BPT Hansa Lux SICAV-SIF

Annual Report and Consolidated Group Accounts 2010

Registered address
20, Boulevard Emmanuel Servais
L-2535 Luxembourg
Grand Duchy of Luxembourg

Registration Number
R.C.S. Luxembourg: B-122 072

Board of Directors
Dr. Claus Löwe (Chairman)
Dr. Lars Ohnemus
Mr. Alain Heinz

BPT Hansa LUX SICAV-SIF

SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE

Consolidated Financial Statements

and

Independent Auditors' Report

As at

31 December 2010

No subscription can be received on the basis of financial reports. Subscriptions are only valid if made on the basis of the current prospectus accompanied by the latest annual and the most recent semi-annual report, if published thereafter.

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Management Statement

Today the Board of Directors have reviewed and adopted the 2010 consolidated financial statements of BPT Hansa Lux SICAV-SIF and its subsidiaries.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider the applied policies to be appropriate so that the consolidated financial statements provide a true and fair view of the consolidated assets, consolidated liabilities and the consolidated financial position as of 31 December 2010 of BPT Hansa Lux SICAV-SIF and its subsidiaries activities and their consolidated cash flows during the financial year 2010.

We recommend that the consolidated financial statements are approved at the annual general meeting of shareholders.

4 April 2011

BOARD OF DIRECTORS

Dr. Claus Löwe (Chairman)

Dr. Lars Ohnemus

Alain Heinz

Independent Auditor's report

To the Shareholders of BPT Hansa Lux SICAV-SIF
Luxembourg

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying consolidated financial statements of BPT Hansa Lux SICAV-SIF its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements annual accounts give a true and fair view of the consolidated financial position of BPT Hansa Lux SICAV-SIF and its subsidiaries as of December 31, 2010, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, which is the responsibility of the Board of Directors and Management, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Michael HORNSBY

Luxembourg, April 4, 2011

Management Review

PRINCIPLE ACTIVITIES AND REVIEW OF BUSINESS

BPT Hansa Lux SICAV-SIF (hereinafter “the Fund” or “BPT Hansa”) has completed its third full year of operations and the Fund’s total gross asset value (GAV) added up to EUR 62.2 million at the end of 2010 and the net rental yield increased to an average of 5.6% for the entire portfolio which is 0.1pp higher than the budget. This was mainly due to a significant increase of the net operating income and a strong focus on cost management. The net operating income of the Fund increased to EUR 3.3 million (EUR 2.5 million in 2009) due to the first year of full operation of the Dahlem and Hamburg properties and new lettings in Walsroder Strasse. The average net rental yield for the year was higher than budgeted in Hanover (4.5%) and in Weinmeisterstrasse (6.0%) and in line with the budget in Berlin-Dahlem (5.4%) and in Hamburg (6.8%).

The Fund’s remaining weighted non-breakable lease term for the properties in use was at approximately 12 years at the end of 2010. The economic growth had a favorable impact on occupancy which increased from 92.8% end of 2009 to 100% end of 2010. This positive trend is expected to be continued in 2011 and it is expected, that despite the expiration of the lease guarantee in Dahlem, to hold an ongoing occupancy rate of 98%.

In November 2010 the extension of the restaurant in the Dahlem Campus Hotel has been opened and turned over to the hotel operator Seminaris. The Hamburg-Wärtsilä and Weinmeisterstrasse properties are operating smoothly. As of November 2011 the office space in the Walsroder Strasse property in Hanover has been let 100%. Finally and including the lease guarantee for some minor vacant retail space in the Dahlem Campus Hotel, the portfolio of the Fund shows an occupancy rate of 100%, respectively 99.2% including some minor vacant archive space, at the end of 2010. As for the minor vacancy in the Dahlem Campus Hotel, Seminaris has again requested additional congress space for rent and the Fund is currently exploring this possible letting option.

Due to mid-term effects of the worldwide financial crisis no new equity could be raised and the Fund is behind its planned investments for the year 2010. Nevertheless, the Fund is still in line with the investment program as described in the private placement memorandum (PPM). Furthermore, the Fund is compared to many competitors not faced with any legacy issues, has a very clear business concept, has satisfactory operating results and the overall fund size can now be increased which would provide even a better risk adjusted return profile.

Fixed overheads have over the last 12 months been reduced further to EUR 0.9 million. The Fund custodian fees were reduced by 50%, external consultant fees by 31%, director’s fees and related expenses were reduced by 10% and this very cost focused approach will be continued in the coming years.

Focus is now on attracting new capital from institutional investors based in either Northern Europe, including Germany and Far East. The revised 2010 PPM as approved by the Board of Directors and amended articles of association as approved by the shareholders have been approved by the CSSF. Market conditions for fund raising became better early 2011 and it’s now the prime objective of the management team to enter into a dialog with new investors and keep identifying new attractive investment opportunities.

Coming from a net profit of EUR 1.0 million in 2009, the Fund incurred a net loss of EUR 0.2 million in 2010. This negative result is however nearly solely due to a one-time extraordinary write-off of EUR 0.59 million in relation to a necessary settlement with the lease guarantor of the Dahlem project.

The operating performance of the Fund remained stable during the year 2010. The NAV slightly decreased from EUR 100.02 to EUR 99.35, mainly driven by the negative net result mentioned above.

In its third year the Fund has returned a -0.7% average annual return on investment to shareholders.

The Fund's loan portfolio decreased from EUR 37.0 million at the end of 2009 to 36.5 million at the end of 2010. This decrease is due to ongoing amortization of the loans. The loan to value ratio of the Fund was 61.4% as of 31 December 2010 (2009: 62.6%). The Fund's general loan strategy is to have a selected number of strong and trustworthy banks as financing partners with focus on long-term credit facilities. The Fund maintains its current relationships with its financing partners by taking a pro-active approach in cooperating with the banks, especially after the financial crisis when banks are increasing their focus on risk management and the performance of their existing loan portfolios. Good working relationships with financing partners are very important for BPT Hansa as it ensures the possibility to concentrate on the management of its investment properties and other operational issues.

As a result of the ongoing asset and property management and the 100%-letting in Walsroderstrasse, the year end fair values of the portfolio consisting of 4 investment properties has increased slightly up to EUR 59.4 million (2009: EUR 59.2 million). The entire portfolio was jointly appraised by two independent valuators (sbg - value – CIS HypCert - and Dr.-Ing. Egbert Krellmann, publicly appointed and sworn expert). The average (unweighted) capitalization rate applied to the valuation of BPT Hansa's portfolio remained unchanged in comparison to 2009.

