under exclusivity with closing anticipated in early 2013. The combined sales in Belgium and France should generate €14.5 million of sale proceeds.

The Company is in advance negotiation with existing tenant occupying office space in Belgium and France representing 14.6% of portfolio office income.

The office portfolio generates an income return (NIY) of 8.5%.

Logistics

Post quarter end, the Company successfully completed the sale of Lutterberg, Germany, the largest logistics assets in the portfolio by value. The sale generated €31.8 million in sale proceeds and followed a lease re-gear with the tenant, DPI, who fully occupy the logistics warehouse. DPI agreed to extend lease terms by five years until 2022 in exchange for a rent incentive payment equating to one year of rental income, which was deducted from the sale proceeds. In addition, the company is under offer on an asset in Solingen, Germany which is expected to generate gross sale proceeds of €12.5 million. Combined, both logistics sales should generate €44 million in gross proceeds and enable the Company to repay over €33 million of outstanding debt which includes allocated loan amount and net sale proceeds.

Logistics portfolio income and valuation has weakened over the last twelve months as a combination of deteriorating market conditions and a high proportion of breaks during 2012 leading to some tenants vacating logistics sites. Occupancy by income in the logistics portfolio declined from 84.2% on 30th September 2011 to 67.8% on 30th September 2012. In some cases, logistics operators have struggled to retain clients while others have sought cost cutting measures to consolidate business operations. While vacancy has advanced, finding new tenants has remained difficult. Occupational demand is limited particularly for larger logistics accommodation. However, the Company is actively seeking alternatives to attract new tenants, such as considering short term leases to boost operating costs, dividing warehouse space to lease smaller separate units and restructuring accommodation for alternative use. Advanced negotiations are on-going with a number of potential tenants for vacant logistics accommodation representing 44,000 sqm which could generate €1.5 million in rental revenue and reduce voids costs by €118,000 pa. In addition to seeking new tenants, the Company continues to actively pursue owner-occupiers and local investors for the purchase of vacant assets.

Despite weak market conditions and increased vacancy, the Company extended two important leases with tenants at logistics sites in Germany and Spain representing 10% of portfolio income. As mentioned above, the five year lease extension at Lutterberg, Germany with DPI improved asset liquidity and resulted in a successful sale. In Alovera, Spain, the main tenant Tech Data extended lease terms by five years until 2019 at a rent 9% above ERV, a successful outcome particularly given the difficult market conditions in Spain.

In addition, active negotiations are ongoing with existing logistics tenants representing 24.7% of logistics portfolio income which will secure income on several logistics sites in France.

Retail

Over the year to 30 September 2012, retail assets Pocking and Riesa in Germany benefited from lease extensions with key tenants. Toom Baumarket, the second largest tenant in the shopping centre in Riesa whose lease was due to expire in August 2012, agreed a new seven year lease helping to mitigate vacancy and generate a stable fixed weighted average lease length of 5.9 years on site. At the shopping centre in Pocking, the lease with Fact Fitness was extended by fourteen years to 2026 and took an additional 500 sqm of vacant space. At the shopping centre in Roth, Germany, however, rental income and occupancy was reduced when the anchor tenant, Mauktkauf disputed their lease break option and vacated the shopping centre in March 2012. Mauktkauf agreed a cash settlement payment of €3.6m which the Company is utilising to reposition the asset and attract a new anchor tenant to the site. The retail portfolio occupancy level decreased from 98% as at 30 September 2011 to 84% as at 30 September 2012.

The three retail assets in Germany require asset management initiatives prior to sale which include re-gearing leases with some of the existing tenants at Pocking and Riesa, re-letting the anchor site in Roth and undertaking a restructuring project at Riesa which will ensure longevity of the asset and secure existing tenants on site.

Case Studies

Nova, Grenoble, France 4,829 sqm Letting and lease re-gear February 2012	Rue Royale 3,744 sqm Lease re-gear August 2012
The 4,829 sqm office building in Grenoble, France is fully leased to two tenants. From 2008, the asset had 3,300 sqm of vacant space which was part leased to Rolls Royce in May 2011. Following active engagement with the new tenant, the Company signed a new lease on February 2012 to extend terms by one year as well as lease the remaining 1,500 sqm vacant space on site. With the asset fully let to two quality covenants, the building was actively marketed and went under exclusivity post year end.	The 3,744 sqm office building in central Brussels, Belgium has been fully leased to Communauté Française since 2000. Prior to the lease expiry in August 2012, the Company actively negotiated with the tenant to secure a new lease. A new nine year lease was signed with Communauté Française at a rent 19.1% above ERV. Securing this lease reduced the risk of the building becoming fully vacant and improved asset liquidity given the long lease term and secure tenant covenant. Following active marketing, the asset is now under exclusivity to complete the sale in early 2013.

Lutterberg, Germany
53,895 sqm
Lease re-gear & Sale
September 2012

This prime logistics warehouse is fully let to Deutsche Post Immobilien (DPI) and represents 7.4% of portfolio value. The Company actively engaged with DPI, extending lease terms in 2010 and 2011. Given the tenant's commitment to the site, the Company approached the tenant again over the last year to extend the fixed lease term from 2017 to 2022, to be effective upon a sale of the asset. In exchange for the lease extension the tenant was provided a cash payment equivalent to one year's rent to be paid from gross sale proceeds. Securing this lease extension with DP,I improved the asset's attractiveness and enhanced the sale value. With an improved lease profile, the Company was able to secure a competitive bidding process and the asset went under exclusivity with an institutional buyer at a gross sales consideration of €31.8 million. The asset sale was completed post quarter end.

Riesa, Germany
8,887 sqm
Lease re-gear
August 2012

The largest retail asset, representing 9.3% of portfolio value, is let to multiple tenants with an overall occupancy level of 97.7% by income. Toom Baumarket, the second largest tenant who occupies 18% of rental area on site, had a lease expiry in August 2012. Following active negotiations, the DIY operator agreed to a new nine year lease. Securing the tenant on site was important for the operation of the whole shopping centre and to maintain the strong footfall. The asset now has a weighted average lease length of 5.9 years. The sale process of this asset will begin following the undertaking of a repositioning project to improve the shopping centre's layout and amend structural issues.

Borrowings

As at 30 September 2012, the Company had drawn down a total of €286.7 million of senior debt in respect of its €359.3 million facility with the Bank of Scotland. In addition, the Company had cash balances of €28.8 million (excluding tenant deposits of €3.8 million and escrow accounts of €2.5 million) at that date, giving a net debt position of €257.9 million.

In January 2012, €11.3 million of cash from the Company's balance sheet was used to pay down a debt with the Bank of Scotland and thus reduce its drawn debt facilities to €286.7 million, thereby decreasing the LTV to below 65% (as calculated by reference to 31st December 2011 valuation) and maintaining a loan margin of 2.25%. This reduced margin applied until 25 July 2012 at which point the LTV was tested using property valuations as at 30 December 2011.

Prior to 25 July, the Company decided not to over-amortise the senior loan to reduce the LTV below 65% and maintain a loan margin at 2.25% as this strategy would require a payment of €12.3 million of cash. The Company concluded such a repayment would limit corporate flexibility and weaken security in meeting the Company's working capital and capital expenditure obligations. As sales progress and net sales proceeds are anticipated, the Company will continue to review the use of cash and the best utilisation of sale proceeds.

The Company's gross Loan To Value ("LTV") ratio as at 30 September 2012 was 69.6% and the net debt LTV was 62.6%. As at 30 September 2012, the Company's gross LTV under the Finance Documents with the Bank of Scotland was 67.9%, against an LTV covenant of 75%.

All debt is fully hedged against changes in European interest rates until December 2013, giving a total interest cost of 6.70% per annum at current LTV levels.

The Company has been active in taking advantage of opportunities to manage the balance sheet. From 24 July 2012 to 31 July 2012, the Company purchased 800,000 of its own preference shares at the unitary sell price of £0.95.The purchase was an opportunity for the Company to acquire shares at an attractive discount to face value while limiting outstanding liabilities and reducing coupon payments. The preference shares purchased are being held in treasury.

Report of the Directors

The Directors of the Company (the 'Directors' or the 'Board') present their report and the Audited Separate Financial Statements of the Company and the Group Financial Statements for the year ended 30 September 2012.

Business review

Business of the Company

The Company was incorporated on 6 June 2005 as Insight European Real Estate Trust S.A. On 17 November 2006 the Company's name was changed to its present name Invista European Real Estate Trust SICAF together with conversion of the Company into an investment company with fixed capital (*société d'investissement à capital fixe*). The Company has been listed on the main market of the London Stock Exchange since 20 December 2006.

Invista European Real Estate Trust SICAF is an investment company with fixed capital (société d'investissement à capital fixe) under the form of a public limited company (société anonyme), registered under Part II of the Luxembourg law of 17 December 2010 and managed by Internos Global Investors ("Internos"). Additional information regarding the Company and Group's business during the year is contained in the Chairman's Statement and the Investment Manager's Report.

Investments

The independent valuation of the Company's property portfolio as at 30 September 2012 was €412.01 million and consisted of 39 properties located in France, Germany, the Netherlands, Spain, Belgium and Czech Republic.

Disposals

There were no completed disposals during the year under review although immediately prior to the year end, contracts were exchanged for the disposal of a logistics distribution centre at Lutterberg, Germany for a total consideration of €31.8 million. Further details are set out later in this report.

Strategic outlook

The Company announced on 28 May 2012 that it had concluded discussions with the *Comission de Surveillance de Secteur Financier* ("CSSF") and it may pursue a structured realisation of its assets in line with the resolution approved by the Company's shareholders at the EGM on 14 October 2011, as an investment strategy under the Company's original investment policy.

The investment restrictions contained in the Company's prospectus dated 16 November 2009 will not apply to the extent that such restrictions are inconsistent with the Company's new investment strategy.

The Company will continue to actively manage the existing property portfolio to reduce the level of borrowings through sales where this is beneficial to the Group, improve the income characteristics of the Group, maximise capital returns and enhance NAV performance. This will include regular reviews of the relative performance of the countries, regions and sectors in which the Company has invested and managing asset, country and sector allocation.

Key performance indicator

The Board uses the absolute net asset value ('NAV') return of the Company to monitor and assess the performance of the Company. As at 30 September 2012, the Company's audited NAV (adjusted to add back deferred taxation and the change in the fair market value of warrants) was €0.381 per share.

During the year ended 30 September 2012, the Company's audited adjusted NAV has decreased by €0.142 per share or 27.2%. The decline in NAV was primarily due to fall in investment property valuations and the gearing effect of the Company's borrowings.

An analysis and review of performance of the property portfolio is set out in the Property Portfolio section of the Investment Manager's report.

Important events post year end

The Chairman's Statement and the Investment Manager's Report, where appropriate, both contain information on the important events of the Company occurring since the end of the financial year and the Company's likely future development.

Termination notice
On 3 October 2012, in light of the tender process for the Company's corporate accounting and administrative services, protective notice has been served by the Company to terminate the administration agreement with Citco REIF Services (Luxembourg) S.A.. The termination notice will take effect on 31 January 2013.

Disposals
The Company announced on 15 October 2012 that it has exchanged contracts on 30 September 2012 for the sale of a 53,895 sqm logistics distribution centre in Lutterberg, Germany. Completion of the Lutterberg sale was subject to certain conditions precedent which were finalized post quarter end and the sale of Lutterberg was completed on 30 November 2012 for a total gross proceeds of €31.8 million.[Three] additional assets in Germany, France and Belgium are currently under offer for a total gross sale price of €27 million.

Capital Structure
At 30 September 2012 the Company's issued share capital consisted of 259,980,909 ordinary shares each allotted and fully paid, 29,137,134 of preference shares (800,000 held by the Company as Treasury shares), and 29,105,174 warrants.

On 29 December 2009 the Company's share capital was reduced from €142,829,093.75 to €11,426,327.50 (without the cancellation of shares and without any reimbursement or repayment to the shareholders) to accomplish the following:

(i) absorption of the (non consolidated) losses of the Company as at 30 September 2009 of €13,089,270 resulting in the reduction of share capital of the Company being reduced to €129,739,823.75; and
(ii) creation of a non-distributable reserve of €118,313,496.25 which would be used exclusively to absorb losses incurred or to increase the share capital of the Company through the capitalisation of the non-distributable reserve.

Subsequent to the share capital reduction each ordinary share had an accounting par value of 10 eurocents (€0.1).

On 29 December 2009 the Company issued the following ordinary shares, preference shares and warrants:

- 145,685,674 ordinary shares at £0.20 per ordinary share,;
- 29,137,134 preference shares priced at £1 per preference share, with a seven year term;
- one warrant per preference share giving the right to subscribe for an ordinary share at £0.29 exercisable in May and November of each year during the four year life of the Warrants as set out in the Instrument and the Prospectus of the Company dated 16 November 2009.

The ordinary shares and preference shares were issued pursuant to the terms of the Articles of Incorporation and the terms of Luxembourg Company law while the Warrant Instrument is governed by English law.

On 1 December 2010, 2,937 warrants were converted to Ordinary shares.
On 1 June 2011, 859 warrants were converted to Ordinary shares.
On 6 December 2011, 170 warrants were converted to Ordinary shares.
There was no conversion of warrants to Ordinary shares on 1 June 2012.

Since the warrants were issued on 16 November 2009, a total of 31,960 warrants have been converted to 31,960 of ordinary shares

The Company purchased between 25 and 31 July 2012 in total 800,000 of its own preference shares at a price of 95p per share, which are held in treasury.

Voting rights
There are no restrictions on the voting rights attaching to the ordinary shares. The preference shares do not carry voting rights except in circumstances (i) set out in articles 44 to 46(1) of the Company Act, and (ii) where, despite the existence of profits available for that purpose, the preferential cumulative dividends to which the preference shareholders are entitled are not paid in their entirety for any reason whatsoever for a period of one financial year, in which case the holders of preference shares will have the right to vote in the same manner as other shareholders at all meetings until such time as all such preferential cumulative dividends have been received in full. The Warrants do not carry any voting rights. Voting rights to each share and procedures relating thereto are described in articles 7, 8 and 26 of the Articles of the Company.

Authority to allot shares
Pursuant to article 8 of the Articles, the Board is authorised to issue ordinary shares, and, as the case may be, additional Warrants (if and when required to comply with adjustment mechanisms provided for in the terms and conditions of the Warrants) within the limits of the authorised share capital. The ordinary shares and/or Warrants may be issued in one or several tranches, on such terms and conditions as the Board may approve, and at such price including such share premium as the Board may decide. The authority expires on 29 December 2014.

Pre-emption rights
Pursuant to article 8 of the Articles, pre-emption rights do not apply to shares that are offered for subscription by way of contributions in cash at or above the latest published net asset value, providing such offer is made within the period expiring on 29 December 2014. Where shares are offered for subscription by way of contributions in cash below the latest published net asset value, pre-emption rights apply as described in article 8 of the Articles of the Company.

Repurchase and redemption of own shares
The Company may repurchase its own shares in compliance with the Company Act, the Listing Rules and its Articles. Shares redeemed by the Company may remain in existence and be held in treasury by the Company. Shares which are not cancelled do not have any voting rights or any right to participate in any dividends declared by the Company, or in any distribution paid upon the liquidation or winding-up of the Company. Such shares are also disregarded for purposes of determining Net Asset Value, in each case, for so long as such shares are held by the Company. The price of shares reissued by the Company are determined according to such policy as the Board may determine from time to time.

Under the Articles of Association, all shares are redeemable shares within the meaning of article 49-8 of the Company Act. The Company may redeem its own ordinary shares whenever the Board considers this to be in the best interest of Company, subject to the terms and conditions determined by the Board, within the limitations set forth by the Company Act and by article 9 the Articles of the Company. Preference shares can only be redeemed in the specific circumstances described in article 9 of the Articles, in accordance with the terms of, and subject to the conditions set in, article 49-8 of the Company Act.

Dividend
As at the date of this report, the Company has neither declared nor paid dividends to the holders of ordinary shares during the financial year.

The Payment Dates for the payments of dividends relating to the preference shares changed from 31 May and 30 November to the third week of June and the third week of December respectively to be consistent with the ordinary share dividend pay dates previously set in place.

On 22 May 2012, the Company declared the fifth semi-annual preference dividend of £0.04488 per preference share in respect of the period from 24 December 2011 to 22 June 2012, which was paid on 22 June 2012 to preference shareholders on the Register on 1 June 2012 and the shares were quoted ex-dividend on30 May 2012.

The sixth semi-annual preference share dividend of £0.04488 per preference share was declared on 29 November 2012 in respect of the period from 23 June to 21 December 2012, which will be paid on 21 December 2012 to preference shareholders on the Register on 7 December 2012. The shares were quoted ex-dividend on 5 December 2012.

Warrants
The registered holders of Warrants were in a position to subscribe on 31 May and 30 November for new ordinary shares subject to the terms and conditions attaching to the Warrants as set out in the Instrument and the Prospectus of the Company dated 16 November 2009.

Shareholders' agreements
The Company is not aware of any shareholders' agreements which would result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Directive").

Shares and warrants transferability
Shares of the Company (i.e., ordinary shares and preference shares, as such terms are defined in the Articles) are freely transferable subject to article 10 of the Articles. Warrants issued by the Company are freely transferable subject to the provisions laid down in Part IV, Section 5. of the Prospectus.

Special Control rights
No security holder is vested with special control rights with regard to control of the Company.

Investment objective and policy

Investment objective
The long term investment objective of the Company is to provide shareholder returns through investing in a diversified commercial real estate portfolio in Continental Europe with the potential for income and capital growth. The geographical focus of the Group is primarily France and Germany due the relative stability, transparency and liquidity of these markets.

Investment strategy
At an EGM held on 14 October 2011, shareholders approved a proposed new investment objective and policy to realise the existing property portfolio and return capital to shareholders and the Company concluded discussions with the *Comission de Surveillance de Secteur Financier* ("CSSF") enabling it to pursue a structured realisation of its assets in line with the resolution approved by the Company's shareholders at the EGM, as an investment strategy under the Company's original investment policy. The Board believes that the proposed new investment objective and policy under the Company's original investment policy is the most appropriate course of action for the Company at this time, and is expected to have the following benefits:

- shareholders should be able to obtain net realisable value (after repayment of borrowings and liabilities) in as short a timescale as practicable;

- the approach to realisation should achieve the best balance between maximising value (compared to an immediate liquidation) and minimising the time taken to return capital to shareholders;

- strategically manage the realisation strategy within the given market constraints, debt covenants and maturity and asset level liquidity limitations. It is proposed that all property assets will be sold as expeditiously as is consistent with the protection of value, with an initial focus on those properties already optimised for sale and those in markets where the Company has relatively few assets, so as to reduce property management costs.

The sales proceeds will be applied in the first instance to the repayment of debt and thereafter returned to shareholders of the Company within a targeted timescale of approximately three years from 29 September 2011, being the date on which a circular was issued by the Company to its shareholders seeking approval of the new investment policy of the Company.

New property assets would not be acquired unless such an acquisition is deemed by the Board, in consultation with the investment adviser, to be essential to protect or enhance the realisable value of an existing property asset. Where there is an opportunity to accelerate the realisation of optimal value for shareholders of the Company, a corporate transaction, such as the merger or sale of the Company, will be considered.

Diversification
Under the existing investment objective, the Board continues to believe that in order to maximise the stability of the Group's income, the optimal strategy for the Group is to be invested in a portfolio of assets which (a) is diversified by location, sector, asset size, lease length and tenant exposure and (b) has low vacancy rates and (c) creditworthy tenants. While there will be no predefined limit on exposures to location, sector, asset size, vacancy rates and tenant types, the Company's portfolio will be invested and managed, as is currently required by the Listing Rules, in a way which is consistent with its objective of spreading investment risk and taking into account the Company's investment objectives, policies and restrictions.

Asset allocation
The Group currently owns a diversified portfolio of commercial real estate. Its sector focus is logistics, office, retail and light industrial. From time to time the Group may have modest exposure to other types of real estate, for example leisure or residential. There will be no predetermined limits on investment per sector and no predetermined geographical limit on investment. Asset allocation will be determined taking into account current Listing Rule requirements (see below under 'Investment Restrictions'), the objective of spreading risk and the Company's investment objectives, policies and restrictions.

