International Real Estate Construction

NV

IFRS Consolidated Financial Statements at 31 December 2013

Approved by the Board of Directors

with the Independent Auditor's opinion

Contents

I. General information and performance

1. Business activities & profile

International Real Estate Construction (IRC) NV (as the Belgian legal entity with all its subsidiaries) represents the Belgian and Western European activities of Ghelamco Group Comm. VA, a leading European real estate investor active in the offices, residential, retail and logistics markets.

Ghelamco maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing.

Ghelamco's successes on the Belgian, French, Polish, Ukrainian and Russian markets are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

Over the last decade, Ghelamco has become one of the largest commercial property developers in Poland. The group's market position has been recognized by numerous prestigious awards. In 2013, Ghelamco was granted the following awards:

° Office Developer of the year in Poland (Construction and Investment Journal - for the seventh time in the past eight years)

° Essa Award for T-Mobile Office Park, in recognition of the project's sustainability performance (Construction and Investment Journal)

° Office Lease Award of the Year 2013 in Poland for Frontex in Warsaw Spire (Construction and Investment Journal)

° Office Investment Transaction of the Year in Poland for the sale of the Senator Project (Construction and Investment Journal)

° Business Achievement of the Year for obtaining financing for Warsaw Spire (Eurobuild)

° Green Office Building of the Year in CEE for T-Mobile Office Park (EUROPA Property magazine)

° BREEAM Post Construction Assessment for the Senator Project (EUROPA Property magazine)

° Most green building in Poland for T-Mobile Office Park (Prime Property Price by PTWP)

° Men of the year for Jeroen van der Toolen, MD Central and Eastern Europe of Ghelamco (Prime Property Price by PTWP)





Since 2007, Ghelamco's business activities are structured in three major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**"):

- **Investment Holding**: comprises resources invested in the realisation of real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles;
- **Development Holding**: represents international entities that provide construction, engineering and development services to the Investment Holding;
- **Portfolio Holding**: consists of all other activities and real estate investments controlled by the ultimate beneficial owners.

2. Legal status

International Real Estate Construction NV (referred to as **"IRC")** is the holding company of the Belgian and Western European activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Holding.** Besides its holding activities, IRC also has direct stakes in real estate projects.

IRC, together with its subsidiaries (jointly referred to as the **"Company"**) (Note 5), constitute the reporting entity for the purpose of these financial statements.

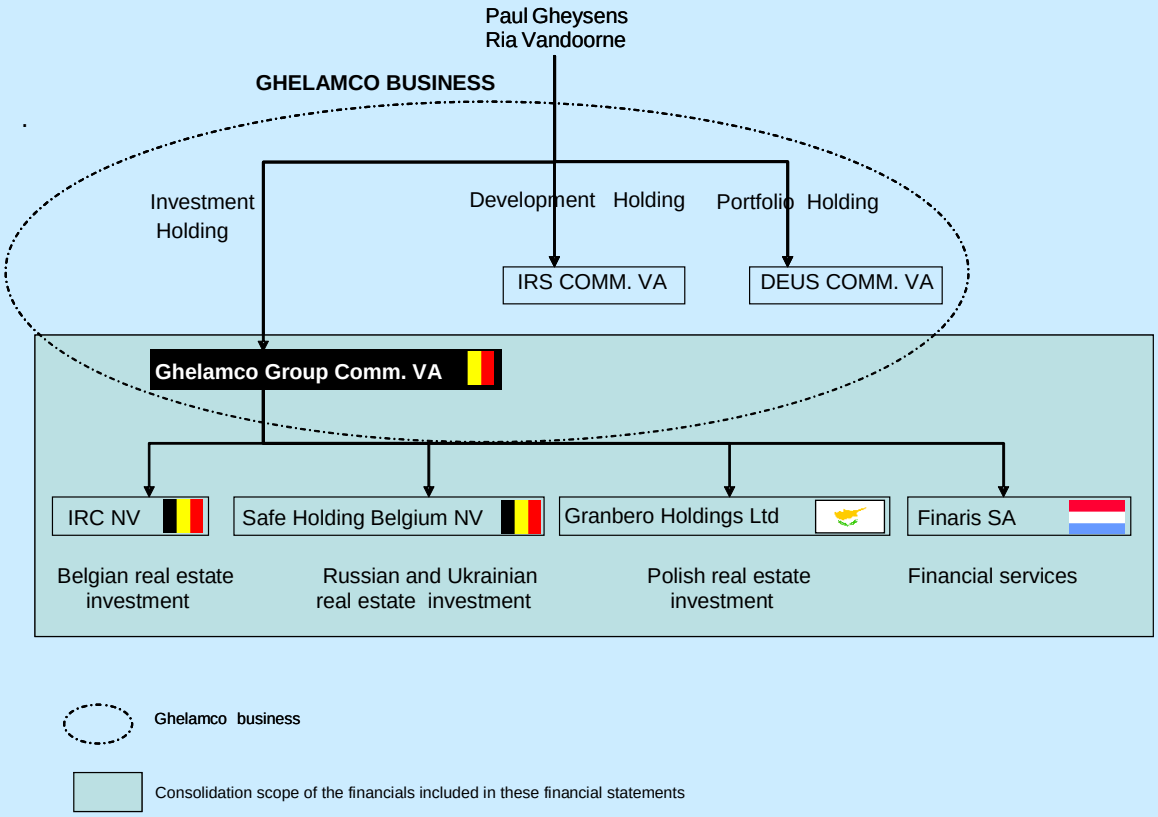
IRC is a limited liability company registered under Belgian law, with its registered office at Zwaanhofweg 10, 8900 Ieper, Belgium.

IRC is registered in the Belgian commercial register under the number BE0431.572.596.

3. Consolidation scope

These consolidated financial statements comprise the resources and activities of IRC and its legal subsidiaries (the Company).

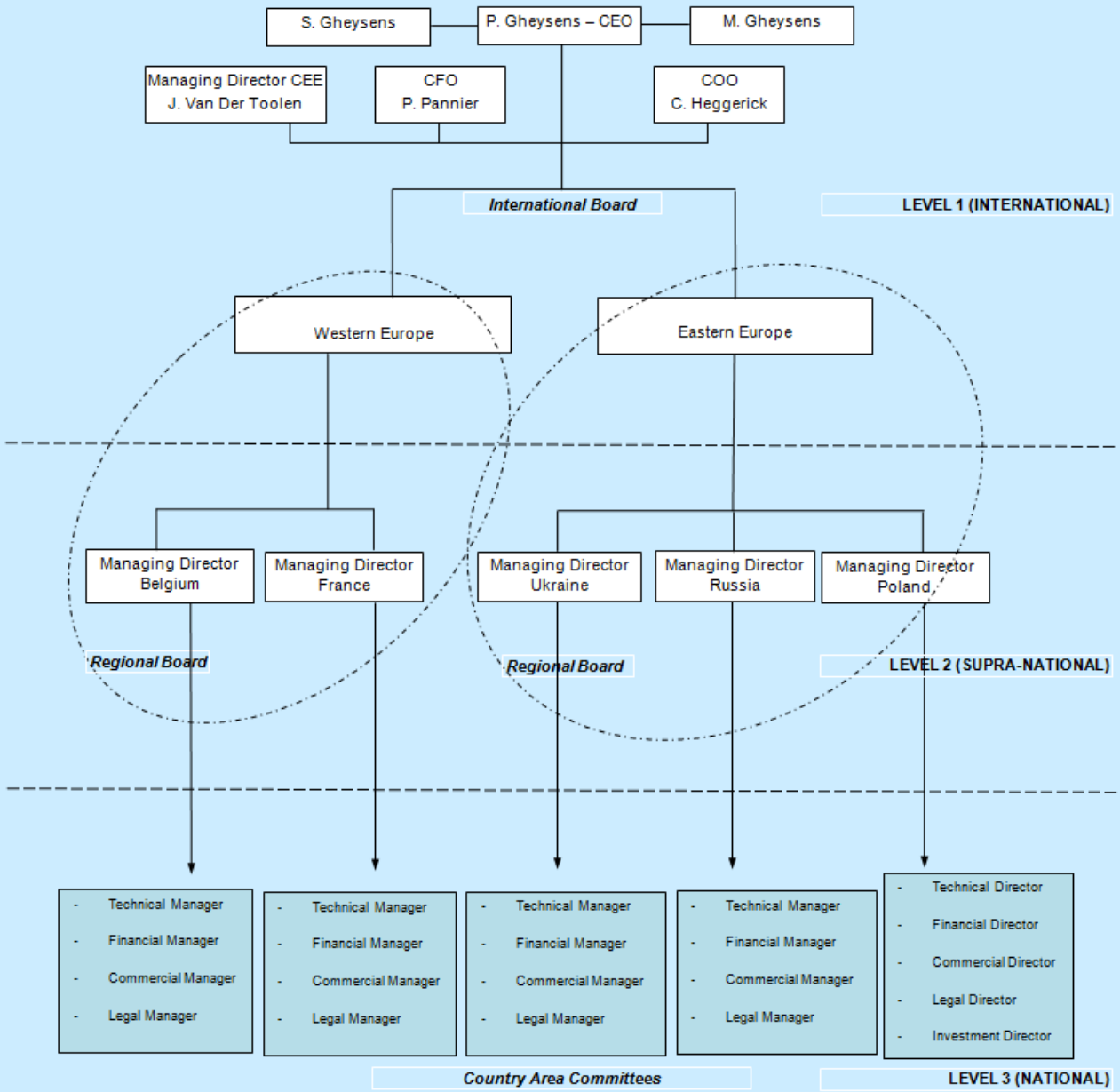
At 31 December 2013 (the reporting date), all the assets and liabilities of the reporting entity (IRC and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).
All assets, liabilities, income and expenses that represented an integral part of the Company activities, are included in the accounts of the legal subsidiaries of IRC at 31 December 2013 and at 31 December 2012.



4. Staffing level

Given its nature, there is only limited employment in the Company. At 31/12/2013, IRC employed 9 people. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. The parent company of the Development Holding (International Real Estate Services Comm. VA – abbreviated IRS Comm. VA), together with all its direct and indirect legal subsidiaries, employed 226 people on 31 December 2013 (223 on 31 December 2012).

