Annual Report and Consolidated Group Accounts 2008

BPT Hansa Lux SICAV-SIF

Baltic Property Trust

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)
Lars Ohnemus
Alain Heinz
Dr. Peter Schmidt zur Nedden
Patrick Reuter

BPT HANSA LUX SICAV-SIF
Société d'Investissement à Capital variable

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008

and

Independent Auditor's report

CONTENTS

MANAGEMENT STATEMENT

Today the Board of Directors have reviewed and adopted the 2008 consolidated financial statements of BPT Hansa Lux SICAV-SIF.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. We consider the applied policies to be appropriate so that the annual report provide a true and fair view of the assets, liabilities and the financial position as of 31 December 2008 of BPT Hansa Lux SICAV-SIF activities and consolidated cash flows during the financial year 2008.

We recommend that the annual report is approved at the annual general meeting of shareholders.

21 April 2009

Board of Directors

Dr. Claus Löwe (Chairman)

Lars Ohnemus

Alain Heinz

Dr. Peter Schmidt zur Nedden

Patrick Reuter

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of
BPT Hansa Lux SICAV-SIF
Luxembourg

Report on the consolidated financial statements for the year ending December 31, 2008

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying consolidated financial statements of BPT Hansa Lux SICAV-SIF, which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the consolidated financial statements

The Management 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. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the “réviseur d’entreprises”

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 by the “Institut des Réviseurs d’Entreprises”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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”, 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” 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 Management, 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 give a true and fair view of the financial position of BPT Hansa Lux SICAV-SIF as of December 31, 2008, and of its financial performance and its 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 Management, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Réviseur d’entreprises

Michael HORNSBY
Luxembourg, 21 April 2009

MANAGEMENT REVIEW

Principle Activities and Review of Business

BPT Hansa Lux SICAV-SIF (hereinafter "the Fund" or "BPT Hansa") has completed its first full year of operations. At the end of 2008 the Fund's total investment (GAV) added up to EUR 57,2m. The Fund is behind its planned investment program for the year 2008, but still in line with the investment program as described in the private placement memorandum (PPM). BPT Hansa has nearly invested the current capital with the acquisition cost of income-producing investment properties and developments at the end of the period standing at EUR 24,3m. In June 2008 the Fund has completed an acquisition of a development project in Hamburg. The project (4.985 sq.m.) is located in one of the upcoming areas of the harbor of Hamburg and is composed of an office and a factory part: the entire space is long-term rented to one tenant – Wärtsilä, one of the world´s leading companies in supplying engines and power solutions to the marine industry.

As a result of rapidly deteriorating economies, difficult financial markets and shrinking equity resources, only EUR 2,5m could be raised during the year.

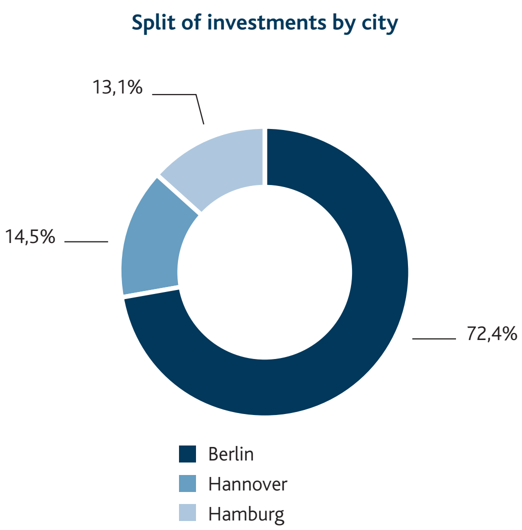
With its current portfolio of 4 investment properties, two of them under construction, the Fund has realized a good portfolio diversification in terms of segments.

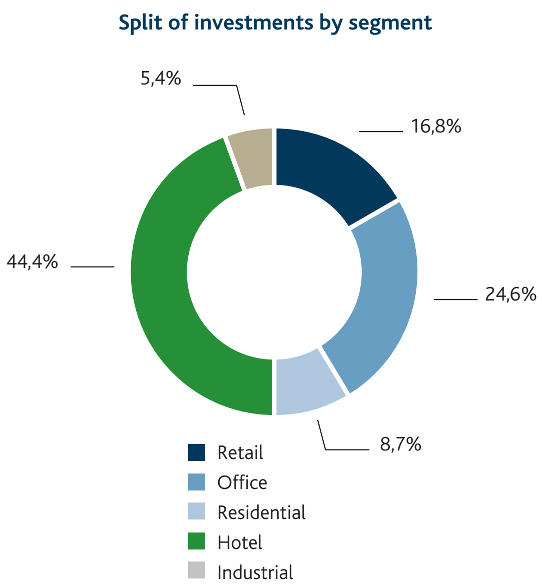
Although operating performance of the Fund remained stable, during the year 2008 NAV has decreased from EUR 100,00 to EUR 96,42 as a result of property revaluations and value reduction of interest rate swaps.