Investment restrictions
As a registered Luxembourg closed ended investment fund company listed on the London Exchange, the Company and, where relevant, its subsidiaries are subject to the UK Listing Rules as well as various rules of the CSSF, the Luxembourg regulator. The Company and where relevant, its subsidiaries will observe the following restrictions in compliance with the current Listing Rules:

- Distributable income will be principally derived from investment. Neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the Group as a whole;
- The Company will invest and manage its assets in a way which is consistent with its objective of spreading investment risk; and
- The Company will only use financial derivatives instruments for hedging purposes.

As the Company is a closed-ended investment fund for the purposes of the Listing Rules, the Group will also adhere to the Listing Rules applicable from time to time to closed-ended investment funds. This includes observing the following restrictions in compliance with the current Listing Rules for closed-ended investment funds:

- The borrowings of the Group (excluding intra group loans) are limited by the Articles to 65% of the gross assets of the Group. This limit is tested at the time any borrowing is made. In addition, the Company is subject to a limit on borrowing of 70% of gross assets which, in accordance with Luxembourg legal and regulatory requirements applies at all times; and
- No one property (including all adjacent or contiguous properties) shall at the time of Admission or, if later, at the time of acquisition, represent more than 15% of the gross assets of the Group.

In relation to the investment restriction set out in the second bullet point above, the Company has previously received a waiver of this restriction from the UKLA (when this requirement was set out in the Listing Rules) in respect of the initial assembly of the Total Property Portfolio. However, in accordance with Luxembourg regulatory requirements, the Company is now in compliance with restriction.

No more than 20% of the gross assets of the Company may be exposed to the creditworthiness or solvency of any one counterparty (including its subsidiaries or affiliates).

The total amount of loans granted by the Company to entities which are not part of the Group may not represent more than 20% of the gross assets of the Company (consolidated where appropriate) at a time a loan is made.

Ancillary holding of liquid assets by the Group is subject to the following restrictions:

- the Company may not invest more than 10% of its net assets in money market instruments or debt securities of one single issuer;

- the Company may not hold more than 10% of any single class of money market instrument or debt security of a single issuer nor may it invest more than 10% of its net assets in money market instruments or debt securities which are neither listed on a stock exchange nor dealt on a Regulated Market.

The above restrictions are, however, not applicable to securities issued by companies which are wholly or partly owned and controlled by the Company.

Where amendments are made to the Listing Rules, the restrictions applying to the Company will, subject to the prior approval of the CSSF, be amended so as to reflect the new Listing Rules. In this instance the Board will consider the revisions applicable to the Company and, if considered suitable, will, subject to the prior approval of the CSSF, adopt the new Listing Rules investment restrictions.

In case of non-compliance with the investment restrictions, corrective and compensatory actions will be undertaken in accordance with the CSSF Circular 02/77 and an announcement of such action shall be made through a regulatory information service.

Material change to investment objective and policy

In accordance with the requirements of the UK Listing Authority and the CSSF, any material change in the investment objective and policy of the Company may only be made with the approval of shareholders. Following regulatory and shareholder approval such a change will take effect on the quarter end date subsequent to the quarter during which a notice informing the shareholders of such material change was sent.

At an EGM held on 14 October 2011, shareholders approved a proposed new investment objective and policy to realise the existing property portfolio and return capital to shareholders and the Company concluded discussions with the *Commission de Surveillance de Secteur Financier* ("CSSF") regarding the proposed new investment objective and it may now pursue a structured realisation of its assets in line with the resolution approved by the Company's shareholders at the EGM as an investment strategy under the Company's original investment policy.

Principal risks and Uncertainties

In addition to the various operating risks presented below, the Board has set out and presented risks it considers to be critical to the Company in Note 28 to the Consolidated Financial Statements as at 30 September 2012. As the revised strategy is executed, the portfolio is likely to become more concentrated with the consequence that diversification controls are no longer effective.

Investment and strategy

Market circumstances can introduce volatility into investment returns arising from factors such as market sentiment, an excess supply of accommodation relative to occupier demand, macro economic factors impacting on the capability of tenants to pay rents or fiscal and legislative changes. Under current strategy, the Investment Manager and the Board seek to mitigate these risks through a business plan led approach, which incorporates a rigorous asset management strategy, research-based investment decisions and regular reviews of portfolio strategy. This approach has led to owning a well diversified and balanced portfolio with opportunities for active asset management.

To enable the Board to ensure that the portfolio does not become overly concentrated or reliant on individual assets, sectors or tenants, the Investment Manager reports quarterly on asset concentration, sector and regional diversification.

On a semi-annual basis the Investment Manager provides an independent analysis of tenant quality to the Board, sourced from Investment Property Databank's tenant credit rating system.

The primary control is that no single property (including all adjacent or contiguous properties) shall represent more than 15% of the gross assets of the Group at the time of purchase.

Borrowings

The Group is subject to a limit on borrowing of 70% of gross assets that applies at all times in accordance with Luxembourg legal and regulatory requirement.

At 30 September 2012 the Group had access to a €359.3 million credit facility from Bank of Scotland of which the Group had drawn down a total of €286.7 million. The Company's gross Loan to Value ("LTV") as at that date was 69.6% and the net debt LTV was 62.6%.

The Group seeks to avoid significant exposure to unforeseen upward interest rate movements, with all third party debt currently hedged.

Accounting, legal and regulatory

The Group has processes in place to ensure that the administrators maintain accurate accounting records and that sufficient evidence to support the accounts is available to the auditors upon request. The Administrator also operates established accounting systems that address issues of control and completeness. Procedures are in place to ensure that the quarterly NAV and Gross Asset Value are calculated properly by the Administrator, and the Group's property assets are valued quarterly by an independent specialist property valuation firm which is provided with regular updates on portfolio activity by the Investment Manager.

The Administrator monitors legal requirements in Luxembourg to ensure that adequate procedures and reminders are in place to meet the Group's legal requirements and obligations. The Investment Manager undertakes appropriate legal, tax and structuring due diligence with the assistance of external advisers when transacting and managing the Company's assets. All contracts entered into by the Group are reviewed by the Company's legal and the Group's other advisers. Processes are in place to ensure that the Group complies with the conditions applicable to property investment companies set out in the Listing Rules and the Circulars issued by the Luxembourg financial supervisory authority, the CSSF.

The Administrator attends all Board meetings to be aware of all announcements that need to be made and the Group's advisers are aware of their obligations to advise the Administrator, and where relevant the Board, of any events which require notification be made to the Board.

Finally, the Board is satisfied that the Investment Manager and Administrator have adequate procedures in place to ensure continued compliance with regulatory requirements of the UK Financial Services Authority and the CSSF.

Citco REIF Services (Luxembourg) S.A. ("Citco") has entered into an Administration Agreement with the Company which may be terminated by either party giving to the other not less than 120 days notice in writing. The Administrator is entitled to an annual fee equal to €1.1 million pa.

On 3 October 2012, protective notice was served to terminate the Administrative Agreement with Citco, in light of the ongoing tender process for the Company's corporate accounting and administrative services.

Management

The Board has appointed Internos Real Limited ("Internos") in replacement of Invista Real Estate Investment Management Limited ("Invista") to execute the proposed new investment objective and policy set out above pursuant to an investment advisory agreement dated 22 September 2011 (the "Internos IAA"). Under the terms of the Internos IAA, Internos would take over the management of the Company and its assets with effect from the date on which the Invista investment management agreement ("Invista IMA") is terminated.

The appointment of Internos was approved by (i) the CSSF as the Company's regulator (in relation to Internos acting as manager and promoter of the Company); and (ii) Bank of Scotland in its capacity as facility agent in connection with the credit facility provided by it to the Company. The Company announced on 15 December 2011 that Internos has taken on the role of investment manager with effect from 15 December 2011 and that the proposed change of the Company investment objective and policy to implement a structured realisation of its portfolio of assets was subject to regulatory approval. The Company concluded discussions with the CSSF on this point and it may now pursue a structured realisation of its assets in line with the resolution approved by the Company's shareholders at the EGM on 14 October 2011, as an investment strategy under the Company's original investment policy.

The Internos IAA (including the transitional arrangements thereunder), may be terminated by either the Company or Internos on 6 months written notice. The Internos IAA may also be terminated immediately by the Company in certain circumstances, such as in the case of the departure of certain key persons of Internos or for regulatory reasons.

Management fees
From 15 December 2011, when Internos took on the management of the Company's assets from Invista, the Company agreed to pay Internos pursuant to the Internos IAA a management fee of 1.25% per annum on the Net Asset Value attributable to the Company's ordinary shareholders, subject to a minimum of €1.0 million per annum. Assuming an unchanged level of NAV, this would be approximately €1.6 million per annum lower than the management fee payable under the Invista IMA, representing a reduction of 47%.

In addition, the Company will pay Internos a realisation fee equal to 12.5% of the amount by which cash returned to ordinary shareholders exceeds €82.8 million (being the average market capitalisation in the 30 days preceding this announcement converted at the £/€ exchange rate at the close of business on 29 June 2011), compounded thereafter at 10% per annum.

Between 1 August 2011 and the date on which Internos assumes responsibility for the day-to-day management of the Company from Invista, the Company paid Internos a transition fee of €75,000 per month to conduct a full strategic and operational review of all aspects of the Company's property portfolio, banking facilities and administrative arrangements with a view to achieving additional cost reductions for the Company.

On 15 December 2011 the Company announced that it agreed under a Termination Agreement to pay to Invista a termination fee of €855,000. This compares with an estimated liability of €2.4 million if the management fees for the balance of the notice period (to 18 September 2012) were to be paid.

In addition, the Company paid Internos a fee of £60,000 in connection with the transition of the entire Invista REIM Paris team.

Significant contracts
Apart from the Invista IMA, Internos IAA and Administration Agreements, other significant contracts are with the following parties:

- RBC Dexia Investor Services Bank SA as Custodian Bank
- Maitland Luxembourg SA as Registrars
- Capita IRG Trustees Limited as Depository
- Primexis for accounting and tax compliance with regard to French investment properties/ companies

Other Significant contracts which have been entered into by the Company are listed in Part XII, Section 8 of the Prospectus.

Creditor payment policy
It is the Group's policy to ensure settlement of supplier invoices in accordance with stated terms.

Donations
The Company made no political or charitable donations during the year

Directors
On 28 September 2012, William Scott was appointed as a director of the Company in replacement of Jaap Meijer who resigned as a Director of the Company on the same date. The election of William Scott will be formally put proposed to the shareholders of the Company at the next Annual General meeting ("AGM") to be held on 18 February 2013.

The Directors of the Company (who together with their beneficial interests in the voting rights of the Company's ordinary share capital as at 30 September 2012) are listed below:

Director	**30 Sep 12** Number of shares	**30 Sep 12** %	**30 Sep 11** Number of Shares	**30 Sep 11** %
Tom Chandos (Chairman)	261,000 ordinary shares, and 10,200 preference shares, and 10,200 warrants	0.1004 0.0350 0.0350	261,000 ordinary shares, and 10,200 preference shares, and 10,200 warrants	0.1004 0.0350 0.0350
John Frederiksen	57,350 ordinary shares	0.0221	57,350 ordinary shares	0.0221
Michael Chidiac	-	-	-	-
Robert De Normandie	-	-	-	-
Jaap Meijer (resigned 28 September 2012	-	-	-	-
William Scott				

Directors are elected and may be removed with or without cause or replaced by the shareholders in accordance with the rules set out in articles 13 and 26 of the Articles.

Directors' Remuneration

The appointment dates and gross remuneration of the Directors during the current and previous financial year was as follows:

Director	**Date of appointment**	**30 September 2012** €	**30 September 2011** €
Tom Chandos (Chairman)	17 November 2006	52,000	52,000
John Frederiksen	17 November 2006	30,000	30,000
Michael Chidiac	17 November 2006	35,000	35,000
Robert DeNormandie	26 April 2007	40,000	40,000
Jaap Meijer (resigned 28 September 2012)	16 November 2007	35,000	35,000
William Scott	28 September 2012	30,000	-

The Directors do not have service contracts with the Company. The terms of appointment provide that a Director shall retire at every Annual General Meeting.

The Directors receive a base fee of €30,000 per annum, and the Chairman receives €52,000 per annum. The Chairman of the Audit Committee receives an additional fee of €5,000 per annum, reflecting his additional responsibilities and workload. All Luxembourg based Directors also receive an additional €5,000 per annum in recognition of their additional work.

The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Compensation in case of resignation, removal from office or takeover bid.

The Company has not entered into any agreements with the Directors providing for compensation if they resign or removed from office without valid reason or if their appointments cease because of a takeover bid.

Disclosure of information to auditors

As far as each of the Directors is aware, there is no relevant audit information of which has not been disclosed to the Company's external auditors and each of the Directors has taken all of the steps that they each ought to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Substantial shareholdings – At 30 September 2012 the Board was aware that the following shareholders owned 3% or more of the issued shares of the Company:

	Number of Ordinary Shares	%
Spearpoint Limited	57.457.579	22.19
Ironsides Partners LLC	31,564,497	12.19
Weiss Capital	16,506,846	6.38
Baillie Gifford & Co Ltd	14,885,200	5.75
State Street Bank & Trust Co	12,644,826	4.88
Investec Wealth & Investment	12,842,741	4.96
QVT Financial LP	9,390,000	3.63
Legal & General Investment Mgmt Ltd	8,962,020	3.46

	Number of Preference Shares	%
Forum Partners Investment Mgmt LLC	12,188,633	41.91
Spearpoint Limited	6,092,920	20.95
Henderson Global Investors	2,469,489	5.05
Goodbody Stockbrokers	1,409,777	4.85

	Number of Warrant-holders	%
Forum Partners Investment Mgmt LLC	12,088,633	41.58
Barclays Stockbrokers Ltd	5,344,640	18.39
Henderson Global Investors	1,469,489	5.05
Spearpoint Limited	1,003,996	3.45

Independent auditors

KPMG Luxembourg S.à.r.l. has been appointed as independent auditor of the Company with effect from 17 November 2006 and for a duration of six years. The decision on the re-appointment of the KPMG will be submitted for approval of shareholders during the AGM to be held on 18 February 2013.

Amendment to the Articles

The Articles may be amended in accordance with the rules set out in article 25 of the Articles.

Status for taxation

The Company is not liable for any Luxembourg tax on profits or income, nor are distributions paid by the Company subject to any Luxembourg withholding tax. The Company is, however, liable in Luxembourg to a subscription tax of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Company at the end of the relevant calendar quarter. No stamp duty or other tax is payable in Luxembourg on the issue of Shares. No Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

Going concern

The Directors have examined significant areas of possible financial risk and have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration the Board believes it appropriate to adopt the going concern basis for the preparation of the financial statements. Please see note 2 to the consolidated financial statements and separate accounts.

Related Party transactions
This is detailed in Note 27 in the consolidated financial statements.

Corporate governance
Principles statement
The Directors are committed to high standards of corporate governance and have made it Company policy to comply with best practice in this area and insofar as the Directors believe it is relevant and appropriate to the Company, to comply with the UK Corporate Governance Code published by the Financial Reporting Council or to explain areas of non-compliance.

There is no generally applicable Luxembourg corporate governance code for Luxembourg companies. Whilst the Luxembourg stock exchange has issued a corporate governance code based on international precedents, this code is not applicable to the Company.

The relevant corporate governance rules are the statutory rules of the Luxembourg Companies Act, which are, in essence, reflected in the constitutional documents of the Company. The Company's application of the UK Corporate Governance Code (with which the Company complies, and which is available at (http://www.frc.org.uk/getattachment/a7f0aa3a-57dd-4341-b3e8-ffa99899e154/UK-Corporate-Governance-Code-September-2012.aspx)is discussed in the following paragraphs.

Composition and Balance of the Board
The Board currently consists of five Directors, all of whom are Non-Executive.

Tom Chandos is the Chairman of the Board.

All the Directors (Tom Chandos, John Frederiksen, Michael Chidiac, Robert DeNormandie, William Scott and Jaap Meijer, who resigned on 28 September 2012) are/or considered independent as they have no links with the Investment Manager and all have other professional employment.

The Board believes that the Directors have a breadth of property investment, business and financial skills and experience relevant to the Company. Biographical details of all current Board members are set out at the start of this section.

The Board acknowledges the Financial Reporting Council's proposed changes to the UK Corporate Governance Code in relation to the consideration of greater diversity within the boardroom as a whole, including that of gender. The Board remains committed to ensuring that the Directors of the Company possess a broad balance of skills, experience, independence and knowledge and that there is sufficient diversity within the composition of the Board. The matter of Board diversity will be considered at regular intervals and will be an integral part of the annual Board evaluation process, however all appointments will be made on merit.

Chairman
The Board considers the Chairman to have sufficient time to commit to the Company's affairs as necessary

Senior Independent Director
The Board has considered the need to appoint a Senior Independent Director, but believes that this is not appropriate due to the size of the Board. (provision A 4.1)

The Role of the Board
The Board has determined that its role is to consider the following principal matters which it considers are of strategic importance to the Company and to take appropriate decisions thereon:

1. The overall objectives of the Company, as described under Investment Objective and Policy above, and the strategy for fulfilling those objectives within an appropriate risk framework.
2. The strategy followed is appropriate in light of the prevailing market conditions.
3. The capital structure of the company, including consideration of an appropriate use of borrowings is appropriate both for the Company and its shareholders.

4. The appointment and monitoring through regular reports and meetings of the Investment Manager, Administrator and other appropriately skilled service providers to ensure their ongoing effectiveness through regular reports and meetings.
5. Review of the key elements of the Company's performance including NAV growth and the payment of dividends.

Board decisions

At Board meetings, matters listed under the Role of the Board above are considered and resolved by the Board. Some issues associated with implementing the Company's strategy may be delegated by the Board either to the Investment Manager or the Administrator. However matters of strategic importance to the Company are usually reserved for the Board. Generally these are defined as large property decisions affecting either 5% or more of the Group's assets and decisions affecting the Group's borrowings.

A formal schedule of matters reserved to the Board has been adopted which clearly defines the Directors' Responsibilities and the powers of the Board are further described in articles 6,9,10 and title III of the Articles. In particular, the Board may decide to issue shares and to redeem the Company's own shares subject to the conditions set out in articles 8 and 9 of the Articles of the Company.

Board performance evaluation

The Board undertakes an annual review of its performance and that of its Committees and individual members during the financial year. The Board's procedure for evaluating the performance of the Board, its Committees and the individual Directors in respect of the year ended 30 September 2012 has occurred through a combination of questionnaire and discussion. The evaluation process is designed to show whether individual Directors continue to contribute effectively to the Board and to clarify the strengths and weaknesses of the Board's composition and processes. The Chairman takes the lead in acting upon the results of the evaluation process. In respect of the Chairman, a meeting of Directors was held, without the Chairman present, to evaluate his performance. Following the annual review the Board concluded it was operating effectively and that the Chairman and the members of the Board had the breadth of skills required to fulfil their role.

Accordingly, as the individual performance of the respective Directors continues to be effective and the attendance by all Directors at meetings of the Board during the last financial year (see 'Board meetings') demonstrates the continued commitment of all Directors to their respective roles, the Board therefore considers all Directors standing for re-election at the Annual General Meeting on 18 February 2013 should be re-elected for a period of one year.

Re-appointment of Directors and Directors' tenure

Directors' re-appointment is subject to the Company's Articles and UK Corporate Governance Code and the Listing rules. The Company's Articles require that all Directors stand for re-appointment every year and are appointed for a period of six years.

Directors Training

Directors are provided on a regular basis with key information on the Company's activities, including regulatory and statutory requirements, internal control and operational/portfolio risks.

Conflicts of interest

There are no conflicts of interests between the Directors and the Company. The Prospectus issued in November 2009 discloses the Director's interest in Part XI, Section 3.

Insurance

Directors' and Officers' insurance is currently in place.

Board meetings

The Board meets quarterly and as required from time to time to consider specific issues reserved for the Board.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator. The Investment Manager's report comments on the Continental European commercial property market, performance, strategy, transactional and asset management and the Group's financial position including relationships with its bankers and lenders.

These reports enable the Board to assess the success with which the Group's property strategy and other associated matters are being implemented and also to consider any relevant risks and how they can be properly managed. The Board also considers reports provided from time to time by its various service providers reviewing their internal controls.

The table below shows the attendance at the Board's quarterly meetings during the financial year to 30 September 2012:

Director	**Board**	**Audit Committee**
Tom Chandos (Chairman)	4	1
John Frederiksen	4	1
Michael Chidiac	4	4
Robert DeNormandie	4	4
Jaap Meijer	4	4
Number of meetings during the year	4	4

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to consider specific transactions or reach decisions on matters arising. It has not always been possible for all Directors to attend these meetings. The Company maintains liability insurance for its Directors and Officers.