In order to reduce the overheads of the Fund, the management together with the Board of Directors decided to reduce the number of the directors from 6 to 3 as well as related fees of the Board of Directors.

FUTURE DEVELOPMENTS

During 2011, the Fund will concentrate on the following two strategic objectives:

1. Focus on the composition and performance of the current property portfolio,
2. Raising additional new equity from Europe as well as Far East institutional investors in order to enlarge the existing portfolio quickly and to be fully invested within the new target investment capacity of EUR 300.0 million.

Following the Fund's strategy, in 2011, the management team is focusing on fund raising activities and has an ongoing and attractive investment pipeline in place.

MACRO-ECONOMIC FACTORS

After the deep global financial crisis starting at the end of 2008 and a beginning recovery of the German economy in the second half of 2009, Germany experienced a great comeback in 2010. Showing a decline of -5% in 2009, the German economy regained its strength and achieved a record growth of 3.6% (expected growth 2010: 1.5%). This was the strongest increase of the GDP since the reunification in 1990. The upswing is boosted by two strong forces; the initial stimulus from the exports, and the domestic demand. The domestic demand is expected to contribute up to 75% of the overall economic activity in 2011.

Table: Main macro-economic indicators for Germany

Indicator	2007	2008	2009	2010
GDP at Market Prices (EUR bn)	2,423	2,496	2,407	2,498
Real GDP Growth (%, YOY)	2.2	1.3	-4.7	3.6
Government Balance (% of GDP)	0.2	0.0	-3.0	-3.3
Consumer Price Inflation (%)	2.3	2.6	0.4	1.1
Unemployed rate (%)	8.7	7.5	7.9	7.4
Population (million)	82.2	82.0	81.9	81.8

Sources:Statistisches Bundesamt, Deutsche Bundesbank, Bundesagentur für Arbeit, HWWI.

For 2011 the government is projecting a growth in GDP of 2.3%.

With the economic recovery, Germany has experienced a rise in employment as well, and the current 40.4 million people employed is also the highest level noted since the reunification. This strength of the labor market provides support for private income and private consumption.

The consumer prices in 2010 increased by only 1.1%; for 2011 an average rise of slightly more than 2% is expected.

FINANCIAL INSTRUMENTS AND STRATEGY

In connection with investments, the Fund has taken out loans with long-term fixed interest rates. The PPM allows the Fund to use hedging techniques designed to protect the Fund against adverse movements in interest rates but only in one case has the interest rate exposure been hedged with an interest rate swap maturing in 2012. At 31 December 2010 and 2009 84% of loans are at a fixed and 16% at a variable interest. However, after taking into account the effect of interest rate swap, 100% of the Fund's borrowings are at fixed interest rate.

RISKS AND OPPORTUNITIES

– Interest rate. Due to the fact that there were no new external loans in 2010, the average loan costs of BPT Hansa are at approximately the same level as in 2009, i.e. 5.35% (2009: 5.34%). Typically interest rate risk is fixed for the whole loan term, i.e. for 10 years.

– Tenant debtors. Payment discipline was at approximately 99.84% in 2010. An increase of bad debt in 2011 is not expected. However, such risk is mitigated by the solidity of the tenants and lease guaranties and securities.

– Lease expiry profile. Lease expiry terms for BPT Hansa are calculated on the basis of the average remaining lease term per property. The average remaining lease term per property is calculated by taking the weighted rent average of months left before the tenants can legally and unilaterally terminate existing lease agreements.

PROPERTY REPORT

Dahlem Campus Hotel, Berlin

After its launch phase in 2009 the Dahlem Campus Hotel has been developing well. The hotel operator Seminaris had already in 2010 increasing workload figures with a further tendency to increase. The restaurant space for Seminaris became extended by 212 sq. m. and was handed over in November 2011. The negotiations for a further expansion of approximately 450 sq. m. of the hotel operator are currently in progress. Several complementary concepts for the remaining space of 500 sq. m. are in discussion with potential operators. Due to the initial lease and lease gap guarantees of the vendor, the total occupancy rate is 100%.

Due to the unexpected decline in the creditworthiness of the lease guarantor, an amendment of the mutual agreement between BPT 2 GmbH & Co. KG and the guarantor was signed in 2010, including a provision that a fee corresponding to the amount of a government subsidy of EUR 0.59 million is up to the guarantor. Therefore, a liability associated with the guarantor was reflected in the balance sheet together with a charge in the income statement in the same amount. Securing cash for the Fund, this liability will be netted with the guarantor's obligation for the lease guarantee.

The value of the property remained stable at EUR 33.4 million.

Weinmeisterstrasse, Berlin

Over the year there has been some fluctuation in the occupancy of the residential area. However from the second half of the year the occupancy rate was again 100%. For both the office and retail space, the occupancy has remained at 100% throughout the year. The property performed better than in 2009, and the net rental yield increased by 0.1pp to 6.0%.

The property value increased slightly by EUR 29 thousand at the end of 2010 up to EUR 9.39 million.

Wärtsilä, Hamburg

Completed in May 2009, 2010 was the first full year of operation for this Hamburg property. At the end of 2010 the accounts for the final construction costs have been closed; the costs for the development are EUR 165 thousand lower than budget. When the Fund entered into this investment, a direct property yield after construction between 6.0% - 6.3% was expected, however, the average direct property yield for 2010 was 6.8% and thus in line with the budget for the year.

The market value of the property remained stable at EUR 8.7 million.

Walsroder Strasse, Hanover

After signing two more lease agreements in November, 100% of the office space at Walsroder Strasse was let. A contract for 667 sq. m. was signed with a dental clinic for 15 years with the lease beginning in summer 2011, and for a space of 302 sq. m. a lease contract with a notable health insurance Group began in February 2011. The average direct property yield of 4.5% was 0.2pp higher than budgeted.

The market value of the property increased to EUR 7.9 million.