The net result of the Fund was negative EUR – 0,545m which in 2008 corresponds to a negative return on paid in capital of 2,4%. The negative return for 2008 is mainly attributable to the annual decrease in the value of property portfolio which is equal to EUR 0,424m (only 2,5% of the portfolio value of the properties in use). The entire portfolio (except both developments) was jointly appraised by two independent RICS accredited valuators (BulwienGesa Valuation GmbH and Catella Property Valuation GmbH). The average (unweighted) capitalization rate applied to the valuation of BPT Hansa's portfolio stood unchanged compared to 2007. With regard to the tightening market conditions the valuators calculated a special value for the upcoming vacancy in 2009 which affected the valuation result of the property in Hannover in a negative way.

In its first year the Fund has so far returned a – 3,6% average annual return on investment.

Graphs: city distribution, segment distribution





The Fund's loan portfolio increased substantially from EUR 11,7m to EUR 30,2m during 2008, mainly due to the new acquisition (Wärtsilä) and Hotel Dahlem construction progress. Loan to value of the Fund was 57,4% as per 31 December 2008 which is below 70% described as maximum threshold in the PPM. The Fund's general loan strategy has been to have a selected number of strong and trustworthy banks as financing partners with focus on long-term credit facilities. The Fund maintains current relationships with its financing partners by taking pro-active approach in cooperation with the banks, especially in the financial crisis environment when banks are increasing their focus on risk management and performance of existing loan portfolios. Good working relationships with financing partners are very important for BPT Hansa as it ensures possibility to concentrate on management of the properties in use portfolio.

Net rental yields during 2008 averaged 7,4% (here and further in the text – property acquisition value-weighted average, unless described otherwise) for the entire portfolio which is in line with the budget of the Fund. The net operating income is EUR 1,29m for the whole year 2008 and is expected to increase during 2009 with the full effect of the developments. The average occupancy of the Fund's properties remained on a high level of 98,65% throughout the entire year of 2008.

Weighted remaining non-breakable lease term in the portfolio of the Fund stood at more than 3,5 years at the end of 2008 for the properties in use.

Average net rental yield for the year was higher than budgeted in Berlin (6,04%) and in Hannover (8,99%).

The composition of the Board of Directors of the Fund hasn't changed throughout the year.

Future Developments

During 2009, the Fund will concentrate on the following three strategic objectives: composition and performance of the property portfolio, finalizing the project developments and raising additional new equity in order for the Fund to enlarge the existing portfolio and to be fully invested by the end of 2011.

Macro-Economic Factors

Although global as well as regional economic climate became very adverse during 2008, Germany has realized a growth of 1,3% in 2008. Due to the ongoing financial crisis the economic atmosphere is not expected to improve during 2009. It is expected that Germany is heading into recession, because businesses are suffering from a downturn in external demand; retail sales by volume may continue to be stable, while merchandise exports have lost momentum. It is expected that domestic demand with -0,7% in 2009 and +1,6% (2010) will have a positive effect on the overall economy.

A broad consensus of economists now agree that Germany will rapidly contract throughout 2009 and still further in the first half of 2010.

Private consumption increased by 2,5% during 2008, but for 2009, only a 0,5% increase is anticipated. At the same time, export growth by volume is expected

Table: Main macro-economic indicators for Germany

Germany	2006	2007	2008	2009 E	2010 E
GDP at Market Prices (EUR bn)	2.303	2.423	2.492	2.428	2.472
Real GDP Growth (%, YOY)	2,8	2,2	1,3	-3,3	+1,0
Government Balance (% of GDP)	-1,7	-0,2	-0,1	-3,0	-4,0
Consumer Price Inflation, EU harmonized (%)	1,7	2,3	2,6	0,5	1,0
Unemployed rate, EU/OECD (%)	10,8	9,1	7,5	8,3	9,3
Population (million)	82,4	82,2	82,2	82,1	82,1

Sources: Statistisches Bundesamt, Deutsche Bundesbank, Bundesagentur für Arbeit, 2009 und 2010: Prognose des HWWI to slip to -1,1% in 2009 from 2,7% in 2008. Adapting for these rapid changes in the economic environment has significantly affected private and business confidence. Both are main demand drivers for commercial and residential space. This could in the short-run translate into rent reductions in properties with weaker tenant covenants or shorter lease terms and a decline of payment discipline, which was very good in 2008.

On the longer run, much tighter credit conditions will significantly restrict new supply of real estates. This may improve the market position of BPT Hansa as a fund which is specialized in sustainable real estate niche products.

Overall the difficult economic situation would create good investment opportunities in specifically targeted niches in the market with low risk, for investors able and willing to provide the necessary long term financing by equity and interested in stable yields.

Financial Instruments and Strategy

In connection with investments (properties and project developments), the Fund takes out loans with long-term fixed interest rates. The PPM allows the Fund also to use hedging techniques designed to protect the Fund against adverse movements in interest rates. Only in one case is interest rate exposure hedged with an optimizing of interest rate swaps for a period until 2012.