Committees of the Board

The Audit Committee

The Audit Committee is chaired by Robert DeNormandie with Michael Chidiac and William Scott (who replaced Jaap Meijer on 28 September 2012) as voting members. Non-voting members are Tom Chandos and John Frederiksen. The Company considers that Robert DeNormandie's experience makes him suitably qualified to chair the Audit Committee. If required, meetings can also be attended by the Investment Manager, the Administrator and the Independent Auditor as well as with the Company's property appraiser to discuss the scope and conclusions of their work.

The primary tasks of the Company's Audit Committee are to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the financial statements of the Company, including:

- periodic reporting to the Board on its activities;
- reviewing the half-year and annual financial statements before their submission to the Board;
- advising the Board on the terms and scope of the appointment of the auditors, their remuneration, the independence and objectivity as well as reviewing with the auditors the results and effectiveness of the semi-annual review and the annual audit;
- performing such other duties imposed by applicable laws and regulations of the markets on which the shares are listed, as well as any other duties entrusted to the Audit Committee by the Board; and
- any material non-audit or tax services must be considered and approved by the Committee and a recommendation submitted to the Board for final approval.

During the year the Company's auditors were involved in a review of the interim financial statements. No other work by the external auditor was performed.

The Audit Committee is satisfied that KPMG Luxembourg S.à.r.l is independent of the Company.

Terms of Reference

The Committee has written terms of reference, which clearly define its responsibilities and duties.

Other Committees

The Company does not have a Remuneration Committee [provision D.2.1] or a Nominations Committee [provision B.2.1], since the Company does not have any executive Directors. New appointments to the Board and remuneration issues are considered by the Board as a whole from time to time.

Review of the Investment Manager's performance and the contractual arrangement with the Investment Manager are conducted by the Board as a whole during its regular quarterly meetings.

Shareholder relations

Shareholder communications are a high priority for the Board. The Investment Manager produces a quarterly fact sheet which is posted on the Company's website at www.ieret.eu; the latest version can be found at http://www.ieret.eu/quarterly-factsheets. The fund manager and other relevant members of the Investment Manager's Investment Committee make themselves available at all reasonable times to meet with brokers, shareholders and sector analysts. Feedback from these sessions is provided by the Investment Manager to quarterly Board meetings.

In addition, the Board is also kept fully appraised of all market commentary on the Company prepared by the Investment Manager and other professional advisers including the Company's brokers. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Chairman and Directors also hold meetings with shareholders in response to invitations to do so or as required.

Details of the resolutions to be proposed at the Annual General Meeting on 18 February 2013 can be found in the Notice of the Meeting

Statement of Directors responsibilities

The Directors are responsible for ensuring proper preparation of the financial statements and Report of Directors for each financial period:

i) which give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as of and at the end of the financial period in accordance with International Financial Reporting Standards and the Listing Rules; and
ii) which give a true and fair view of the development and performance of the business and the position of the Group as well as a true and fair description of the principal risks and uncertainties the Group may encounter.

In addition, the Board is responsible to ensure that the Company is in compliance with applicable company law and other UK or Luxembourg applicable laws and to provide a description of the risks and uncertainties the Group may encounter and to put in place an appropriate control framework designed to meet the Group's particular needs and the risks to which it is exposed.

In preparing such financial statements the Directors are responsible for:

- Selecting suitable accounting policies and applying them consistently.
- Making judgments and estimates that are reasonable and prudent.
- Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Preparing the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.
- Maintaining proper accounting records which disclose with reasonable accuracy the financial position of the Group and enable them to ensure that the Financial Statements comply with all relevant regulations.
- Safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal control

The Directors are responsible for the determination of the Company's investment objective and related policies and have overall responsibility for the Group's activities including the review of investment activity and performance.

The UK Corporate Governance Code requires the Directors to review the effectiveness of the Group's system of internal controls on an annual basis and to report to shareholders that they have done so. Although such a system can only provide reasonable assurance and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure.
The Board considers risk management and internal control on a regular basis during the year.

The key reviews conducted by the Directors are described as follows:

1. The Board has reviewed a report prepared by Internos's team on Internos (Investment Manager), Citco (Administrator), Primexis (French Accountant), RBC Dexia (Custodian), Capita Registrars (UK Registrar) and Maitland (Luxembourg Registrar) and has been satisfied that their approach is appropriate for the Group.
2. The Board meets regularly at the offices of the Administrator for its formal quarterly Board meetings and for ad-hoc Board meetings. The Board is therefore familiar with the environment in which the Administrator is operating and has the opportunity to meet the staff responsible for providing administrative agency services to the Company. This enables the Board to view at first hand the level of resources made available to the Company by the Administrator.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal control function. The effectiveness of internal controls is assessed on a regular basis by the Compliance and Risk departments of the Investment Manager and Administrator. Therefore the Company is substantially reliant on the Investment Manager's and Administrators own internal controls and their internal audit. The Board considers risk management and internal control on a regular basis during the year. The processes implemented to identify, evaluate and manage risk that are described in the following paragraphs have been in place throughout the financial year to the date of this document and accord with the Revised Turnbull Guidance issued by the Financial Reporting Council, a guidance document relating to the principles under UK Corporate Governance Code .

The key elements designed to provide effective control are as follows:

1. Regular review of relevant financial data including management accounts and performance projections.
2. Contractual documentation with appropriately regulated entities which clearly describes responsibilities for the two principal service providers concerned.
3. The Investment Manager's system of internal controls is based on clear written processes, a formal investment committee, clear lines of responsibility and reporting all of which are monitored by Internos's internal risk team. Internos is regulated by the Financial Services Authority in the UK.
4. The Company's strategy is authorised by the Board which also monitors the Investment Manager's effectiveness in implementing the strategy.

Action has been taken to remedy any significant failings or weaknesses identified.

Responsibility statement

The undersigned, Mr Tom Chandos, Chairman of the Board, and Mr Robert DeNormandie, Chairman of the Audit Committee, both Directors of the Company, state that, to the best of their knowledge:

a) the financial statements which have been prepared in accordance with the International Financial Reporting Standards and the Listing Rules give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
b) the Annual Report includes a fair review of the development and performance of the business and the position of the Group for the financial year ended 30 September 2012, and their impact on the set of financial statements, together with a description of the principal risks and uncertainties for the next financial year.

Signed on behalf of the Board of Directors on 10 December 2012

Tom Chandos, Chairman

20 December 2012

Robert DeNormandie, Chairman of the Audit Committee

20 December 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2012

	Notes	30 Sep 12 €000	30 Sep 11 €000
Rental income	6	**33,935**	40,749
Other income	8	**3,906**	757
Total revenue		**37,841**	41,506
Property operating expenses	7	**(3,287)**	(2,960)
Net rental and related income		**34,554**	38,546
Investment management fees	9, 27	**(1,946)**	(3,797)
Administration fees	11	**(2,173)**	(1,986)
Professional fees	10	**(1,526)**	(1,252)
Directors' fees	27	**(204)**	(204)
Other expenses	10	**(1,658)**	(706)
Total expenses		**(7,507)**	(7,945)
Net gain on disposal of investment property	12	**-**	494
Net valuation losses on investment property	12	**(42,521)**	(16,237)
(Loss) / profit before net financing costs and tax		**(15,474)**	14,858
Finance income	13	**1,880**	675
Finance expense	14	**(26,980)**	(27,196)
Net gain on financial instruments	28	**2,000**	152
Net financing costs		**(23,100)**	(26,369)
Loss before tax		**(38,574)**	(11,511)
Deferred tax benefit / (expense)		**1,352**	(167)
Current tax expense		**(4)**	(29)
Total tax	25	**1,348**	(196)
Loss for the year attributable to the equity holders of the Company		**(37,226)**	(11,707)
Basic loss per share (Euro)	20	**(0.143)**	(0.045)
Diluted loss per share (Euro)	20	**(0.143)**	(0.045)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2012

	Note	**30 Sep 12 €000**	30 Sep 11 €000
Loss for the year		**(37,226)**	(11,707)
Other comprehensive income			
Effective portion of changes in fair value of cash flows hedged for the year	18	**3,531**	7,933
Other comprehensive income for the year, net of tax		**3,531**	7,933
Total other comprehensive loss for the year attributable to owners of the Company		**(33,695)**	(3,774)

All items in the above consolidated statement are derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	**30 Sep 12 €000**	30 Sep 11 €000
Assets			
Investment property	12	**369,510**	451,050
Deferred tax assets	25	**3,869**	4,108
Total non-current assets		**373,379**	455,158
Trade receivables	15	**13,457**	10,326
Other current assets	16	**4,368**	7,632
Cash and cash equivalents	17	**35,195**	43,892
Assets held for sale	30	**41,120**	-
Total current assets		**94,140**	61,850
Total assets		**467,519**	517,008
Equity			
Share capital		**25,998**	25,998
Share premium		**164,992**	164,992
Restricted reserves		**65,816**	120,484
Cumulative deficit		**(163,971)**	(181,413)
Hedge reserve		**4,713**	1,182
Total equity attributable to owners of the Company	18	**97,548**	131,243
Liabilities			
Interest bearing loans and borrowings	21	**259,011**	295,868
Preference shares	22	**32,940**	30,333
Warrants	23	**219**	2,258
Long term provision	24	**6,325**	6,626
Derivative financial instruments	28	**16,767**	20,133
Deferred tax liabilities	25	**6,410**	8,386
Total non-current liabilities		**321,672**	363,604
Trade and other payables		**751**	1,008
Income tax and other taxes payable	25	**5,032**	6,594
Accrued expenses and other current liabilities	26	**9,722**	10,269
Deferred income	15	**4,568**	4,290
Liabilities directly associated with current assets classified as held for sale	30	**28,226**	-
Total current liabilities		**48,299**	22,161
Total liabilities		**369,971**	385,765
Total equity and liabilities		**467,519**	517,008
Net Asset Value per ordinary share (Euro)	19	**0.375**	0.505
Diluted Net Asset Value per ordinary share (Euro)	19	**0.374**	0.488

The consolidated financial statements were approved by the Board of Directors on 10 December 2012 and signed on its behalf by:

Tom Chandos
Chairman

Robert DeNormandie
Chairman of Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2012

	Share capital €000	Share premium €000	Restricted reserve €000	Cumulative deficit €000	Hedging reserve €000	Total equity €000
Balance as at 30 September 2010	**25,998**	**164,991**	**120,477**	**(169,699)**	**(6,751)**	**135,016**
Warrants exercised	-	1	-	-	-	1
Recapitalisation of subsidiaries	-	-	7	(7)	-	-
Total equity movement	-	1	7	(7)	-	1
Total comprehensive (loss)/income	-	-	-	(11,707)	7,933	(3,774)
Total comprehensive income/(loss) for the year and equity movement	-	1	7	(11,714)	7,933	(3,773)
Balance as at 30 September 2011	**25,998**	**164,992**	**120,484**	**(181,413)**	**1,182**	**131,243**
Absorption of losses by the restricted reserve	**-**	**-**	**(52,500)**	**52,500**	**-**	**-**
Recapitalisation of subsidiaries	**-**	**-**	**(2,168)**	**2,168**	**-**	**-**
Total equity movement	**-**	**-**	**(54,668)**	**54,668**	**-**	**-**
Total comprehensive (loss)/income	**-**	**-**	**-**	**(37,226)**	**3,531**	**(33,695)**
Total comprehensive (loss)/income for the year and equity movement	**-**	**-**	**(54,668)**	**17,442**	**3,531**	**(33,695)**
Balance as at 30 September 2012	**25,998**	**164,992**	**65,816**	**(163,971)**	**4,713**	**97,548**

CONSOLIDATED STATEMENT OF CASH FLOWS

		30 Sep 12 €000	30 Sep 11 €000
Loss before tax		**(38,574)**	**(11,511)**
Adjustments for:			
Net gain on disposal of investment property	12	**-**	(494)
Net valuation losses on investment property	12	**42,521**	16,237
Net gain on financial instruments	28	**165**	109
Unrealised change in fair value of warrants	28	**(2,165)**	(261)
Interest expense	14	**18,937**	22,193
Interest received	13	**(158)**	(329)
Amortisation of transaction costs relating to debt	14	**1,720**	1,672
Preference shares dividends		**3,023**	2,943
Net unrealised foreign currency losses / gains	14	**2,940**	388
Changes in working capital:			
(Decrease) / Increase in current assets		**(683)**	2,961
Decrease in current liabilities		**(230)**	(5,693)
Cash generated from operating activities		**27,496**	28,215
Interest paid		**(19,183)**	(22,841)
Interest received		**158**	173
Taxes paid	25	**(980)**	(739)
Net Cash flows from Operating Activities		**7,491**	4808
Investing Activities			
Capital expenditure	12	**(1,127)**	(539)
Net proceeds from disposal of investment property	12	**-**	49,436
Net Cash flows (used in) / from Investing Activities		**(1,127)**	**48,897**
Financing Activities			
Proceeds from bank loans	21		
- Gross proceeds		**-**	4,973
- Gross repayments		**(11,300)**	(50,657)
- Transaction costs		**-**	(228)
Swap breakage costs	28	**-**	(2,563)
Gain on forward transaction	13	**185**	156
Buyback of preference shares		**(963)**	-
Dividend paid on preference shares		**(2,983)**	(3,191)
Proceeds from exercise of warrants		**-**	1
Net Cash flows used in Financing Activities		**(15,061)**	**(51,509)**
Effects of changes in exchange rates		**-**	(724)
Net (decrease) / increase in cash and cash equivalents for the year		**(8,697)**	1,472
Opening cash and cash equivalents		**43,892**	42,420
Closing non-restricted cash and cash equivalents	17	**32,681**	40,333
Closing restricted cash and cash equivalents	17	**2,514**	3,559

Notes to the consolidated financial statements

For the year ended 30 September 2012

1. Reporting entity

Invista European Real Estate Trust SICAF ("the Company") was incorporated as a "société anonyme" under the laws of Luxembourg on 6 June 2005. On 17 November 2006 the Company was converted into an investment company with fixed capital "société d'investissement à capital fixe" ("SICAF") and is registered pursuant to part II of the Luxembourg law of 17 December 2010 on undertakings for collective investments. Through its subsidiaries (together "the Group") its main activity is to evaluate, make and actively manage direct and indirect investments in real estate in Continental European countries.

The Company is a public limited liability company incorporated for an unlimited term. The address of the registered office of the Company is 25C, Boulevard Royal, L-2449 Luxembourg.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB), and adopted by the European Union (EU).

These consolidated financial statements are presented for the year ended 30 September 2012, with comparative figures for the year ended 30 September 2011.

The consolidated financial statements have been approved for issue by the Board of Directors on 10 December 2012.

2.2 Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's presentation and functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties, warrants and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are prepared on a going concern basis.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

Notes to the consolidated financial statements

2.5 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2011 and not early adopted.

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces addition relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. However, the standard has not yet been endorsed by the EU.

The Group is yet to assess the full impact of IFRS 9. However, initial indications are that it may affect the Group's accounting for its available-for-sale debt financed assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt financed investments, for example, will therefore have to be recognised directly in profit or loss.

On 20 December 2010, the IASB issued amendments to IAS 12, 'Income Taxes', effective from 1 January 2012. IAS 12 requires that deferred tax relating to an asset is measured depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment provides guidance by introducing a presumption that recovery of the carrying amount will, normally, be through sale. However, the standard has not yet been endorsed by the EU.

On 12 May 2011, the following standards were published, applicable to accounting periods beginning on, or after 1 January 2015:
IFRS 10, 'Consolidated financial statements'
IFRS 11, 'Joint arrangements'
IFRS 12, 'Disclosure of interests in other entities'
IFRS 13, 'Fair value measurement'

On 12 May 2012, the following standards were published, applicable to accounting periods beginning on, or after 1 January 2013. However, these standards have not yet been endorsed by the EU.

IAS 27, 'Consolidated financial statements'
IAS 28, 'Investment in Associates and Joint Ventures'

The Group is currently assessing the impact of the new and revised IFRS.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September each year. Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date control ceases.

The Group's acquisitions of subsidiaries are primarily accounted for as acquisitions of assets as the subsidiaries are special purpose vehicles established for the sole purpose of owning property. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The assets and liabilities of the subsidiaries and their results are fully reflected in the consolidated financial statements. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have also been changed where necessary to ensure consistency with new or revised accounting policies adopted by the Group.

3.2 Related parties

Related parties are defined as parties either directly or indirectly controlled, managed or owned by Invista European Real Estate Trust SICAF. A list of related party transactions is disclosed in Note 27.

3.3 Foreign currency translation

The functional currency of a subsidiary is determined as the principal currency in which the entity's assets, liabilities, income and expenses are denominated.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired company and are recorded at the exchange rate at the date of the transaction.

Transactions in currencies other than the presentation currency of the Group are recorded at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in such currencies are translated at the date of exchange ruling at the consolidated statement of financial position date. All differences are recognised in the consolidated income statement under 'finance income" or "finance expense" (see Notes 13 and 14). The cumulative effect of exchange differences on cash transactions are classified as realised gains and losses in the consolidated income statement in the period in which they are settled. Exchange differences on transactions not yet settled in cash are classified as unrealised gains and losses under "finance income" or "finance expense".

3.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property comprises freehold land, freehold buildings and land held under operating leases.

Investment property is initially recognised on completion of contracts at cost, including related transaction and borrowing costs associated with the investment property. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its costs. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially completed, or suspended if the development of the asset is suspended.

3. Significant accounting policies (continued)

Where unconditional commitments have been entered into prior to the consolidated statement of financial position date, property acquisitions are recognised at their contractual value. After initial recognition, investment properties are measured at fair value as determined by third party independent appraisers. The gains or losses arising from a change in the fair value of the investment property are included in the consolidated income statement under the heading “net valuation gains / (losses) on investment property” in the period in which they arise. Depreciation is not provided on investment properties. Realised net gains and losses on the disposal of investment properties are determined as the difference between the disposal proceeds and the carrying value and are included in the consolidated income statement in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn income or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. This accounting policy is also applied for assets held for sale (note 30).

3.5 Financial instruments

Financial assets: Initial recognition

The Group determines the classification of its financial assets at initial recognition. The Group’s financial assets include cash and short term deposits, trade and other receivables and financial instruments.

Available-for-sale

After initial measurement (fair value plus any directly attributable costs), available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is (i) derecognised, at which time the cumulative gain or loss recorded in equity is recognised in Other Comprehensive Income, or (ii) determined to be impaired, at which time the cumulative loss is recognised in Other Comprehensive Income.

Financial liabilities: Initial recognition

Financial liabilities within the scope of IAS 39 are classified as either financial liability at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Group’s financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification:

- *Financial liability at fair value recognised through profit and loss*

  Financial liability at fair value recognised through profit and loss includes financial liabilities held for trading and financial liabilities designated upon the initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative instruments entered into by the Group that do not meet hedging accounting criteria as defined by IAS 39. Gains and losses on liabilities held for trading are recognised in the consolidated income statement;

- *Fair value of financial instruments*

  The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include recent arm’s length market transactions; reference to the current fair value of another instrument that has substantially the same discounted cash flow analysis or other valuation methods;

3. Significant accounting policies (continued)

- *Amortised cost of financial instruments*

  Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities (refer to Note 28). On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value of cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

Derivatives are initially recognised at fair value with related transaction costs recognised in the consolidated income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured and stated at fair value on the date on which the derivative contract is entered into and are subsequently revised to reflect their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the consolidated income statement. The effectiveness of the hedge is assessed by comparing the value of the hedged item with the notional value implicit in the contractual terms of the financial instrument being used in the hedge.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset and liability, or cash flow hedges where they hedge exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the consolidated income statement. Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when the related sale occurs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the consolidated income statement in the same period that the hedged item affects profit or loss.

3. Significant accounting policies (continued)

Due to the matching duration of hedge contracts and debt, the hedging contracts are considered to be effective and the changes in fair value are recognised in other comprehensive income.

3.7 Impairment

Financial assets (including receivables)

The Group assesses at consolidated statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of an impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated income statement.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the consolidated income statement in an allowance account against loans and receivables.

Non Financial assets
The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates continuing cash flows that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement.

3.8 Derecognition of financial instruments
Financial assets
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows or transferred substantially all the risks and rewards and/or has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred control of the asset;
- If the hedging instrument no longer meets the criteria for hedge accounting then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the related transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the consolidated income statement in the same period as the hedged item affects profit or loss.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a reversal of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in the consolidated income statement.