Consolidated Statement of Comprehensive Income

For the years ended 31 December 2010 and 31 December 2009

'000 Euro	Notes	2010	2009
Rental income		3,771	3,052
Cost of rental activities	4	(499)	(531)
Profit from property operating activities		**3,272**	**2,521**
Administrative expenses	5	(881)	(926)
Fund custodian fees		(51)	(102)
Fund expenses		**(932)**	**(1,028)**
Other operating income		81	108
Other operating expenses		(46)	(57)
Gross valuation gains on investment properties	9	179	1,056
Gross valuation losses on investment properties	9	(873)	-
Net operating profit before financing		**1,681**	**2,600**
Financial income	6	78	6
Financial expenses	7	(2,010)	(1,645)
Net financing costs		**(1,932)**	**(1,639)**
Profit (loss) before tax		**(251)**	**961**
Income tax charge	8	15	(2)
Net profit (loss) for the year		**(236)**	**959**
Net movement on cash flow hedges		71	(81)
Income tax effect		-	-
		71	**(81)**
Other comprehensive income (losses) for the year, net of tax		**71**	**(81)**
Total comprehensive income (losses) for the year, net of tax		**(165)**	**878**
Basic and diluted earnings (losses) per share (Euro)	14	**(0,97)**	**3,9**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010 and 31 December 2009

'000 Euro	Notes	2010	2009
Non-current assets			
Investment properties	9	59,390	59,211
Total non-current assets		**59,390**	**59,211**
Current assets			
Trade and other receivables	11	389	787
Cash and cash equivalents	12	2,427	2,867
Total current assets		**2,816**	**3,654**
Total assets		**62,206**	**62,865**
Equity			
Share capital	13a	24,348	24,348
Cash flow hedge reserve	13b	(337)	(408)
Retained earnings		178	414
Total equity		**24,189**	**24,354**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	15	35,932	36,453
Derivative financial instruments	22	133	408
Other non-current liabilities		64	66
Total non-current liabilities		**36,129**	**36,927**
Current liabilities			
Trade and other payables	16	452	258
Interest bearing loans and borrowings	15	537	559
Derivative financial instruments	22	204	-
Other current liabilities	17	695	767
Total current liabilities		**1,888**	**1,584**
Total liabilities		**38,017**	**38,511**
Total equity and liabilities		**62,206**	**62,865**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended 31 December 2010 and 31 December 2009

’000 Euro	Share Capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2009	**24,348**	**(327)**	**(545)**	**23,476**
Net profit for year	-	-	959	959
Other comprehensive income	-	(81)	-	(81)
Total comprehensive income	**-**	**(81)**	**959**	**878**
As at 31 December 2009	**24,348**	**(408)**	**414**	**24,354**
Net loss for the year	-	-	(236)	(236)
Other comprehensive income	-	71	-	71
Total comprehensive income	**-**	**71**	**(236)**	**(165)**
As at 31 December 2010	**24,348**	**(337)**	**178**	**24,189**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended 31 December 2010 and 31 December 2009

’000 Euro	Notes	2010	2009
Operating activities			
Profit (loss) before tax		(251)	961
Adjustments for non cash items:			
Value adjustment of investment properties, net	9	694	(1,056)
Interest income	6	(78)	(6)
Amortized loan administration fees		28	25
Change in allowance for bad debts	11	-	196
Interest expenses	7	1,982	1,645
Working capital adjustments:			
Decrease in trade and other accounts receivables		397	92
Increase/(decrease) in other non-current liabilities		(1)	65
Increase/(decrease) in trade and other accounts payable		193	(1,131)
(Decrease) in other current liabilities		(94)	(734)
Paid/(refunded) income tax		15	(42)
Net cash flow from operating activities		**2,885**	**15**
Investing activities			
Interest received		78	6
Expenditure on investment properties under construction	10	-	(5,590)
Capital expenditure on investment properties	9	(873)	-
Net cash flow from investing activities		**(795)**	**(5,584)**
Financing activities			
Proceeds from bank loans	15	-	6,815
Reimbursement of bank loans	15	(570)	-
Interest paid		(1,960)	(1,652)
Net cash flow from financing activities		**(2,530)**	**5,163**
Net change in cash and cash equivalents		**(440)**	**(406)**
Cash and cash equivalent at the beginning of the year		**2,867**	**3,273**
Cash and cash equivalents at the end of the year	12	**2,427**	**2,867**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2010 and December 2009

1. GENERAL INFORMATION

BPT Hansa Lux SICAV-SIF was incorporated in the Grand Duchy of Luxembourg on 23 October 2006 as a 'société anonyme' under the Luxembourg law on commercial companies dated 10 August 1915; amended and registered as a 'société d'investissement à Capital variable' ("SICAV-SIF") under the related law dated 13th February 2007.

The Articles of Incorporation (the "Articles") have been published on 26 January 2007 in the Memorial C, Recueil des Sociétés et Associations (the "Mémorial"). BPT Hansa Lux SICAV-SIF is registered at the Registre de Commerce, Luxembourg, under number B122.072. The Articles of Association have been amended for the last time on 24 June 2010, published in the Mémorial on 16 August 2010.

BPT Hansa Lux SICAV-SIF is established for a limited period so as to end on 3 May 2023 but may be dissolved prior to this term by a resolution of the shareholders, subject to the quorum and majority requirements for the amendment of the Articles.

The Fund consists of BPT Hansa Lux SICAV-SIF and the subsidiaries disclosed in Note 24 (the "Fund").

BPT Hansa Lux SICAV-SIF is the ultimate parent and controlling entity. The exclusive object of BPT Hansa Lux SICAV-SIF is to invest in securities representing risk capital in order to provide its investors with the benefit of the result of the management of its assets in consideration of the risk with they incur. BPT Hansa Lux SICAV-SIF is offering an opportunity to invest in a diversified real estate investment fund focussing on the Northern German real estate market.

The consolidated financial statements of the Fund for the year ended on 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors of 4 April 2011. Those consolidated financial statements will be ratified by the general meeting of shareholders on 4 May 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated in the following text.

Basis of preparation

The Fund's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the 'IFRS') as adopted for use in the European Union.

The Fund has adopted the following new and amended IFRS and IFRIC interpretations during the year (adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Fund, they did, however, give rise to additional disclosures, including in some cases revisions to accounting policies):

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010;
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39;
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009;
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009;
- Improvements to IFRSs (May 2008);
- Improvements to IFRSs (April 2009).

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Fund adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Fund.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the year that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Fund has concluded that the amendment will have no impact on the financial position or performance of the Fund, as the Fund has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Fund.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Fund.

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Fund.

Issued in April 2009

FRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Fund.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities; the amendment is applied prospectively and has no impact on the financial position or financial performance of the Fund.

IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Fund:

Issued in April 2009

- IFRS 2 Share-based Payment;
- IAS 1 Presentation of Financial Statements;
- IAS 17 Leases;
- IAS 34 Interim Financial Reporting;
- IAS 38 Intangible Assets;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Fund intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Fund does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Fund after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

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

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Fund.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Fund.

The significant accounting policies applied by the Fund are as follows:

2a. Presentation currency

The consolidated financial statements have been prepared in Euro (EUR), which is BPT Hansa Lux SICAV-SIF's functional and presentation currency.

Unless stated otherwise, all values are rounded to the nearest thousand of Euro. The consolidated financial statements are presented in thousands of Euro.