5. Management committee



Ghelamco's Management Committee consists of:

Mr. Paul Gheysens (Chief Executive Officer)
Simon Gheysens (board member)
Michael Gheysens (board member)
Mr. Philippe Pannier (Chief Financial Officer)
Mr. Chris Heggerick (Chief Operational Officer)
Mr. Jeroen Van Der Toolen (Managing Director CEE)

The Committee actively coordinates and supervises the different management teams and supports them in all commercial, legal, financial and technical aspects of their activities.

The Belgian teams consist of a technical, commercial, legal & financial department. The Managing Directors are granted a large degree of autonomy to support their area/country strategy and development.

The statutory board consists of 4 directors (of which the CEO) for most of the Belgian entities.

6. Business environment and results

2013 performance and results

During the year 2013 and mainly resulting from its continued and intensified investment and commercialization efforts, the Company has been able to confirm and further strengthen its position in its core markets in Belgium. The Company closed its 2013 accounts with a net profit of 6,102 KEUR, a balance sheet total of 370,209 KEUR and an equity of 25,290 KEUR. The solvency ratio – considering the related party financing, which is subordinated – amounted at 30% (against 32% at 31 Dec. 2012).

The Company has over the past years intensified its investment activities (with currently over 40 projects in portfolio). As a consequence, significant part of the Belgian portfolio has recently (in the course of last year and during the current year) evolved to the realization and/or completion phase. In this respect, significant further construction efforts have been done on the Artevelde Park/Ghelamco Arena project in Gent, resulting in the successful completion and opening of the Ghelamco Arena mid July and the advanced construction status of the Blue Towers per year-end (28,600 sqm office space in total, of which per date of the current report significant parts have already been pre-leased).

2013 expansion and investment activities mainly related to:

- Completion, delivery and further commercialization of the mixed L-Park project at Leuven Vaartkom (3,335 m² retail, 13,806 m² office space and approx. 300 parkings). In the first half of 2013, first office tenants actually moved in and per date of this report, over 80% of the project has been leased.

- Continuation of construction works on the Artevelde Park/Ghelamco Arena project in Gent; project which comprises besides the pre-sold football accomodation approx. 13,500 sqm office space, 3,000 sqm congress space, 16,000 sqm multifunctional space, 250 parkings, and – on the adjacent plots – a 14,000 sqm retail hall, approx. 1,500 parking spaces, 2 office buildings (28,600 sqm office space in total) and a hotel project. This resulted in the completion and formal opening on 17 July 2013 of the Ghelamco Arena and the advanced construction status of the Blue Towers per year-end.

- Further realisation of high-end residential/leisure projects at the Belgian coast side (mainly “Le 8300”, luxurious wellness hotel in Knokke-Zoute and residential project Farida in Knokke)

- As of 31/05/13 the Company acquired 100% of the shares of De Nieuwe Filature NV (total share price of 8.5 MEUR, 2.1 MEUR advance payments already done in 2012); company which holds title to a 24,000 sqm brownfield site, in view of the development of a mixed project (approx. 35,000 sqm gross leasable/sellable residential, student flat and retail space).

-Signing of a preliminary leasehold right/right to build contract and a put/call contract mid 2013 with a third party on a 30,580 sqm plot on the Duinenwater site in Knokke, for the realisation of a residential project (24 plots of land). Final deed has been signed in February 2014.

-Signing of a leasehold right/right to build contract in Q4 2013 with the City of Leuven on a 8,526 sqm plot in the Vaartkom, in view of the realisation of the Waterview Project (+/- 460 student homes, +/- 5,000 sqm retail space and +/- 1,000 parking spaces; i.e. third phase of the Vaartkom project). Construction works have actually started in Q4 2013.

As to divestures/revenues:

- The Wevelgem Retail Park has per end March 2013 been sold to an investor at a (share) price of approx. 5 MEUR.
- First parts of the Artevelde Park/Ghelamco Arena project have been sold for a total sales value of 10.7 MEUR. Also, and per date of the current report, further parts have been pre-sold for a total sales value of 3.5 MEUR. In addition, (preliminary) rent agreements and/or letters of intent have been signed for a significant part of the still remaining space in the Artevelde Park/Ghelamco Arena.
- Sale of some residential projects at the Belgian coast (5.1 MEUR, mainly Farida and Zegemeer, Knokke)

Main post balance sheet events

No significant events to be mentioned.

Outlook

It is the Company's strategy to further diversify its investment portfolio by spreading its investments over different real estate segments.
For 2014, the Company will continue its sustained growth. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Company is confident to achieve this growth and its goals for 2014 in general.

7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2013, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) are carried at fair value.

As such, residential properties are presented as Property Development Inventories.
Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 8 in Part II for more details on their presentation.

II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2013 were approved by the Company's Board of Directors on 20 March 2014. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. Consolidated statement of financial position (in KEUR)

	Note	31/12/2013	31/12/2012
ASSETS			
Non-current assets			
Investment Property	6	214,859	107,382
Property, plant and equipment	7	321	387
Investments in associates	4	1,380	1,380
Receivables and prepayments	9	2,457	2,146
Deferred tax assets	14	2,530	2,201
Other financial assets	4.3	500	412
Restricted cash		0	0
Total non-current assets		**222,047**	**113,908**
Current assets			
Property Development Inventories	8	111,503	115,345
Trade and other receivables	9	12,423	17,547
Current tax assets		9	2
Derivatives		0	0
Assets classified as held for sale	6	3,475	6,700
Restricted cash		0	0
Cash and cash equivalents	10	20,752	28,355
Total current assets		**148,162**	**167,949**
TOTAL ASSETS		**370,209**	**281,857**

Consolidated statement of financial position (cont'd)

	Note	31/12/2013	31/12/2012
Capital and reserves attributable to the Company's equity holders			
Share capital	11	1,490	1,490
Retained earnings	12	23,710	17,783
		25,200	19,273
Non-controlling interests	11.2	90	73
TOTAL EQUITY		**25,290**	**19,346**
Non-current liabilities			
Interest-bearing loans and borrowings	13	230,471	141,093
Deferred tax liabilities	14	13,121	8,412
Long-term provisions		178	67
Total non-current liabilities		**243,770**	**149,572**
Current liabilities			
Trade and other payables	15	26,566	23,827
Current tax liabilities		1,437	1,242
Interest-bearing loans and borrowings	13	73,146	87,870
Total current liabilities		**101,149**	**112,939**
Total liabilities		**344,919**	**262,511**
TOTAL EQUITY AND LIABILITIES		**370,209**	**281,857**

B. Consolidated income statement and consolidated statement of comprehensive Income

	Note	2013	2012
Revenue	16	9,868	16,868
Other operating income	17	946	1,389
Cost of Property Development Inventories	18	-6,230	-9,904
Employee benefit expense	17	-389	-504
Depreciation amortisation and impairment charges		-368	-90
Gains from revaluation of Investment Property	6	21,012	6,807
Other operating expense	17	-4,844	-5,838
Operating profit - result		**19,995**	**8,728**
Finance income	19	350	197
Finance costs	19	-9,465	-5,606
Profit before income tax		**10,880**	**3,319**
Income tax expense/income	20	-4,778	-2,924
Profit for the year		**6,102**	**395**
Attributable to:			
Equity holders of parent		6,081	369
Non-controlling interests		21	26

Consolidated statement of comprehensive income – items recyclable to the income statement

	2013	2012
Profit for the year	**6,102**	**395**
Exchange differences on translating foreign operations	0	0
Other	-141	0
Other comprehensive income of the period	**-141**	**0**
Total Comprehensive income for the year	**5,961**	**395**
Attributable to:		
Equity holders of the parent	5,940	369
Non-controlling interests	21	26

C. Consolidated statement of changes in equity

Consolidated statement of changes in equity per 2013

	Note	Attributable to the equity holders			Non-controlling interests	Total Equity
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2012		**1,490**	**0**	**17,414**	**47**	**18,951**
Profit/(loss) for the year				369	26	**395**
Dividend distribution						**0**
Change in non-controlling interests						**0**
Change in the consolidation scope						**0**
Balance at 31 December 2012		**1,490**	**0**	**17,783**	**73**	**19,346**
Profit/(loss) for the year	12			6,081	21	**6,102**
Dividend distribution				-13		**-13**
Change in non-controlling interests	11.2			5	-4	**1**
Change in the consolidation scope	12			-146		**-146**
Balance at 31 December 2013		**1,490**	**0**	**23,710**	**90**	**25,290**

D. Consolidated cash flow statement

Consolidated cash flow statement for 2013 and 2012

Cash Flow Statement		31/12/2013	31/12/2012
Operating Activities			
Profit / (Loss) before income tax		**10,880**	**3,319**
Adjustments for:			
- Change in fair value of investment property	6	-21,012	-6,807
- Depreciation, amortization and impairment charges	7	68	73
- Result on disposal Investment Property		-16	-
- Change in provisions		111	11
- Net interest charge	19	8,152	5,409
- Movements in working capital:			
- Change in inventory		-12,358	-6.750
- Change in trade & other receivables		5,124	-14.584
- Change in trade & other payables		561	3.402
- Change in MTM derivatives			-
- Movement in other non-current liabilities		-	-
- Other non-cash items		-134	-10
Income tax paid		-210	-1.771
Interest paid		-6,324	-5.606
Net cash from operating activities		**-15,158**	**-23,314**
Investing Activities			
Interest received		350	197
Purchase of property, plant & equipment		-13	-
Purchase of investment property (*)	6	-84,409	-46,265
Proceeds from disposal of investment property	6	17,385	4,469
Net cash outflow on acquisition of subsidiaries		-	-
Net cash outflow on other non-current financial assets		-399	2,780
Net cash inflow/outflow on NCI transactions			
Movement in restricted cash accounts		-	-
Net cash flow from/(used in) investing activities		**-67,086**	**-38,819**
Financing Activities			
Proceeds from borrowings		84,656	98,738
Repayment of borrowings		-10,002	-12,463
Capital decrease		-	-
Dividends paid		-13	-
		-	-

Net cash inflow from/(used in) financing activities	**74,641**	**86,275**
Net increase/decrease in cash and cash equivalents	**-7,603**	**24,142**
Cash and cash equivalents at 1 January	**28,355**	**4,213**
Cash and cash equivalents per end of the year	**20,752**	**28,355**

(*): Purchase and expenditure re. investment property includes capitalized borrowing costs.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the IFRS consolidated financial statements, are set out below.