3. Significant accounting policies (continued)

3.9 Trade receivables
Trade receivables are carried at amortised cost less provision for doubtful debts, if any. The Directors of the Group assess specific provisions (refer to Note 15) on a customer by customer basis throughout the period.

3.10 Current assets and liabilities
Due to the short time frame in which these transactions are settled, the fair value of other current assets and liabilities due within one year approximates the carrying value disclosed in the consolidated financial statements.

3.11 Assets held for sale
Investment property is transferred to current assets held for sale 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 sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. On reclassification, investment property that is measured at fair value continues to be so measured.

3.12 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value. The use and disbursement of certain cash deposits are restricted under the terms of various financing agreements. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.13 Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

3.14 Issue costs

The cost of raising capital represents direct costs incurred in establishing or increasing the capital of the Company including, amongst others, legal, accounting, financial advisory and equity underwriting fees.

3.15 Preference shares

Preference shares are classified as a financial liability due to the contractual obligation by the issuer to redeem them in cash at a date in the future.

Where the preference shares are classified as a financial liability, external costs directly attributable to issuance of the preference shares are capitalised and amortised over the life of the preference shares.

3. Significant accounting policies (continued)

3.16 Warrants

Preference shares and their related warrants are considered as two separate instruments due to the fact they are detachable and traded separately on the London Stock Exchange. The warrants are considered as a financial derivative liability at fair value through profit and loss. Their recognition as a financial liability is due to the fact the strike price for the warrants is £0.29, a different currency (Sterling) than the functional currency of the Fund (Euro) as well as the fact the warrants were not issued on a pro rata basis to the existing shareholders.

3.17 Interest bearing debt

Debt, comprising secured and unsecured bank loans, is reflected in the consolidated statement of financial position at the fair value of the initial proceeds less the unamortised portion of discounts and transaction costs incurred to acquire the debt. Discounts and transactions costs are amortised over the life of the related debt through finance expenses using the effective interest rate method.

Transaction costs include fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative or holding costs.

3.18 Tax and deferred tax

According to the Luxembourg regulations concerning undertakings for collective investments, the Company is not subject to income taxes in Luxembourg. It is, however, liable to an annual subscription tax of 0.05% (taxe d'abonnement) of its total net assets, payable quarterly, and assessed on the last day of each quarter. Real estate revenues, or capital gains derived thereon, may be subject to taxes by assessment, withholding or otherwise in the countries where the real estate is situated.

The subsidiaries of the Group are subject to taxation in the countries in which they operate. Current taxation is provided for at the current applicable rates on the respective taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit nor loss. The aggregate amount of such deferred income tax is disclosed as unrecognised deferred income tax (Note 25). Deferred income tax is determined with regard to tax laws and rates that have been enacted or substantially enacted into law by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

3. Significant accounting policies (continued)

Unrecognised deferred tax assets are re-assessed at each consolidated statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if (i) a legally enforceable right exists to set off current tax assets against current tax liabilities, if (ii) the deferred taxes relate to the same taxable entity and the same taxation authority and if (iii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.20 Deferred income

Deferred income represents rental income which has been billed to customers at the Consolidated statement of financial position date, but which relates to future periods.

3.21 Rental income

Rental income from investment properties is accounted for on a straight-line basis taking account of any rent free periods and other lease incentives, net of any sales taxes, over the term of the ongoing leases.

3.22 Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the consolidated income statement. Interest income is recognised using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, amortisation of debt transaction costs and losses on hedging instruments that are recognised in the consolidated income statement.
Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through the consolidated income statement. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated income statement using the effective interest rate.

Finance expenses include the effect of unrealised foreign currency gains and losses on monetary assets and liabilities arising in the period plus the effect of the realised foreign currency gains and losses on cash transactions completed during the period.

3.23 Operating expenses
All expenses are accounted for on an accruals basis. The Group's investment management and administration fees and all other expenses are charged to the consolidated income statement.

3.24 Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants.

3.25 Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess their performance (see Note 29).

3.26 Subsequent events
Post consolidated statement of financial position date, adjustments are disclosed in the notes to the consolidated financial statements when significant.

3.27 Contingencies
Contingent liabilities are not recognised in the consolidated financial statements, unless there is a probable chance of an outflow for which a provision is made. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is not recognised in the consolidated financial statement but disclosed when an inflow of economic benefits is probable.

4. Significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in:

Investment property
Fair value is based on the open market valuations of the properties as provided by an independent expert, DTZ Debenham Tie Leung, in accordance with the guidance issued by the Royal Institution of Chartered Surveyors (the "RICS"). Market valuations are carried out on a quarterly basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and

machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the reporting date. The experts also used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. Valuations typically reflect all the market and operational risks as described in Note 28.1. It should be noted that the valuation of property and property related assets is inherently subjective due to the nature of each property and the characteristics of local, regional and national real estate markets which change over time.

4. Significant accounting estimates and judgements (continued)

The current economic climate and volatility in the global capital markets creates additional uncertainty and there can therefore be no assurance valuations of the Group's assets will reflect actual sale prices even where such sales occur shortly after the valuation date.

Income and deferred taxes

The Group is subject to income and capital gain taxes in numerous jurisdictions. Significant judgement is required in determining the total provision for income and deferred taxes. The Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provision in the period in which the determination is made.

Derivative financial instruments

An interest rate swap can be viewed as a series of cash flows occurring at known future dates. The value of the swap is the present value of these cash flows. To calculate the present value of each cash flow, both the future cash flows and an appropriate discount factor for each period on which a cash flow occurs are estimated. Future cash flows are calculated from a forward interest rate curve constructed using market prices for similar interest rate instruments independently sourced from mid-market broker quotes for the relevant market. The discount factor is the factor by which the future cash flow must be adjusted to obtain the present value. Discount factors are derived from an assessment of interest rates in the future and are calculated using forward rates such as EURIBOR. Interest rates used for calculating discount factors are independently sourced from mid-market broker quotes for the relevant market at the valuation date.

The fair value of the Group's derivatives is the estimated amount that the Group would receive or pay to terminate the derivatives at the balance sheet date. The Group estimates the fair value of derivatives by reference to current market conditions compared to the terms of the derivatives agreement using the result of an external appraiser. Refer to Note 28 for the related balances.

Classification of preference shares and the warrants

Judgement is required to determine whether preference shares should be classified as financial liability or equity in accordance with *IAS 32 Financial instruments: Presentation*. Based on the terms and conditions of the preference shares issued in December 2009 the Group has determined that the preference shares have the characteristics of a financial liability rather than equity. This was primarily based on the fact that the preference shares and the warrants are denominated in sterling whereas the functional currency used by the Group is the Euro. In addition, the preference shares have a right to receive a dividend and are redeemable.

5. Capital Management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending 30 September 2012 and 30 September 2011. The Group monitors capital primarily using a Loan to Value ratio (LTV), which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep the average LTV ratio of the Group lower than the LTV requirements in the banking covenants.

The banking covenants require the Group to have a LTV ratio of 82.5% until 31 December 2011, 80% until 30 June 2012, 75% until 31 December 2012, 72.5% until 30 June 2013 and 70% thereafter.

During the period the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreement.

For the financial year ended 30 September 2012, the LTV ratio disclosed to the lender was 67.9% (2011: 66.07%).

6. Rental income

The Group leases out its investment properties under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:

	30 Sep 12 €000	30 Sep 11 €000
Less than one year	**30,370**	33,355
Between one and five years	**90,692**	107,091
More than five years	**38,422**	42,424
Total rental income	**159,484**	182,870

The Investment Manager's Report referred to in this document provides additional information regarding contingent rent recognised and leasing arrangements. For the year ended 30 September 2012, €33.9 million was recognised as rental income in the consolidated income statement (2011: €40.8 million).

7. Property operating expenses

	30 Sep 12 €000	30 Sep 11 €000
Insurance	**164**	129
Property management fees	**457**	497
Property service charges	**757**	551
Property maintenance	**726**	520
Property tax	**695**	671
Other miscellaneous expenses	**488**	592
Total property operating expenses	**3,287**	2,960

Property operating expenses incurred during the year were attributed to:

	30 Sep 12 €000	30 Sep 11 €000
Income-generating property	**2,095**	2,501
Vacant property	**1,192**	459
Total	**3,287**	2,960

8. Other income

	30 Sep 12 €000	30 Sep 11 €000
Other property income	**115**	398
Adjustments and reversal of accruals	**12**	-
Tenant indemnity	**2,592**	-
Proceeds from litigation	**1,130**	-
Refund of VAT and of other taxes	**57**	359
Total other income	**3,906**	757

9. Investment management and performance fees

Invista Real Estate Investment Management Limited ("Invista REIM") acted as the Investment Manager of the Group until 14 December 2011. Invista REIM received Investment Management fees of €0.7 million in 2012 (2011: €3.6 million).

This base fee was payable monthly in arrears at an amount equal to the lower of:

- 2% of the net asset value of the Company per annum (subject to a minimum threshold of €3 million per annum); and
- A % equivalent of the net asset value of the Company per annum which represents 0.95% of the adjusted gross assets of the Group per annum.

The conditions for payment of a performance fee (total NAV per share during the relevant financial period should exceed an annual rate of 10.0%) to the Investment Manager were not met during the period under review and as such no provision for performance fees has been made in the condensed consolidated income statement.

On 22 September 2011, the Board of Directors appointed Internos Real Limited (Internos) as their new investment manager, which took effect upon the final termination of the existing investment management agreement with Invista REIM on 14 December 2011. Under the management agreement with Internos, the Company pays a management fee of 1.25% per annum on the net asset value attributable to the Company's shareholders, subject to a minimum of €1.0 million per annum. Additionally, the Company will pay Internos a realization fee equal to 12.5% of the aggregate of all Distributions over
and above the notional market cap, fixed at € 82.8 million, compounded at a rate of 10% per annum and adjusted for warrants exercise proceeds.

For the year ended 30 September 2012, Internos received monthly investment management fees for a total of €1.1 million. In addition the Group paid to Internos a transition fee of €84,677 as well as a fee of £60,000 (€71,900) in connection with the on boarding of the entire Invista REIM Paris team to Internos.

The conditions for payment of a realisation fee to the Investment Manager were not met during the period under review and as such no provision for realisation fees has been made.

Following the termination of the investment agreement with Invista, the Group paid to Invista a termination fee of €0.9 million (2011: €0).

In addition to the above, the Company agreed to pay Internos a retention fee of €75,000 per month between 1 August 2011 and the date on which Internos assumed responsibility for the day to day management of the Group, in consideration for certain transitional services to be provided by Internos during this period.

10. Professional fees and other expenses

The professional fee for audit services for the year ended 30 September 2012 amounted to €0.6 million (2011: €0.4 million). The total fees for tax advisory services for the year ended 30 September 2012 amounted to €0.5 million (2011: €0.4 million) and the total fees for other services amounted to €0.4 million (2011: €0.4 million)

Other expenses include the write off of non-recoverable VAT of €0.3 million (2011: €0.1 million) and the termination fees of €0.9 million (2011: 0) paid to Invista REIM.

11. Administration fees

	30 Sep 12 €000	30 Sep 11 €000
Accounting and administrative fees	**1,356**	1,323
Investment property valuation fees	**238**	257
Custodian, registrar and other fees	**579**	406
Total administration fees	**2,173**	1,986

12. Investment properties

	30 Sep 12 €000	30 Sep 11 €000
Historic cost		
Cost, beginning of the year	**620,192**	664,586
Capital expenditure	**1,127**	539
Disposals	**-**	(44,933)
Transfer to assets held for sale (Note 30)	**(31,393)**	
Cost, end of the year	**589,926**	620,192
Net unrealised losses related to property		
Net unrealised losses, beginning of the year	**(169,142)**	(148,896)
Valuation gains on investment property during the year	**2,002**	1,831
Valuation losses on investment property during the year	**(44,523)**	(18,068)
Reversal of accumulated valuation of disposal	**-**	(4,009)
Reversal of accumulated valuation of assets held for sale (Note 30)	**(8,753)**	-
Net unrealised losses, end of the year	**(220,416)**	(169,142)
Fair value, end of the year	**369,510**	451,050

The fair value of the investment properties has been determined on a market value basis in accordance with the appropriate sections of the current Practice Statements, and United Kingdom Practice Statements contained within the RICS Valuation Standards. The valuation is prepared on an aggregated ungeared basis. As set out in Note 4, in arriving at their estimates of market values, the experts have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The valuations were performed by DTZ Debenham Tie Leung, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

The net change in the value of the investment property also includes the valuation of assets sold:

	30 Sep 12 €000	30 Sep 11 €000
Net proceeds (*) from disposal of investment property	**-**	49,436
Carrying value of investment disposals	**-**	(48,942)
Net gain on disposal of investment property	**-**	494

(*) Includes sale costs

13. Finance income

	30 Sep 12 €000	30 Sep 11 €000
Finance income: movements		
Interest received	**343**	329
Interest income	**343**	329
Market value adjustment on preference shares held in treasury	**8**	-
Realised foreign currency gain on monetary transactions	**1,529**	346
Total finance income	**1,880**	675

	30 Sep 12 €000	30 Sep 11 €000
Interest income: breakdown		
Interest income on bank deposits	**158**	173
Realised gain on forward transaction	**185**	156
Total finance income	**343**	329

14. Finance expense

	30 Sep 12 €000	30 Sep 11 €000
Finance expense: movements		
Interest payable brought forward	**4,273**	5,169
Interest payable carried forward	**(4,068)**	(4,273)
Interest paid	**(22,166)**	(26,032)
Interest expense	**(21,961)**	(25,136)
Amortisation of transaction costs relating to debt	**(1,418)**	(1,672)
Other net unrealised foreign currency effect on monetary assets and liabilities	**(465)**	(731)
Unrealised foreign currency loss on preference shares and warrants	**(3,136)**	343
Total finance expense	**(26,980)**	(27,196)

	30 Sep 12 €000	30 Sep 11 €000
Interest expense: breakdown		
Interest expense on bank loans	**(9,926)**	(12,585)
Interest expense swaps	**(9,011)**	(9,608)
Interest on preferred shares	**(3,024)**	(2,943)
Total interest expense	**(21,961)**	(25,136)

Amortisation of transaction costs incurred in relation to the refinancing of the bank loans and preference shares are disclosed respectively in Notes 21 and 22. Such costs are capitalised and amortised to the maturity date of the bank loans and preference shares.

15. Trade receivables

	30 Sep 12 €000	30 Sep 11 €000
Rent receivable	**14,186**	10,878
Bad debt provision	**(729)**	(552)
Total trade receivable	**13,457**	10,326

The level of accounts receivable from tenants varies due to the timing of the invoices issued and receipt of cash. Of the €13.5 million (2011: €10.3 million) rent receivable included in the table above, €4.6 million (2011: €4.3 million) relate to the period after 30 September 2012.

Trade receivables are analysed as follows:

	30 Sep 12 €000	30 Sep 11 €000
Not past due	**5,703**	4,846
Past due from 30 to 120 days	**187**	1,097
Past due from 120 days to one year	**567**	2,501
More than one year	**7,729**	2,434
Total	**14,186**	10,878

As at 30 September 2012, the past due rent receivables includes €7.5 million (2011: €6.1 million) in relation to the Montowest property (refer to Note 32 for further details).

Movements on bad debt provision are set out below:

	30 Sep 12 €000	30 Sep 11 €000
As at 1 October	**(552)**	(340)
Bad debt provision for the period	**(191)**	(212)
Bad debts written off	**14**	-
As at 30 September	**(729)**	(552)

16. Other current assets

	30 Sep 12 €000	30 Sep 11 €000
Tax receivable	**2,757**	4,926
Prepayments	**837**	851
Other receivables	**595**	757
Service charge advances	**179**	1,098
Total other current assets	**4,368**	7,632

17. Cash and cash equivalents

	30 Sep 12 €000	30 Sep 11 €000
Bank balances	**18,815**	27,377
Bank deposits	**13,866**	12,956
Restricted bank balances	**2,514**	3,559
Total cash and cash equivalent	**35,195**	43,892

The bank deposits mentioned above at the Group level includes a restricted amount of tenant deposits, held in a separate account, of €3.8 million (2011: €4.2 million). The Group has €2.5 million held in escrow account (2011: €3.6 million) which is not available for current use, plus nil (€1.3 million in 2011) relating to the disposal of the Villeurbanne property. This amount of €2.5 million (2011: €2.3 million) is a deposit required by Bank of Scotland with regards to the forward exchange contract (refer to Note 28.5) to hedge the dividend payment of preference shares (refer to Note 26) until 16 May 2014.

As at the consolidated statement of financial position date, an amount of €30.1 million (2011: €36.0 million) has been pledged in favour of Bank of Scotland under the terms of various agreements. These relate to loan agreements concluded by subsidiaries of the Company and Bank of Scotland for the purposes of financing acquisitions of investment property. No restrictions on the utilisation of these pledged bank accounts have been imposed.

18. Issued capital and reserves

	Number of ordinary shares	**Number of warrants**
In issue at 1 October 2008	114,263,275	-
In issue at 30 September 2009	114,263,275	-
Issued for cash	145,685,674	-
Issuance of warrants	-	29,137,134
Exercise of warrants	27,994	(27,994)
In issue as at 30 September 2010	259,976,943	29,109,140
Exercise of warrants	3,796	(3,796)
In issue as at 30 September 2011	259,980,739	29,105,344
Exercise of warrants	**170**	(170)
In issue as at 30 September 2012	**259,980,909**	29,105,174

Issuance of ordinary shares

The Company has an issued share capital of €25,998,090[1] (2011: €25,998,074) consisting of 259,980,909 shares (2011: 259,980,739 shares) without indication of nominal value all of which have been fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Restricted reserve

The non-distributable reserve of €65,816,913 (2011: €120,483,765) can be used to absorb losses incurred or to increase the Company's share capital. A legal reserve subject to profit of the Company and its Subsidiaries has been allocated in the different jurisdictions where applicable. This reserve is not available for dividend distributions.

During the year, the amount of €52.5 million (2011: €0) was used to absorb losses.

18. Issued capital and reserves (continued)

Authorised capital

The Company has an authorised capital of €920,980,852 represented by 9,209,808,522 ordinary shares without indication of nominal value.

Hedge reserve

The hedging reserve relates to the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet expired.

On 12 January 2010 the Group finalized an agreement with Bank of Scotland to extend the loan facility to 31 December 2013 bringing the maturity date in line with the swap agreements. Consequently, the swaps qualified as effective cash flow hedges. For the year ended 30 September 2012 and 2011, the changes in the fair value of the swaps deemed to be effective were recorded in Other Comprehensive Income.

Hedge reserve	**30 Sep 12 €000**	30 Sep 11 €000
Balance, beginning of the year	**1,182**	(6,751)
Effective portion of changes in fair value of cash flows hedged the year	**3,531**	7,933
Balance end of the year	**4,713**	1,182

Voting rights
There are no restrictions on the voting rights attached to the ordinary shares. The preference shares will not have the right to vote except in circumstances set out in the articles 44 to 46 (1) of the Company Act. In addition, holders of preference shares will have the right to vote in the same manner as other Shareholders at all meetings, if, despite the existence of profits available for that purpose, the Preference Dividends at the Preference Dividend Sterling Equivalent are not paid entirely for any reason whatsoever for a period of one financial year and until Preference Dividends at the Preference Dividend Sterling Equivalent have been received in full. Warrants do not carry any voting rights. Voting rights to each share and procedures relating thereto are described in articles 7, 8 and 26 of the Articles of the Company.

Shareholder's agreements
The Group is not aware of any shareholder agreement which could result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Directive").

Shares and warrant transferability
Shares of the Company (i.e., ordinary shares and preference shares, as such terms are defined in the Articles of incorporation) are freely transferable subject to article 10 of the Articles of incorporation. Warrants issued by the Company are freely transferable subject to provisions laid down in Part IV, section 5 of the Prospectus.

Special Control rights
No shareholder is vested with special control rights with regard to control of the Company.

19. Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of €97 million at 30 September 2012 (2011: €131 million, 2010: €135 million) and 260 million ordinary shares outstanding at 30 September 2012 (2011: 260 million, 2010: 260 million).