2b. Consolidated financial statements

The consolidated financial statements of the Fund include BPT Hansa Lux SICAV-SIF and subsidiaries (Note 24) of which BPT Hansa Lux SICAV-SIF directly or indirectly holds more than 50 percent of the voting rights or otherwise has controlling influence. The equity and net income attributable to non-controlling interests, if any, are shown separately in the consolidated statement of financial position and consolidated statement of comprehensive income.

The consolidated financial statements are prepared on the basis of financial statements of BPT Hansa Lux SICAV-SIF and its subsidiaries by consolidation of financial statements' items of a uniform nature. The financial statements used for consolidation have been prepared applying Fund's accounting policy.

Inter-company balances and transactions, including unrealised profits and losses, are eliminated in consolidation.

Companies acquired or sold during a year are included into the financial statements from the date BPT Hansa Lux SICAV-SIF obtains control to the date control ceases, respectively.

The purchase method is applied in the acquisition of new subsidiaries which qualify as business combination, under which the identifiable assets and liabilities and contingent liabilities of these companies are measured at fair value at the acquisition date. Cost of the acquired company consists of fair value of the paid consideration (cash or own shares). If the final determination of the consideration is conditioned by one or several future events, these are only recognised in cost if the relevant event is likely and the effect in cost can be calculated reliably. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

When the transaction has not been identified as being a business combination, the transaction has been accounted for an acquisition of individual assets and liabilities where the initial purchase consideration is allocated to the separate assets and liabilities acquired, based on their relative fair values.

Assets are recognised in the consolidated statement of financial position when it is probable that future economic benefits will flow to the Fund and the value of the assets can be measured reliably.

Liabilities are recognised in the consolidated statement of financial position when they are probable and can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each financial statement item below.

2c. Foreign currency translation

The functional currency of a subsidiary is determined with reference to the currency of the primary economic environment in which the entity generates and expends cash and raises finance. Transactions in other currencies than the functional currency are transactions in foreign currencies.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rate of exchange ruling at the reporting date.

The cumulative effect of exchange differences on cash transactions are classified as realised gains and losses in profit or loss in the period in which they are settled.

2d. Investment properties

Investment properties are real estate properties (land or a building – or part of a building- or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for the use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is initially recorded at cost including costs directly resulting from the acquisition such as transfer taxes and legal fees. Costs, adding new or improved qualities to an investment property compared to the date of acquisition, and which thereby improve the future yield of the property, are added to cost as an improvement. Costs, which do not add new or improved qualities to an investment property, are expensed in profit or loss under operating expenses.

Under IAS 40, investment properties are valued to fair value as determined by independent appraisers being the estimated price at which the property could be exchanged at the date of the valuation between knowledgeable, willing parties in an arm's length transaction. Valuations are also undertaken on acquisitions and contributions in kind. Two independent valuators: sbg - value – CIS HypCert - and Dr.-Ing. Egbert Krellmann Grundstücksbewertungen (officially appointed and sworn valuator) have been appointed as appraisers of the Fund for the year 2010 (in 2009 – BulwienGesa Valuation GmbH and Dr.-Ing. Egbert Krellmann Grundstücksbewertungen). Their valuations are prepared in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation and approved by both the International Valuation Standards Committee (IVSC) and by the European Group of Valuers' Association (TEGoVA) and by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom and in accordance with IAS 40.

Valuations are prepared using the direct capitalization approach. Under the direct capitalization approach, the income and expenses of one year are stabilised and the net resulting operating income is capitalised at a capitalisation or return rate in proportion to the title to the subject property. Such income capitalisation considers the competitive return resulting from alternative instruments of investment into real estate or other property. This calculation excludes the effects of taxes and disposal costs borne by the seller, and is net of transaction costs normally borne by the purchaser. Depreciation is not provided on investment properties.

The fair value does not necessarily represent the liquidation value of the properties which would be dependent upon the price negotiated at the time net of selling costs. The fair value is largely based on estimates as described above which are inherently subjective.

The yield requirement (discount factor) is determined for each property.

Value adjustments are recognised in profit or loss under the items "Gross valuation gains on investment properties" and "Gross valuation (losses) on investment properties".

2e. Investment properties under construction

Investment properties under construction are initially measured at cost. Cost comprises all costs directly allocable to the construction process and an appropriate share of overheads.

Until 31 December 2008 and as of that date, the investment properties were stated at cost. Since 1 January 2009, the official policy has been changed, and subsequent to initial recognition, investment properties under construction are stated at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier, of either the date construction is completed or the date at which fair value becomes reliably measurable.

As of 31 December 2010 there were no investment properties under construction due to the projects being completed (refer to Note 10).

If investment properties under construction are sold, their carrying value is recognised as an expense in the year in which the related revenue is recognised.

2f. Accounts receivable

Receivables are measured at nominal value less allowances for doubtful debts, if any. The management assesses specific provisions on a customer by customer basis throughout the year.

2g. 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 that are subject to an insignificant risk of change in value.

2h. Derivative financial instruments

The Fund engages in interest rate swaps mainly for interest rate risk management purposes. Outstanding interest rate swaps are carried in the consolidated statement of financial position at the fair value. Fair value is derived from quoted market prices, or using the discounted cash flow method applying effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis.

Gains or losses from changes in the fair value of outstanding interest rate swaps, which are not classified as hedging instruments, are recognised in profit or loss as they arise.

2i. Hedge accounting

The effectiveness of the hedge is assessed by comparing the value of the hedge item with the notional value implicit in the contractual terms of the financial instruments being used in the hedge.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in profit or loss.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other comprehensive income and the ineffective portion is recognised in profit or loss. The gains or losses on effective cash flow hedges recognised initially in other comprehensive income are either transferred to profit or loss in the year in which the hedged transaction impacts profit or loss or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to profit or loss for the year.

2j. Financial liabilities

Debts to banks and financial institutions are recognised on taking out the loan at the proceeds received less transaction costs incurred. Subsequently, these debts items are measured at amortised cost using the effective interest rate method.

The Fund classifies its financial liabilities as current when they are due to be settled within twelve months after reporting date, even if:

(i) the original term was for a period longer than twelve months; and
(ii) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the consolidated financial statements are authorised for issue.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Borrowing costs are expensed as incurred.

2k. Other liabilities

Other liabilities, comprising payables to suppliers, guarantee deposits received from tenants and other payables, are measured at amortised cost using the effective interest rate method.

Deferred income is recognised under liabilities and includes received payments for future income.

