



EUROCASTLE

REG-Eurocastle Inv. Ltd Final Results - Part 1

Feb 24, 2005

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Eurocastle Investment Limited
24 February 2005

EUROCASTLE INVESTMENT LIMITED
PRELIMINARY RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2004

Year End 2004 Highlights

- Initial public offering completed in June 2004, raising net proceeds of e74.3 million.
- Total assets ended at e1,627.6 million, a e1,568.0 million increase from 31 December 2003.
- Equity book value total of e206.4 million, or e11.18 per share.
- Net earnings of e12.0 million, or e0.78 per diluted share, despite having a significant amount of uninvested cash during the year.
- Declared total dividends of e0.63 per share.

Fourth Quarter 2004 Highlights

- Total assets increased 87.3% from e869.0 million to e1,627.6 million during the quarter.
- Net earnings of e5.1 million for the quarter, or e0.27 per diluted share.
- Increased fourth quarter dividend of e0.33 per share, or annualised rate of e1.32 per share.
- Deployed substantially all of the IPO equity.
- Term financed a e318.5 million purchase of credit leased real estate assets

----- Selected Financial Data (amounts in e'000, except share data and supplemental data) -----	----- Three Months Ended 31 December 2004 -----	----- Year Ended 31 December 2004 -----
----- Operating Data -----		
----- Net profit -----	5,062	12,031
----- Earnings per diluted share -----	0.27	0.78
----- Weighted average number of shares outstanding, diluted -----	19,088,970	15,495,783
----- Balance Sheet Data -----	As of 31 December 2004	As of 30 September 2004
----- Available-for-sale assets (includes cash to be invested) -----	1,286,422	858,192

Investment Properties	318,514	-
Cash and cash equivalents	10,293	1,619
Total assets	1,627,619	868,961
Debt obligations	1,154,310	654,027
Shareholders' equity	206,420	203,315

Supplemental Total Real Estate and Other ABS Securities and Real Estate Loans
Data as of 31 December 2004*

Weighted average asset yield	4.18%
Weighted average liability cost	2.73%
Weighted average net spread	1.45%
Weighted average credit rating	BBB+
Weighted average asset credit spread (above Euribor)	1.99%
Percentage investment grade	93%
Number of securities	85

* excludes short term investments with a maturity of less than 3 months and rated A-1+ by Standard & Poor's and P-1 by Moody's

EUROCASTLE INVESTMENT LIMITED

PRELIMINARY RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2004

Overview

Eurocastle Investment Limited (LSE: ECT) reported net earnings for the quarter ended 31 December 2004 of e5.1 million or e0.27 per diluted share. Net earnings for the year ended 31 December 2004 totaled e12.0 million or e0.78 per diluted share. As of 31 December 2004, the Company's shareholders' equity was e206.4 million or e11.18 per outstanding share.

Eurocastle's core business strategy is to invest in a diverse portfolio consisting primarily of European real estate asset-backed securities and other European real estate related assets which we finance in a manner designed to match the terms of our assets and liabilities. In the year ended 31 December 2004, Eurocastle purchased approximately e1,061 million of asset backed securities, e22 million of real estate related loans, and e318.5 million of credit leased real estate assets.

Despite credit spreads of European asset backed securities at historically tight levels, we continue to find attractive opportunities to deploy capital at superior risk adjusted returns. We anticipate there will be increased supply of European CMBS in 2005. During the past 12 months there has been a substantial increase in activity with several new conduit programs being formed by a number of investment banks. The B-Note market is also developing in line with this increased securitisation activity and should offer investment possibilities during the current year.

In addition to acquiring real estate and other asset backed securities and real estate related loans during the quarter, Eurocastle also completed its first sale-leaseback transaction in December for e318.5 million. The investment allowed us to substantially deploy the capital we raised in our IPO and generate attractive risk adjusted returns. It represents a long-term investment for Eurocastle and reflects our interest in Germany as well as other opportunities in Western Europe to acquire real estate leased to high credit tenants.

Fourth Quarter 2004 Dividend

The Board of Directors of Eurocastle declared a dividend of e0.33 per share for the quarter ended 31 December 2004. The record date for this dividend will be 4 March 2005 and the payment date will be on 11 March 2005. Eurocastle paid a dividend of e0.30 per share for the third quarter on 5 November 2004.