	As at 30 Sep 12 €000	As at 30 Sep 11 €000	As at 30 Sep 10 €000
Net asset value	**97,548**	131,243	135,016
Assuming exercise of all dilutive potential ordinary shares			
Listed warrants[1,2]	**10,608**	9,699	9,801
Fully diluted net asset value	**108,156**	140,942	144,817
	Number	Number	Number
Number of ordinary shares	**259,980,909**	259,980,739	259,976,943
Number of warrants	**29,105,174**	29,105,344	29,109,140
Fully diluted ordinary share capital	**289,086,083**	289,086,083	289,086,083
Net asset value per ordinary share	**€0.375**	€0.505	€0.519
Diluted net asset value per ordinary share	**€0.374**	€0.488	€0.501

(1) €::£ exchange rate 1.2568 as at 30 September 2012 (2011: 1.1492, 2010: 1.1610)
(2) Exercise price of warrants of £0.29

20. Earning per share

The calculation of the basic earnings per share for the financial year ended 30 September 2012 is based on the loss attributable to ordinary shareholders of €37,226 million (2011: loss of €11.707 million), and the weighted average number of ordinary shares outstanding during the year ended 30 September 2012.

The calculation of diluted earnings per share at 30 September 2012 is based on a diluted loss attributable to ordinary shareholders of €37,226 million (2011: loss of €11,707 million), and a weighted average number of ordinary shares outstanding during the year ended 30 September 2012 after the adjustment for the effect of all dilutive potential ordinary shares.

	30 Sep 12 €000	30 Sep 11 €000
Loss for the period	**(37,226)**	(11,707)
Loss attributable to ordinary shareholders	**(37,226)**	(11,707)

		Number
Issued ordinary shares at 1 October	**259,980,739**	259,976,943
Effect of warrants exercised	**136**	2,734
Weighted average number of ordinary shares	**259,980,875**	259,979,677
Loss per ordinary share (Euro)	**(0.143)**	(0.045)
Diluted loss per ordinary share (Euro)	**(0.143)**	(0.045)

The conversion and assumed exercise of warrants to ordinary shares are ignored in the calculation of diluted loss per share since these are anti-dilutive.

20. Earnings per share (continued)

Furthermore, the warrant share price has been above the exercise price throughout the periods in the report, thus the assumption that warrants are unlikely to be converted to ordinary shares, and hence does not have a dilutive effect on profit/loss.

21. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk see Note 28.4.

	30 Sep 12 €000	30 Sep 11 €000
Balance at the beginning of the year	**297,977**	343,661
Additions during the year	**-**	4,973
Repayment during the year	**(11,300)**	(50,657)
Balance at the end of the year	**286,677**	297,977
Gross book value of bank loans	**286,677**	297,977

On 12 January 2010, the Group finalised an agreement with the Bank of Scotland to extend the term of its existing debt facility from 31 December 2011 to 31 December 2013. The previous facility related to a €416.5 million senior debt facility for which the annual margin was 2.75% over three month EURIBOR.

On 11 November 2009, the Group entered into revised terms with the Bank of Scotland which became effective on 12 January 2010 following the pay down of €40.0 million of debt by the Group. The amendment relates to a decreased facility amount of €359.3 million and the margin per annum is calculated as follows, 3-month EURIBOR by reference to the prevailing LTV on the following basis; 225 basis points if the LTV is less than 65%; 250 basis points if the LTV is more than or equal to 65% but less than 70%; 275 basis points if the LTV is more than or equal to 70% but less than 75%; 300 basis points if the LTV is more than or equal to 75% but less than 80% and 400 basis points if the LTV is more than or equal to 80%. The facility has an amendment fee of €150,000 and an exit fee of 2% of the average drawn amount. The maturity date of the loan was extended until 31 December 2013. The terms provide for an interest cover covenant of 1.30x and a LTV covenant of 82.5% until 31 December 2011, 80% until 30 June 2012, 75% until 31 December 2012, 72.5% until 30 June 2013 and 70% thereafter.

As at 30 September 2012, the Group had €287.0 million of outstanding indebtedness with Bank of Scotland (2011: €298.0 million). The Company's LTV (gross debt divided by market value of properties) under the Bank of Scotland loan documentation at that date was 67.9% (2011: 66.1%), against a covenant of 75.0% (2011: 82.5%). The LTV is calculated based upon the market value of the properties as at 30 September 2012.

21. Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

	30 Sep 12 €000	30 Sep 11 €000
Proceeds		
Bank loans maturing between two to five years	**-**	297,977
Bank loans maturing within more than one year and less than two years	**286,677**	-
Total proceeds from long term bank loans	**286,677**	297,977
Transaction costs		
Costs		
Balance at the beginning of the year	**7,912**	7,978
Additions during the year	**-**	228
Retirements and amounts written off	**(377)**	(294)
Gross transaction costs balance at the end of the year	**7,535**	**7,912**
Amortisation		
Balance at the beginning of the year	**5,803**	4,931
Additions during the year	**1,159**	947
Retirements and amounts written off	**(377)**	(75)
Accumulated depreciation balance at the end of the year	**6,585**	**5,803**
Net book value of transaction costs	**950**	**2,109**
Net book value of proceeds from bank loans	**285,727**	295,868
Less current portion of bank loans (Note 30)	**(26,716)**	-
Net book value of bank loans net of current portion	**259,011**	295,868

Transaction costs incurred in refinancing the above loans are initially deducted from the loan balance and are being amortised over the extended period of the loan. Amortisation of transaction costs recognised as finance costs amounted to €0.9 million for the year ended 30 September 2012 (2011: €1.1 million). Finance costs include debt arrangement, structuring, utilisation fees and exit fees paid in arranging the debt facility and the preference shares.

All borrowings are denominated in Euro. The weighted average interest rate at 30 September 2012 on the bank borrowings was 3.324% (2011: 3.656%). The loan is collateralised by all properties of the portfolio included under "Investment property" account (see Note 12).

	Currency	Nominal interest Rate	Date of maturity	30 Sep 12 Face Value €000	30 Sep 12 Carrying Amount €000	30 Sep 11 Face Value €000	30 Sep 11 Carrying Amount €000
Bank of Scotland Secured bank loan	Euro	3M Euribor +2.75%	31 Dec 2013	**286,677**	**259,011**	297,977	295,868

22. Preference shares

On 30 December 2009 the Company issued 29,137,134 redeemable preference shares with one warrant attached per preference share. The preference shares confer the right to a cumulative preference share dividend payable semi-annually. As the preference shareholders have a right to receive a dividend and are redeemable, they are treated as a financial liability.

22. Preference shares (continued)

In addition, on 30 December 2009, the Company issued 29,137,134 warrants. A reserve was established by allocating a portion of the proceeds equal to the initial value of the warrants. This reserve is periodically marked to market and is amortised as the warrants are exercised.

	30 Sep 12 €000	30 Sep 11 €000
Preference shares at the beginning of the year	**30,333**	30,134
Transaction costs amortisation	**329**	526
Preference shares held in treasury	**(963)**	-
Foreign exchange difference	**3,241**	(327)
Preference share value at the end of the year	**32,940**	30,333

Costs

Transaction costs amortisation represents the amortisation of the cost of raising preference share capital (7 years) and the amortisation of the warrants fair value upon initial recognition (4 years).

The holders of preference shares are entitled to receive a preferential cumulative dividend of 9% per annum of the preference share issue price of £1.00. The preference dividend is payable semi-annually in June and December each year from 2010 to 2016 inclusive.

Preference shares held in treasury

In July 2012, the Company purchased 800,000 of its own preference shares, denominated in GBP, at a purchase price of 95 pence per preference share. The acquired preference shares are marked to market value at the end of each year.

23. Warrants

On 30 December 2009 the Company issued 29,137,134 warrants. Each warrant holder is entitled to exercise their subscription right in cash on any subscription date falling in the years from 2010 to 2013 inclusive. The subscription date in any year is the last business day in May and the last business day in November. The subscription price is £0.29 per ordinary share. As the exercise price for the warrants is set in Sterling as opposed to the functional currency of the Company, which is Euro, the warrants have been treated as a financial liability.

	30 Sep 12 €000	30 Sep 11 €000
Warrant fair value at the beginning of the year	**2,258**	2,535
Warrants exercised during the period (refer to the statement of change in equity)	**-**	-
Fair value movement of the warrants (Note 28.5)	**(2,165)**	(261)
Foreign exchange difference (Note 14)	**126**	(16)
Warrant fair value at the end of the year	**219**	2,258

On 31 May 2011 and 13 December 2011, 859 and 170 warrants were exercised on each respective date.

25. Long term provision

As part of the current facility agreement with Bank of Scotland there is an exit fee payable. The fee is calculated as 2% of the weighted average drawn balance during the period commencing on the issuance date through the final repayment of the facility, 31 December 2013 (or repayment date if earlier). The quantum of the exit fee has subsequently been reduced according to the revised terms to €6,325 million (2011: €6,626 million)

	30 Sep 12 €000	30 Sep 11 €000
Long term provision	**6,325**	6,626

25. Taxation

The Company is an investment company with fixed capital (*société d'investissement à capital fixe*) under the form of a public limited company (*société anonyme*) and registered pursuant to part II of the Luxembourg law of 17 December 2010 relating to undertakings for collective investments.

According to Luxembourg regulations concerning undertakings for collective investments, the Company is not subject to corporate income or capital gains taxes in Luxembourg. It is however, liable to an annual subscription tax based at 0.05% of its total net asset value. The tax, payable quarterly, is assessed on the last day of each quarter.

Within the Group, real estate revenues, or capital gains derived from real estate, may be subject to taxes by assessment, withholding or otherwise in the countries where the real estate is situated. The Group's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income.

Deferred tax liabilities are calculated according to the full liability method, and mainly arise on timing differences generated by fair value adjustments occurring post acquisition in the case where an acquisition does not qualify as a business combination. In case of acquisitions which are classified as business combinations, deferred tax is recognised on the timing differences between the carrying value of real estate investments in these consolidated financial statements and the respective tax basis at the date of the acquisition, and is subsequently measured in each period.

A deferred tax liability has not been accrued in respect of unremitted profits contained in direct and indirect subsidiaries of the Group as it is unlikely that these profits will be remitted to the parent in a manner which will attract income tax.

25. Taxation (continued)

	30 Sep 12 €000	30 Sep 11 €000
Income and other current tax payables		
Balance brought forward	**6,594**	7,304
Tax expense	**4**	29
Tax paid	**(980)**	(739)
Investment property classified as asset held for sale	**(586)**	-
Income and other current tax payables	**5,032**	6,594
Income taxes	**185**	254
Other taxes	**(132)**	(195)
Subscription taxes	**(57)**	(88)
Current income tax expense	**(4)**	(29)
Arising from liabilities	**1,524**	(548)
Arising from short term differences	**(79)**	(201)
Arising from assets	**(93)**	582
Deferred tax benefit / (expense)	**1,352**	(167)
Total tax reported in the consolidated income statement	**1,348**	(196)

	30 Sep 12 €000	30 Sep 11 €000
Reconciliation of effective tax rate		
Loss for the year	**(37,226)**	(11,707)
Total taxation	**(1,348)**	196
Loss excluding taxation	**(38,574)**	(11,511)
Income tax benefit using the Company's domestic tax rate, which is 29.57% (2011: 29.94%)	**11,405**	3,537
Tax adjustments	**2,141**	(1,546)
Minimum taxable net margin	**(45)**	(21)
Differences in tax rates	**(3,270)**	843
Tax losses arising / used during the year for which no deferred tax was recognised	**(3,636)**	(1,919)
Permanent differences	**(1,435)**	(715)
Short term differences for which no deferred tax was recognised	**251**	(3,866)
Differences arising due to fair value adjustments in investment property for which no deferred tax was recognised	**(6, 452)**	2,529
Differences due to consolidation	**2,575**	(277)
Other taxes	**(186)**	1,239
Total	**1,348**	(196)

25. Taxation (continued)

25.1 Deferred tax assets and liabilities recognised

Deferred tax liability	30 Sep 12 €000	30 Sep 11 €000
Opening balance		
Investment property	**(8,386)**	(7,832)
Investment property classified as asset held for sale	**531**	-
Effect of revaluations of properties to fair value post acquisition	**1,524**	(465)
Deferred tax on properties disposed of	**-**	112
Short timing differences	**(79)**	(201)
Movements on deferred tax liability	**1,445**	(554)
Closing balance	**(6,410)**	(8,386)
Made up of:		
Revaluation on investment properties to fair value	**(6,855)**	(7,240)
Investment property classified as asset held for sale	**531**	-
Short timing differences	**(86)**	(1,146)
Total deferred tax liabilities	**(6,410)**	(8,386)

As at 30 September 2012, deferred tax assets of €3.9 million (2011: €4.1 million) were recognised. The Group has recognised deferred tax assets where the tax losses are likely to be offset by future profits from the sales of the property. In the opinion of the Directors, this compensation approach is substantiated by the current economic environment where real estate prices have started to stabilise.

Long term tax asset mainly related to tax losses carried forward	30 Sep 12 €000	30 Sep 11 €000
Opening balance	**4,108**	3,589
Investment property classified as asset held for sale	**(156)**	-
Relating to tax losses carried forward	**(83)**	519
Deferred tax assets	**3,869**	4,108

25.2 Deferred tax assets and liabilities unrecognised

As at 30 September 2012 the unrecognised portion of deferred tax assets related to property fair value movements and excess tax losses carried forward was €23.4 million (2011: €14.2 million).

As at 30 September 2012, deferred tax liabilities of €23.4 million (2011: €24.9 million), based upon temporary differences at the time of initial recognition arising from transactions treated as asset acquisitions have not been recognised in accordance with IAS 12.

26. Accrued expenses and other current liabilities

	30 Sep 12 €000	30 Sep 11 €000
Accruals and other creditors	**3,067**	3,324
Interest payable on bank loans	**3,240**	3,486
Preference share dividend	**828**	787
Service charges	**(732)**	(807)
Tenant deposits	**3,319**	3,479
Total accrued expenses and other current liabilities	**9,722**	10,269

Accruals and other payables indicated above equal their contractual amounts and are payable in less than six months except for tenant deposits, which are repayable upon termination of the related lease contract.

The Group has signed forward exchange contracts with Bank of Scotland Treasury to protect the Euro payment of the next four sterling dividend payments until May 2014 (the spot rate of between €1.00 for £0.8116 to €1.00 for £0.8666 has been agreed).

27. Related party transactions

The Group has related party transactions with its subsidiaries, shareholders and certain Directors.

Directors' fees
The Directors of the Company and its subsidiaries were paid a total of €204,000 (2011: €204,000) in Directors' fees during the year.

As disclosed in Note 21, the Group obtained a credit facility from the Bank of Scotland with related interest rate swap agreements with Bank of Scotland's Treasury Group. In addition, as disclosed in Note 26, the Group also entered into a currency rate swap agreement with Bank of Scotland's Treasury. Bank of Scotland is no longer a related party as of 30 September 2011.

The Group also operates an inter-group trading account facility with its subsidiaries whereby it may receive income on behalf of its subsidiaries or pay expenses on their behalf. These balances are non-interest bearing and are settled on demand.

28. Financial risk management objectives and policies

The Group's financial liabilities, other than derivatives, are loans and borrowings, warrants and preference shares. The main purpose of the Group's loans and borrowings is to finance the acquisition and the development of the Group's property portfolio. The proceeds from the preference shares were used to repay part of the bank debt the Group contracted with the Bank of Scotland. The Group has trade and other receivables, trade and other payables and cash and short term deposits that arise directly from its operation.

The Group has exposure to the following risks from its use of financial instruments:

- Market and operational risks,
- Currency risk,
- Credit risk,
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. A description of the internal controls in place is set out in the Director's report.

28.1 Market and operational risks

Market risk is the risk that changes in market prices, such as rental income, interest rates and property value will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
The Group uses derivatives, and also incurs financial liabilities, in order to manage the market risk attributable to the interest rate risk. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.
The interest rate risk of the Group remained fully hedged throughout the year ended 30 September 2012 and 2011, and as such, there would be no effect on profit before tax due to movements in interest rates.

Market risk
Rental income and the market value for properties are generally affected by overall conditions in the local economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of bankruptcy or the insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

28. Financial risk management objectives and policies (continued)

The Investment Manager also analyses portfolio and investment risks under the following categories:

Criteria	**Risk control**
Rental income	Ongoing review of income receipt of rents and progress on leasing vacancy – at least on a quarterly basis.
Terms of rental agreements	Ongoing review at least on a quarterly basis.
Quality of tenants	Informal controls performed on an ongoing basis. Formal analysis on a semi – annual basis by means of the credit rating performed by IPD M-RIS. Quarterly reviews with the Board of Directors.
Sector diversification	Quarterly, formal comparison of strategy and review with the Board of Directors.
Geographic diversification	Quarterly, formal comparison of strategy and review with the Board of Directors.
Sizes of individual properties	Quarterly monitoring of the percentage of specific properties in the portfolio in accordance with London Stock Exchange regulations.
Payments in arrears	Ongoing reviews, supported by quarterly review of property management reports.

By monitoring assets under these categories using the risk controls outlined and by diversifying the portfolio in different property sectors, countries, regions and tenant industries the Group expects to lower the risk profile of the portfolio.

28.2 Currency risk
The Company obtains financing in currencies other than Euro (preference shares and warrants issued in Sterling, refer to Notes 22 and 23) and is exposed to the fluctuations of the exchange rate of that currency.

The Company has entered into currency forward contracts to hedge its exposure to the preference share dividends which are paid in GBP. The table below details the contracts entered into by the Company as at 30 September 2012:

Maturity date	CCY bought	Amount bought	CCY sold	Amount sold	Fair value (€'000)
16 May 2014	GBP	1,311,000	EUR	1,615,398	(17)
02 December 2013	GBP	1,311,000	EUR	1,512,763	210
24 May 2013	GBP	1,311,000	EUR	1,529,019	(111)
13 December 2012	GBP	1,311,000	EUR	1,553,928	244

28. Financial risk management objectives and policies (continued)

As at 30 September 2012, the net exposure of the Group to GBP was as follows:

	30 Sep 12 €000	30 Sep 11 €000
Cash deposits	**12,732**	15,402
Preference shares	**(35,614)**	(33,483)
Warrants	**(219)**	(809)
Total	**(23,101)**	(18,890)

The following table demonstrates the sensitivity to reasonable changes in the sterling exchange rates, with all others variables held constant, to the Group's loss before tax:

As at 30 September 2012	Increase/Decrease	Effect on profit or loss before tax (€000)
Sterling	+10%	2,310
Sterling	-10%	(2,310)

As at 30 September 2011	Increase/Decrease	Effect on profit or loss before tax (€000)
Sterling	+10%	1,889
Sterling	-10%	(1,889)

28.3 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Credit risk for the Group arises principally from rental receivables from tenants.

Trade and other receivables

In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and may incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Investment Manager reviews reports prepared by Experian, or other sources, to assess the credit quality of the Group's tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised:

- **Credit risk for tenants**

  The Group's income would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with each equity investment in real estate is generally not reduced when circumstances cause a reduction in income from properties;
- **Credit risk management for tenants and property managers**

  Receivables from tenants are the main credit risk for the Group. A credit evaluation is performed on the financial condition of prospective new tenants and a deposit is taken depending on the credit worthiness of the tenant.

The Group establishes a provision for doubtful debt that represents its estimates of potential losses with respect to trade and other receivables.

28. Financial risk management objectives and policies (continued)

Investment securities

Investments, other than those in property, are held only in liquid securities and only with counterparties that have a credit rating above or similar to the Group. Transactions involving derivatives are with the counterparty Bank of Scotland Treasury. Credit and counterparty risk on liquid funds and on interest rate hedges is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**30 Sep 12 €000**	30 Sep 11 €000
Loans and receivables	15, 16	**15,068**	**13,032**
Cash and cash equivalents	17	**35,195**	**43,892**
Total		**50,263**	**56,924**

28.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising its assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid. The Group's approach to managing liquidity exposure is that it will seek to have sufficient liquidity to meet its liabilities and obligations when due.

The Group has endeavoured to mitigate liquidity risk by investing in properties leased to good quality tenants with the potential for income and capital growth.

		Carrying amount €000	**6 months or less €000**	**6 months to 1 year €000**	**1 - 5 years €000**
30 September 2012					
Bank of Scotland loans outstanding	Note 21	**(286,677)**	**-**	**-**	**(286,677)**
Preference shares		**(35,614)**	**-**	**-**	**(35,614)**
Bank of Scotland Interest payable		**(3,564)**	**(3,564)**	**-**	**-**
Preference share coupons		**(828)**	**(828)**	**-**	**-**
30 September 2011					
Bank of Scotland loans outstanding		(297,977)	-	-	(297,977)
Preference shares		(33,483)	-	-	(33,483)
Bank of Scotland Interest payable		(3,486)	(3,486)	-	-
Preference share coupons		(787)	(787)	-	-

The maturity date of the interest bearing loans in the table above is 31 December 2013. The contractual cash flows for loans and borrowings presented in the above table reflect only the expected principal cash flows.