1.1. Introduction

We refer to the section “General Information: business activities” and Note 5 “Organisational chart” of these financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of International Real Estate Construction NV and its legal subsidiaries that are part of the Company at 31 December 2013.

A list of legal entities included in these IFRS consolidated financial statements and major changes in the organisational structure of the reporting entity are outlined in Notes 4 and 5.

1.2. Basis of preparation

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by the Board of Directors on March 20, 2014. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) as adopted by the European Union at 31 December 2013. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2013.

These financial statements have been prepared under the historical cost convention except for Investment Properties and derivative financial instruments that have been measured at fair value.

1.3. Standards and Interpretations that became applicable in 2013

Standards and Interpretations that the Company anticipatively applied in 2012 and 2013:

- None

Standards and Interpretations that became effective in 2013

- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)

Standards and Interpretations which became effective in 2013 but which are not relevant to the Company:

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

1.4. Standards and Interpretations issued but not yet effective

Standards and Interpretations issued at the date of these IFRS consolidated financial statements, which were authorised for issue but not yet mandatory and have not been early adopted by the Company:

- IFRS 9 Financial Instruments and subsequent amendments (not yet endorsed in EU)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)

- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application. With respect to the changes in IFRIC 21, the Company is still evaluating the potential impact.

1.5. Principles of consolidation

1.5.1. Consolidation scope

The entities included in the consolidation scope are those that are under control of the Company on 31 December 2013 and on 31 December 2012 (see Notes 4 and 5).

The transactions, balances and unrealized gains and losses between these legal entities are deemed to be intra-group transactions and are eliminated in full.

The transactions with other entities owned directly or indirectly by the ultimate beneficial owners of the Company are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 23.

1.5.2. Acquisition of subsidiaries

Although the Company obtained control over several subsidiaries over the past years, these transactions are not considered to be business combinations as defined under IFRS 3 “Business Combinations”. In these transactions, the Company primarily acquired land and therefore these transactions are to be considered as a purchase of selective assets and liabilities and not as a purchase of a “business”. The purchase consideration has been allocated to each of the assets and liabilities acquired based on their relative fair values.

During the course of 2013 and 2012, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 “Business Combinations”.

1.5.3. Sale of subsidiaries

As was the case in the past, the 2013 and 2012 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for lease. Residential properties are offered for sale.

General rule:
- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;
- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Income Statement on a gross basis (i.e. revenue from the sale of inventories and cost of sales) and not as a disposal of a subsidiary. Still, a sale of residential projects is generally structured as a sale of assets.

Comments 2013
In March 2013 and upon an attractive bid by an investor, the Wevelgem Retail Park has been sold. The sale of this project was structured as a share deal (i.c. sale of 100% of the shares of project SPV Klippan Cabs NV), in line with the general approach to sell commercial projects. The transaction has in the financial statements been presented as a disposal of IP.
On the other hand, first parts of the Ghelamco Arena project (for a total sales value of 10.7 MEUR) have been sold through asset deals.

No residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

Comments 2012
In August 2012 and upon an attractive bid by an investor, the Docora (Gucci-shop) retail project in Knokke-Zoute was sold. While generally the sale of a commercial project is structured as a share deal, this one was structured as an asset deal (and the transaction has in the financial statements been presented as a disposal of IP).

No residential SPVs were sold, in line with the general approach to sell residential projects through asset deals.

1.5.4. Increase in ownership interests in subsidiaries

The Company applies the parent company model to transactions with minority shareholders. The difference between the cost of additional interest in the subsidiary and the carrying amount of the minority interest reflected in the consolidated balance sheet is allocated to the Property Development Inventories or Investment Properties.

1.5.5. Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements.

Foreign currency transactions

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

Foreign entities

In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Company's "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.

As IRC and its subsidiaries are all EU (and Eurozone) companies, with functional currency Euro, and almost exclusively involved in Euro-transactions, foreign currency impact is not applicable in the Company's financial statements.

1.5.6. Hyperinflationary economies

None of the Company entities operated in a hyperinflationary economy in 2013 and 2012.

1.6. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost of bringing the asset to working condition for its intended use (taxes included).

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost.

The applicable useful lives are:

Tangible fixed assets	Years
Buildings	20 to 40
Vehicles	5
Equipment	5 to 10

1.7. Finance leases

A finance lease that substantially transfers all the risks and rewards incident to ownership, is recognized as an asset and a liability at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

1.8. Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the unit to which the asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9. Investment Property

Investment Property is defined as property (land or a building – or part of a building – or both) held by the owner to earn rentals, realize capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment Property, principally comprising land and commercial buildings ("commercial property"), is held for capital appreciation or for the long-term rental yields and is not occupied by the Company.

Investment Property (Under Construction) is carried at fair value. Fair value is determined by external appraisers or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding

property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

Gains or losses as a result of changes in the fair value are included in the Income Statement of the year in which they occur. Gains and losses as a result of an Investment Property disposal are considered into the Income Statement of the year in which the disposal occurs.
The Company distinguishes 4 different stages for Investment Property:

A. Land without pre-permit approval;
B. Land with a pre-permit approval;
C. Land with a building permit and construction ongoing;
D. Land with a completed building.

The above stages can again be divided in 2 main categories:

Investment Properties under construction (A), (B), (C)

The fair value of the land is determined based on the following methods:
1. Based on comparative method;
2. Based on realizable m²;
3. Based on residual method.

In assessing the fair value, the Company considers whether both following conditions have been met:
- Building permit on the property has been obtained and
- Binding lease agreements have been signed for over 40% of the net leasable area of the property.

In case the above mentioned conditions are not fulfilled, the fair value of the IPUC (part not included in land) is deemed to be the cost of the in-process development.

In case the conditions are fulfilled, the fair value of IPUC (both land and construction part) will be determined by an independent appraiser report, based on RICS Valuation Standards.

Fair value of IP(UC) is determined as follows:

- Projects under (A): fair value of the land plus cost of in process development
- Projects under (B): fair value of the land, to the extent the valuation expert has considered the value of the master plan and/or building permit OR fair value of the land plus cost of in process development, to the extent the valuation expert has not yet considered the value of the master plan and/or building permit
- Projects under (C): fair value of the (permitted) land plus construction part at cost, if the above building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the above building permit and lease conditions are fulfilled
- Projects under (D): fair value of the completed project

By consequence, fair value adjustments have been recognized as follows:

- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs and possible goodwill) ;
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the above conditions are met.
- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

Completed Investment Properties (D)

Investment Properties are considered completed as from the moment the project is delivered.

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards.
They are recognised at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

In the case of a contingent consideration payable for a property acquired, the asset (inventory or IP) is recognized initially at cost, determined based on the fair value of the total consideration paid or payable. The fair value of the contingent consideration is determined based on management's best estimate and recognised as a financial liability. Subsequent changes in the fair value of the liability are recorded via the income statement (and are not part of the asset value).

1.10. Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity which the entity has disposed of or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), to an active program to locate a buyer or to complete a plan which was already initiated. In addition, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

1.11. Property Development Inventory

Land and premises acquired and held for future development as well as in-process development projects (other than Investment Properties) are classified as inventories. Property Development Inventories mainly comprise residential properties.

Inventories are measured at the lower of cost and net realisable value at the balance sheet date.

The cost of in-process development projects comprises architectural design, engineering studies, geodesic studies, raw materials, other production materials, direct labour, other direct and external borrowing costs directly attributable to the acquisition or construction of the qualifying inventories.

External borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalised. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalisation commences when expenditures and borrowings are being incurred for

the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use or sale are complete. The capitalisation criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Company as from that date.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down is necessary when the net realisable value at balance sheet date is lower than the carrying value. The Company performs regular reviews of the net realisable value of its Property Development Inventory.

The most recent review indicated that the global net realisable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 8).

1.12. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or undergo financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement. When a trade receivable is uncollectible, it is written down against the allowance account for trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

No provision for impairment has been considered necessary as a result of the impairment review on the balance sheet date.

1.13. Financial assets

The Company classifies its financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the intention of the investment's acquisition. Management determines the investments' classification at initial recognition and re-evaluates this designation on every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of

the ultimate beneficial owners of the Company not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to section 1.20 below.

1.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.15. Share capital

Ordinary shares are classified as equity under the caption “share capital”. When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Company’s shareholders.

1.16. Current and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred income tax.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences, even arising on the assets and liabilities located in the Special Purpose Vehicles. Most of the Special Purpose Vehicles hold one specific property development project.

The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Company will be realized through asset deals. Sales through asset deals mainly apply to the residential projects held by the Company (which are classified as inventory; which is not subject to fair value accounting).

As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the Company is confident that in the case of a share deal these conditions will be complied with, deferred tax liabilities have consistently been recognized, without taking into account those potential tax exemptions.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Company is also required to make a provision for deferred income tax on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

No deferred taxes are accounted for temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting nor taxable profit, and differences relating to the investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 14).

1.17. Trade and other payables

Trade and other payables are measured at amortized cost. As the impact of discounting is immaterial, trade and other payables are measured at the nominal value.

1.18. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a contractual right (provided all covenants are fulfilled) to defer settlement of the liability for at least 12 months after the balance sheet date.

1.19. Revenue recognition

Revenue mainly includes sales of properties and rental income.
Revenue is recognised based on the fair value of the consideration received or receivable. For contingent consideration related to the sale of properties, the fair value of the contingent consideration is determined based on management's best estimate and recognised as a financial asset. Subsequent changes in the fair value of the financial asset are recorded via the income statement.

Sale of Property Development Inventory

Revenue from the sale of *property development inventory* is recognized when all the following conditions have been satisfied:

(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity;
(e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals might be structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form. Thus, the amount of inventories recognized as an expense during the period referred to as “Cost of Property Development Inventories sold” comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the market value of the properties sold.

Rental income

Rental income from Investment Properties leased is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income (i.e. are spread over the lease term).

The Company did not enter into any financial lease agreements with tenants; all lease contracts qualify as operating leases.

Sale of Investment Property

Revenue from the sale of investment property is recognized when all the following conditions have been satisfied:

(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity;
(e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals are often structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely their legal form. The gain realized on a sold investment property is shown on a net basis under “Result on disposal Investment Property” in the income statement.