2l. Financial assets

The Fund recognises financial assets on its consolidated statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All "regular way" purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised at trade date (the date that the Fund commits to purchase or sell the asset), otherwise such transactions are treated as derivatives until the settlement day.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:
(i) the rights to receive cash flows from the asset have expired;
(ii) the Fund has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
(iii) the Fund either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2m. Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements. 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 statements but disclosed when an inflow or economic benefits is possible.

2n. Subsequent events

Post-reporting date events that provide additional information about the Fund's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2o. Rental income

The Fund leases its buildings to customers under agreements that are classified as operating lease.

Rental income represents rents charged to customers and is recognised on a straight line basis, net of any sales taxes, over the lease period to the first break option.

Expense reimbursement income are recognised on gross basis and included in profit or loss when the company is not acting as agent on behalf of third parties and charging the commissions for the collections. Otherwise, revenue is the commissions.

2p. Expenses recognition

Expenses are accounted for an accrual basis. Expenses are charged to profit or loss, except for those incurred in the acquisition of an investment property which are capitalised as part of the cost of investment and costs incurred to acquire borrowings (Note 2j). Operating expenses comprise costs incurred to earn rental revenue during the financial year to cover operations and maintenance of the own properties.

2q. Administrative expenses

Administrative expenses include costs and expenses which were incurred for the management of the investment properties and the Fund during the year.

2r. Current taxation

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

2s. Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

i) where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised except:

i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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. Unrecognised deferred income tax assets are re-assessed at each reporting 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when an asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2t. Significant accounting judgments, estimates and assumptions

The preparation of the Fund's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Business combinations

The Fund has acquired subsidiaries that own properties. When the acquisition of a subsidiary does not represent "an integrated set of activities and assets" in accordance with IFRS 3, the acquisition of the subsidiary is accounted for as an asset acquisition. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill and deferred tax resulting from the allocation of the cost of acquisition is recognised. The Fund will account for the acquisition as a business combination where an integrated set of activities is acquired in addition to the properties. The following items are considered as minimum indicators of business combination:

- Several items of land and buildings.
- Existence of ancillary services to tenants (e.g. maintenance, cleaning, security, bookkeeping etc).
- Existence of employees to have processes in operation (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).
- Management of the investment properties is complex process.

Classification of investment property

The Fund determines whether a property qualifies as investment property. Investment in property mainly comprises the investment in land and buildings in the form of offices, commercial warehouse, retail for residential properties which are not occupied substantially for use by, or in the operations of, the Fund, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation by leasing to third parties under long term operating leases.

Operating lease contracts – Fund as lessor

Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Deferred tax

The Fund is subject to income and capital gains taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. In particular, the effective tax rate applicable on the temporary differences on investment properties depends on the way and timing the investment property will be disposed of. The Fund recognises liabilities for anticipated tax issues 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 provisions in the year in which the determination is made.

Estimates and assumptions

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Revaluation of investment properties

The Fund carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Fund engaged two independent valuation specialists to determine fair value as at 31 December 2010. The valuators used a valuation technique based on a direct capitalization approach as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is the most sensitive to the estimated yield. The key assumptions used to determine the fair value of the investment property, are further explained in Note 9.

Investment properties under construction

Since 1 January 2009, the investment properties under construction are measured at fair value. Such measurement involves significant judgement, and, where the fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

Until 31 December 2008 and as of that date the investment properties under construction were stated at cost.

In 2009 the investment properties were completed (refer to Note 10 for details) and there were no investment properties under construction as of 31 December 2010.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Fund:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Fund, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. THE FUND RISK MANAGEMENT POLICY

3a. Risk relating to investment in real estate

Investment in real estate is subject to varying degrees of risk. The main factors which affect value of investment include:

(i) changes in the general economic climate;
(ii) conditions in the market in which invested real estate operate;
(iii) government regulations and taxation;
(iv) availability of investment opportunities in real estate.

To address these risks the Fund is subject to the following investment restrictions that is described in more detail in the Fund's PPM:

(i) None of the shareholders is allowed to hold directly or indirectly more than 25% of the shares of the Fund;
(ii) In any case, no investor may hold less than EUR 125,000 of subscribed capital in the Fund;
(iii) Following the investment period no more than 15% of the final Fund's GAV will be invested in any single real estate property. Also the ten largest investments may not be more than 50% of the final Fund's GAV. The Fund will not invest more than 30% of its NAV in a real estate company.

3b. Credit risk

The Fund's procedures are in force to ensure on a permanent basis that properties are leased to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. Major acquisition and project finance credit risks are minimised by sharing these risks with banks and insurance companies. Credit risks related to the placement of liquid funds and to trading in financial instruments (counterparty credit risks) are minimised by making agreements only with the most reputable domestic and international banks and financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the consolidated statement of financial position. Consequently, the Fund considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognised at the reporting date.

There are no significant concentrations of credit risk within the Fund.

3c. Interest rate risk

The Fund is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk) and also through changes in interest rates. Fluctuations in interest rates affect the interest expense. As the Fund's income is not directly correlated with the level of interest rates, there is the risk management policy to synchronize the interest cost with the earnings and to hedge the long-term loans to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Fund either takes fixed rate loans or swaps floating for fixed interest payments (Note 21b).

At 31 December 2010 and 2009, after taking into account the effect of interest rate swaps, 100% of the Fund's borrowings are at fixed interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of Fund's equity (through the impact on interest rate swap values). There is no impact on the Fund's profit before tax.

	2010	2009
'000 Euro	**Effect on equity**	**Effect on equity**
Increase in basis points, +100	92	148
Decrease in basis points, -100	(92)	(148)

3d. Liquidity risk

The investments made by the Fund will be illiquid in nature. The ability of the Fund to liquidate its investments at attractive prices at appropriate times will depend on a number of factors that may be outside of the control of the management. The Fund's management reviews the liquidity of the assets held within the Fund based on current market conditions on a regular basis.

The Fund's objectives are to maintain a balance between continuity of funding and flexibility through the use of bank loans. 1.5% of Fund's borrowings will mature in less than one year at 31 December 2010 (2009: 1.5%) based on the carrying value of borrowings reflected in the consolidated financial statements. The table below summarises the maturity profile of Fund's financial liabilities at 31 December 2010 and 2009.

'000 Euro	On demand	Less than 1 year	1-5 years	>5 years	Total
Year ended 31 December 2010					
Interest bearing loans and borrowings*	-	2,694	17,979	30,143	**50,816**
Trade and other payables	-	452	-	-	**452**
Other liabilities	-	171	64	-	**235**
Total current and non-current	**-**	**3,317**	**18,043**	**30,143**	**51,503**
Year ended 31 December 2009					
Interest bearing loans and borrowings*	-	2,378	10,836	39,990	**53,204**
Trade and other payables	-	258	-	-	**258**
Other liabilities	-	177	66	-	**243**
Total current and non-current	**-**	**2,813**	**10,902**	**39,990**	**53,705**

*Includes interest expense for the same period.