The following table indicates the periods in which the cash flows associated with the interest rate swaps and the currency rate swaps are expected to occur and how they will impact the future income statements:

28. Financial risk management objectives and policies (continued)

Interest rate swap	Carrying amount €000	Expected Cash Flows €000	6 months or less €000	6-12 months €000	1 - 2 years €000	2 - 5 years €000	More than 5 years €000
As at 30 September 2012	**(16,441)**	**(16,441)**	**(5,656)**	**(5,768)**	**(5,017)**	**-**	**-**
As at 30 September 2011	(20,134)	(20,134)	(3,755)	(4,326)	(8,580)	(3,473)	-

Currency swap	Carrying amount €000	Expected Cash Flows €000	6 months or less €000	6-12 months €000	1 - 2 years €000	2 - 5 years €000	More than 5 years €'000
As at 30 September 2012	**(326)**	**(326)**	**(244)**	**111**	**(193)**		
As at 30 September 2011	**1**	**1**	**56**	**(5)**	**(50)**	-	-

28.5 Fair value

Set out below is a comparison by class of the carrying amounts versus fair value of the Group's financial instruments.

	Carrying amount		Fair value	
	30 Sept 2012 €000	30 Sept 2011 €000	30 Sept 2012 €000	30 Sept 2011 €000
Financial assets				
Trade and other receivables	**17,827**	17,958	**17,827**	17,958
Cash and short-term deposits	**35,195**	43,892	**35,195**	43,892
Financial liabilities				
Interest-bearing loans and borrowings	**259,011**	295,868	**286,677**	297,977
Deposits from tenants	**3,841**	3,479	**3,841**	3,479
Derivatives	**16,767**	20,133	**16,767**	20,133
Trade and other payables	**751**	1,008	**751**	1,008
Preference shares	**32,940**	30,333	**34,100**	34,790
Warrants	**219**	2,258	**219**	2,258

28. Financial risk management objectives and policies (continued)

Movements in fair value are:

	30 Sep 12 €000	30 Sep 11 €000
Balance at the beginning of the year	**20,133**	30,520
Fair value hedges terminated during the year	**-**	(2,470)
Movement in fair value on forward transaction	**327**	129
Movement in fair value of effective hedges	**(3,531)**	(7,933)
Movement in fair value of ineffective hedges	**(162)**	(113)
Balance at the end of the year	**16,767**	20,133

		30 Sep 11 €000
Movement in fair value of ineffective hedges	**162**	113
Movement in fair value on forward transaction	**(327)**	(129)
Swap breakage cost	**-**	(2,563)
Fair value hedges terminated during the year	**-**	2,470
Net gain/ (loss) on financial instruments	**(165)**	(109)
Movement in warrants fair value (refer Note 23)	**2,165**	261
Net gain/ (loss) on financial instruments	**2,000**	152

The derivative financial instruments are Euro interest rate swaps; transacted to hedge the interest rate risks arising from the floating rate borrowings (see Note 21) and a foreign currency forward exchange contract to hedge the preference shares dividends (see Note 26). As at 30 September 2012, the fair value of the interest rate swaps was a liability of €16.7 million (2011: liability of €20.1 million) and the fair value of the foreign currency contract a liability of €0.3 million (2011: asset of €0.0 million). The notional amount of the interest rate swaps amounted to €299.4 million (2011: €299.4 million). The weighted average Euro interest swap rate on Group debt was 3.58% per annum (2011: 4.041%).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (e.g., as prices) or indirectly (i.e., derived from prices);
iii. Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 €000	**Level 2 €000**	**Level 3 €000**	**Total €000**
As at 30 September 2012				
Warrants	**(219)**	**-**	**-**	**(219)**
Interest rate swap	**-**	**(16,767)**	**-**	**(16,767)**
As at 30 September 2011				
Warrants	(2,258)	-	-	(2,258)
Interest rate swap	-	(20,133)	-	(20,133)

29. Segment reporting

The Group adopted IFRS 8, ‘Operating segments’. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The chief operation decision maker is the person or Group that allocates resources to and assesses the performance of operating segments of an entity. The Group has determined that its chief operating decision maker is the Board of Directors of the Company.

An operating segment is a component of the fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segments' results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Board of Directors is of the opinion that the Group is engaged in one single segment of business being property investments and the quarterly reports delivered to the Board are based into geographical segments. In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the domicile country of the properties.

The operating segments derive their revenue primarily from rental income from lessees. All of the Group's business activities and operating segments are reported within the segments below.

The segment information for the year ended 30 September 2012 is as follows:

	France	Germany	Belgium	Others	Holdings activities and inter-segmental	Total
	€000	€000	€000	€000	€000	€000
Rental income	**13,204**	**14,877**	**1,453**	**4,401**	**-**	**33,935**
Net gain on disposal	-	-	-	-	-	-
Profit/(loss) before net financing cost and tax	**514**	**(10,513)**	**2,289**	**(2,511)**	**(5,253)**	**(15,474)**
Finance income	576	356	360	20	568	1,880
Finance expense	(7,213)	(8,533)	(958)	(3,214)	(7,062)	(26,980)
Net change in derivatives	-	-	-	-	2,000	2,000
Taxation	(1,089)	67	(532)	606	2,296	1,348
Profit/(loss) for the year	**(7,212)**	**(18,623)**	**1,159**	**(5,099)**	**(7,451)**	**(37,226)**
Reportable segments' assets	**257,834**	**213,579**	**27,802**	**44,330**	**(76,026)**	**467,519**
Reportable segments' liabilities	**(159,391)**	**(138,112)**	**(21,788)**	**(48,040)**	**(2,640)**	**(369,971)**

29. Segment reporting (continued)

The segment information for the year ended 30 September 2011 is as follows:

	France	Germany	Belgium	Others	Holdings activities and inter-segmental	Total
	€000	€000	€000	€000	€000	€000
Rental income	18,385	15,822	1,326	5,281	(65)	40,749
Net gain on disposal	605	-	-	-	(111)	494
Profit/(loss) before net financing cost and tax	**10,616**	**9,924**	**443**	**(1,564)**	**(4,561)**	**14,858**
Finance income	645	371	482	28	(920)	606
Finance expense	(9,611)	(8,977)	(1,106)	(3,718)	(3,715)	(27,127)
Net change in derivatives	(173)	-	(62)	(554)	941	152
Taxation	(3,232)	(473)	(41)	(78)	3,628	(196)
Profit/(loss) for the year	**(1,755)**	**845**	**(284)**	**(5,886)**	**(4,627)**	**(11,707)**
Reportable segments' assets	**283,204**	**236,254**	**26,429**	**58,944**	**(87,823)**	**517,008**
Reportable segments' liabilities	**(174,611)**	**(142,164)**	**(21,384)**	**(65,111)**	**17,505**	**385,765**

The Board of Directors assesses the performance of the operating segments based on a measure of earning before financial cost and tax. The earning before financial cost and tax and profit or loss of the Group's reportable segments reported to the Board of Directors is measured in a manner consistent with that in profit or loss. A reconciliation of operating profit to profit before tax is therefore not presented separately.

The amounts provided to the Board of Directors in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments assets to total assets, and of reportable segments liabilities to total liabilities, are not presented.

	30 Sep 12	30 Sep 11
	€000	€000
Analysis of revenue per category		
Logistics	**20,284**	25,658
Office	**12,452**	12,903
Retail	**-**	1,077
Other	**1,199**	1,111
Rental income	**33,935**	40,749
Other Income	**3,988**	757
Cost of rental activities	**(3,367)**	(2,960)
Net revenue	**34,556**	38,546

The Group's revenues are primarily generated from property assets which are held by Group companies domiciled in the same country as the relevant asset is located. The breakdown of the major components of revenue from external customers by country is disclosed above.

29. Segment reporting (continued)

Rental income is derived from a large number of tenants although two single tenants contribute more than 10% of the Group's rental income:

	30 Sep 12 €000	30 Sep 11 €000
GMG Generalmietgesellschaft mbH	**5,892**	**-**
Norbert-Dentressangle	**2,053**	**6,041**
Deutsche Telekom	**-**	**5,720**
Others	**25,990**	**28,988**
Rental income	**33,935**	**40,749**

30. Assets held for sale

As at 30 September 2012, two assets located in Germany were held for sale following completion of contractual commitments to sell.

	30 Sep 12 €000	30 Sep 11 €000
Assets classified as held for sale		
Investments properties	**40,146**	-
Tax and other receivables	**252**	-
Deferred tax assets	**156**	
Tenant receivables	**566**	-
Total	**41,120**	-

	30 Sep 12 €000	30 Sep 11 €000
Liabilities classified as held for sale		
Deferred tax liabilities	**531**	-
Loan and borrowings	**26,716**	-
Trade and other payables	**393**	-
Current tax payables	**586**	
Total	**28,226**	-

31. Commitments

Foreign exchange hedge/Preference Dividend

The Company has entered into currency forward contracts to hedge its exposure to the next two years' preference share dividends which are paid in GBP (note 28.2).

The sixth (2011: fourth) interim dividend of £0.04488 (2011: £0.04488) per Preference Share will be paid on 21 December 2012 to Preference Shareholders on the Register 7 December 2012. The shares were quoted ex-dividend on 5 December 2012.

32. Contingent assets or liabilities

Certain subsidiaries of the Group are involved in litigation resulting from operating activities. These legal disputes and claims for damages are routine resulting from the normal course of business. Except for the Montowest litigation, none of these legal disputes and claims is expected to have a material effect on the balance sheet, the result or liquidity of the Group.

Montowest litigation
The final rental debtor as at 30 September 2012 is €7.5 million (€7.2m in 2011), representing an insurance receivable of €2 million and a tenant debt of €5.5 million.
Following the favourable decision in the appeal of 29 October 2012 in relation to the roof damage (insurance claim), €2 million will be received by Montowest, and in consequence the previous provision to cover the non-payment risk of insurance receivable for €1.1 million has been reversed.
The net exposure after insurance reimbursement is €5.5m.

With regards to the lease litigation, €5.4 million have been escrowed by the tenant pending the completion of the litigation. In April 2010, the court ruled in favour of Montowest, however, the defendants appealed the court decision.
The next appeal court hearing is scheduled for December 2012 with a final decision expected in 2014.

33. Subsequent events

On 30 November 2012, the Company completed the sale of the logistics distribution centre in Lutterberg, Germany to UBS Real Estate Kapitalanlagengesellschaft GmbH for a gross sale price of €31.8 million. A logistics asset in Solingen, Germany is under offer for a sale and due diligence is progressing with the purchaser.

On 28 November 2012, the board of IERET accepted to enter into exclusivity for the sale of the Nova asset in Grenoble, France. A promissory contract is currently being drafted with aim of signing it before calendar year end. Completion of the transaction is expected before the end of January 2013.

On 14 December 2012, the board of IERET accepted to enter into exclusivity for the sale of the Rue Royale asset in Brussels, Belgium. Due diligence is being undertaken and the transaction is expected to complete in early 2013.

On 20 December 2012, the board of IERET approved to settle the lease litigation on Montowest as stated in Note 32. Montowest will receive €5.1 million in cash and therefore the litigation proceedings will end.

34. List of the fully consolidated subsidiaries

		30 Sep 2012	30 Sep 2011
Invista European Real Estate Holdings S.à r.l.	Luxembourg	100%	100%
Invista European Real Estate Finance S.à r.l.	Luxembourg	100%	100%
Invista European RE Marseille PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Solingen PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Nanteuil PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Monheim PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Lutterberg PropCo S.à r.l.	Luxembourg	100%	100%
Lutterberg Logistics GmbH	Germany	100%	100%
Invista European RE Villeurbanne Holdco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Holdco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Propco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Propco II S.à r.l.	France	100%	100%
Invista European RE Riesapark PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Roth PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Monbonnot HoldCo 1 S.à r.l.	Luxembourg	100%	100%
Invista European RE Monbonnot HoldCo 2 S.àr.l.	France	100%	100%
Invista European RE Germany GmbH	Germany	100%	100%
Invista RE Dutch Holdings B.V.	The Netherlands	100%	100%
Centaurus Logistics S.A.	Luxembourg	100%	100%
Invista European RE Pocking PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Sun PropCo S.à r.l.	France	100%	100%
Invista European RE Nova PropCo S.à r.l.	France	100%	100%
Invista European RE Spanish PropCo S.L.	Spain	100%	100%
Invista European Real Estate Bel-Air Holdings S.à r.l.	Luxembourg	100%	100%
Invista European Bel-Air France S.A.S.	France	100%	100%
Compagnie Francesca S.à r.l.	France	100%	100%
Fonciere Vauclusienne Fova S.à r.l.	France	100%	100%
Anjoly Affretement Stockage (Anjolyas) S.à.r.l. (1)	France	-	100%
Trappes S.A.S. (1)	France	-	100%
Malabar Societe de Manutention Logistique et d'Affretement Barlantier (Malabar) S.à r.l.	France	100%	100%
Compagnie d'Entrepots et de Magasine Generaux d'Amiens (Cemga) S.à r.l.	France	100%	100%
Les Merisiers S.N.C.	France	100%	100%
Mirasud S.à r.l.	France	100%	100%
Nelson S.C.I.	France	100%	100%
Compagnie frigorifique et immobilere de Normandie (Cofrinor) S.à r.l.	France	100%	100%
Monto'west S.à r.l.	France	100%	100%
Pole Logistique Vauclusien (Poloval) S.à r.l.	France	100%	100%
Societe du Pole Nord S.A.S.	France	100%	100%
Compagnie Vauclusienne de Distribution (Covadis) S.à r.l.	France	100%	100%
DBA Czech s.r.o.	Czech Republic	100%	100%
Hades Logistics B.V.	The Netherlands	100%	100%
Atena Logistics B.V.	The Netherlands	100%	100%
Financiere, Immobiliere et Agricole S.A.	Belgium	100%	100%
KP Image House S.A.	Belgium	100%	100%
KP Rue Royal S.A.	Belgium	100%	100%
KP HH S.A.	Belgium	100%	100%
Demeter B.V.	The Netherlands	100%	100%
Girona Logistics S.L.	Spain	100%	100%

(1) liquidated

Glossary

Adjusted gross assets is the aggregate value of all of the assets of the Group, including net distributable but undistributed income, less current liabilities of the Group (excluding from current liabilities any proportion of monies borrowed for investment whether or not treated under accounting rules as current liabilities), as shown in the consolidated accounts of the Group.

Articles are the articles of association of the Company as amended and restated on 29 December 2009.

Earnings per share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period.

Net equivalent yield is the time weighted average yield between the Net initial yield and the Reversionary yield.

Estimated rental value (ERV) is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gearing is the Group's net debt as a percentage of adjusted net assets.

Gross rental income or **gross rent** is the annualised rental income receivable in the period, prior to payment of non-recoverable expenditure such as ground rents and property outgoings.

Gross initial yield (GIY) is the Gross rent expressed as a percentage of the net valuation of property portfolio.

Group is Invista European Real Estate Trust SICAF and its subsidiaries.

Listing rules are rules made by the UK Listing Authority under section 73A of the UK Financial Services and Markets Act 2000.

Net asset value (NAV) are shareholders' funds, plus the surplus of the open market value over the book value of both development and trading properties, adjusted to add back deferred tax.

Net initial yield (NIY) is the Net rental income expressed as a percentage of the gross valuation of property portfolio.

Net rental income or **net rent** is the annualised rental income receivable in the period after payment of non-recoverable expenditure items such as ground rents and property outgoings.

Potential rent is the rent achievable if all the remaining vacant space is let at the estimated rental value and added to the current Gross rental income.

Prospectus is the catalogue of the Company dated 16 November 2009.

Regulated market is a market referred to in article 1, point 13 of the Council Directive 93/22 EEC on investment services in the securities field, as amended.

Reversionary yield is the anticipated yield, which the Net initial yield will rise to once the rent reaches the estimated rental value.

SEPARATE INCOME STATEMENT

For the year ended 30 September 2012

	Notes	30 Sep 12 €000	30 Sep 11 €000
Investment management fees	6	**(752)**	(1,405)
Professional fees	7	**(262)**	(312)
Administrative fees	8	**(978)**	(746)
Directors' fees	21	**(192)**	(204)
Other expenses	22	**(1,126)**	(78)
Total expenses		**(3,310)**	(2,745)
Losses before net financing cost and tax		**(3,310)**	(2,745)
Finance income	9	**1,534**	16,946
Finance expenses	10	**(9,240)**	(6,054)
Net gain on derivative instruments	23	**2,000**	2,714
Net finance costs		**(5,706)**	13,606
Shares and intercompany loan impairments	11,27	**(28,153)**	(22,558)
Loss for the year before tax		**(37,169)**	(11,697)
Taxation	19	**(57)**	(10)
Loss for the year		**(37,226)**	(11,707)
Basic loss per share (Euro)	15	**(0.143)**	(0.045)
Diluted loss per share (Euro)	15	**(0.143)**	(0.045)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2012

	Note	**30 Sep 12 €000**	30 Sep 11 €000
Loss for the year		**(37,226)**	(11,707)
Other comprehensive income			
Fair value of warrants exercised during the year		**-**	-
Effective portion of changes in fair value of cash flows hedged for the year	13	**3,531**	7,933
Other comprehensive gain for the year		**3,531**	7,933
Total comprehensive loss for the year attributable to owners of the Company		**(33,695)**	(3,774)

All items in the above statement are derived from continuing operations.

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	30 Sep 12 €000	30 Sep 11 €000
Assets			
Investment in subsidiaries	27	**-**	-
Loans to subsidiaries	11	**148,447**	172,727
Deferred expenses		**518**	1,313
Non-current assets		**148,965**	174,040
Amounts due from subsidiaries		**23,920**	29,390
Trade and other receivables		**101**	141
Cash and cash equivalents	12	**12,795**	15,751
Current assets		**36,816**	45,282
Total assets		**185,781**	219,322
Share capital		**25,998**	25,998
Share premium		**164,992**	164,992
Restricted reserve		**65,816**	118,316
Cumulative deficit		**(163,971)**	(179,245)
Hedge reserve		**4,713**	1,182
Total equity attributable to equity holders of the Company	13	**97,548**	131,243
Liabilities			
Preference shares	16	**32,940**	30,333
Warrants	17	**219**	2,258
Loans from subsidiaries		**17,050**	17,350
Long term provision	18	**6,325**	6,626
Derivative financial instruments	23	**16,767**	20,133
Non-current liabilities		**73,301**	76,700
Loans from subsidiaries		**13,408**	9,456
Trade and other payables	20	**1,524**	1,923
Current liabilities		**14,932**	11,379
Total liabilities		**88,233**	88,079
Total equity and liabilities		**185,781**	219,322
Net Asset Value per ordinary share (Euro)	14	**0.375**	0.505

The separate financial statements were approved by the Board of Directors on 20 December 2012 and signed on its behalf by:

Tom Chandos
Chairman

Robert DeNormandie
Chairman of Audit Committee

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2012

	Share capital €000	Share premium €000	Restricted reserve €000	Cumulative deficit €000	Hedging reserve €000	Total equity €000
Balance as at 30 September 2010	**25,998**	**164,991**	**118,316**	**(167,538)**	**(6,751)**	**135,016**
Warrants exercised	-	1	-	-	-	1
Total equity movement	-	1	-	-	-	1
Total comprehensive (loss)/income	-	-	-	(11,707)	7,933	(3,774)
Total comprehensive (loss)/income for the year	-	-	-	(11,707)	7,933	(3,774)
Balance as at 30 September 2011	**25,998**	**164,992**	**118,316**	**(179,245)**	**1,182**	**131,243**
Warrants exercised	-	-	-	-	-	-
Absorption of losses by the restricted reserve	-	-	(52,500)	52,500	-	-
Total equity movement	-	-	(52,500)	52,500	-	-
Total comprehensive (loss)/income	-	-	-	(37,226)	3,531	(33,695)
Total comprehensive (loss)/income for the year	-	-	-	(37,226)	3,531	(33,695)
Balance as at 30 September 2012	**25,998**	**164,992**	**65,816**	**(163,971)**	**4,713**	**97,548**

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 30 September 2012

	Notes	30 Sep 12 €000	30 Sep 11 €000
Loss before tax		**(37,169)**	(11,697)
Adjustment for:			
Shares and intercompany loan impairments	11	**28,153**	22,558
Net loss on financial instruments	23	**165**	109
Unrealised change in fair value of warrants	23	**(2,165)**	(261)
Net unrealised foreign currency gain	10	**2,952**	381
Amortisation of transaction costs relating to debt	10	**1,055**	1,141
Interest expense	10	**4,811**	4,532
Interest received	9	**(101)**	(16,946)
Preference shares dividends		**3,023**	2,943
Changes in working capital:			
Decrease in current assets		**40**	167
Decrease in current liabilities		**(519)**	(152)
Cash generated from operations		**245**	2,775
Interest paid		**(4,732)**	(4,576)
Interest received		**3,055**	2,471
Tax paid		**(57)**	(750)
Net Cash flows used in Operating Activities		**(1,489)**	(80)
Investing Activities			
Investments in subsidiaries		**(223)**	-
Decrease in loans granted to subsidiaries		**95**	2,466
Net Cash flows (used in) / from Investing Activities		**(128)**	2,466
Financing Activities			
Increase in loans granted to subsidiaries		**2,422**	-
Swap breakage	23	**-**	(2,563)
Loan transaction costs		**-**	96
Gain on forward transaction	9	**185**	156
Acquisition of own preference shares in issue		**(963)**	-
Dividend paid on preference shares		**(2,983)**	(3,161)
Proceeds from exercise of warrants		**-**	1
Net Cash flows used in Financing Activities		**(1,339)**	(5,471)
Effects of changes in exchange rates		**-**	(724)
Net decrease in cash and cash equivalents for the year		**(2,956)**	(3,809)
Opening cash and cash equivalents		**15,751**	19,560
Closing non-restricted cash and cash equivalents	12	**10,281**	13,453
Closing restricted cash and cash equivalents	12	**2,514**	2,298

3. Reporting entity

Invista European Real Estate Trust SICAF ("the Company") was incorporated as a "société anonyme" under the laws of Luxembourg on 6 June 2005. On 17 November 2006 the Company was converted into an investment company with fixed capital "société d'investissement à capital fixe" ("SICAF") and is registered pursuant to part II of the Luxembourg law of 17 December 2010 on undertakings for collective investments. Through its subsidiaries its main activity is to evaluate, make and actively manage direct and indirect investments in real estate in Continental European countries.