1.20. Financial instruments

The table below summarises all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments (x € 1 000)	**31.12.2013**				
	At fair value through P/L-held for trading	**Available for sale**	**Loans and receivables at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			500	500	2
Non-current receivables					
Receivables and prepayments			2,457	2,457	2
Restricted cash			-	-	
Current receivables					
Trade and other receivables			12,423	12,423	2
Derivatives	-			-	
Cash and cash equivalents			20,752	20,752	2
Total Financial Assets	**-**		**36,132**	**36,132**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			73,581	73,581	2
Bonds			77,509	77,509	2
Other borrowings			79,381	79,381	2
Interest-bearing borrowings - current					
Bank borrowings			73,146	73,146	2
Bonds			-	-	
Other borrowings			-	-	
Current payables					
Trade and other payables			26,566	26,566	2
Total Financial Liabilities	**-**	**-**	**330,183**	**330,183**	

Financial instruments (x € 1 000)	**31.12.2012**				
	At fair value through P/L- held for trading	**Available for sale**	**Loans and receivables at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			412	412	2
Non-current receivables					
Receivables and prepayments			2,146	2,146	2
Restricted cash	-			-	
Current receivables					
Trade and other receivables			17,547	17,547	2
Derivatives	-			-	
Cash and cash equivalents			28,355	28,355	2
Total Financial Assets	**-**		**48,460**	**48,460**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			31,536	31,536	2
Bonds			40,486	40,486	2
Other borrowings			69,071	69,071	2
Interest-bearing borrowings - current					
Bank borrowings			87,601	87,601	2
Other borrowings			269	269	2
Current payables					
Trade and other payables			23,827	23,827	2
Total Financial Liabilities	-	-	**252,790**	**252,790**	

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognised on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

We also refer to note 13.4 and 9.1 for the description of the fair value determination

2. Financial risk management

2.1 Financial risk factors

Due to its activities, the Company is exposed to a variety of financial risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. Financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. The Company may use derivative financial instruments (external or internal) on an ad hoc basis to hedge against the exposures arising from the individual transactions significant to the Company as a whole.

Financial risks are managed by Ghelamco's Chief Financial Officer (CFO) and his team. The CFO identifies, evaluates and mitigates financial risks in accordance with the objectives set by the Chief Executive Officer.

2.1.1 Foreign exchange risk

To the extent the Company enters in transactions in foreign currencies, other than its functional currency, being the Euro, it is subject to the following currency exchange risks: (i) the foreign currency transaction risk: which occurs when a member of the Company enters into a transaction where the settlement of the transaction occurs in a currency other than the functional currency of that member of the group; and (ii) the foreign currency translation risk: which occurs at the translation of the foreign operations of the group into Euro.

A change in exchange rates or authorities imposing exchange controls could affect the Company's business, financial condition, results and prospects.

However, since IRC and its subsidiaries exclusively operate in Belgium and Western Europe, such currency risk is very limited to not applicable.

The Company concludes all financing, engineering, architectural and construction contracts in Euro; leasing of the properties is in Euro and eventual later disposal of assets or shares are also expressed and negotiated in Euro.

2.1.2 Interest rate risk

The Company actively uses external and related party borrowings to finance its property projects. A property project's external financing is either in the form of a bank loan or a bond issue denominated in Euro (see Note 13).

The Company did not enter into external interest rate hedging transactions to eliminate exposure arising from the long term investment loans over the last 5 years. The Company's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project development phases (acquisition of land, development and holding of the properties) as follows:

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.

- Construction loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the construction loan.

- Once the property is completed, leased and meets all ongoing covenants, the construction financing is swapped into an investment loan, usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable gradually with rental income or fully upon sale of the property. The banks are usually willing to offer investment loans up to an amount that reflects 65% to 70% of the property‘s market value. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), usually payable on a quarterly basis together with the accrued interest.

- For the Belgian and French projects; 42 MEUR bond issue due 13 December 2015 (60%) and due 13 December 2017 (40%) and bearing an interest of resp. 7% and 7.875%; 37.8 MEUR bond issues due 28 February 2018, bearing an interest of 6.25%; proceeds of which can be used over the resp. project investment stages.

The Company actively uses related party borrowings provided by the Investment Holding Financing Vehicles acting as financial intermediaries (mainly Peridot SL at 31 December 2013 and 31 December 2012) to finance the property projects in Belgium and France. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 13 on interest-bearing loans and borrowings.

2.1.3 Operational risk (price risk in first instance)

Price risk

Raw materials, supplies, labor and other costs directly related to the construction proces constitute a major part of the property development assets capitalized in the accounts of the Company’s project companies.
Although construction prices may substantially vary during each accounting year, the Company succeeds in reducing its operational risk by either entering into fixed price contracts or into open book contracts with related and unrelated companies.
Most property projects are realized in cooperation with parties related to the Company (see Note 23.2).

Market research

Before starting an investment, the Company’s management teams have performed their market research, comprising the following:
- status of the project’s current zoning (eventual timing for rezoning necessary)
- attitude of the local government towards a particular project
- are comparable projects being launched (timing and location)
- type of potential buyers/tenants - reasonable delivery date of the project
- projected sale/lease prices at the date of delivery
- yield expectations at that time
- time frame to achieve 50%-60% leasing level

Permit risk
A detailed advance study of the existing master plan or zoning plans substantially reduces the risks on obtaining building permits. On this issue, it is the Company's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk
Construction risks are monitored by the Consortium in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within the Consortium. This avoids cost overruns and delivery delays for the Company.
The Company also maintains full control over the building site coordination of (sub)contractors.

Engineering risk
The Company has to remain in control for the design, lay-out and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Company hardly ever outsources these tasks.

Financing risk
The Company relies since 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.
In the previous and the current year, the Company in addition proved to be able to call upon alternative financing through the issue of bonds (in total 79.8 MEUR unsecured bonds, ut infra).

Commercial risk
Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately triggers the intense involvement of both the Consortium's internal commercial departments and the external brokers. So far, the Company's track record shows at least a 50% (or more) leasing level before the end of construction works.

Investment market risk
Each developer or investment fund is influenced by the currently applicable yield expectations. Therefore, good project timing is essential. While securing the construction financing, the Company also negotiates a binding transition from construction loan into investment loan. This allows us to keep the property in portfolio and to wait for attractive offers of investors.

2.1.4 Credit risk

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (mostly renown international companies) and outstanding balances with related parties. The Company's entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 9.

2.1.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Company's liquidity needs. Due to the dynamic nature of the underlying business activities, the Company actively uses external and related party funds to ensure that adequate resources are available to finance the Company's capital needs. The Company's liquidity position is monitored by management, based on 12 months rolling forecasts.

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 13.

We also refer to note 10 and note 13.4 where the available financing is described.

2.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to support its strategic growth plans.
As all profits of the last years have been re-invested, the management's focus is mainly set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Company may decide to issue bonds or similar financial instruments in the (inter-)national financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels .

The Company monitors capital primarily on the basis of the solvency ratio. This ratio is calculated as total equity (considering the related party financing, which is subordinated) divided by the balance sheet total. The solvency ratios at 31 December 2013 and 2012 were as follows:

	2013	**2012**
Equity	25,290	19,346
Net related party loans payable	87,125	71,854
Total assets	370,209	281,857
Solvency ratio	**30%**	**32%**

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects future periods.

In addition to the estimates already explained in the accounting policies, the estimates and assumptions that might significantly affect the valuation of assets and liabilities are outlined below.

Impairment of inventory

The risk of impairment arises from uncertainties typical to the real estate industry. At the balance sheet date no impairment losses and/or write-offs to net realisable value have been recognized on the inventory, except for an amount of 300 KEUR on a residential project; project which has in Q1 2014 actually been sold.

Income taxes

The Company operates within a complex (inter-)national legal and regulatory environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

Basic Company Income Tax levels (excluding tax exemptions or other incentives):

Belgium:	33.99%
France:	33.33%

Fair value estimation

The carrying value less impairment write down of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

In conformity with IAS39 and to the extent applicable, all derivatives are recognized at fair value in the balance sheet.

With respect to the determination of fair value of IP(UC), we refer to section 1.9 above.

4. List of subsidiaries

IRC subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/13 % voting rights	31/12/12 % voting rights	Remarks
I.R.C. NV	**BE**	**99**	**99**	*
The White House Zoute NV	BE	99	99	*
Dock-Site NV	BE	99	99	*
Klippan Cabs NV	BE	n/a	99	4.2
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Rubia NV	BE	99	99	*
De Leewe III NV	BE	99	99	*
Immo Simava 13 NV	BE	99	99	*
Leisure Property Invest NV	BE	99	99	*
Waterview NV	BE	99	99	*
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
Artevelde Stadion CVBA	BE	57	57	**
Wavre Retail Park NV	BE	99	99	*
L-Park NV	BE	99	99	*
Docora NV	BE	99	99	*
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Retail Gent NV	BE	99	99	*
Parking Estates NV	BE	99	99	*
Parking Gent NV	BE	99	99	*
Arte Offices NV	BE	99	99	*
Schelde Offices NV	BE	99	99	*
Ring Offices NV	BE	99	99	*
Ring Hotel NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Forest Parc NV	BE	99	99	*
De Nieuwe Filature NV	BE	99	n/a	4.1

(*) the 1% remaining voting rights are owned directly or indirectly by Mr. P. Gheysens, the ultimate beneficial owner

(**): included in the IRC consolidated financial statements under the equity method

Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property.
Most subsidiaries are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate investment activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realised by the Company during the year ended on 31 December 2013. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.19 (and not in accordance with IFRS 3 on Business Combinations).

4.1 Acquisition of subsidiaries

As of 31/05/13 the Company acquired 100% of the shares of De Nieuwe Filature NV (total share price of 8,5 MEUR, 2.1 MEUR advance payments already done in 2012); company which holds title to a 24,000 sqm brownfield site, in view of the development of a mixed project (approx. 35,000 sqm gross leasable/sellable residential, student flat and retail space).

4.2 Disposal of subsidiaries

In March 2013 the Wevelgem Retail Park, retail project with a leasable area of +/- 4,600 sqm, has been sold to an investor. The sale of this project was structured as a share deal (i.e. sale of 100% of the shares of project SPV Klippan Cabs NV). The share price amounted to 5 MEUR.

4.3 Incorporation of new shelf companies

In October 2013, 3 new SPVs have been incorporated for the development of future real estate development projects.
For the respective (limited liability) entities, all shares (250) but one have been subscribed by IRC and one by mr. P. Gheysens. Each of the entities has a share capital of 250 KEUR, of which 63,5 KEUR has been paid in.