3e. Foreign exchange risk

The Fund holds assets denominated in the Euro, its functional currency. The Fund is therefore has no risk from movements in exchange rates of other currencies against Euro.

3f. Capital management

The Fund monitors capital using gearing ratio, which is borrowing divided by total paid in capital plus borrowings. The Fund's target gearing ratio is maximum 70% that should be reached when the Fund is fully invested.

'000 Euro	2010	2009
Interest bearing loans and borrowings	36,469	37,012
Total borrowings	**36,469**	**37,012**
Total paid in capital	24,348	24,348
Total borrowings and paid in capital	**60,817**	**61,360**
Gearing ratio	**60.0%**	**60.3%**

4. COST OF RENTAL ACTIVITIES

'000 Euro	2010	2009
Real estate taxes	212	45
Utilities	89	105
Property management expenses	82	29
Repair and maintenance	50	113
Property insurance	48	38
Bad debt allowances	-	196
Other costs	18	5
Total cost of rental activities	**499**	**531**

In 2010, EUR 203 thousand of total rental activities costs were recharged to the tenants (2009: EUR 179 thousand). The recharged amount is included in the rental income balance

5. ADMINISTRATIVE EXPENSES

'000 Euro	2010	2009
Management fee	445	358
External consultant expenses	273	397
Board fees and other Board related expenses	155	171
Other	8	-
Total	**881**	**926**

BPT Asset Management GmbH is entitled to a base management fee equivalent to a percentage of the value of the Fund's investment in real estate. A quarterly management fee is based on the investment properties GAV at the end of each calendar quarter and charged 0.75% of the GAV per annum of the real estate portfolio.

6. FINANCIAL INCOME

Financial income in 2010 amounts to EUR 78 thousand (2009: EUR 6 thousand) and represents interest income that was earned mainly on loan notes and cash balances on current bank accounts.

7. FINANCIAL EXPENSES

Financial expenses in 2010 amount to EUR 2,010 thousand (2009: EUR 1,645 thousand) and represent interest expenses mainly related to liabilities to banks (Note 15).

8. INCOME TAX

BPT Hansa Lux SICAV-SIF is subject to an income tax (corporate income tax and municipal business tax) at the global rate of 29.63% (2009: 29.63%). However, BPT Hansa Lux SICAV-SIF can exempt from its tax base all investment income or capital gains attributable to securities.

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

The major components of income tax for the years ended 31 December 2010 and 2009 are:

'000 Euro	**2010**	**2009**
Consolidated statement of comprehensive income		
Current income tax:		
Tax on taxable income for the year	(15)	41
Adjustment of deferred tax for the year	-	(39)
Income tax expense reported in the statement of comprehensive income	**(15)**	**2**

Deferred income tax as at 31 December 2010 and 2009 relates to following:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
'000 Euro	**2010**	**2009**	**2010**	**2009**
Deferred tax liability				
Revaluation of investment properties to fair value	(280)	(174)	(106)	(62)
	(280)	**(174)**	**(106)**	**(62)**
Deferred tax assets				
Tax losses brought forward	280	174	106	167
Revaluation of investment properties to fair value	-	-	-	(66)
	280	**174**	**106**	**101**
Deferred income tax expenses/(income)				
Deferred income tax liability, net	**-**	**-**	**-**	**39**
Reflected in the statement of financial position as follows				
Deferred tax assets	280	174		
Deferred tax liability	(280)	(174)		
Deferred income tax liability, net	**-**	**-**		

The Fund has offset the deferred tax asset and liability, as the Fund has a legally enforceable right to set off current tax assets against current tax liabilities of Fund's property entities.

The tax losses incurred by Luxembourg entities were not recognised at 31 December 2010 as the Fund does not expect to have taxable profit in Luxembourg and to utilise losses. The unrecognised tax losses at 31 December 2010 amounted to EUR 1,155 thousand (2009: EUR 964 thousand).

The reconciliation between tax expense and accounting profit for the years ended 31 December 2010 and 2009 is as follows:

'000 Euro	**2010**	**2009**
Profit before income tax	(251)	961
At weighted average statutory tax rate	(64)	89
Non deductible expenses	14	(145)
Non –taxable income	50	95
Adjustments related to previous year	15	(41)
Total income tax expenses	**15**	**(2)**

Summary of taxation rates by country is presented below:

	2010	2009
Germany	15.825%	15.825%
Luxembourg	29.63%	29.63%

The subsidiaries in Germany are not subject to the German income tax. BPT Hansa Lux SICAV-SIF is the limited tax payer in Germany on the income received from its partnership interest held in the subsidiaries at a tax rate of 15.825%.

9. INVESTMENT PROPERTY

Investment property represents buildings, which are rented out under lease contracts.

The fair value of the investment properties was jointly appraised by two independent valuators (sbg - value – CIS HypCert - and Dr.-Ing. Egbert Krellmann – officially appointed and sworn expert) (in 2009 – BulwienGesa Valuation GmbH and Dr.-Ing. Egbert Krellmann Grundstücksbewertungen), in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation and approved by both the International Valuation Standards Committee (IVSC) and by the European Group of Valuers' Association (TEGoVA). In accordance with that basis, the market value is an estimated amount for which a property should exchange on the date of 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 appraisers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom and in accordance with IAS 40.

According to the PPM, properties will be assessed at least annually by an independent real estate appraiser.

'000 Euro	**2010**	**2009**
Cost		
Balance at 1 January	58,374	17,299
Reclassification from investment property under construction	-	41,075
Additions (subsequent expenditure)	873	-
Cost at 31 December	**58,247**	**58,374**
Fair valuations		
Balance at 1 January	837	(219)
Net revaluation gain (loss)	(694)	1,056
Fair valuations at 31 December	**143**	**837**
Carrying amount at 31 December	**59,390**	**59,211**

Yields used by the appraiser to value the investment properties as at 31 December 2010 and 2009 were between 5.57% and 6.97%.

10. INVESTMENT PROPERTY UNDER CONSTRUCTION

'000 Euro	**2010**	**2009**
Opening balance at January 1	**-**	**35,485**
Additional expenditure	-	5,590
Reclassification to investment property (Note 9)	-	(41,075)
Total investment property under construction at December 31	**-**	**-**

11. TRADE AND OTHER RECEIVABLES

’000 Euro	2010	2009
Trade receivable, gross	253	231
Less allowance for doubtful receivables	-	(196)
Accounts receivables from limited partners	91	27
Prepaid expenses	21	21
VAT receivable	-	2
Other accounts receivables	24	702
Total	**389**	**787**

Trade receivables are non-interest bearing and are generally on 30 days’ terms.

As at 31 December and for the year then ended, the impairment allowances for doubtful receivables were as follows:

’000 Euro	2010	2009
Balance at 1 January	196	-
Charge for the year	-	196
Amount written off	(196)	-
Balance at 31 December	**-**	**196**

The impairment allowance charge in 2009 relates to doubtful receivable in BPT2 GmbH & Co. KG. In 2010 the doubtful receivable was written off.

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

		Neither past due nor				Past due but not impaired	
’000 Euro	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2010	389	204	130	12	-	34	9
2009	787	762	25	-	-	-	-

12. CASH AND CASH EQUIVALENTS

’000 Euro	2010	2009
Cash at banks and on hand	2,427	2,867
Total cash	**2,427**	**2,867**

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts. As at 31 December 2010 and 31 December 2009, the Fund had no outstanding bank overdrafts.

13. EQUITY

13a. Subscribed capital

As at 31 December 2010 and 2009, the subscribed capital of BPT Hansa Lux SICAV-SIF is represented by 243,484 ordinary shares with a par value of EUR 100 each, fully paid-in. On May 29 2008 the Board of Directors agreed to convert the convertible bonds of EUR 4,000 thousand held by Aage V. Jensen Charity Foundation into shares of the Fund to be operated on identical terms as the conversion that took place on 31 December 2007. During the year 2008, the authorised share capital was increased by EUR 2,500 thousand by issuing 25,006 ordinary shares.

Ordinary shares issued and fully paid	Number of shares	Amount, in Euro
As at 1 January 2009	**243,484**	**24,347,800**
Movement	-	-
As at 31 December 2009	**243,484**	**24,347,800**
Movement	-	-
As at 31 December 2010	**243,484**	**24,347,800**

13b. Cash flow hedge valuation reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (interest rate swaps), used by the Fund to secure the cash flows from interest rate risk, at the reporting date.

’000 Euro	2010	2009
Balance at the beginning of the year	**(408)**	**(327)**
Movement in fair value of existing hedges	71	(81)
Net variation during the year	**71**	**(81)**
Balance at the end of the year	**(337)**	**(408)**

14. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the total number of ordinary shares committed to existing shareholders. As at December 31, 2010 and 2009 ordinary shares committed to existing shareholders equal the ordinary shares outstanding as that day.

For the period ended December 31	2010	2009
Earnings/(losses) per period (Euro)		
Basic and diluted	(235,779)	959,327
Weighted average number of ordinary shares during the period		
Basic and diluted	243,484	243,484
Earnings/(losses) per share (Euro)		
Basic and diluted	(0.97)	3.9

15. INTEREST BEARING LOANS AND BORROWINGS

All Fund's debts to banks are denominated in EUR.

'000 Euro	Maturity	Effective interest rate	2010	2009
Non-current borrowings				
Sparkasse Hannover	Oct 2016	4.77%	5,730	5,850
Eurohypo AG	Dec 2017	5.35%	5,954	6,000
Berlin-Hannoversche Hypothekenbank	Jun 2019	5.32%	18,997	19,402
Berlin-Hannoversche Hypothekenbank	Jun 2023	5.97%	6,000	6,000
Less capitalised loan arrangement and legal fees		-	(212)	(240)
Less current portion			(537)	(559)
Total non-current debt			**35,932**	**36,453**
Current portion of non-current borrowings				
Current portion of non-current borrowings			537	559
Total current debt			**537**	**559**
Total			**36,469**	**37,012**

The fair values of borrowings bearing variable interest rates are approximate their carrying value. Changes in fair value of fixed interest rate loans are disclosed in Note 21a.

For the maturity of the borrowings see Note 3d.

For the borrowings received, the Fund pledged the following:

- Assignment of land charge for properties located at:
  - Walsroderstrasse 93/93a, Hanover, Germany with the carrying value totalling to EUR 7,391 thousand.
  - Weinmeisterstrasse 12-14, Berlin, Germany with the carrying value totalling to EUR 6,510 thousand.
  - Lansstrasse 2, 14195 Berlin-Dahlem, Germany with the carrying value totalling to EUR 19,500 thousand.
  - Schlenzigstrasse 8, D-21107 Hamburg, Germany with the carrying value totalling to EUR 6,000 thousand.
- Rights and claims of existing and future rent receivables from lease agreements of investment properties located at Walsroderstrasse 93/93a, Hanover, Germany; Weinmeisterstrasse 12-14, Berlin, Germany; Lansstrasse 2, 14195 Berlin-Dahlem, Germany and Schlenzigstrasse 8, D-21107 Hamburg, Germany.
- Assignment of all rights and claims arising from the following guarantee agreements:
  - Between the BPT2 GmbH & Co. KG and Kommunalprojekt privatepublic-partnership GmbH, Brigachtal for the rights and claims out of the leasehold rent difference guarantee contract and the first letting guarantee contract.
  - Between the BPT2 GmbH & Co. KG and Kirchner Hoch- und Tiefbau GmbH for the rights and claims out of the general contractor's agreement for the amount of EUR 300 thousand.
  - Between the BPT 3 GmbH & Co. Vermögensverwaltung KG and bauwo Grundstücks AG for the rights and claims arising out of the general contractor's agreement.
- Pledge of all claims arising from the derivative instrument.

16. TRADE AND OTHER PAYABLES

'000 Euro	2010	2009
Trade payables	86	157
Administration and custodian fees payable	-	76
Other payables	366	25
Total trade and other payables	**452**	**258**

In 2010 the other payables of EUR 366 thousand are related to BPT2 GmbH & Co. KG prepaid lease guarantee for 2011.

Terms and conditions of trade and other payables:
- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of 3 months.

17. OTHER CURRENT LIABILITIES

'000 Euro	2010	2009
Accrued payables for construction works	171	177
Accrued audit and accounting fees	106	101
Accrued financial expenses	105	82
Accrued directors fees and related taxes	64	128
Other accrued payables	157	188
Other current liabilities	92	91
Total other current liabilities	**695**	**767**

18. COMMITMENTS AND CONTINGENCIES

18a. Operating leases commitments – Fund as a lessor

The Fund leases real estate under operating leases. The terms of the leases are in line with normal practises in each market. Leases are reviewed or subject to automatic inflationary adjustments as appropriate.

The leasing arrangements entered into or in relation with Fund's investment properties portfolio which include a clause authorising tenants to terminate the leasing arrangements up to six-months notice are as such not considered as non-cancellable leases.