The Company is a public limited liability company incorporated for an unlimited term. The address of the registered office of the Company is 25C, Boulevard Royal, L-2449 Luxembourg.

The Company holds 100% of the following Luxembourg companies as at 30 September 2012:

- Invista European Real Estate Holdings S.à r.l.
- Invista European Real Estate Finance S.à r.l.

4. Basis of preparation

2.1 Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB), and adopted by the European Union (EU). These separate financial statements do not include consolidated amounts, as the consolidated financial statements are prepared separately.

These separate financial statements are presented for the year ended 30 September 2012, with comparative figures for the year ended 30 September 2011.

These separate financial statements have been approved for issue by the Board of Directors on 20 December 2012.

2.2 Functional and presentation currency

These separate financial statements are presented in Euro, which is the Company's presentation and functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

2.3 Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for the warrants and derivative financial instruments that have been measured at fair value.

These separate financial statements are prepared on a going concern basis.

2.4 Use of estimates and judgements

The preparation of the separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.4 Use of estimates and judgements (continued)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements are described in note 4.

2.5 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2011 and not early adopted.

The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces addition relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. However, the standard has not yet been endorsed by the EU.

The Company is yet to assess the full impact of IFRS 9. However, initial indications are that it may affect the Company's accounting for its available-for-sale debt financed assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt financed investments, for example, will therefore have to be recognised directly in profit or loss.

On 20 December 2010, the IASB issued amendments to IAS 12, 'Income Taxes', effective from 1 January 2012. IAS 12 requires that deferred tax relating to an asset is measured depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment provides guidance by introducing a presumption that recovery of the carrying amount will, normally, be through sale. However, the standard has not yet been endorsed by the EU.

On 12 May 2011, the following standards were published, applicable to accounting periods beginning on, or after 1 January 2015. However, these standards have not yet been endorsed by the EU.

IFRS 10, 'Consolidated financial statements'
IFRS 11, 'Joint arrangements'
IFRS 12, 'Disclosure of interests in other entities'
IFRS 13, 'Fair value measurement'

On 12 May 2012, the following standards were published, applicable to accounting periods beginning on, or after 1 January 2013. However, these standards have not yet been endorsed by the EU.

IAS 27, 'Consolidated and separate financial statements'
IAS 28, 'Investment in Associates and Joint Ventures'

The Company is currently assessing the impact of the new and revised IFRS.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these separate financial statements, and have been applied consistently.

3.1 Related parties

Related parties are defined as parties either directly or indirectly controlled, managed or owned by the Company. A list of related party transactions is disclosed in Note 21.

3.2 Foreign currency translation

Transactions in currencies other than the presentation currency of the Company are recorded at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the date of exchange ruling at the separate statement of financial position date. All differences are recognised in the separate income statement under 'finance income" or "finance expense" (see Notes 9 and 10). The cumulative effect of exchange differences on cash transactions are classified as realised gains and losses in the separate income statement in the period in which they are settled. Exchange differences on transactions not yet settled in cash are classified as unrealised gains and losses under "finance expense".

3.3 Investments in subsidiaries

Investments in subsidiaries are held at cost less any impairment.

3.4 Loans to subsidiaries

Loans to subsidiaries are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans to subsidiaries are measured at cost, less any impairment losses.

3.5 Financial instruments

Financial assets: Initial recognition

The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and short term deposits, trade and other receivables and financial instruments.

Available-for-sale

After initial measurement (fair value plus any directly attributable costs), available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is (i) derecognised, at which time the cumulative gain or loss recorded in the fair value reserve in equity is recognised in Other Comprehensive Income, or (ii) determined to be impaired, at which time the cumulative loss is recognised in Other Comprehensive Income.

Financial liabilities: Initial recognition

Financial liabilities within the scope of IAS 39 are classified as either financial liability at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

3. Significant accounting policies (continued)

The subsequent measurement of financial liabilities depends on their classification:

- *Financial liability at fair value recognised through profit and loss*
  Financial liability at fair value recognised through profit and loss includes financial liabilities held for trading and financial liabilities designated upon the initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative instruments entered into by the Company that do not meet hedging accounting criteria as defined by IAS 39. Gains and losses on liabilities held for trading are recognised in the separate income statement;

- *Fair value of financial instruments*
  The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the separate statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that has substantially the same discounted cash flow analysis or other valuation methods;

- *Amortised cost of financial instruments*
  Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.6 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities (refer to Note 23). On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value of cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

Derivatives are initially recognised at fair value with related transaction costs recognised in the separate income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured and stated at fair value on the date on which the derivative contract is entered into and are subsequently revised to reflect their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement. The effectiveness of the hedge is assessed by comparing the value of the hedged item with the notional value implicit in the contractual terms of the financial instrument being used in the hedge. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset and liability, or cash flow hedges where they hedge exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability.

3. Significant accounting policies (continued)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when the related sale occurs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

Due to the matching duration of hedge contracts and debt, the hedging contracts are considered to be effective and the changes in fair value are recognised in other comprehensive income.

3.7 Impairment

Financial assets (including receivables)

The Company assesses at separate statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of an impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the separate income statement.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Non Financial assets

The carrying amounts of the Company’s non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates continuing cash flows that are largely independent of the cash flows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the separate income statement.

3.8 Derecognition of financial instruments

Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows or transferred substantially all the risks and rewards and/or has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred control of the asset;

- If the hedging instrument no longer meets the criteria for hedge accounting then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the related transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the separate income statement in the same period as the hedged item affects profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a reversal of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in the separate income statement.

3.9 Current assets and liabilities

Due to the short time frame in which these transactions are settled, the fair value of other current assets and liabilities due within one year approximates the carrying value disclosed in the separate financial statements.

3.10 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value. The use and disbursement of certain cash deposits are restricted under the terms of various financing agreements. Bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the separate statement of cash flows.

3.11 Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

3.12 Issue costs

The cost of raising capital represents direct costs incurred in establishing or increasing the capital of the Company including, amongst others, legal, accounting, financial advisory and equity underwriting fees.

3.13 Preference shares

Preference shares are classified as a financial liability due to the contractual obligation by the issuer to redeem them in cash at a date in the future.

Where the preference shares are classified as a financial liability, external costs directly attributable to issuance of the preference shares are capitalised and amortised over the life of the preference shares.

3. Significant accounting policies (continued)

3.14 Warrants

Preference shares and their related warrants are considered as two separate instruments due to the fact they are detachable and traded separately on the London Stock market. The warrants are considered as a financial derivative liability at fair value through profit and loss. Their recognition as a financial liability is due to the fact the strike price for the warrants is £0.29, a different currency (Sterling) than the functional currency of the Company (Euro) as well as the fact the warrants were not issued on a pro rata basis to the existing shareholders.

3.15 Interest bearing debt

Debt, comprising secured and unsecured bank loans, is reflected in the separate statement of financial position at the fair value of the initial proceeds less the unamortised portion of discounts and transaction costs incurred to acquire the debt. Discounts and transactions costs are amortised over the life of the related debt through finance expenses using the effective interest rate method.

Transaction costs include fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative or holding costs.

3.16 Taxation
According to the Luxembourg regulations concerning undertakings for collective investments, the Company is not subject to income taxes in Luxembourg. It is, however, liable to an annual subscription tax of 0.05% (taxe d'abonnement) of its total net assets, payable quarterly, and assessed on the last day of each quarter.

3.17 Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.18 Finance income and expenses
Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the separate income statement. Interest income is recognised using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, amortisation of debt transaction costs and losses on hedging instruments that are recognised in the separate income statement.

Attributable transaction costs incurred in establishing the Company's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through the income statement. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the separate income statement using the effective interest rate.

Finance expenses include the effect of unrealised foreign currency gains and losses on monetary assets and liabilities arising in the period plus the effect of the realised foreign currency gains and losses on cash transactions completed during the period.

3.19 Operating expenses
All expenses are accounted for on an accruals basis. The investment management and administration fees and all other expenses are charged to the separate income statement.

3.20 Earnings per share
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants.

3.21 Subsequent events
Post balance sheet date adjustments are disclosed in the notes to separate financial statements when significant.

3.22 Contingencies
Contingent liabilities are not recognised in the separate financial statements, unless there is a probable chance of an outflow for which a provision is made. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the separate financial statement but disclosed when an inflow of economic benefits is probable.

4. Significant accounting estimates and judgements

The preparation of these separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the statements is included in:

Derivative financial instruments
An interest rate swap can be viewed as a series of cash flows occurring at known future dates. The value of the swap is the present value of these cash flows. To calculate the present value of each cash flow, both the future cash flows and an appropriate discount factor for each period on which a cash flow occurs are estimated. Future cash flows are calculated from a forward interest rate curve constructed using market prices for similar interest rate instruments independently sourced from mid-market broker quotes for the relevant market. The discount factor is the factor by which the future cash flow must be adjusted to obtain the present value. Discount factors are derived from an assessment of interest rates in the future and are calculated using forward rates such as EURIBOR. Interest rates used for calculating discount factors are independently sourced from mid-market broker quotes for the relevant market at the valuation date.

The fair value of the Company's derivatives is the estimated amount that the Company would receive or pay to terminate the derivatives at the balance sheet date. The Company estimates the fair value of derivatives by reference to current market conditions compared to the terms of the derivatives agreement using the result of an external appraiser. Refer to Note 23 for the related balances.

4. Significant accounting estimates and judgements (continued)

Classification of preference shares and the warrants
Judgement is required to determine whether preference shares should be classified as financial liability or equity in accordance with *IAS 32 Financial instruments: Presentation*. Based on the terms and conditions of the preference shares issued in December 2009 the Company has determined that the preference shares have the characteristics of a financial liability rather than equity. This was primarily based on the fact that the preference shares and the warrants are denominated in sterling whereas the functional currency used by the Company is the Euro. In addition, the preference shares have a right to receive a dividend and are redeemable.

5. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to shareholders through the optimisation of the debt and equity balance.

The Company's board of directors manages the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Investment management and performance fees

Invista Real Estate Investment Management Limited ("Invista REIM") acted as the Investment Manager of the Company until 14 December 2011. Invista REIM received Investment Management fees of €0.2 million in 2012 (2011: €1.2 million).
This base fee was payable monthly in arrears at an amount equal to the lower of:

- 2% of the net asset value of the Company per annum (subject to a minimum threshold of €3 million per annum); and
- A % equivalent of the net asset value of the Company per annum which represents 0.95% of the adjusted gross assets of the Company per annum.

The conditions for payment of a performance fee (total NAV per share during the relevant financial period should exceed an annual rate of 10.0%) to the Investment Manager were not met during the period under review and as such no provision for performance fees has been made.

On 22 September 2011, the Board of Directors appointed Internos Real Limited (Internos) as their new investment manager, which took effect upon the final termination of the existing investment management agreement with Invista REIM on 14 December 2011. Under the management agreement with Internos, the Company pays a management fee of 1.25% per annum on the net asset value attributable to the Company's shareholders, subject to an aggregate minimum of €1.0 million per annum for the Company and its subsidiaries (together "the Group"). Additionally, the Company will pay Internos a realisation fee equal to 12.5% of the aggregate of all distributions over and above the notional market cap, fixed at € 82.8 million, compounded at a rate of 10% per annum and adjusted for warrants exercise proceeds.
For the year ended 30 September 2012, Internos received monthly investment management fees for a total of €0.4million. In addition the Company paid to Internos a transition fee of €84,677 as well as a fee of £60,000 (€71,900) in connection with the on boarding of the entire Invista REIM Paris team to Internos.

The conditions for payment of a realisation fee to the Investment Manager were not met during the period under review and as such no provision for realisation fees has been made.

Following the termination of the investment agreement with Invista REIM, the Company paid to Invista REIM a termination fee of €0.9 million (2011: €0)

6. Investment management and performance fees (continued)

In addition to the above, the Company also agreed to pay Internos a retention fee of €75,000 per month between 1 August 2011 and the date on which Internos assumed responsibility for the day to day management of the Company, in consideration for certain transitional services to be provided by Internos during this period.

7. Professional fees

	30 Sep 12	30 Sep 11
	€000	€000
Audit fees	**157**	108
Legal fees	**148**	174
Tax advisory fees	**(43)**	30
Total professional fees	**262**	312

8. Administrative fees

	30 Sep 12 €000	30 Sep 11 €000
Accounting and administrative fees	**407**	387
Registrar and other fees	**490**	253
Custodian fees	**81**	106
Total administrative fees	**978**	746

9. Finance income

	30 Sep 12 €000	30 Sep 11 €000
Interest income on intra-group loans	**-**	16,388
Interest income on bank deposits	**101**	50
Market value adjustment on preference shares held in treasury	**8**	-
Realised foreign currency gain on monetary transactions	**1,240**	352
Realised gain on forward transaction	**185**	156
Total finance income	**1,534**	16,946

10. Finance expense

	30 Sep 12 €000	30 Sep 11 €000
Interest on intra-group loans	**(1,588)**	(1,307)
Interest expense swaps	**(294)**	(282)
Interest on preferred shares	**(3,023)**	(2,943)
Amortisation of transaction costs relating to debt	**(1,054)**	(1,141)
Other net unrealised foreign currency effect on monetary assets and liabilities	**(145)**	(724)
Unrealised foreign currency loss on preference shares and warrants	**(3,136)**	343
Total finance expense	**(9,240)**	(6,054)

Amortisation of transaction costs incurred in relation to the preference shares are disclosed in Note 16. Such costs are capitalised and amortised to the maturity date of the preference shares.

11. Loans to subsidiaries

	30 Sep 12 €000	30 Sep 11 €000
Balance, beginning of the period	**172,727**	201,586
Loans received/(repaid)	**(95)**	(6,301)
Loans contributed	**(1,149)**	-
Impairment of loans to subsidiaries	**(23,036)**	(22,558)
Total loans to subsidiaries	**148,447**	172,727

The Company has granted loans to both subsidiaries Invista European Real Estate Holdings S.à r.l. and Invista European Real Estate Finance S.à r.l..

The directors have estimated the fair value of the loans to Invista European Real Estate Holdings S.à r.l as at 30 September 2012 and determined a provision for impairments of €23.0 million (2011: €22.6 million) which is recognised in shares and intercompany loan impairments in the separate income statement. The provision for impairment on the loans to Invista European Real Estate Finance S.à r.l. was decreased by €0.3 million (2011: reduction of €0.1 million).

12. Cash and cash equivalents

	30 Sep 12 €000	30 Sep 11 €000
Bank balances	**256**	500
Bank deposits	**10,025**	12,953
Restricted bank balances	**2,514**	2,298
Total cash and cash equivalents	**12,795**	15,751

The Company has €2.5 million (2011: €2.3 million) held in an escrow account in respect of a deposit required by Bank of Scotland which is not available for use until 24 May 2013 to hedge the dividend payment of preference shares (refer to Note 16) until 16 May 2014..

13. Issued capital and reserves

	Number of ordinary shares	**Number of warrants**
In issue at 1 October 2008	114,263,275	-
In issue at 30 September 2009	114,263,275	-
Issued for cash	145,685,674	-
Issuance of warrants	-	29,137,134
Exercise of warrants	27,994	(27,994)
In issue as at 30 September 2010	259,976,943	29,109,140
Exercise of warrants	3,796	(3,796)
In issue as at 30 September 2011	**259,980,739**	29,105,344
Exercise of warrants	**170**	**(170)**
In issue as at 30 September 2012	**259,980,909**	**29,105,174**

Issuance of ordinary shares

The Company has an issued share capital of €25,998,091 (2011: €25,998,074) consisting of 259,980,909 shares (2011: 259,980,739 shares) without indication of nominal value all of which have been fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Restricted reserve

The non-distributable reserve of €65,816,913 (2011: €118,316,899) can be used to absorb losses incurred or to increase the Company's share capital. A legal reserve subject to profit of the Company and its Subsidiaries has been allocated in the different jurisdictions where applicable. This reserve is not available for dividend distributions.

During the year, the amount of €52.5 million (2011: €0) was used to absorb losses.

Authorised capital

The Company has an authorised capital of €920,980,852 represented by 9,209,808,522 ordinary shares without indication of nominal value.

Hedge reserve
The hedging reserve relates to the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet expired.

On 12 January 2010 the Company finalized an agreement with the Bank of Scotland to extend the loan facility to 31 December 2013 bringing the maturity date in line with the swap agreements. Consequently, the swaps qualified as effective cash flow hedges. For the year ended 30 September 2012 and 2011, the changes in the fair value of the swaps deemed to be effective were recorded in Other Comprehensive Income.

13. Issued capital and reserves (continued)

Hedge reserve

	30 Sep 12 €000	30 Sep 11 €000
Balance, beginning of the year	**1,182**	(6,751)
Effective portion of changes in fair value of cash flows hedged for the year	**3,531**	7,933
Balance, end of the year	**4,713**	1,182

Voting rights
There are no restrictions on the voting rights attached to the ordinary shares. The preference shares will not have the right to vote except in circumstances set out in the articles 44 to 46 (1) of the Company Act. In addition, holders of preference shares will have the right to vote in the same manner as other Shareholders at all meetings, if, despite the existence of profits available for that purpose, the Preference Dividends at the Preference Dividend Sterling Equivalent are not paid entirely for any reason whatsoever for a period of one financial year and until Preference Dividends at the Preference Dividend Sterling Equivalent have been received in full. Warrants do not carry any voting rights. Voting rights to each share and procedures relating thereto are described in articles 7, 8 and 26 of the Articles of the Company.

Shareholder’s agreements
The Company is not aware of any shareholder agreement which could result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the “Transparency Directive”).

Shares and warrant transferability
Shares of the Company (i.e., ordinary shares and preference shares, as such terms are defined in the Articles of incorporation) are freely transferable subject to article 10 of the Articles of incorporation. Warrants issued by the Company are freely transferable subject to provisions laid down in Part IV, section 5 of the Prospectus.

Special Control rights
No shareholder is vested with special control rights with regard to control of the Company.

14. Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of €97 million at 30 September 2012 (2011: €131 million, 2010: €135 million) and 260 million ordinary shares outstanding at 30 September 2012 (2011: 260 million, 2010: 260 million).