Given their limited size as of 31 December 2013, the concerned entities have not yet been consolidated in these consolidated financial statements. The participating interests which IRC holds in these entities have been kept at cost.

4.4 Asset Acquisitions and disposals of IRC (and subsidiaries)

Main acquisitions:

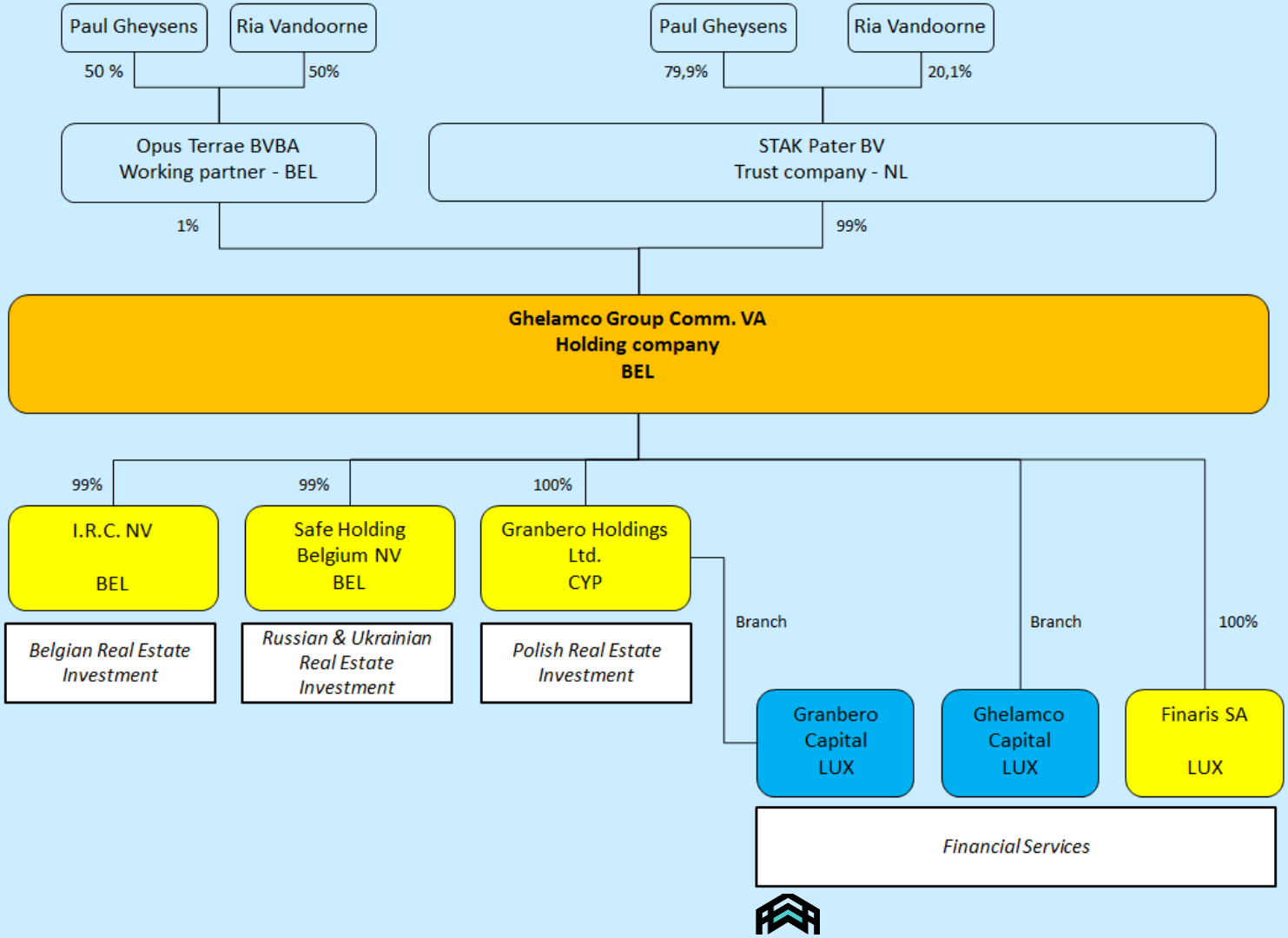
- Acquisition of land plots (by SPV Leisure Property Invest NV) in Knokke for a total amount of 3 MEUR, for the future development of the Golf Village project.

Main divestures:

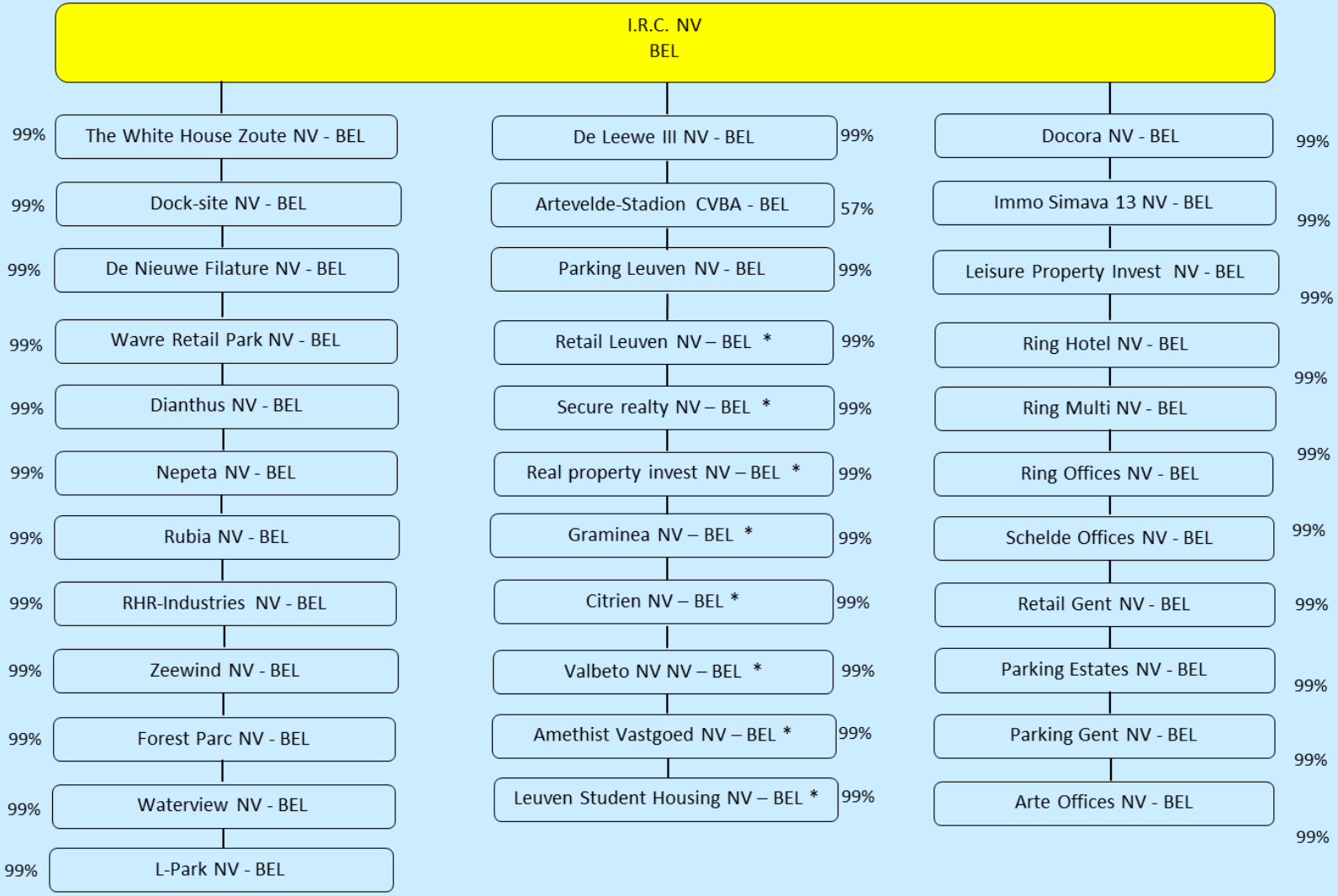
- Blaisantpark, sale of 30 apartments (of 67 in total) and 32 parkings (per 31/12/13 15% invoiced, under Breyne legislation) in the mixed project in Gent
- Farida, sale of 9 apartments (of 12 in total) in the residential project in Knokke
- Waterside Leuven, sale of 2 commercial units (over 65% of commercial units sold) and 22 parkings (over 80% of parking spaces sold)
- Beau Site, sale of 1 apartment in the residential project in De Panne
- Zegemeer, sale of 1 villa-apartment in the residential project in Knokke
- East Dune, sale of 1 apartment in the residential project in Oostduinkerke

5. Group structure

5.1. Investment Holding as per December 31st, 2013



5.2. Belgian and French Real Estate Investment as per December 31st, 2013



*: not included in the IFRS consolidated financial statements because of immateriality

6. Investment Property

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.
All plots of land held for undetermined use, or where the management determines that the plot will be used in a project where the building will be rented, are classified as Investment Properties on 31 December 2013 and 31 December 2012.