Lease payments receivable from non-cancellable lease are shown below. For the purposes of this schedule it is conservatively assumed that a lease expires on the date of the first break option.

	2010		2009	
'000 Euro	**Amount receivable**	**%**	**Amount receivable**	**%**
Year of expiry or first break option:				
Within 1 year	28	9%	27	1%
Between 2 and 5 years	113	38%	486	23%
5 years and more	160	53%	1,620	76%
Total	**301**	**100%**	**2,133**	**100%**

18b. Litigation

As at 31 December 2010 and 2009, the Fund had no pending legal actions.

19. RELATED PARTIES

During the year, the Fund entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Baltic Property Trust Asset Management A/S
The Fund has entered into investment advisory agreement with Baltic Property Trust Asset Management A/S. Under the terms of the agreement, Baltic Property Trust Asset Management A/S group companies carry out asset manager's functions on behalf of the Fund and the Fund is paying management fees respectively (Note 5). In 2010 and 2009 a quarterly management fee was based on the investment properties GAV at the end of each calendar quarter and charged 0.75% of the GAV per annum of the real estate portfolio.

In addition, internal costs borne by Baltic Property Trust Asset Management A/S group related to the acquisition of properties are remunerated with a acquisition fee of 0.3% of the investment value of each acquisition made. In 2010 there were no acquisitions of properties and respectively no acquisition fee paid. In 2009 the acquisition fee amounting to EUR 49 thousand was paid for the properties under construction.

The following table provides the total amount of the transactions, which have been entered into with related parties for the relevant financial year:

'000 Euro	2010	2009
Baltic Property Trust Asset Management A/S		
Property management fees	(23)	-
Management fees	(445)	(437)
Acquisition fee	-	79
Payables	-	56

Baltic Property Trust Asset Management A/S group holds 10,885 ordinary shares in the Company.

Entities having control or significant influence over the Fund
The shareholders owning more than 5% of the ordinary shares as of 31 December 2010:

	Number of shares	%
Danske Capital, Sampo Bank Plc Clients	155,446	63.8%
Aage V. Jensen Charity Foundation	40,000	16.4%
Dancasa Aps	18,691	7.7%

20. REMUNERATION OF THE MANAGEMENT AND OTHER PAYMENTS

The Fund's management (Board of Directors) remuneration amounted to EUR 123 thousand in 2010 (2009: EUR 172 thousand). In 2010 and 2009 the management of the Fund did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

21. FINANCIAL INSTRUMENTS

21a. Fair values

Set out below is a comparison by category of carrying amount and fair values of all of the Fund's financial instruments carried in the consolidated financial statements:

	Carrying amount		Fair value	
'000 Euro	**2010**	**2009**	**2010**	**2009**
Financial assets				
Cash and cash equivalents	2,427	2,867	2,427	2,867
Financial liabilities				
Debts to banks	36,681	37,252	39,789	39,783
Derivative financial instruments	337	408	337	408

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates as no market quotations are available for these instruments.

21b. Interest rate risk

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

Year ended 31 December 2010

'000 Euro	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Fixed rate							
Bank loan	(125)	(132)	(138)	(145)	(152)	(5,038)	(5,730)
Bank loan	(94)	(99)	(105)	(111)	(117)	(5,428)	(5,954)
Interest rate swap	94	99	105	111	117	5,428	5,954
Bank loan	(214)	(663)	(475)	(501)	(528)	(16,616)	(18,997)
Bank loan	(102)	(130)	(138)	(146)	(155)	(5,329)	(6,000)

Year ended 31 December 2009

'000 Euro	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Fixed rate							
Bank loan	(110)	(125)	(132)	(138)	(145)	(5,201)	(5,851)
Bank loan	(46)	(94)	(99)	(105)	(111)	(5,545)	(6,000)
Interest rate swap	46	94	99	105	111	5,545	6,000
Bank loan	(405)	(427)	(450)	(475)	(501)	(17,144)	(19,402)
Bank loan	-	(102)	(130)	(138)	(146)	(5,484)	(6,000)

Interest on financial instruments classified as floating rate is reprised at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Fund that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund entered into an interest rate swap agreement ('IRS') with Eurohypo AG. The purpose of IRS is to hedge the interest rate risk arising from interest rate fluctuations on the non-current bank loan, as Fund's policy is to have fixed interest expenses.

On 19 July 2007, BPT1 GmbH & Co. Vermögensverwaltung KG signed the IRS contract of EUR 6 million with Eurohypo AG. The maturity of the IRS is 28 September 2012. The hedge accounting start date coincides with the date of Eurohypo AG loan full disbursement. The loan was fully disbursed on 31 December 2007. The IRS contract is designated as effective cash flow hedge instrument, thus changes in the fair value are accounted for in a separate equity reserve (Note 13b). As at 31 December 2010 the fair value of minus EUR 337 thousand (2009: minus EUR 408 thousand) was determined by the independent valuator Markit Group Limited.

23. SUBSEQUENT EVENTS

There were no post-balance-sheet events.

24. LIST OF CONSOLIDATED COMPANIES

Subsidiaries included in the consolidated financial statements

Company name	Registered office	Registration Number	Date of Acquisition	Activity	Share capital
BPT Hansa S.à r.l.	20, Boulevard Emmanuel Servais, L-2535 Luxembourg	B-120 957	13 November 2007	Financing company	100%
BPT GmbH & Co. Vermögensverwaltung KG	Weinmeisterstr. 12 – 14 10178 Berlin, Germany	HRA 42461 B	10 November 2006	Asset holding company	100% (directly 93.82%, indirectly 6.18%)
BPT GmbH	Weinmeisterstr. 12 – 14 10178 Berlin, Germany	HRB 110698 B	10 November 2006	General partner	100%
BPT1 GmbH & Co. Vermögensverwaltung KG	Weinmeisterstr. 12 – 14 10178 Berlin, Germany	HRA 41318 B	20 November 2007	Asset holding company	100% (directly 94%, indirectly 6%)
BPT1 GmbH	Weinmeisterstr. 12 – 14 10178 Berlin, Germany	HRB 113832 B	20 November 2007	General partner	100%
BPT2 GmbH & Co. KG	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRA 44328 B	28 July 2007	Asset holding company	100% (directly 94%, indirectly 6%)
BPT 2 GmbH	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRB 126293 B	28 July 2007	General partner	100%
BPT3 GmbH & Co. Vermögensverwaltung KG	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRA 42479 B	4 June 2008	Asset holding company	100% (directly 94%, indirectly 6%)
BPT3 GmbH	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRB 116714 B	4 June 2008	General partner	100%

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