	As at 30 Sep 12 €000	As at 30 Sep 11 €000	As at 30 Sep 10 €000
Net asset value	**97,548**	131,243	135,016
Assuming exercise of all dilutive potential ordinary shares			
Listed warrants (1,2)	**10,608**	9,699	9,801
Fully diluted net asset value	**108,156**	140,942	144,817
	Number	Number	Number
Number of ordinary shares	**259,980,909**	259,980,739	259,976,943
Number of warrants	**29,105,174**	29,105,344	29,109,140
Fully diluted ordinary share capital	**289,086,083**	289,086,083	289,086,083
Net asset value per ordinary share	**€0.375**	€0.505	€0.519
Diluted net asset value per ordinary share	**€0.374**	€0.488	€0.501

(2) €:£ exchange rate 1.2568 as at 30 September 2012 (2011: 1.1492, 2010: 1.1610)
(2) Exercise price of warrants of £0.29

15. Earning per share

The calculation of the basic earnings per share for the financial year ended 30 September 2012 is based on the loss attributable to ordinary shareholders of €37.226 million (2011: loss of €11.707 million), and the weighted average number of ordinary shares outstanding during the year ended 30 September 2012.

The calculation of diluted earnings per share at 30 September 2012 is based on a diluted loss attributable to ordinary shareholders of €37.226 million (2011: loss of €11.707 million), and a weighted average number of ordinary shares outstanding during the year ended 30 September 2012 after the adjustment for the effect of all dilutive potential ordinary shares.

	30 Sep 12 €000	30 Sep 11 €000
Loss for the year	**(37,226)**	(11,707)
Loss attributable to ordinary shareholders	**(37,226)**	(11,707)
		Number
Issued ordinary shares at 1 October	**259,980,739**	259,976,943
Effect of warrants exercised	**136**	2,734
Weighted average number of ordinary shares	**259,980,875**	259,979,677
Loss per ordinary share (Euro)	**(0.143)**	(0.045)
Diluted loss per ordinary share (Euro)	**(0.143)**	(0.045)

The conversion and assumed exercise of warrants to ordinary shares are ignored in the calculation of diluted loss per share since these are anti-dilutive.

15. Earnings per share (continued)

Furthermore, the warrant share price has been above the exercise price throughout the periods in the report, thus the assumption that warrants are unlikely to be converted to ordinary shares, and hence does not have a dilutive effect on profit/loss.

16. Preference shares

On 30 December 2009 the Company issued 29,137,134 redeemable preference shares with one warrant attached per preference share. The preference shares confer the right to a cumulative preference share dividend payable semi-annually. As the preference shareholders have a right to receive a dividend and are redeemable, they are treated as a financial liability.

In addition, on 30 December 2009, the Company issued 29,137,134 warrants. A reserve was established by allocating a portion of the proceeds equal to the initial value of the warrants. This reserve is periodically marked to market and is amortised as the warrants are exercised.

	30 Sep 12	30 Sep 11
	€000	€000
Preference shares at the beginning of the year	**30,333**	30,134
Transaction costs amortisation	**329**	526
Foreign exchange difference	**3,241**	(327)
Preference shares held in treasury	**(963)**	-
Preference share value at the end of the year	**32,940**	30,333

Costs
Transaction costs amortisation represents the amortisation of the cost of raising preference share capital (7 years) and the amortisation of the warrants fair value upon initial recognition (4 years).

The holders of preference shares are entitled to receive a preferential cumulative dividend of 9% per annum of the preference share issue price of £1.00. The preference dividend is payable semi-annually in June and December each year from 2010 to 2016 inclusive.

Preference shares held in treasury
In July 2012, the Company purchased 800,000 of its own preference shares, denominated in GBP, at a purchase price of 95 pence per preference share. The acquired preference shares are accounted to market value at the end of each period.

17. Warrants

On 30 December 2009 the Company issued 29,137,134 warrants. Each warrant holder is entitled to exercise their subscription right in cash on any subscription date falling in the years from 2010 to 2013 inclusive. The subscription date in any year is the last business day in May and the last business day in November. The subscription price is £0.29 per ordinary share. As the exercise price for the warrants is set in Sterling as opposed to the functional currency of the Company, which is Euro, the warrants have been treated as a financial liability.

17. Warrants (continued)

	30 Sep 12 €000	30 Sep 11 €000
Warrant fair value at the beginning of the year	2,258	2,535
Warrants exercised during the period (refer to the statement of change in equity)	**-**	-
Fair value movement of the warrants (note 23)	**(2,165)**	(261)
Foreign exchange difference	**126**	(16)
Warrant fair value at the end of the year	**219**	2,258

On 31 May 2011 and 13 December 2011, 859 and 170 warrants were exercised on each respective date.

18. Long term provision

On 12 January 2010, the Group finalised an agreement with the Bank of Scotland to extend the term of its existing debt facility from 31 December 2011 to 31 December 2013.

As part of the current facility agreement with Bank of Scotland there is an exit fee payable. The fee is calculated as 2% of the weighted average drawn balance during the period commencing on the issuance date through the final repayment of the facility, 31 December 2013 (or repayment date if earlier). The quantum of the exit fee has subsequently been reduced according to the revised terms to €6,325 million (2011: €6,626 million).

	30 Sep 12 €000	30 Sep 11 €000
Long term provision	**6,325**	6,626

19. Taxation

The Company is an investment company with fixed capital (*société d'investissement à capital fixe*) under the form of a public limited company (*société anonyme*) and registered pursuant to part II of the Luxembourg law of 17 December 2010 relating to undertakings for collective investments.

According to Luxembourg regulations concerning undertakings for collective investments, the Company is not subject to corporate income or capital gains taxes in Luxembourg. It is however, liable to an annual subscription tax based at 0.05% of its total net asset value. The tax, payable quarterly, is assessed on the last day of each quarter.

	30 Sep 12 €000	30 Sep 11 €000
Reconciliation of effective tax rate		
Loss for year	**(37,226)**	(11,707)
Total taxation	**57**	10
Loss excluding taxation	**(37,169)**	(11,697)
Income tax gain/(expense) using the Company's domestic tax rate (0.00%)	**-**	-
Reduction in tax rate	**(19)**	(78)
Subscription tax paid by the Company	**76**	88
Total	**57**	10

20. Accrued expenses and other current liabilities

	30 Sep 12 €000	30 Sep 11 €000
Accounts payables	**317**	-
Accruals and other creditors	**285**	916
Interest payable on bank loans	**84**	6
Preference share dividend	**828**	787
Tax payables	**10**	214
Total accrued expenses and other current liabilities	**1,524**	1,923

The Company has signed forward exchange contracts with Bank of Scotland Treasury to protect the Euro payment of the next four sterling dividend payments until May 2014 (the spot rate of between €1.00 for £0.8116 to €1.00 for £0.8666 has been agreed).

21. Related party transactions

The Company has related party transactions with its direct and indirect subsidiaries, shareholders and certain Directors.

Directors' fees
The Directors of the Company were paid a total of €192,000 (2011: €204,000) in Directors' fees during the year.

The Group obtained a credit facility from the Bank of Scotland with related interest rate swap agreements with Bank of Scotland's Treasury Group. In addition, as disclosed in Note 23, the Group also entered into a currency rate swap agreement with Bank of Scotland's Treasury.

The Company also operates an inter-group trading account facility with its subsidiaries whereby it may receive income on behalf of its subsidiaries or pay expenses on their behalf. These balances are non-interest bearing and are settled on demand.

22. Other expenses

	30 Sep 12 €000	30 Sep 11 €000
Invista termination fee	**855**	-
Bank administration fee	**75**	75
Bank fees	**2**	3
Write off unrecoverable VAT	**194**	-
Total other expenses	**1,126**	78

23. Financial risk management objectives and policies

The Company's financial liabilities, other than derivatives, are loans and borrowings, warrants and preference shares. The main purpose of the Company's loans and borrowings is to finance the acquisition and the development of the Group's property portfolio. The proceeds from the preference shares were used to repay part of the bank debt the Group contracted with the Bank of Scotland.

23. Financial risk management objectives and policies (continued)

The Company has exposure to the following risks from its use of financial instruments:

- Market and operational risks,
- Currency risk,
- Credit risk,
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. A description of the internal controls in place is set out in the Director's report.

Market and operational risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company uses derivatives, and also incurs financial liabilities, in order to manage the market risk attributable to the interest rate risk. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

The interest rate risk of the Company remained fully hedged throughout the year ended 30 September 2012, and as such, there would be no effect on profit before tax due to movements in interest rates.

Currency risk

The Company obtains financing in currencies other than Euro (preference shares and warrants issued in Sterling, refer to Notes 16 and 17) and is exposed to the fluctuations of the exchange rate of that currency.

The Company has entered into currency forward contracts to hedge its exposure to the preference share dividends which are paid in GBP. The table below details the contracts entered into by the Company as at 30 September 2012:

Maturity date	CCY bought	Amount bought	CCY sold	Amount sold	Fair value (€'000)
16 May 2014	GBP	1,311,000	EUR	1,615,398	(17)
02 December 2013	GBP	1,311,000	EUR	1,512,763	210
24 May 2013	GBP	1,311,200	EUR	1,529,019	(111)
13 December 2012	GBP	1,311,000	EUR	1,553,928	244

23. Financial risk management objectives and policies (continued)

As at 30 September 2012, the net exposure of the Company to GBP was as follows:

	30 Sep 12 €000	30 Sep 11 €000
Cash deposits	**12,732**	15,402
Preference shares	**(35,614)**	(33,483)
Warrants	**(219)**	(809)
Total	**(23,101)**	(18,890)

The following table demonstrates the sensitivity to reasonable changes in the sterling exchange rates, with all others variables held constant, to the Company's loss before tax:

As at 30 September 2012	Increase/Decrease	Effect on profit or loss before tax (€000)
Sterling	+10%	2,310
Sterling	-10%	(2,310)

As at 30 September 2011	Increase/Decrease	Effect on profit or loss before tax (€000)
Sterling	+10%	1,889
Sterling	-10%	(1,889)

Credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will be unable or unwilling to meet a commitment that it has entered into with the Company. Credit risk for the Company arises principally from cash and cash equivalents held at banks and Loans to subsidiaries.
Investments are held only in liquid securities and only with counterparties that have a credit rating above or similar to the Group. Transactions involving derivatives are with the counterparty Bank of Scotland Treasury. Credit and counterparty risk on liquid funds and on interest rate hedges is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of the Company's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**30 Sep 12 €000**	30 Sep 11 €000
Loans and receivables	11	**158,106**	172,727
Cash and cash equivalents	12	**12,795**	15,751
Total		**170,901**	188,478

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with is financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity exposure is that it will seek to have sufficient liquidity to meet its liabilities and obligations when due.

23. Financial risk management objectives and policies (continued)

	Carrying amount €000	6 months or less €000	6 months to 1 year €000	1 - 5 years €000
30 September 2012				
Preference shares	**(35,614)**	**-**	**-**	**(35,614)**
Preference share coupons	**(828)**	**(828)**	-	-
30 September 2011				
Preference shares	(33,483)	-	-	(33,483)
Preference share coupons	(787)	(787)	-	-

The maturity date of the interest bearing loans in the table above is 31 December 2013. The contractual cash flows for loans and borrowings presented in the above table reflect only the expected principal cash flows.

The following table indicates the periods in which the cash flows associated with the interest rate swaps and the currency rate swaps are expected to occur and how they will impact the future income statements:

Interest rate swap	Carrying amount €000	Expected Cash Flows €000	6 months or less €000	6-12 months €000	1 - 2 years €000	2 - 5 years €000	More than 5 years €000
As at 30 September 2012	**(16,441)**	**(16,441)**	**(5,656)**	**(5,768)**	**(5,017)**	**-**	**-**
As at 30 September 2011	(20,134)	(20,134)	(3,755)	(4,326)	(8,580)	(3,473)	-

Currency swap	Carrying amount €000	Expected Cash Flows €000	6 months or less €000	6-12 months €000	1 - 2 years €000	2 - 5 years €000	More than 5 years €'000
As at 30 September 2012	**(326)**	**(326)**	**(244)**	**111**	**(193)**	**-**	-
As at 30 September 2011	**1**	**1**	**56**	**(5)**	**(50)**	**-**	**-**

23. Financial risk management objectives and policies (continued)

Fair value

Set out below is a comparison by class of the carrying amounts versus fair value of the Company's financial instruments.

	Carrying amount		Fair value	
	30 Sept 12 €000	**30 Sept 11 €000**	**30 Sept 12 €000**	**30 Sept 11 €000**
Financial assets				
Loans and receivables from subsidiaries	**172,367**	202,117	**172,367**	202,117
Cash and short-term deposits	**12,795**	15,751	**12,795**	15,751
Preference shares held in treasury	**963**	-	**963**	-
Financial liabilities				
Interest-bearing loans and borrowings	**17,050**	17,350	**17,050**	17,350
Derivatives	**16,767**	20,133	**16,767**	20,133
Trade and other payables	**1,524**	1,923	**1,524**	1,923
Preference shares	**32,940**	30,333	**34,100**	34,790
Warrants	**219**	2,258	**219**	2,258

Movements in fair value are:

	30 Sep 12 €000	30 Sep 11 €000
Balance at the beginning of the period	**20,133**	30,520
Fair value hedges terminated during the period	**-**	(2,470)
Movement in fair value on forward transaction	**327**	129
Movement in fair value of effective hedges	**(3,531)**	(7,933)
Movement in fair value of ineffective hedges	**(162)**	(113)
Balance at the end of the period	**16,767**	20,133

	30 Sep 12 €000	30 Sep 11 €000
Movement in fair value of ineffective hedges	**162**	113
Movement in fair value on forward transaction	**(327)**	(129)
Fair value hedges terminated during the period	-	2,469
Net loss on financial instruments	**(165)**	2,453
Movement in warrants fair value (refer Note 17)	**2,165**	261
Net gain on financial instruments	**2,000**	2,714

The derivative financial instruments are Euro interest rate swaps; transacted to hedge the interest rate risks arising from the floating rate borrowings of the Company with Bank of Scotland and a foreign currency forward exchange contract to hedge the preference shares dividends (see Note 20). As at 30 September 2012, the fair value of the interest rate swaps was a liability of €16.7 million (2011: liability of €20.1 million) and the fair value of the foreign currency contract a liability of €0.3 million (2011: asset of €0.0 million). The notional amount of the interest rate swaps amounted to €299.4 million (2011: €299.4 million). The weighted average Euro interest swap rate on Group debt was 3.58% per annum (2011: 4.041%).

23. Financial risk management objectives and policies (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

iv. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
v. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (e.g., as prices) or indirectly (i.e., derived from prices);
vi. Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 €000	**Level 2 €000**	**Level 3 €000**	**Total €000**
As at 30 September 2012				
Warrants	**(219)**	-	-	**(219)**
Interest rate swap	-	**(16,767)**	-	**(16,767)**
As at 30 September 2011				
Warrants	(2,258)	-	-	(2,258)
Interest rate swap	-	(20,133)	-	(20,133)

24. Commitments

Foreign exchange hedge/Preference Dividend

The Company has entered into currency forward contracts to hedge its exposure to the next two years' preference share dividends which are paid in GBP (note 23).
The sixth (2011: fourth) interim dividend of £0.04488 (2011: £0.04488) per Preference Share will be paid on 21 December 2012 to Preference Shareholders on the Register on 7 December 2012. The shares were quoted ex-dividend on 5 December 2012.

25. Segment reporting

The Board of Directors is of the opinion that the Company is engaged in one single segment of business being investments in subsidiaries. The Group's revenues are primarily generated from property assets which are held by Group companies domiciled in the same country as the relevant asset is located. The Company is domiciled in Luxembourg but does not generate revenue and is therefore not an operating segment.

26. Subsequent events

No reportable events occurred.

27. Direct and Indirect Subsidiaries

The Company has the following direct and indirect subsidiaries

	Domicile	**Ownership interest 30 September 2012**	Ownership interest 30 September 2011
Direct subsidiaries:			
Invista European Real Estate Holdings S.à r.l.	Luxembourg	100%	100%
Invista European Real Estate Finance S.à r.l.	Luxembourg	100%	100%

Investments in direct subsidiaries

	30 Sep 12 €000	30 Sep 11 €000
Balance at the beginning of the year	20,125	20,125
Movements for the year	5,116	-
Historical cost at the end of the year	25,241	20,125
Accumulated impairments at the beginning of the year	(20,125)	(20,125)
Impairments for the year	(5,116)	-
Accumulated impairments at the end of the year	(25,241)	(20,125)
Total Investments in subsidiaries at the end of the year	**-**	-

During the year, the Company increased its participation in Invista European Real Estate Finance S.à r.l. ("IEREF") by €0.5 million (2011: €0) and in Invista European Real Estate Holdings S.à r.l. ("IEREH") by €4.6 million (2011: €0).

The directors have estimated the fair value of their investments in shares as at 30 September 2012 and determined a provision for impairments of €0.5 million (2011: €0) for the investment in IEREF and €4.6 million (2011: €0) for the investments in IEREH, which were recognised in shares and intercompany loan impairments in the separate income statement.

27. Direct and indirect subsidiaries (continued)

	Domicile	**Ownership interest 30 September 2012**	Ownership interest 30 September 2011
Indirect subsidiaries:			
Invista European RE Heusenstamm PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Marseille PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Solingen PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Nanteuil PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Monheim PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Lutterberg PropCo S.à r.l.	Luxembourg	100%	100%
Lutterberg Logistics GmbH	Germany	100%	100%
Invista European RE Villeurbanne Holdco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Holdco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Propco S.à r.l.	Luxembourg	100%	100%
Invista European RE Delta Propco II S.à r.l.	France	100%	100%
Invista European RE Riesapark PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Roth PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Monbonnot HoldCo 1 S.à r.l.	Luxembourg	100%	100%
Invista European RE Monbonnot HoldCo 2 S.àr.l.	France	100%	100%
Invista European RE Germany GmbH	Germany	100%	100%
Invista RE Dutch Holdings B.V.	The Netherlands	100%	100%
Centaurus Logistics S.A.	Luxembourg	100%	100%
Invista European RE Pocking PropCo S.à r.l.	Luxembourg	100%	100%
Invista European RE Sun PropCo S.à r.l.	France	100%	100%
Invista European RE Nova PropCo S.à r.l.	France	100%	100%
Invista European RE Spanish PropCo S.L.	Spain	100%	100%
Invista European Real Estate Bel-Air Holdings S.à r.l.	Luxembourg	100%	100%
Invista European Bel-Air France S.A.S.	France	100%	100%
Compagnie Francesca S.à r.l.	France	100%	100%
Fonciere Vauclusienne Fova S.à r.l.	France	100%	100%
Anjoly Affretement Stockage (Anjolyas) S.à.r.l.	France (1)	-	100%
Trappes S.A.S.	France (1)	-	100%
Malabar Societe de Manutention Logistique et d'Affretement Barlantier (Malabar) S.à r.l.	France	100%	100%
Compagnie d'Entrepots et de Magasine Generaux d'Amiens (Cemga) S.à r.l.	France	100%	100%
Les Merisiers S.N.C.	France	100%	100%
Mirasud S.à r.l.	France	100%	100%
Nelson S.C.I.	France	100%	100%
Compagnie frigorifique et immobilere de Normandie (Cofrinor) S.à r.l.	France	100%	100%
Monto'west S.à r.l.	France	100%	100%
Pole Logistique Vauclusien (Poloval) S.à r.l.	France	100%	100%
Societe du Pole Nord S.A.S.	France	100%	100%
Compagnie Vauclusienne de Distribution (Covadis) S.à r.l.	France	100%	100%
DBA Czech s.r.o.	Czech Republic	100%	100%
Hades Logistics B.V.	The Netherlands	100%	100%
Atena Logistics B.V.	The Netherlands	100%	100%
Financiere, Immobiliere et Agricole S.A.	Belgium	100%	100%
KP Image House S.A.	Belgium	100%	100%
KP Rue Royal S.A.	Belgium	100%	100%
KP HH S.A.	Belgium	100%	100%
Demeter B.V.	The Netherlands	100%	100%
Girona Logistics S.L.	Spain	100%	100%

(1) liquidated

Glossary

Articles are the articles of association of the Company as amended and restated on 29 December 2009.

Earnings per share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period.

Group is Invista European Real Estate Trust SICAF and its subsidiaries.

Listing rules are rules made by the UK Listing Authority under section 73A of the UK Financial Services and Markets Act 2000.

Net asset value (NAV) are shareholders' funds, plus the surplus of the open market value over the book value of both development and trading properties, adjusted to add back deferred tax.

Prospectus is the catalogue of the Company dated 16 November 2009.

Regulated market is a market referred to in article 1, point 13 of the Council Directive 93/22 EEC on investment services in the securities field, as amended.