Investment Properties are stated at fair value determined by either independent appraisers or by management and are classified in 4 categories:

A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value based on comparative method);
B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable m²);
C. Land + Construction ongoing (fair value based on the residual method);
D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2013	31/12/2012
				KEUR	KEUR
BELGIUM					
Leisure Property Invest	Golf Knokke Zoute	Man	A	26,159	23,108
WRP	Wavre Retail Park	Man	A	12,600	12,600
L-Park	L-Park	CBRE	D	35,200	30,341
Retail Gent	Retail Gent	CBRE	D	17,450	16,211
Parking Gent	Parking Gent	CBRE	C/D	28,848	15,503
Parking Estates	Parking Estates	CBRE	C/D	2,371	2,371
Zeewind	Zeewind	Man	D	1,737	1,737
Schelde Offices	Schelde Offices	Cushman	C	20,478	2,512
Arte Offices	Arte Offices	Cushman	C	19,107	2,020
Ring Hotel	Ring Hotel	Man	B	1,155	979
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	C/D	17,935	n/a
Docora	Ghelamco Arena Offices	Cushman	C/D	13,300	n/a
Ring Offices	Ghelamco Arena Offices	Cushman	C	2,350	n/a
IRC	Le 8300	Man	C	16,169	n/a
TOTAL :				**214,859**	**107,382**

Legend : Man = Management valuation, CBRE = CBRE valuation report, Cushman = Cushman & Wakefield valuation report

Balance at 1 January 2012	**65,479**
Acquisition of properties	8,303
Subsequent expenditure	36,691
Transfers	
- Assets classified as held for sale	-6,700
- Other transfers	1,271
Adjustment to fair value through P/L	6,807
Disposals	-4,469
other	
Balance at 31 December 2012	**107,382**
Acquisition of properties	3,051
Subsequent expenditure	81,358
Transfers	
- Assets classified as held for sale	-3,475
- Other transfers	16,200
Adjustment to fair value through P/L	21,012
Disposals	-10,669
other	
Balance at 31 December 2013	**214,859**

Categories	**A**	**B**	**C**	**D**	**Total**
Balance at 1 January 2012	**35,708**	**0**	**18,499**	**11,272**	**65,479**
Acquisition of properties			4,443	3,860	8,303
Acquisition through business combinations					0
Subsequent expenditure	427	902	26,338	9,024	36,691
Transfers					
- Assets classified as held for sale				-6,700	-6,700
- Other transfers		77	567	627	1,271
Adjustment to fair value	-427		2,900	4,334	6,807
Disposals				-4,469	-4,469
Other					0
Balance at 31 December 2012	**35,708**	**979**	**52,747**	**17,948**	**107,382**
Acquisition of properties	3,051				3,051
Acquisition through business combinations					
Subsequent expenditure	-190	176	77,634	3,738	81,358
Transfers					
- Assets classified as held for sale			-3,475		-3,475
- Other transfers			-14,141	30,341	16,200
Adjustment to fair value	190		18,462	2,360	21,012
Disposals			-10,669		-10,669
Other					
Balance at 31 December 2013	**38,759**	**1,155**	**120,558**	**54,387**	**214,859**

First parts of the Artevelde Park/Ghelamco Arena project have in 2013 been sold for a total sales value of 10.7 MEUR. In addition, and per date of the current report, further parts have been pre-sold for a total sales value of 3.5 MEUR, and have for that as of 31/12/2013 been reclassified to assets held for sale.

Current year's transfers from inventory to investment property (under construction) mainly relate to the "Le 8300" project (luxurious wellness hotel in Knokke Zoute with +/- 40 rooms, currently under construction) and the office, congress and multifunctional spaces in the Ghelamco Arena.

Amounts that have been recognized in the Income Statement include the following:

	2013	2012
Rental income	2,778	1,663

2013 Rental income mainly relates to rent agreements in Retail Gent, Parking Gent, L-Park and Wavre Retail Park.

Significant assumptions and sensitivity analysis

Main part of Belgian IP(UC) relates to office and retail projects, which are valued based on the residual method (for IPUC) and income approach/yield/DCF method (for delivered projects).
For IFRS 13 purposes, IP(UC) projects are categorised in level 3.
The average yields (or capitalization rates) used in the expert valuations on 31 December 2013 are as follows:

- 6.00% to 6.65% for Belgian office projects, depending on the location, specifics and nature of the investment
- 6.25% to 6.5% for Belgian retail projects, depending on the location, specifics and nature of the investment

The average rent rates used in the expert valuations are as follows:

- 135 EUR/sqm/year to 150 EUR/sqm/year for office space,
- 78 EUR/sqm/year to 105 EUR/sqm/year for retail space,

depending on the location, specifics and nature of the project.

On 31 December 2013, the Company has a limited number of income producing investment properties (category D) which are valued at 54,387 KEUR (L-Park, Retail Gent and Zeewind). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 7,630 KEUR.

The investment properties (under construction) (category B and C) are valued using a number of assumptions in terms of e.g. construction cost, expected rental values etc. that are interlinked and for which a sensitivity analysis per variable would not make sense.

7. Property, Plant and Equipment

in thousands €	Property, plant and equipment	
	31.12.2013	**31.12.2012**
Cost	989	1,003
Accumulated depreciation/amortisation and impairment	-668	-616
TOTAL	**321**	**387**

in thousands €	Property, plant and equipment
Cost	
Balance at 1 January 2012	993
Additions	10
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2012	1,003
Additions	13
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-27
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	**989**

Accumulated depreciation and impairment	
Balance at 1 January 2012	543
Depreciation/Amortisation expense	73
Disposals or classified as held for sale	
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2012	616
Depreciation/Amortisation expense	68
Disposals or classified as held for sale	-16
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	**668**

8. Property Development Inventory

The Property Development Inventories amount to 111,503 KEUR on 31 December 2013 (2012: 115,345 KEUR) and are detailed as follows:

	31/12/2013	31/12/2012
Property Development Inventories	111,386	115,185
Raw materials	77	73
Finished goods	40	87
	111,503	**115,345**

	Carrying value (at cost) at 31 December 2013 - KEUR	Carrying value (at cost) at 31 December 2012 - KEUR
BELGIAN PROJECTS		
I.R.C. - others	8,248	7,793
Le Valeureux Liégeois - East Dune	22,815	19,968
The White House Zoute	2,171	1,848
Locarno Knokke	6,835	7,034
Residentie Zegemeer Knokke	1,324	3,783
Blinckaertlaan Knokke	5,739	5,575
“Le 8300”	n/a	13,244
Kanonstraat Brussel	815	804
Bleko Doornstraat Kortrijk	2,036	1,802
Dock-site	2,648	2,648
"Residentie Katelijne"	9,091	8.810
"Project Waterside"'	1,618	2.933
Waterview	5,253	4,710
Sylt	10,939	10,646
Cromme Bosh	12,497	12.194
Kinder Siska	7,164	6.860
RHR	1,737	1,737
Farida-Knokke	494	
Artevelde Multifunctional related	n/a	2,956
De Nieuwe Filature	10,079	
SUBTOTAL Belgium	**111,503**	**115,345**

Further reference is also made to section 3.

9. Non-current receivables & prepayments and current trade & other receivables

9.1 Non-current receivables & prepayments

	Note	31/12/2013	31/12/2012
Non-current			
Receivables from related parties	23.3	2,455	1,940
Trade and other receivables		2	206
Total non-current receivables and prepayments		**2,457**	**2,146**

Non-current receivables from related parties

All non-current loans to related parties are granted for a term of 3 to 5 years.
Contractual interest rates on non-current receivables to related parties for 2013 were as follows: Euribor/ Libor + margins in the range between 1% and 3%.
Further reference is made to Note 23.3.

The 2013 (and 2012) balance mainly consists of a receivable which IRC holds vs. Artevelde Stadion CVBA (1,960KEUR); associated company which is in these financial statements included under the equity method).

Non-current trade and other receivables

No significant amounts included.

The carrying amounts of non-current receivables approximate their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.

9.2 Current trade & other receivables

	Note	31/12/2013	31/12/2012
Current			
Receivables from related parties	23.3	15	0
Receivables from third parties		1,406	2,312
Less: allowance doubtful debtors (bad debt provision)		-33	-33
Net trade receivables		1,388	2,279
Other receivables		2,353	1,925
Related party current accounts	23.3	7,143	11,748
VAT receivable		1,463	1,244
Prepayments		0	0
Interest receivable		76	351
Total current trade and other receivables		**12,423**	**17,547**

Current trade and other receivables

The carrying amounts of trade and other receivables approximate their fair values determined based on the future cash flows discounted at the prevailing rate for a similar instrument of an issuer with a similar credit rating.

Trade receivables with related parties (and to the extent applicable, prepayments) include invoices for construction, engineering and other services as described in Note 23.2.

Current other receivables from related parties mainly consist of:
-7,413 KEUR current account which IRC holds vs. Ghelamco Group Comm. VA.

Interest receivable

The interest receivable fully consists of interests receivable from related parties.

VAT receivable

The SPVs holding VAT receivable balances may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.
VAT receivables are the result of VAT paid on their investment expenditures.

Credit risk exposure and impairment

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.

Allowances are determined on a case-by-case basis. An allowance for impairment is booked when there is an identified loss event that, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate beneficial owners of the Consortium. As such, credit risk concentrations with respect to trade and other receivables are assessed as very limited.

Movement in the allowance for doubtful debts

in thousands of €	31.12.2013	31.12.2012
Balance at beginning of the year	**33**	**33**
Impairment losses recognised on receivables		
Amounts written off during the year as uncollectible		
Amounts recovered during the year		
Impairment losses reversed		
Foreign exchange translation gains and losses		
Balance at end of the year	**33**	**33**

As of 31 December 2013 and 2012, trade and other receivables disclosed above do not include amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

10. Cash and cash equivalents

	31/12/2013	31/12/2012
Cash at banks and on hand	20,752	28,355
Short-term deposits		
	20,752	**28,355**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for various periods not more than three months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term deposit rates.

The Company also has access to the following additional resources of financing:

- additional capacity on the debt ratio (the Company chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);

- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to previous and current year's private bonds issues for a total amount of 79.8 MEUR.

11. Share capital

	31/12/2013	31/12/2012
Authorised		
2,893 ordinary shares without par value	1,490	1,490
issued and fully paid	1,490	1,490

At 31 December 2013, the Company's direct shareholders are:

- Ghelamco Group Comm. VA – 99,8% (2,888 shares)
- Paul Gheysens – 0,2% (5 shares)

11.1 Distribution of dividends within the Company

End 2013, IRC received an interim dividend for an amount of 996 KEUR from Rubia NV.

In the course of 2012, IRC received dividends (from available 2011 reserves) for a total amount of 3 MEUR from subsidiaries.