Our aim is to pay out all or substantially all of Eurocastle's earnings in the form of dividends to shareholders. Eurocastle intends to pay quarterly dividends to shareholders.

Fourth Quarter Investment Activity

During the fourth quarter of 2004, we acquired e534.8 million of real estate and other asset backed securities and real estate related assets.

Real Estate and Other Asset Backed Securities and Real Estate Loans

Total purchases in the quarter were e216.3 million in face amount of real estate securities, other asset backed securities and real estate loans, excluding short term investments (asset backed commercial paper). The securities purchased had an average credit rating of A- and an average credit spread above Euribor of 1.64%. Purchases of CMBS amounted to e88.0 million with an average spread of 1.25% and average rating of BBB+. RMBS purchases amounted to e30.3 million with an average spread of 1.62% and average rating of BBB. Other ABS purchases amounted to e75.8 million with an average spread of 0.76% and average rating of A+. Real estate related loans amounted to e22.2 million with an average spread of 6.17%. After allowing for sales of securities and principal redemptions, the net increase in face amount of real estate and other asset backed securities and real estate related loans during the quarter was approximately e181 million.

Other Real Estate Related Assets

Eurocastle also acquired a portfolio of 96 properties from Deutsche Bank AG for e318.5 million on 24 December 2004. The properties predominantly consist of office buildings and are largely occupied by Deutsche Bank. Deutsche Bank will continue to occupy most of their current space on a medium to long-term basis. The properties, totaling 300,000 square meters of leasable space, are located in 90 cities and towns throughout Germany. The properties are generally in city centre pedestrian areas and are among the best located and highest quality assets in their respective markets. The portfolio has been term financed as described below.

Capital Markets

Eurocastle completed its initial public offering on 29 June 2004 with a net capital raise of approximately e74.3 million, despite difficult equity markets in Europe at that time. Further capital raises are expected during the current year.

Consistent with the Company's funding discipline a e400 million non-recourse term debt offering was completed by Eurocastle CDO I in June 2004 to finance a portfolio of commercial mortgage backed securities and other asset backed securities.

In December 2004, Eurocastle entered into a 8.4 year term loan of e246.5 million with a major real estate lending bank to finance the acquisition of properties from Deutsche Bank. The term loan was set at a cost of Euribor plus 1.15%. After allowing for the cost of a term fixed rate interest rate swap on e210 million of the loan, the average cost of financing these properties at the year end was 4.53%.

Eurocastle also entered into a revolving 364 day credit facility in December 2004 for e35.0 million as a means of securing access to temporary working capital. The interest rate on drawn amounts was priced at Euribor plus 2.5%, with a commitment fee of 0.5% on undrawn amounts.

Investment Portfolio

As of 31 December 2004, Eurocastle's total securities and loans portfolio of e1,286.4 million, which represents 79.0% of the Company's total assets, included e526.2 million of commercial mortgage backed securities, e254.1 million of asset backed commercial paper, e475.0 million of other asset backed securities, e21.9 million of loans, and e9.2 million of cash held within Eurocastle CDO I pending investment in additional real estate securities and other asset backed securities during the ramp-up period.

The investment portfolio is well diversified with 85 issues and an average life of 4.0 years; 95% of the portfolio comprises floating-rate securities. The portfolio is geographically diversified with direct exposures of 39% in the UK, 25% in Italy, 13% Pan European, 10% in Germany, and 6% in France. The average credit quality of the securities portfolio is BBB+ and 93% of the securities are rated investment grade. The weighted average credit spread was 1.99% as of 31 December 2004. The weighted average credit spread represents the yield premium on our securities over Euribor.

Credit

Our real estate securities portfolio continues to perform. As of 31 December 2004, none of our securities or loans defaulted, and there have been no principal losses to date. We continue to seek investments that will generate superior risk adjusted returns with a long-term objective of capital preservation and earnings stability in varying interest rate and credit cycles. With the exception of Germany, where developments have reflected a cautious view of economic prospects, major property markets in Europe have been benign for investors, with falling yield expectations reflecting unsatisfied demand for stable, good quality assets. Our expectations are for continued stability with moderate growth prospects.

About Eurocastle

Eurocastle Investment Limited is an investment company that invests in and manages a diverse portfolio consisting primarily of European real estate related asset-backed securities and other European real estate related assets. Eurocastle is managed by Fortress Investment Group LLC, a global alternative investment and asset management firm with approximately US\$12 billion of equity capital currently under management.

Conference Call

Management will conduct a conference call on Thursday 24 February 2005 to review the Company's financial results for the year ended 31 December 2004. The conference call is scheduled for 1:30 P.M. London time (8:30 A.M. New York time). All interested parties are welcome to participate on the live call. You can access the conference call by dialing US (888) 428-4473 or International (612) 332-0923 ten minutes prior to the scheduled start of the call; please reference "Eurocastle Fourth Quarter 2004 Earnings Call."

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on 3 March 2005 by dialing US (800) 475-6701 or International (320) 365-3844; please reference access code "771573."

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

Notes	Unaudited Year Ended 31 December 2004	8 August 2003 (Formation Date) to 31 December 2003
	e'000	e'000
-----	-----	-----
Operating income		
Interest income	23,902	50

Rental income		344	-
Realised gain on securities portfolio contract	15	4,141	611
Loss on foreign currency translation		(613)	-
Realised gain on disposal of available-for-sale securities		1,356	-
-----	-----	-----	-----
Total operating income		29,130	661
-----	-----	-----	-----
Operating expenses			
Interest expense		13,663	-
Property operating expense		33	-
Other operating expenses	3	3,403	759
-----	-----	-----	-----
Total operating expenses		17,099	759
-----	-----	-----	-----
Net profit (loss)		12,031	(98)
=====	=====	=====	=====
Earnings per ordinary share (adjusted for share consolidation)			
Basic	12	0.79	(0.01)
Diluted	12	0.78	(0.01)

Weighted average ordinary shares outstanding (adjusted for share consolidation)			
Basic	13	15,214,818	11,857,670
Diluted	13	15,495,783	11,857,670
=====	=====	=====	=====

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 31 December 2004 e' 000	31 December 2003 e' 000
-----	-----	-----	-----
Assets			
Cash and cash equivalents		10,293	1,690
Restricted cash		2,812	-
Securities portfolio contract	15	-	57,611
Asset backed securities, available-for-sale (includes cash to be invested)	4	1,264,484	-
Real estate related loans, available-for-sale	5	21,938	-
Investment property	7	318,514	-
Other assets	6	9,578	316
-----	-----	-----	-----
Total assets		1,627,619	59,617
=====	=====	=====	=====

Equity and Liabilities

Capital and Reserves

Issued capital, no par value, unlimited
number of shares authorised, 18,463,670
shares issued and outstanding at 31

December 2004			
(11,857,670 at 31 December 2003, adjusted for share consolidation)	13	192,709	59,027
Net unrealised gain on available-for-sales securities and hedge instruments	4, 5	7,317	-
Accumulated profit (loss)		6,394	(98)
-----	-----	-----	-----
Total equity		206,420	58,929
-----	-----	-----	-----
Minority Interests		2	-
Liabilities			
CDO bonds payable	8	347,877	-
Bank borrowings	9	608,849	-
Repurchase agreements	10	197,584	-
Trade and other payables	11	266,887	688
-----	-----	-----	-----
Total liabilities		1,421,197	688
-----	-----	-----	-----
Total equity and liabilities		1,627,619	59,617
=====	=====	=====	=====

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Year Ended	8 August 2003 (Formation Date) to
	31 December 2004 e'000	31 December 2003 e'000
-----	-----	-----
Cash Flows From Operating Activities		
Net profit (loss)	12,031	(98)
Adjustments for:		
Unrealised gain on securities portfolio contract	-	(611)
Unrealised gain on foreign currency contracts	(275)	-
Accretion of discounts on securities	(790)	-
Amortisation of borrowing costs	224	-
Gain on disposal of available-for-sale securities	(1,356)	-
Gain on securities portfolio contract	(4,141)	-
Shares granted to Directors	72	-
Net change in operating assets and liabilities:		
Increase in restricted cash	(2,812)	-
Increase in other assets	(8,271)	(113)
Increase in trade and other payables	9,223	688
-----	-----	-----
Net cash flows used in operating activities	3,905	(134)
-----	-----	-----
Cash Flows From Investing Activities		
Purchase of investment property	(315,589)	-
Securities portfolio contract deposit paid	(59,000)	(57,000)
Proceeds on securities portfolio		

contract deposit	120,752	-
Purchase of available-for-sale securities/loans	(1,082,651)	-
Proceeds from sale of available-for-sale securities	39,667	-
Repayment of security principal	19,363	-
-----	-----	-----
Net cash flows used in investing activities	(1,277,458)	(57,000)
-----	-----	-----
Cash Flows From Financing Activities		
Proceeds from issuance of ordinary shares	138,488	59,288
Costs related to issuance of ordinary shares	(4,878)	(261)
Issuance of bonds	347,658	-
Borrowings under repurchase agreements	197,584	-
Proceeds from bank borrowings	608,843	-
Payment of deferred financing costs	-	(203)
Dividends paid to shareholders	(5,539)	-
-----	-----	-----
Net cash flows from financing activities	1,282,156	58,824
-----	-----	-----
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	1,690	-
Cash and Cash Equivalents, End of Year	10,293	1,690
-----	-----	-----

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital		Net	Hedging	Accumulated	Total
	Ordinary		Unrealised	Reserves	Profit	Equity
	Shares		Gains		(Loss)	
	(adjusted for	Amount				
	share	e'000	e'000	e'000	e'000	e'000
	consolidation)					
	-----	-----	-----	-----	-----	-----
At 8 August 2003 (Date of Formation)	-	-	-	-	-	-
Issuance of ordinary shares	11,857,670	59,288	-	-	-	59,288
Costs related to issuance of ordinary shares	-	(261)	-	-	-	(261)
Net loss	-	-	-	-	(98)	(98)
-----	-----	-----	-----	-----	-----	-----
At 31 December 2003	11,857,670	59,027	-	-	(98)	58,929
-----	-----	-----	-----	-----	-----	-----
At 1 January 2004	11,857,670	59,027	-	-	(98)	58,929
Second capital call on existing shares	-	59,288	-	-	-	59,288
Issuance of ordinary shares on IPO	6,600,000	79,200	-	-	-	79,200
Costs related to issuance of						

ordinary shares on IPO	-	(4,878)	-	-	-	(4,878)
Issuance of ordinary shares to Directors	6,000	72	-	-	-	72
Net unrealised gain on available-for-sale securities	-	-	6,604	-	-	6,604
Net unrealised gain on hedge instruments	-	-	-	713	-	713
Dividends paid	-	-	-	-	(5,539)	(5,539)
Net profit	-	-	-	-	12,031	12,031
-----	-----	-----	-----	-----	-----	-----
At 31 December 2004 (unaudited)	18,463,670	192,709	6,604	713	6,394	206,420
=====	=====	=====	=====	=====	=====	=====

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BACKGROUND

Eurocastle Investment Limited (the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. The principal activities of the Company include the investing in, financing and managing of European real estate securities and other real estate related assets and other asset backed securities. The directors consider the Company to operate in three business segments, being real estate and other asset backed securities, real estate related loans, and investment properties, and one geographical segment, being Europe.

The Company is externally managed by its manager, Fortress Investment Group LLC (the "Manager"). The Company has entered into a management agreement (the "Management Agreement") under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company's Board of Directors. The Company has no direct employees. For its services, the Manager receives an annual management fee (which includes a reimbursement for expenses) and incentive compensation, as described in the Management Agreement. The Company has no ownership interest in the Manager.

In October 2003, the Company issued 118,576,700 ordinary shares through a private offering to qualified investors at a price of e1 per share. Pursuant to a written resolution of the Company dated 18 June 2004, the shareholders resolved to receive one share in exchange for every ten shares previously held by them. Immediately following this resolution, the Manager and its employees held 1,356,870 ordinary shares. In June 2004 the Company issued 6,600,000 ordinary shares in its initial public offering at a price of e12.00 per share, for net proceeds of e74.3 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by IASB's predecessor, the International Accounting Standards Committee, that remain in effect. In preparing financial statements, the same accounting principles and methods of

computation are applied as in the financial statements as at 31 December 2003 and for the period then ended. The consolidated financial statements are presented in euros, the functional currency of the Company, because the Company conducts its business predominantly in euros.

Basis of Preparation

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised or historical cost.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the year ended 31 December 2004.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

At 31 December 2004, the Company's subsidiaries consisted of its investment in Eurocastle Funding Limited ("EFL"), a limited company incorporated in Ireland, Eurocastle CDO I PLC ("CDO I"), Eurocastle CDO II PLC ("CDO II") and Eurocastle CDO III PLC ("CDO III"), all limited companies incorporated in Ireland. The ordinary share capital of EFL held by outside parties has no associated voting rights. The Company retains control over EFL as the sole beneficial holder of secured notes issued by EFL. In accordance with the Standards Interpretation Committee Interpretation 12 Consolidation - Special Purpose Entities the Company consolidates CDO I, CDO II and CDO III as it retains control over these entities and retains the residual risks of ownership of these entities.

Eurocastle acquired its real estate properties through two German limited liability companies, Longwave Acquisition GmbH ("Longwave") and Shortwave Acquisition GmbH ("Shortwave") which are held through two Luxembourg companies (Eurobarbican and Luxgate), set up as sociétés a responsabilité limitée. Longwave and Shortwave each own German companies which have been used to hold one or several of the investment properties. These companies were established as special purpose vehicles limited to holding the single or multiple real estate investment properties acquired at the end of December 2004. Longwave has 60 subsidiaries and Shortwave has 2 subsidiaries. Luxgate owns all of the ordinary share capital of Eurobarbican which in turn owns all of the share capital of Longwave and Shortwave. Also see Note 19.

Financial Instruments

Classification

Financial assets and liabilities held for trading are those instruments that the Company principally holds for the purpose of short-term profit taking. These include securities portfolio contracts and forward foreign exchange contracts that are not designated as effective hedging instruments.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Company, or held to maturity. Available-for-sale instruments include real estate and other asset backed securities and real estate related loans.

Recognition

The Company recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets (trade date). From this date any gains and losses arising from changes in fair value of the assets are recognised.

A financial liability is recognised on the date the Company becomes party to contractual provisions of the instrument.

Measurement

Financial instruments are measured initially at cost, including transaction cost.

Subsequent to initial recognition all trading instruments and available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All financial assets other than trading instruments and available-for-sale assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques, as applicable.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognised directly in the income statement. Gains and losses arising from a change in the fair value of available-for-sale securities are recognised directly in equity until the investment is derecognised (sold, collected, or otherwise disposed of) or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Assets held for trading and available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the specific identification method to determine the gain or loss on derecognition.

Impairment

Financial assets are reviewed at each balance sheet date to determine whether

there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is the difference between the net carrying value of an asset and its recoverable amount. Any such impairment loss is recognised in the income statement.

Securities and loans are considered to be impaired, for financial reporting purposes, when it is probable that the Company will be unable to collect all principal or interest when due according to the contractual terms of the original agreements, or, for securities or loans purchased at a discount for credit losses, when it determines that it is probable that it will be unable to collect as anticipated. Upon determination of impairment an allowance is established based on the recoverable amount of the underlying investment using a discounted cash flow analysis.

Hedge accounting

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The fair value of a derivative hedging instrument is calculated in the same way as the fair value of trading instruments (refer to accounting policy above).

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognised assets or liabilities, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

The gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Available-For-Sale Securities

Securities available-for-sale which are owned directly by the consolidated special purpose vehicles as shown separately in Note 5.

Investment Properties

Investment properties comprise land and buildings. In accordance with IAS 40, property held to earn rentals and/or for capital appreciation is categorised as investment property. Investment property acquired at the end of December 2004 has been recognised at cost, being the fair value of the consideration given, including real estate transfer taxes, professional advisory fees and other acquisition costs. After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the consolidated income statement. Fair values for the properties have been assessed by the company to be in line with the initial cost of the properties including acquisition costs, and as such, no profit or loss arising from changes in value has been brought to account in the current period.

The value of investment property incorporates five properties which are considered finance or operating leases. As the company has assumed substantially all the risks and rewards associated with these assets, and it has treated these as investment property under IAS 17 and IAS 40. These properties have been recognised at fair value in the same manner as freehold property. An associated liability representing the present value of lease payments to the freehold owner has been included in the balance sheet.

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