Risks and Opportunities

– Interest rate. The average loan costs including the margin of BPT Hansa are at present 5,27% (5,06% in 2007) and typically interest rate risk is fixed for the whole loan term, i.e. for 10 years.

– Tenant debtors. Payment discipline was 100% in 2008. The ongoing economic downturn could run into an increase of bad debt in 2009. This risk is mitigated in most cases by emphasizing rent securities with tenants.

– Lease expiry profile. Lease expiry terms for BPT Hansa are calculated on the basis of the average remaining lease term per property. Average remaining lease term per property is calculated by taking rent-weighted average of months left before the tenants can legally and unilaterally terminate existing lease agreements. Rent-weighted average remaining lease term for all BPT Hansa properties (including developments) is estimated at approximately 14 years and provides the Fund with vital income stability throughout the turbulent years to come.

Property Report

Berlin

The portfolio of the Fund in Berlin is valued at EUR 39,1m at the end of 2008 and that is an increase of 106% over the period of 12 months. Nearly the whole increase is related to the proceeding construction process and cost of our Hotel development.

Weinmeisterstrasse

The occupancy in the property remained high at the level of 97,2%, after the expiry of the rental guarantee at the end of July. The investment had a stable performance with a reasonable net rental yield of 6,04%, which is above the planned yield for 2008. The property value increased slightly.

The Dahlem Cube

At the end of 2008, the Dahlem Campus Hotel development was in the final stage of the construction process, approx. 90% was realized, as planned. In general, the overall construction costs are in line with the original project calculation with a modification of a possible assignment of tenant related costs which are expected to be absorbed by the tenant and/or project developer. The project developer is in ongoing negotiations with numerous potential tenants for the remaining retail space of 1.150 sq.m.

Hamburg

The Hamburg portfolio consists of one development at the end of the year.

Wärtsilä

The extension of the Wärtsilä headquarters is the second development of BPT Hansa. The Fund entered into this investment with an expected direct property yield after construction between 6,0%-6,3% in June. The investment (4.985 sq.m.) consists of office and factory space. The development showed as planned a construction progress of approx. 65% and at the end of the year the project costs were in line with the originally calculated construction costs. In July 2008 a long-term loan agreement was closed, so there is actually no financial risk noticeable in terms of loan conditions.

Hannover

The Hannover portfolio consists also of one property at the end of the year.

Walsroderstrasse

The property value of the office building decreased by around 5,5% compared to the valuation result as per end of 2007 due to the fact that two lease agreements expired at year end. Consequently approx. 1.600 sq.m. (35%) of the office space became vacant from January 2009. Therefore our activities are concentrated on letting in the upcoming months.

Andrea Jost, FRICS

Fund manager

21 April 2009

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2008 and 31 December 2007

'000 Euro	Notes	2008	2007
Rental income		1.511	988
Cost of rental activities	4	(225)	(134)
Profit from property operating activities		**1.286**	**854**
Administrative expenses	5	(745)	(428)
Fund custodian fees		(102)	-
Fund expenses		**(847)**	**(428)**
Other operating income		-	280
Other operating expenses		(51)	(9)
Gross valuation gains on investment properties	9	26	205
Gross valuation (losses) on investment properties	9	(450)	-
Net operating profit/(loss) before financing		**(36)**	**902**
Financial income	6	146	263
Financial expenses	7	(641)	(1.071)
Net financing costs		**(495)**	**(808)**
Profit before tax		**(531)**	**94**
Income tax charge	8	(14)	(63)
Net profit for the year		**(545)**	**31**
Basic and diluted earnings/(losses) per share (Euro)	15	(2,4)	98,7

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

CONSOLIDATED BALANCE SHEET

at 31 December 2008 and 31 December 2007

'000 Euro	Notes	2008	2007
Non-current assets			
Investment properties	9	17.080	17.500
Investment property under construction	11	35.485	9.702
Deferred tax asset	8	73	-
Total non-current assets		**52.638**	**27.202**
Current assets			
Trade and other receivables	12	1.075	587
Prepaid income tax		-	13
Cash and cash equivalents	13	3.454	7.088
Total current assets		**4.529**	**7.688**
Total assets		**57.167**	**34.890**
Equity			
Capital	14a	24.348	17.848
Cash flow hedge valuation reserve	14b	(327)	-
Retained earnings		(545)	-
Total equity		**23.476**	**17.848**
Liabilities			
Non-current liabilities			
Debts to banks, non-current portion	16	29.975	11.695
Deferred tax liability	8	112	63
Hedging instruments	23	327	-
Other non-current liabilities		-	62
Total non-current liabilities		**30.414**	**11.820**
Current liabilities			
Trade payables	17	1.391	247
Debts to banks, current portion	16	197	-
Bank overdraft		181	-
Other current liabilities	18	1.508	4.975
Total current liabilities		**3.277**	**5.222**
Total liabilities		**33.691**	**17.042**
Total equity and liabilities		**57.167**	**34.890**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008 and 31 December 2007

'000 Euro	Capital	Cash flow hedge revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2007	**31**	**-**	**(31)**	**-**
Net profit for the period	-	-	31	**31**
Capital increase	17.817	-	-	**17.817**
Balance at 31 December 2007	**17.848**	**-**	**-**	**17.848**
Balance at 1 January 2008	**17.848**	**-**	**-**	**17.848**
Movement in hedging reserve	-	(327)	-	**(327)**
Total income and expense for the year recognised directly into equity	-	(327)	-	**(327)**
Net profit for the period	-	-	(545)	**(545)**
Capital increase	6.500	-	-	**6.500**
Balance at 31 December 2008	**24.348**	**(327)**	**(545)**	**23.476**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended 31 December 2008 and 31 December 2007

’000 Euro	Notes	2008	2007
Profit before tax		**(531)**	**94**
Adjustments for non cash items:			
Value adjustment of investment properties, net	9	424	(205)
Goodwill written off		-	22
Interest income	6	(146)	(263)
Interest expenses	7	641	1.071
Working capital adjustments:			
(Increase)/decrease in trade and other accounts receivables		(476)	31
Increase/(decrease) in other non-current liabilities		(62)	62
Increase/(decrease) in trade and other accounts payable		1.050	(743)
Increase/(decrease) in other current liabilities		849	(2.325)
Paid income tax		(16)	(13)
Net cash generated by operating activity		**1.733**	**(2.269)**
Cash flow from investing activities			
Interest received		146	278
Purchase of a subsidiaries, net of cash acquired	10	(24)	(1.550)
Purchase of investment properties under construction	11	(25.462)	(9.221)
Purchase of investment properties	9	(4)	(400)
Net cash flow from investing activities		**(25.344)**	**(10.893)**
Cash flow from financing activities			
Proceed from bank loans	16	18.477	5.845
Proceed from bonds subscription		-	20.375
Proceed from other loan		-	2
Reimbursement of loans		-	(6.641)
Interest paid		(1.181)	(448)
Shareholders contribution into share capital	14a	2.500	-
Net cash flow from financing activities		**19.796**	**19.133**
Increase in cash and cash equivalent		**(3.815)**	**5.971**
Cash and cash equivalent at the beginning of the period		**7.088**	**1.117**
Cash and cash equivalents at the end of the period	13	**3.273**	**7.088**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2008 and 31 December 2007

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.

BPT Hansa Lux SICAV-SIF was established for an undetermined period and may be dissolved 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 25 (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 German real estate market.

The consolidated financial statements of the Fund for the period ended on 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors of 21 April 2009. Those consolidated financial statements will be ratified by the general meeting of shareholders on 16 June 2009.

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 accounts 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):

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments of IAS 39 and IFRS 7

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Fund.

The Fund has chosen not to adopt the following IFRS and IFRIC interpretations that have been issued with an effective date for financial periods beginning on or after 1 January 2009:

Amendment to IAS 23 'Borrowing Costs' (effective for annual periods beginning on or after 1 January 2009)
The option in the current standard to expense borrowing costs to the income statement in case a qualifying asset has been eliminated. All borrowing costs must be capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the standard, the Fund will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after 1 January 2008)
IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Fund.

IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008)
IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Fund expects that this Interpretation will not have a material impact on its financial statements at the date of adoption.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 1 January 2008)
IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 'Employee Benefits'. It also explains how this limit, also referred to as the 'asset ceiling test', may be influenced by a minimum funding requirement and aims to standardise current practice. The Fund expects that this amendment will have no impact on its financial statements.

Amendment to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2009)
IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The main revisions are the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with 'other comprehensive income' and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Fund will make the necessary changes to the presentation of its financial statements in 2009.

Amendment to IFRS 2 'Share Based Payment – Vesting Conditions and Cancellations' (effective for annual periods beginning on or after 1 January 2009)
The Amendment clarifies two issues, the definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than vesting conditions, and it also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or a counterparty. The Fund expects that this amendment will have no impact on its financial statements.

Revisions to IFRS 3 'Business Combinations' and Amendment to IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009)
Main changes to the existing standards refer to: (a) addition of an option to measure minority interests (now called 'non-controlling interests') at fair value; (b) recognition of goodwill for step acquisitions; (c) recognition of acquisition-related costs; (d) recognition of contingent consideration; (e) transactions with non-controlling interests which do not result in loss of control; (f) allocation of subsidiary's losses between controlling and non-controlling interests; (g) re-measurement of retained interest on loss of control of a subsidiary. The Fund expects that the application of the revisions will not have a material impact on its financial statements at the date of adoption.

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 thousand of Euro.

2b. Consolidated financial statements

The consolidated financial statements of the Fund include BPT Hansa Lux SICAV-SIF and subsidiaries (Note 25) 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 minority shareholders' interests, if any, are shown separately in the consolidated balance sheet and consolidated income statement.

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) added the costs directly attributable to the acquisition of the subsidiary. 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.

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 balance sheet 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 balance sheet 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. Goodwill

Difference between the acquisition cost and the fair value of the identifiable net assets at acquisition date is considered to be goodwill (negative goodwill). The negative goodwill is recognised as income in the income statement immediately. In the consolidated financial statements goodwill related to consolidated subsidiaries is presented in the intangible assets caption.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Fund's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Fund's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Fund are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2d. 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 balance sheet date.

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.

2e. 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 the income statements 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 BulwienGesa Valuation GmbH and Catella Property Valuation GmbH Chartered Surveyors has been appointed as appraisers of the Fund for the year 2008. The valuations are prepared in accordance with the methodology and guidelines as set out in 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 the consolidated income statement under the items "Gross valuation gains on investment properties" and "Gross valuation (losses) on investment properties".

2f. 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.

Investment properties under construction are measured at the lower of cost or net realizable value as of the balance sheet date. Net realizable value is the estimated selling price less all estimated costs of completion and marketing and selling expenses.

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.

2g. 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.

2h. 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.

2i. 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 balance sheet 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 the income statement as they arise.

2j. 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 the statement of income.

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 equity and the ineffective portion is recognised in the income statement. The gains or losses on effective cash flow hedges recognised initially in equity are either transferred to the income statement in the period in which the hedged transaction impacts the income statement 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 the consolidated income statement for the period.

2k. 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 balance sheet 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 balance sheet date and before the 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.

2l. 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.

2m. Financial assets

The Fund recognises financial assets on its balance sheet 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.

2n. Contingent liabilities

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

2o. Subsequent events

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

2p. 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 the income statement 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.

2q. Expenses recognition

Expenses are accounted for an accrual basis. Expenses are charged to the consolidated income statement, 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 2k). Operating expenses comprise costs incurred to earn rental revenue during the financial year to cover operations and maintenance of the own properties.

2r. Administrative expenses

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

2s. 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.

2t. Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the balance sheet 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 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. Unrecognised deferred income tax assets are re-assessed at each balance sheet 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 balance sheet 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.

2u. Significant accounting judgments, estimates and assumptions

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.

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 the income statement 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 period 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.

Impairment of goodwill
The Fund determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Revaluation of investment properties
The Fund carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Fund engaged independent valuation specialist to determine fair value as at 31 December 2008. The valuator used a valuation technique based on a the 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.

The current crisis in the global financial system and, in particular the failure of major investment banks and the nationalization of a number of US financial institutions that occurred in the week beginning September 15, 2008, combined with subsequent events has created a significant degree of uncertainty in the European commercial real estate market. In the immediate aftermath of these events whilst the financial crisis continues there is a lack of clarity as to the market drivers.

In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. As a consequence, there has been a significant reduction in market evidence upon which the valuers have based the appraisal of the Fund's portfolio as at December 31, 2008 and so they have had to exercise a greater degree of judgment that usual. They have considered both current and historic market evidence available in order to reflect current market sentiment.

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;
(I) In any case, no investor may hold less than EUR 125.000 of subscribed capital in the Fund;
(I) 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 balance sheet. 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 balance sheet 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 22b).

At 31 December 2008, 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 interest rate swap sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Fund's equity. There is no impact on the Fund's profit before tax.

'000 Euro	Increase/ decrease in basis points	Effect on Equity
2008	+100	199
	-100	(199)

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. 4,7% of Fund's borrowings will mature in less than one year at 31 December 2008 (2007: 6,9%) based on the carrying value of borrowings reflected in the financial statements. The table below summarises the maturity profile of Fund's financial liabilities at 31 December 2008 and 2007.

'000 Euro	On demand	Less than 1 year	1-5 years	>5 years	Total
Year ended 31 December 2008					
Interest bearing loans and borrowings**	270	2.036	10.741	36.241	**49.288**
Trade and other payables	-	1.391	-	-	**1.391**
Other liabilities	-	92	-	-	**92**
Total current and non-current	**270**	**3.519**	**10.741**	**36.241**	**50.771**
Year ended 31 December 2007					
Interest bearing loans and borrowings**	-	1.228	2.978	13.659	**17.865**
Trade and other payables	-	247	-	-	**247**
Other liabilities	-	51	-	43	**94**
Total current and non-current	**-**	**1.526**	**2.978**	**13.702**	**18.206**

**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	2008	2007
Debts to bank	30.172	11.695
Total borrowings	**30.172**	**11.695**
Total paid in capital	24.348	17.848
Total borrowings and paid in capital	**54.520**	**29.543**
Gearing ratio	**55,3%**	**39,6%**

4. Cost of rental activities

’000 Euro	2008	2007
Utilities	84	37
Property management expenses	43	21
Repair and maintenance	53	46
Real estate taxes	35	24
Property insurance	10	6
Total cost of rental activities	**225**	**134**

5. Administrative expenses

’000 Euro	2008	2007
Management fee	132	94
Board fees and other Board related expenses	162	-
External consultant expenses	424	279
Goodwill written off	-	22
Other	27	33
Total	**745**	**428**

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 2008 amount to EUR 146 thousand (2007: EUR 263 thousand) represents interest income that was earned mainly on loan notes and cash balances on current bank accounts.

7. Financial expenses

Financial expenses in 2008 amount to EUR 641 thousand (2007: EUR 1.071 thousand) represent interest expenses mainly relate on liabilities to banks (Note 16).

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% (2007: 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 2008 and 2007 are:

'000 Euro	2008	2007
Consolidated income statement		
Current income tax:		
Tax on taxable income for the year	38	-
Adjustment of deferred tax for the year	(24)	63
Income tax expense reported in the income statement	**14**	**63**

Deferred income tax as at 31 December 2008 and 2007 relates to following:

	Consolidated balance sheet		Consolidated income statement	
'000 Euro	2008	2007	2008	2007
Deferred tax liability				
Depreciation for tax purposes	(75)	(30)	(45)	(30)
Revaluation of investment properties to fair value	(37)	(33)	(4)	(33)
	(112)	**(63)**	**(49)**	**(63)**
Deferred tax assets				
Tax losses brought forward	7	-	7	-
Revaluation of investment properties to fair value	66	-	66	-
	73	**-**	**73**	**-**
Deferred income tax expenses/(income)				
Deferred income tax liability, net	**(39)**	**(63)**	**24**	**(63)**
Reflected in the balance sheet as follows				
Deferred tax assets	73	-		
Deferred tax liability	(112)	(63)		
Deferred income tax liability, net	**(39)**	**(63)**		

The tax losses incurred by Luxembourg entities were not recognised at 31 December 2008 as the Fund does not expect to have taxable profit in Luxembourg and to utilise losses. The unrecognised tax losses at 31 December 2008 amounted to EUR 932 thousand (2007: EUR 26 thousand).

The reconciliation between tax expense and accounting profit for the years ended 31 December 2008 and 2007 is as follows:

'000 Euro	2008	2007
Profit before income tax	(531)	94
At weighted average statutory tax rate	(49)	(159)
Non deductible expenses	(64)	(4)
Non –taxable income	99	100
Total income tax expenses	**(14)**	**(63)**

Summary of taxation rates by country is presented below:

	2008	2007
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 is based on independent appraisals performed by two companies, BulwienGesa Valuation GmbH and Catella Property Valuation GmbH Chartered Surveyors, 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 in accordance with IAS 40.

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

'000 Euro	2008	2007
Cost		
Balance at 1 January	17.295	-
Reclassification from investment property under construction	-	7.895
Acquisitions of investment properties through acquisition of subsidiaries	-	9.000
Improvements	4	400
Cost at 31 December	**17.299**	**17.295**
Fair valuations		
Balance at 1 January	205	-
Net revaluation gain/(loss)	(424)	205
Fair valuations at 31 December	**(219)**	**205**
Carrying amount at 31 December	**17.080**	**17.500**

The yields used by the appraisers to value investment properties as at 31 December 2008 were 5,58% for the residential and commercial building located in Weinmeisterstrasse 12-14, Berlin, and 6,97% for the office and commercial building located in Walsroderstrasse 93/93a, Hannover.

10. Acquisition of BPT3 GmbH & Co. Vermögensverwaltung KG

On 4 June 2008, the Fund acquired 100% (directly 94%, indirectly 6%) of the voting shares of BPT3 GmbH & Co. Vermögensverwaltung KG, an unlisted company based in Germany. BPT3 GmbH & Co. Vermögensverwaltung KG holds the title to the land where is planned the construction of an office and factory building in Schlenzigstrasse 8, Hamburg- Wilhelmsburg, Germany. This acquisition does not qualify as a business combination.

The total cost of the acquisition was EUR 26 thousand and was fully paid in cash. The cost of the acquisition has been allocated as follows:

'000 Euro	Carrying value after purchase price allocation	Carrying value prior acquisition
Investment property under construction	321	317
Trade and other receivables	12	12
Cash and cash equivalents	2	2
Total assets	**335**	**331**
Trade and other payables	(309)	(309)
Total liabilities	**(309)**	**(309)**
Total consideration	**26**	
Cash outflow on acquisition:		
Net cash acquired with the subsidiary	2	
Cash paid for the acquisition	(26)	
Net cash outflow	**(24)**	

11. Investment property under construction

'000 Euro	2008	2007
Opening balance at January 1	**9.702**	**7.895**
Acquisition through acquisition of subsidiaries (Note 10)	321	481
Additional expenditure	25.462	9.221
Reclassification to investment property (Note 9)	-	(7.895)
Total investment property under construction at December 31	**35.485**	**9.702**

Investment property under construction is stated at a cost.

12. Trade and other receivables

’000 Euro	2008	2007
Trade receivable, gross	2	260
VAT receivable	964	-
Receivable from former shareholder	-	238
Other accounts receivables	109	89
Total	**1.075**	**587**

As at 31 December 2008, VAT receivables of EUR 964 thousand consist of VAT receivables in respect of developments projects: Wissenschaft-und Kongress-Hotel Berlin Dahlem GmbH& Co. KG (EUR 736 thousand) and BPT3 GmbH & Co. Vermögensverwaltung KG (EUR 228 thousand). These amounts will be refunded in 2009.

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

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

		Neither past due	Past due but not impaired				
’000 Euro	**Total**	**nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
2008	1.075	25	1.018	8	-	-	24
2007	587	21	286	238	-	-	42

13. Cash and cash equivalents

’000 Euro	2008	2007
Cash at banks and on hand	3.454	4.626
Short-term deposit	-	2.462
Total cash	**3.454**	**7.088**

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 2008, the outstanding bank overdrafts amounted to EUR 181 thousand (2007: 0 thousand).

14. Equity

14a. Subscribed capital

As at 31 December 2008, the subscribed capital of BPT Hansa Lux SICAV-SIF is represented by 243.484 (2007: 218.478) ordinary shares with a par value of EUR 100 each, fully paid-in. On May 29 2008 Board of Directors agreed to convert the convertible bonds of EUR 4.000 thousands, currently held by Aage V. Jensen Charity Foundation into shares of the company to be operated on identical terms as the conversion that took place on 31 December 2007. During the year, 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 2007	**310**	**31.000**
Bond conversion into shares in December 2007	178.168	17.816.800
As at 31 December 2007	**178.478**	**17.847.800**
Bond conversion into shares in 2008	40.000	4.000.000
Issued in June 2008	20.016	2.000.000
Issued in November 2008	4.990	500.000
As at 31 December 2008	**243.484**	**24.347.800**

14b. 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 balance sheet date.

'000 Euro	2008	2007
Balance at the beginning of the period	**-**	**-**
Fair value of hedges acquired during period	(327)	-
Net variation during the period	**(327)**	**-**
Balance at the end of the period	**(327)**	**-**

15. Earnings per share

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

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, 2008 ordinary shares committed to existing shareholders equal the ordinary shares outstanding as that day.

For the period ended December 31	2008	2007
Earnings/(losses) per period (Euro)		
Basic and diluted	(544.993)	30.606
Weighted average number of ordinary shares during the period		
Basic and diluted	228.902	310
Earnings/(losses) per share (Euro)		
Basic and diluted	(2,4)	98,7

16. Debts to banks

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

'000 Euro	Maturity	Effective interest rate	2008	2007
Non-current borrowings				
Hannover Sparkasse bank	Oct 2016	4,77%	5.850	5.850
Eurohypo Aktiengesellschaft bank	Dec 2017	5,35%	6.000	6.000
Berlin-Hannoversche Hypothekenbank	Jun 2019	5,32%	16.183	-
Berlin-Hannoversche Hypothekenbank	Jun 2023	5,97%	2.208	-
Less capitalised loan arrangement and legal fees	Jun 2019	-	(266)	(155)
Total non-current debt			**29.975**	**11.695**
Current part of non-current borrowings				
Berlin-Hannoversche Hypothekenbank	Jun 2019	5,32%	197	-
Total current debt			**197**	**-**
Total			**30.172**	**11.695**

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 22a.

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, Hannover, 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 6.600 thousand.
- Rights and claims of existing and future rent receivables from lease agreements of investment properties located at Walsroderstrasse 93/93a, Hannover, 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 BPT1 GmbH & Co. Vermögensverwaltung KG and BauWo AG, including rights and claims on the guarantee for the minimum amount of EUR 250 thousand submitted to a bank. Guarantee expired on 31 July 2008.
  - Between the Wissenschafts- und Kongress Hotel Berlin-Dahlem 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 for the amount of EUR 500 thousand.
  - Between the BPT Hansa Lux SICAV-SIF and Kommunalprojekt privatepublic-partnership GmbH, Brigachtal for the rights and claims out of the investment sum guarantee contract for the amount of EUR 1.000 thousand.
  - Between the Wissenschafts- und Kongress Hotel Berlin-Dahlem 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.
- All existing and future claims for refund of turnover tax in BPT 3 GmbH & Co. Vermögensverwaltung KG.

17. Trade and other payables

'000 Euro	2008	2007
Trade payables	595	156
Other payables	796	91
Total trade and other payables	**1.391**	**247**

The trade payables of EUR 595 thousand mainly consist of payables for construction works performed related to development project of BPT3 GmbH & Co. Vermögensverwaltung KG (EUR 218 thousand), payables to external consultants (EUR 204 thousand) and payables for central administration and custodian fees (EUR 104 thousand).

The other payables of EUR 796 thousand are mainly related to Wissenschaft-und Kongress-Hotel Berlin Dalhem GmbH& Co. KG grant received from government in respect of the development project (EUR 686 thousand).

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.

18. Other current liabilities

’000 Euro	2008	2007
Issued bonds	-	4.000
Accrued financial expenses	88	628
Accrued expenses	1.328	315
Other current liabilities	92	32
Total other current liabilities	**1.508**	**4.975**

The accrued expenses of EUR 1.328 thousand include accrued BPT3 GmbH & Co. Vermögensverwaltung KG development project construction costs of EUR 1.032 thousand, accrued Board fees and related taxes of EUR 113 thousand, accrued audit fees of EUR 97 thousand and other expenses of EUR 86 thousand.

19. Commitments and contingencies

19a. 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 and 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.

	2008		2007	
’000 Euro	**Amount receivable**	**%**	**Amount receivable**	**%**
Year of expiry or first break option:				
Within 1 year	46	46%	28	31%
Between 2 and 5 years	29	29%	38	42%
5 years and more	25	25%	25	27%
Total	**100**	**100%**	**91**	**100%**

19b. Litigation

As at 31 December 2008, the Fund had no pending legal actions.

20. 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 Group

The Fund has entered into investment advisory agreement with Baltic Property Trust Asset Management A/S Group. 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 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.

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	2008	2007
Baltic Property Trust Asset Management A/S		
Acquisition fees	(45)	(82)
Interest (expenses)/income	(1)	(39)
Management fees	(252)	(122)
Acquisition of the BPT Hansa S.à r.l.	-	12
Share capital	-	830
Other receivables	-	238
Payables	56	65

Entities having control or significant influence over the Fund

The shareholders owing more than 5% of the ordinary shares as of 31 December 2008:

	Number of shares	%
Danske Capital Finland Oy Clients	160.000	65,7%
Aage V. Jensen Charity Foundation	40.000	16,4%
Dancasa Aps	21.276	8,7%

21. Remuneration of the management and other payments

In 2008, the management of the Fund did not receive any remuneration, loans or guarantees; no other payments or property transfers were made or accrued.

22. Financial instruments

22a. 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 financial statements:

	Carrying amount		Fair value	
'000 Euro	**2008**	**2007**	**2008**	**2007**
Financial assets				
Cash and cash equivalents	3.454	7.088	3.454	7.088
Other financial assets	1.075	587	1.075	587
Financial liabilities				
Debts to banks	30.437	11.850	33.075	11.640
Other financial liabilities	3.080	1.222	3.080	1.222

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.

22b. 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 2008

'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	-	(120)	(125)	(132)	(138)	(5.335)	**(5.850)**
Bank loan	-	(46)	(94)	(100)	(105)	(5.655)	**(6.000)**
Interest rate swap		46	94	100	105	5.655	**6.000**
Bank loan	(197)	(411)	(433)	(456)	(481)	(14.402)	**(16.380)**
Bank loan	-	-	(92)	(130)	(137)	(1.849)	**(2.208)**
Bank overdraft	(181)	-	-	-	-	-	**(181)**

Year ended 31 December 2007

'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							
Short-term deposit	2.462	-	-	-	-	-	**2.462**
Bank loan	-	-	(120)	(125)	(132)	(5.473)	**(5.850)**
Issued bonds	(4.000)	-	-	-	-	-	**(4.000)**
Bank loan	-	-	(46)	(94)	(100)	(5.760)	**(6.000)**
Interest rate swap	-	-	46	94	100	5.760	**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.

23. 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. Vermogensverwaltung 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 14b). As at 31 December 2008 the fair value of EUR (327) thousand was determined by the independent valuator Markit Group Limited.

24. Subsequent events

There were no post-balance-sheet events.

25. 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 200878	10 November 2006	Asset holding company	100% (directly 93,82%, indirectly 6,18%)
BPT GmbH Übernnahme der pers. Haftung	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 Übernahme der pers. Haftung	Weinmeisterstr. 12 – 14 10178 Berlin, Germany	HRB 113832 B	20 November 2007	General partner	100%
Wissenschaft-und Kongress-Hotel Berlin Dalhem GmbH& Co. KG	Steinwiesen 12, 78086 Brigachtal, Germany	HRA 602832	28 July 2007	Asset holding company	100% (directly 94%, indirectly 6%)
Wissenschafts und Kongress Hotel Berlin-Dahlem Verwaltungsgesellschaft GmbH	Steinwiesen 12, 78086 Brigachtal, Germany	HRB 603089	28 July 2007	General partner	100%
BPT3 GmbH & Co. Vermögensverwaltung KG	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRA 200732	4 June 2008	Asset holding company	100% (directly 94%, indirectly 6%)
BPT3 GmbH Übernahme der pers. Haftung	Weinmeisterstr. 12-14 10178 Berlin, Germany	HRB 116714	4 June 2008	General partner	100%

Contact:
BPT Asset Management A/S
Bredgade 23A, 3rd.
DK-1260 Copenhagen K
Denmark

Phone: + 45 33 69 07 33
Fax: + 45 33 69 07 35
www.balticpropertytrust.com