11.2 Non-Controlling Interests

	31/12/2013	31/12/2012
balance at beginning of year	73	47
share of profit for the year	21	26
acquistions/disposals	-4	
Balance at end of year	**90**	**73**

12. Reserves and retained earnings

Reserves and retained earnings on the balance sheet date are as follows:

	Cumulative translation reserve	Retained earnings
At 1 January 2012	0	17,414
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate beneficial owners		
Change in the consolidation scope		
Profit for the year		369
At 31 December 2012	**0**	**17,783**

	Cumulative translation reserve	Retained earnings
At 1 January 2013	0	17,783
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate beneficial owners		-13
Change in non-controlling interests		5
Change in the consolidation scope		-146
Profit for the year		6,081
At 31 December 2013	**0**	**23,710**

13. Interest-bearing loans and borrowings

		31/12/2013	31/12/2012
Non-current			
Bank borrowings – floating rate	13.1	73,581	31,536
Other borrowings	13.2/13.3	156,890	109,557
Finance lease liabilities			
		230,471	**141,093**
Current			
Bank borrowings – floating rate	13.1	73,146	87,601
Other borrowings	13.3	0	269
Finance lease liabilities			
		73,146	**87,870**
TOTAL		**303,617**	**228,963**

13.1 Bank Borrowings

During the period, the Company obtained new secured bank loans expressed in EUR and drew on existing credit facilities for a total amount of 36.7 MEUR, all of which are Euribor based. On the other hand, reimbursements (and/or refinancing) have been done for a total amount of 10.0 MEUR, net of prolongation of a number of borrowings.

When securing debt finance for its (larger) projects, the Company negotiates long term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2 year term) into construction loans (additional 2 year term) and swaps construction loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions.
Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

For the purpose of these financial statements, the Company treated its bank borrowings (or the maturing part of it) as current when the swap date from “acquisition loan into construction loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2014, part will actually be reimbursed following the contractual terms, part will be repaid upon sale of the related project and part will be prolonged or refinanced (e.g. through a swap to investment loan).

Summary of contractual maturities of external bank borrowings, including interest payments.

	31.12.2013				31.12.2012			
	<1 y	**between 2 and 5 y**	**>5y**	**total**	**<1 y**	**between 2 and 5 y**	**>5y**	**total**
Credit institutions withdrawn credits	76.757	74.119	1.000	151.876	85.954	29.632	1.000	116.586
Total	**76.757**	**74.119**	**1.000**	**151.876**	**85.954**	**29.632**	**1.000**	**116.586**
Percentage	51%	49%	1%	100%	74%	25%	1%	100%

Interests on bank borrowings – interest rate risk

Interests on land acquisition and development loans are considered as floating since the variable component of the interest formula will always be fixed for a period not superseding one year.

Depending on a project's potential debt service, interest rates on investment loans are sometimes partially fixed and the remainder is floating.

On 31 December 2013, the Company has an outstanding investment loan (13,503 KEUR) on Retail Gent, serviced by the actual rental income of the property (Brico Plan-It).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in:

- Belgium: between 1.25% and 4.0%

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 1,200 KEUR lower/higher profit before tax for 2013.

13.2 Other borrowings: Bonds (77,509 KEUR)

The Company has in December 2012 issued private unsecured bonds for a total amount of 42 MEUR (25.05 MEUR bond serie A, 16.95 MEUR bond serie B). These bonds, which are secured by a first demand guarantee from Ghelamco Group Comm. VA and issue of which was coordinated by KBC Securities and Belfius Bank, have been underwritten by a select group of institutional investors and high-net-worth individuals.
Bonds serie A has as maturity date 13/12/15 and bears a fixed interest of 7.0%. Bonds serie B has as maturity date 13/12/17 and bears a fixed interest of 7.875%.
Goal of the issue is to diversify financial resources and secure the mid-term funding necessary to secure the realization of the pipeline of Belgian and French projects.

In addition, the Company has in the second half of 2013 again issued private unsecured bonds for a total amount of 37,8 MEUR, secured by a first demand guarantee from Ghelamco Group Comm. VA., having as maturity date 28/02/2018 and bearing a fixed interest rate of 6.25%. 2013 bond issues have again been coordinated by KBC Securities and Belfius Bank.

Total balance of outstanding bonds per balance sheet date (77,509 KEUR) represents the amount of issue (79.8 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

13.3 Other borrowings: Other

31/12/2013 79,381 KEUR

Other borrowings in EUR at 31 December 2012 related to following related party balances:

- Peridot SL: 79,381 KEUR

31/12/2012 69,071 KEUR

Other borrowings in EUR at 31 December 2012 related to following related party balances:

- Peridot SL: 69,071 KEUR

13.4 Miscellaneous information

The fair value of interest bearing liabilities does not materially differ from the carrying amount, since largest part of them are floating interest bearing debts. The fair value of long term interest bearing debts (in absence of published price quotations in an active market) is calculated as the present value of cash flows discounted at the relevant current market interest rates adjusted for a company-specific margin. The fair value of short term interest bearing debts and floating interest bearing debts is assumed to be equivalent to their carrying amount.

Largest part of the Company's interest bearing liabilities are floating interest bearing debts.

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2013.

Bank borrowings are secured by amongst others the property development projects of the Company, including land and in-process construction, pledge on SPV shares, etc.
The bonds are secured by a first demand guarantee by Ghelamco Group Comm. VA.

The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.

Also the terms and conditions of the bond issue have been complied with as of balance sheet date.

At 31 December 2013, the Company has bank loans available to be drawn for a total amount of 36.221 KEUR and bonds which can still be tapped on its 70 MEUR bond program for an amount of 32.2 MEUR.

14. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes arise mainly from the temporary differences in respect of valuation of IP(UC), external borrowing costs capitalized and tax losses carried forward.

in thousands €	31/12/2013	31/12/2012
Deferred tax assets	2,530	2,201
Deferred tax liabilities	-13,121	-8,412
TOTAL	**-10,591**	**-6,211**

Deferred tax assets/(liabilities) arise from the following:

In thousands €	**Temporary differences**		**Unused tax losses and credits**	
	Investment property	**Other**	**Tax losses**	**Tax credits**
Balance at 1 January 2012	**-5,648**	**633**	**500**	
Recognised in income statement	-1,122	-1,224	650	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other				
Balance at 31 December 2012	**-6,770**	**-591**	**1,150**	
Recognised in income statement	-6,015	522	1,007	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		106		
Balance at 31 December 2013	**-12,785**	**37**	**2,157**	

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The following deferred tax assets have not been recognized at the reporting date:

in thousands €	31/12/2013	31/12/2012
DTA on unused tax losses	4,025	3,750
DTA on unused tax credits		
TOTAL	4,025	3,750

Tax losses in Belgium can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries.

15. Trade and other payables

Trade and other payables are analysed as follows:

	31/12/2013
Trade payables: third parties	8,875
Trade payables: related parties	782
Related parties current accounts payable	-
Misc. current liabilities	16,895
Deferred income	-
Current employee benefits	14
Total trade and other payables	**26,566**

	31/12/2012
Trade payables: third parties	9,348
Trade payables: related parties	1,811
Related parties current accounts payable	1,299
Misc. current liabilities	11,347
Deferred income	-
Current employee benefits	22
Total trade and other payables	**23,827**

Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received. On 31/12/2013, the trade payables include 782 KEUR towards related parties (vs. 1,811 KEUR last year), as follows

- Ghelamco Group: 226 KEUR
- IRS (Development Holding): 279 KEUR
- Others: 277 KEUR

Miscellaneous current liabilities mainly relate to interest payable (to related and third parties), VAT payable, accruals and others.

16. Revenue

Revenue is mainly generated from the following sources :

in thousands €	31.12.2013	31.12.2012
Sales of Residential Projects	6,756	15,205
Rental Income	2,778	1,663
Other	334	
TOTAL REVENUE	**9,868**	**16,868**

Rental income as of 31 December 2013 (and 2012) relates to rent from commercial projects.

The residential projects sales as of 31 December 2013 mainly relate to:

- Villas and apartments at the Belgian coast (5.064 KEUR)
- (mainly) commercial units and parkings in the Waterside project in Leuven (836 KEUR)
- Blaisantpark Gent, 30 apartments (of 67 in total) and 32 parkings (per 31/12/13 15% invoiced under Breyne legislation; 703 KEUR)

Overview of future minimum rental income

The cash value of future minimum rental income till the first expiry date of the non-cancellable leases is subject to the following collection terms:

in thousands €	31.12.2013	31.12.2012
Future minimum rental income:		
Less than 1 year	4,666	1,676
Between 1 and 2 years	5,888	2,660
Between 2 and 3 years	6,105	2,784
Between 3 and 4 years	6,227	2,840
Between 4 and 5 years	6,351	2,896
More than five years	56,955	32,870
TOTAL FUTURE MINIMUM RENTAL INCOME	**86,192**	**45,726**

17. Other items included in operating profit/loss

Other operating income and expenses in 2013 and 2012 include the following items:

	2013	2012
Other operating income		
Net gains on disposal of investment property	16	347
Other	930	1,042
Net gains on disposals of property, plant and equipment	-	-
total:	**946**	**1,389**

Last year's other operating income included gains on the disposals of the Gucci shop in Knokke (235 KEUR) and the sale of a plot at the level of Klippan Cabs (112 KEUR). Current year's 'other' items mainly relate to the charge-through to tenants of fit-out and real estate tax.

	2013	2012
Gains from revaluation of Investment Property	21,012	6,807

Fair value adjustments over 2013 amount to 21,012 KEUR, which is mainly the result of current year's further investment and leasing efforts (mainly on the Artevelde Park/Ghelamco Arena), in combination with evolution in market conditions (yield and rent level evolution).

As stated, the favorable fair value adjustment as recognized on Belgian projects is mainly related to the additional value created on the Artevelde Park/Ghelamco Arena multifunctional project, in which the composing parts have per year-end been delivered or are in an advanced stage of completion and/or have been partly (pre-)leased.

	2013	2012
Other operating expenses		
Operating lease/ rental/housing expenses	219	155
Taxes and charges	374	420
Insurance expenses	215	196
Audit, legal and tax expenses	1,097	2,251
Sales expenses	685	743
Operating expenses with related parties	2,436	2,199
Miscellaneous	-182	-126
Total:	**4,844**	**5,838**

Other operating expenses with related parties mainly concern the re-invoicing of costs within the framework of Service Level Agreements with Ghelamco Group Comm. VA, IRS Comm. VA and Deus Comm. VA. Also refer to note 23.2.

	2013	2012
Employee benefit expenses		
Wages and salaries	285	372
Social security costs	105	132
Total:	**390**	**504**

18. Cost of Property Development Inventories

The various items comprising the costs of Property Development Inventories are as follows:

	2013	2012
Movement in inventory	1,492	9,571
Purchases (*)	-7,722	-19,475
	-6,230	**-9,904**

(*)
Purchases (to an extent from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 84,409 KEUR.

19. Finance income and finance costs

The various items comprising the financial income and financial costs are as follows:

	2013	2012
Interest income	350	197
Other finance income	-	-
Total finance income	**350**	**197**
Interest expense	-8,502	-5,606
Other interest and finance costs	-963	
Total finance costs	**-9,465**	**-5,606**

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2013 and 2012 figures, as those have directly been capitalized on IP. It concerns an amount of 1,285 KEUR (vs. 752 KEUR last year).

Interest expenses mainly relate to interests on bank loans, bonds and on other (Peridot, related party) loans.

Other finance costs mainly relate to the partly release to the profit and loss statement of the capitalized bond issue expenses (which are amortized over the duration of the resp. bonds).

20. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2013	31.12.2012
Current income tax	292	1,229
Deferred tax	4,486	1,695
Total	**4,778**	**2,924**

The tax charge on the Company's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies. The analysis is as follows:

The income tax expense for the period can be reconciled to the accounting profit as follows:

in thousands €	31.12.2013	31.12.2012
Result before income taxes	10,880	3,319
Income tax expense calculated at 33.99%	3,698	1,128
Effect of different tax rates in other jurisdictions	-	-
Effect of non-deductible expenses	585	620
Effect of revenue that is exempt from taxation	-	-
Effect of use of previously unrecognized tax losses	-533	-14
Effect of current year losses for which no DTA is recognized	1,730	237
Effect of tax incentives not recognized in the income statement	-62	-81
Effect of under/over-accrued in previous years	-	-14
Effect of change in local tax rates	-	-
Release of 31/12/12 DTL re. Wevelgem Retail park sale (shares)	-705	
Release GW re Zeewind apartment sale: 2.253 KEUR		780
Release GW re sales White House and Waterside: 690 KEUR		235
Other	65	33
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**4,778**	**2,924**

The theoretical tax rate used for the above reconciliation is the (Belgian) statutory corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law.

Tax incentives not recognized in the income statement mainly relate to notional interest deduction (and DBI).

21. Contingent liabilities and contingent assets

21.1 (Bank) guarantees

All external borrowings of the subsidiaries are secured by corporate guarantees and/or suretyship agreements issued by IRC. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2013 and 2012.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2013 (KEUR)	
BELGIUM					**Guarantee by IRC**
Dianthus	Katelijne	EUR	950	950	Corporate Guarantee
Waterview	Waterview	EUR	5,000	5,000	Cash deficiency guarantee
WRP	Wavre Retail Park	EUR	5,906	5,906	Cash deficiency guarantee
L-Park	Wintermans Leuven	EUR	19,985	5,000	Corporate Guarantee
Leisure Property Invest	Golf Knokke Zoute	EUR	13,500	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Docora	kantoren Artevelde stadion	EUR	7,923	5,000	Corporate Guarantee, cash deficiency, cost overrun
Nepeta	East Dune	EUR	1,865	1,865	Corporate Guarantee, cash deficiency + subordination declaration Peridot
Zeewind	Zeewind	EUR	760	760	Corporate Guarantee, cash deficiency
Retail Gent	Retail Gent	EUR	13,503	13,503	Corporate Guarantee, cash deficiency, subordination declaration Peridot, minimal rent guarantee
Parking Estates	Parking Estates Gent	EUR	774	7,026	Corporate Guarantee, cash deficiency, cost overrun
Schelde Offices	Blue Towers	EUR	9,066	9,066	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Arte Offices	Blue Towers	EUR	8,636	8,636	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Parking Gent	Parking Gent	EUR	6,252	7,026	Corporate Guarantee, cash deficiency, cost overrun

Ring Multi Ring Congress Centre Ring Offices	Ghelamco Arena	EUR	10,656	10,656	Corporate Guarantee, cash deficiency

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate beneficial owners) at 31 December 2013 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that IRC does not guarantee loans of affiliates belonging to other Investment Holding holdings.

21.2 Representations and warranties provided with respect to the real estate projects sold

As a seller of shares of its subsidiaries, the Company acts as a guarantor with respect to the representations and warranties contained in the real estate sales contracts concluded in the past. This mainly concerns representations regarding the title on shares, property, financial matters, tax matters and contractual matters. The Company's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local statutory requirements).

Management's past experience shows that the Company receives very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Company has not deemed it necessary to recognize any provision for representations and warranty obligations.

21.3 Guarantees received from the contractors

The statutory warranty obligations born by construction service providers cover the risk of structural and other defects of the properties. Construction service providers (including related parties of the Company) in Belgium have a legal obligation to remediate any construction defects that become apparent within the first 10 years after completion of the construction for structural elements. Shorter guarantee periods apply for other elements, depending on the nature of such elements (each sub-contractor bears similar "back-to-back" obligations).

21.4 Securities on assets

Special Purpose Vehicles (SPV) entering into external financing are offering following collaterals :

- first ranking ceiling mortgage on the property belonging to the SPV (land + buildings)
- registered pledge on the borrower's shares;
- assignment of most receivables (inter alia leases, rents, sales, performance bonds, insurance income, …);
- cash deficiency/cost overrun (letter of comfort) by the shareholder (if applicable);

Generally no cross guarantees on assets are granted by the different SPV's, or other types of surety-ships, cost overruns or debt service commitments.

21.5 Other – Besix litigation

Proceedings were commenced by Besix NV and Vanhout NV against Artevelde Stadion CVBA, IRC and Ring Multi NV (subsidiary of IRC), for a purported breach of a so-called "Bouwteamovereenkomst". The claim is strongly contested by Artevelde-Stadion CVBA and IRC and IRC is confident that this litigation will not materially impact IRC. In December 2013 Artevelde Stadion CVBA and IRC appealed against the interlocutory judgment that was taken by the Commercial Court of Gent in October 2013. The Court of Appeal in Gent has scheduled the pleadings on 25 November 2016.

22. Commitments

22.1 (Capital) Commitments

(Capital and other) expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2013	**2012**
Architectural and Engineering contracts	5,087	2,170
Construction contracts	12,118	28,271
Purchase of land plots	281	-
Purchase of shares (connected with landbank)	-	6,992
Total	**17,486**	**37,432**

At 31 December 2013, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (plots) or shares:

Binding contracts

- None per end 2013
- Last year's commitment related to the acquisition of shares of De Nieuwe Filature NV, company holding title to a 24,000 sqm brownfield site, in view of the development of a 35,000 sqm mixed project. Acquisition actually took place in May 2013; ut supra.

Non-binding contracts

- Different other option contracts or rights to acquire property without the obligation for the Company to take up the property.

As an investor in commercial and residential properties, the Company is committed to continue the realization of properties under the contracts with construction companies, often in cooperation with related parties of the Company.

As to the above architectural and engineering contracts and construction contracts, significant part of the expenditures are spread over the coming 2 to 3 years, depending on management decision to move forward with the involved projects.

The Company in addition declares sufficient flexibility on the commitments, as significant part of those commitments are contracted with related party entities belonging to the Development Holding.

Related party architecture and engineering contracts in the above overview amount to 3.0 MEUR; related party construction contracts to 3.6 MEUR.

For the on-going construction contracts the respective SPV's concluded binding construction financing contracts with different banks.

Main contracts in the above overview relate to the following projects :

- Blue Towers Gent (Arte Offices NV and Schelde Offices NV): 6.4 MEUR construction contracts in total (all third party agreements)

23. Related party transactions

The Company is together with the other Investment Holding (sub-)holdings, the Development Holding and the Portfolio Holding – all related parties – under common control of the ultimate beneficial owners, Mr. & Ms. Gheysens.

Balances and transactions between the Company and its subsidiaries, have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties (belonging to the Investment Holding, the Development Holding and the Portfolio Holding) are described below.

23.1. Relationships with the directors and management

For the year ending 31 December 2013, the Consortium (of which the Company is part) paid a total amount of approx. 5,000 KEUR to the members of the Management Committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

This amount comprises the full compensation. No other short- or long-term benefits, stock option plans or other post-employment benefits have been granted to the members of the Management Committee.

23.2. Trading transactions: Purchase of construction, engineering and other related services from related parties

Construction and Development Services

The Company has entered into property development and construction contracts with property development and construction companies ("Contractors") – the indirect subsidiaries of the Development Holding:

- Ghelamco NV with its registered office in Ypres;

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:

- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required socio-economical permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labor and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the constructed buildings, to the Company after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Company's real estate company and the Contractor. The Contractor retains an obligation to remedy all defects noted in the minutes of hand-over from the Company to the tenants (when tenants take possession of their premises).

Construction service providers (including Contractors) in Belgium have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 10 years in Belgium.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins of around 15% to 20%.

Engineering and architectural design services

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland), legal subsidiary of the Development Holding) coordinates engineering and architectural design services provided to the Company's larger projects, in accordance with the terms of the respective contracts.
Apec's services include:

- detailed functional, technical, structural and surface-related programs and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;
- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate investment entity upon achievement by Apec Ltd of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc). The prices for the services reflect normal commercial terms and conditions as locally in place.

23.3. Acquisitions and disposals of shares and other related party transactions

There have been no share transactions or other significant transactions with related parties in 2013 and 2012.

Other

The excess cash balances generated by the Company's real estate investing activities can, besides being reinvested in own projects and subsidiaries' projects, to an extent and within the requirements of the terms and conditions of the recent bonds issue, also be invested/deposited in entities belonging to the Investment Holding in form of short and long-term loans. These loans are granted at the arm's length conditions.

Above described related party transactions and balances can be detailed as follows:

	31/12/2013	31/12/2012
Purchases of construction, engineering and architectural design:	-34,613	-4,205
related party trade receivable	15	-
related party trade accounts payable	-782	-1,811
related party non-current loans receivable	2,455	1,940
related party interests receivable	76	351
related party C/A receivable	7,143	11,748
related party non-current loans payable	-79,381	-69,071
related party interests payable	-10,275	-7,923
related party C/A payable	-	-1,299

24. Events after balance sheet date

No significant events to be mentioned.

25. Auditor's Report

Deloitte.

Deloitte Bedrijfsrevisoren /
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International Real Estate Construction NV and subsidiaries

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2013

Deloitte.

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International Real Estate Construction NV and subsidiaries

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2013

We are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of International Real Estate Construction NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated statement of financial position shows total assets of 370.209 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 6.081 (000) EUR.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of 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 are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

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. 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 independent auditor's judgment, 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 auditor considers internal control relevant to the group'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 group'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 have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of International Real Estate Construction NV give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Diegem, 21 March 2014

The independent auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck