



Develica Deutschland Limited

INTERIM REPORT 2007

FOR THE SIX-MONTHS ENDED 30 SEPTEMBER 2007





Develica Deutschland Limited is a London Stock Exchange AIM listed property company, focusing on German commercial real estate opportunities, adding value through active management.

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Chairman's Statement

INTRODUCTION

It gives me pleasure to present the Interim Report and Accounts for the half year ended 30 September 2007. A great deal of progress has been made since publication of the 31 March 2007 year end Report and Accounts with gross investment value rising from €486 million to €967 million, as a result of a series of significant property investment acquisitions. Subsequent to the 30 September, a further €7.3 million has now completed with an additional €63.3 million notarised and awaiting completion. The Company is now almost fully invested and is well on track to achieve targets indicated at flotation in May 2006.

RESULTS

The operating profit before tax for the six-month period was €7.9 million (2006 H1: €(1.5) million).

The operating profit after tax for the six-month period was €5.6 million (2006 H1: €(1.5) million).

Earnings Per Share ("EPS") was 2.3 cents (2006 H1: (0.6) cents).

The adjusted operating profit before tax for the six-month period excluding any revaluation surplus and contribution arising from the fair value of the hedging instruments was €6.6 million (2006 H1: €1.2 million).

The adjusted profit after tax for the six-month period, which excludes revaluation surplus, contribution arising from the fair value of the hedging instruments and deferred tax was €6.2 million (2006 H1: €1.2 million).

ASSET AND SHARE PRICE PERFORMANCE

The portfolio was valued by CB Richard Ellis Limited as at 30 September at €966.9 million (2006 H1: €49.2 million), giving a net surplus over purchase price including related costs of €3.6 million.

Excluding acquisition cost the corresponding surplus was €54.7 million, an uplift of 6%.

Over the six-month period net asset value increased by 2.3% from 97.82 cents to 100.07 cents. This is a very satisfactory performance considering the short period since many of the acquisitions were completed. Over the six-months to 30 September, DDE's price slipped from €1.07 down to 94 cents, a fall of 12.2%. Against its peer group however, DDE's price has been remarkably robust, comfortably outperforming this sub-group in both capital terms and by total return over the period. Indeed, in capital terms, DDE outperformed the sector average by 13% and the Fundamental Data index of German property funds (includes residential funds) by 12.7%. The total return margin was similar, 11.9% and

11.5% respectively. Since 30 September, in difficult financial market conditions the shares, despite dropping below 94 cents, have continued to perform well against the immediate peer group.

FINANCING

During the six-month period the Group's borrowings rose from €355.3 million to €759.1 million and the gearing ratio increased from 73.1% to 78.5%, which still is in line with our expectations to achieve our goal of 85% loan to value once fully invested.

All borrowings are secured against the properties with five year terms from completion and are on a fixed rate with an average weighted interest rate of 5.26%, an increase of 0.26% over the six-month period.

INTERIM DIVIDEND

Your Board has pleasure to announce an interim dividend of 2.0 cents per share. This is consistent with our original expectations and the Board remains confident that the level of dividend for the full year anticipated at admission will be achieved.

ASSET MANAGEMENT

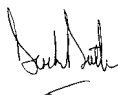
The property portfolio is managed on a day to day basis by its investment manager, with the primary objective of generating enhanced rental and capital returns year on year. Stock selection has primarily focused on properties with inherent potential to realise latent value yet at the same time provide secure rental income. The Board believes that active asset management will generate total returns in line with our expectations.

OUTLOOK

The volatility in the financial markets is clearly acting as a restraint on the market but the Company is well positioned to keep this impact to a minimum. The Company's debt is fixed, cash flow is positive and the properties acquired have been selected with discernment and purchased upon terms that we believe represent "fair value" or better. Moreover, the macro economic fundamentals for Germany remain positive.

The Company continues to actively manage available cash reserves and look at all opportunities to enhance shareholder returns.

We have achieved much in the last six-months and I look forward to the future with confidence.



DEREK BUTLER

Chairman
3 December 2007

Unaudited Consolidated Income Statement

For the period 1 April 2007 to 30 September 2007

	Note	1 April 2007 to 30 September 2007 €	18 May 2006 to 30 September 2006 €
Rental income		23,862,518	250,115
Property operating expenses		(483,363)	(20,539)
GROSS PROFIT		23,379,155	229,576
Fair value adjustment on investment property	4	552,324	(2,659,802)
Administrative and other expenses	3	(1,929,726)	(901,304)
Formation expenses		(31,429)	(180,731)
OPERATING PROFIT/(LOSS)		21,970,324	(3,512,883)
Finance costs		(15,518,526)	—
Fair value adjustment on interest rate swap		759,471	—
Finance income		703,171	2,048,707
NET PROFIT/(LOSS) BEFORE TAXATION		7,914,440	(1,464,176)
Taxation	5	(2,287,379)	—
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		5,627,061	(1,464,176)
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE		2.3 cents	(0.6) cents

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

Unaudited Consolidated Statement of Changes in Equity

For the period 1 April 2007 to 30 September 2007

	Share capital €	Share premium €	Distributable reserve €	Retained earnings €	Total €
AT 18 MAY 2006	—	—	—	—	—
Issue of Ordinary Shares	2,500,000	247,500,000	—	—	250,000,000
Share issue costs	—	(10,753,570)	—	—	(10,753,570)
Loss attributable to equity holders	—	—	—	(1,464,176)	(1,464,176)
BALANCE AT 30 SEPTEMBER 2006	2,500,000	236,746,430	—	(1,464,176)	237,782,254
Share issue costs	—	(100,000)	—	—	(100,000)
Transfer to distributable reserve	—	(236,646,430)	236,646,430	—	—
Profit attributable to equity holders	—	—	—	6,775,708	6,775,708
Share-based payment	—	—	—	100,000	100,000
BALANCE AT 31 MARCH 2007	2,500,000	—	236,646,430	5,411,532	244,557,962
Profit attributable to equity holders	—	—	—	5,627,061	5,627,061
BALANCE AT 30 SEPTEMBER 2007	2,500,000	—	236,646,430	11,038,593	250,185,023

The notes on pages 5 to 9 form part of these financial statements.

Unaudited Consolidated Balance Sheet

As at 30 September 2007

	Note	30 September 2007 €	Audited 31 March 2007 €
ASSETS			
NON-CURRENT ASSETS			
Investment property	4	966,900,000	486,060,000
TOTAL NON-CURRENT ASSETS		966,900,000	486,060,000
CURRENT ASSETS			
Derivative financial instruments – interest rate swaps	6	4,282,363	—
Property purchase deposits		5,227,844	48,317,763
Trade and other receivables		5,175,870	10,457,482
Cash and cash equivalents		43,143,438	62,965,108
TOTAL CURRENT ASSETS		57,829,515	121,740,353
TOTAL ASSETS		1,024,729,515	607,800,353
EQUITY AND LIABILITIES			
EQUITY			
Issued capital		2,500,000	2,500,000
Distributable reserve		236,646,430	236,646,430
Retained profit		11,038,593	5,411,532
TOTAL EQUITY		250,185,023	244,557,962
NON-CURRENT LIABILITIES			
Secured loans	6	749,323,959	351,758,542
Deferred tax liability	5	3,457,414	1,583,888
TOTAL NON-CURRENT LIABILITIES		752,781,373	353,342,430
CURRENT LIABILITIES			
Secured loans	6	9,781,216	3,574,377
Derivative financial instruments – interest rate swaps	6	3,729,884	206,992
Trade and other payables		7,697,080	5,977,507
Income tax	5	554,939	141,085
TOTAL CURRENT LIABILITIES		21,763,119	9,899,961
TOTAL LIABILITIES		774,544,492	363,242,391
TOTAL EQUITY AND LIABILITIES		1,024,729,515	607,800,353
NET ASSET VALUE PER ORDINARY SHARE		100.07 cents	97.82 cents

Approved by the Board of Directors on 3 December 2007 and signed on its behalf by:



DEREK BUTLER
Chairman



JOHN HALLAM
Director

The notes on pages 5 to 9 form part of these financial statements.

Unaudited Consolidated Cash Flow Statement

For the period 1 April 2007 to 30 September 2007

	1 April 2007 to 30 September 2007 €	18 May 2006 to 30 September 2006 €
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit/(loss)	21,970,324	(3,512,883)
ADJUSTMENT FOR:		
Net revaluation (surplus)/deficit on investment property	(552,324)	2,659,802
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL	21,418,000	(853,081)
Decrease/(increase) in trade and other receivables	5,281,612	(367,977)
Increase in trade and other payables	5,922,851	506,833
Decrease in property prepayments	43,089,919	—
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	75,712,382	(714,225)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment property	(484,580,305)	(51,706,334)
Escrow account	—	(1,500,000)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(484,580,305)	(53,206,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	—	250,000,000
Costs related to issue of ordinary shares	—	(10,427,398)
Interest received	703,171	2,048,707
Interest paid	(9,336,658)	—
Swap payments	(288,605)	—
Costs of raising finance	(3,755,447)	—
Receipt of new bank loans	402,873,431	—
Bank loan repayments	(1,149,639)	—
NET CASH INFLOW FROM FINANCING ACTIVITIES	389,046,253	241,621,309
Net (decrease)/increase in cash and cash equivalents	(19,821,670)	187,700,750
Cash and cash equivalents at beginning of period	62,965,108	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	43,143,438	187,700,750

The notes on pages 5 to 9 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the period 1 April 2007 to 30 September 2007

1 GENERAL INFORMATION

Develica Deutschland Limited is a closed ended investment Company incorporated in Guernsey on 18 May 2006 under the provisions of the Companies (Guernsey) Law, 1994. The investment objective of the Company and its subsidiaries (together “the Group”) is to achieve income and capital growth primarily from a diversified portfolio of commercial properties situated in Germany.

2 PRINCIPAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND ACCOUNTING CONVENTION

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of investment property and derivative financial instruments.

The functional and presentation currency is the Euro.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of Develica Deutschland Limited and its subsidiary undertakings drawn up to 30 September 2007.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the period ended 31 March 2007.

3 ADMINISTRATION AND OTHER EXPENSES

	1 April 2007 to 30 September 2007 €	18 May 2006 to 30 September 2006 €
Legal and professional fees	475,893	32,205
Management fees	860,954	86,434
Audit fees	25,137	—
Non-audit fees	15,000	39,465
Administration fees	93,508	33,425
Directors’ fees	124,623	78,767
Other expenses	334,611	631,008
	1,929,726	901,304

Notes to the Consolidated Financial Statements *continued*

For the period 1 April 2007 to 30 September 2007

4 INVESTMENT PROPERTY

	1 April 2007 to 30 September 2007 Group €	1 October 2006 to 31 March 2007 Group €	18 May 2006 to 30 September 2006 Group €
COST OF INVESTMENT PROPERTY AT 1 APRIL 2007	483,060,786	51,821,570	—
Additions during the period at cost:			
Purchase price paid	454,092,900	408,975,010	49,161,768
Transaction costs	26,194,776	22,264,206	2,659,802
COST OF INVESTMENT PROPERTY AT 30 SEPTEMBER 2007	963,348,462	483,060,786	51,821,570
Fair value adjustment at 1 April 2007	2,999,214	(2,659,802)	
Fair value adjustment for the period	552,324	5,659,016	(2,659,802)
FAIR VALUE OF INVESTMENT PROPERTY AT 30 SEPTEMBER 2007	966,900,000	486,060,000	49,161,768

The investment properties have been valued by CB Richard Ellis Limited as at 30 September 2007. A comparison with the purchase prices, excluding transaction costs of acquisition, as at the respective dates of acquisition, gives rise to a gross revaluation surplus of €54.7 million, based on the valuation at 30 September 2007.

5 DEFERRED TAX AND INCOME TAX

At 30 September 2007, in accordance with IFRS, deferred tax liabilities of €3.5 million have been recognised relating to the potential tax arising from the capital gains on the increase in value of properties since the date of acquisition that may become payable in the case of certain property disposals. This has resulted in a deferred tax charge for the period of €1,873,525.

German income tax for the period, arising from foreign source income on the Group's investment properties, amounted to €413,854.

6 SECURED LOANS AND INTEREST RATE SWAPS

At 30 September 2007 the Group's interest bearing loans comprises:

	Maturity	30 September 2007 €	31 March 2007 €
NON-CURRENT			
Bank loans:			
Term loan under the Atrium Bonn facility	October 2011	40,124,791	40,300,389
Term loan under the Gutperle portfolio facility	January 2012	72,835,388	73,536,856
Term loan under the Project Blue Star portfolio facility	April 2012	210,613,466	210,526,502
Term loan under the Darmstadt portfolio facility	April 2012	27,280,946	27,394,795
Term loan under the Alchemy portfolio facility	April 2012	86,876,775	—
Term loan under the Wachovia portfolio facility	August 2012	55,284,044	—
Term loan under the Liberty Land portfolio facility	August 2012	37,951,330	—
Term loan under the Project Brighton portfolio facility	October 2012	218,357,219	—
		749,323,959	351,758,542
CURRENT			
Bank loans:			
Term loan under the Atrium Bonn facility	October 2011	781,779	738,699
Term loan under the Gutperle portfolio facility	January 2012	2,201,046	2,115,935
Term loan under the Project Blue Star portfolio facility	April 2012	1,800,748	477,469
Term loan under the Darmstadt portfolio facility	April 2012	523,926	242,274
Term loan under the Alchemy portfolio facility	April 2012	1,295,878	—
Term loan under the Wachovia portfolio facility	August 2012	155,371	—
Term loan under the Liberty Land portfolio facility	August 2012	993,157	—
Term loan under the Project Brighton portfolio facility	October 2012	2,029,311	—
		9,781,216	3,574,377
TOTAL		759,105,175	355,332,919

Notes to the Consolidated Financial Statements *continued*

For the period 1 April 2007 to 30 September 2007

6 SECURED LOANS AND INTEREST RATE SWAPS *continued*

BANK LOANS

At 30 September 2007 the Group's bank loans (excluding overdrafts) net of financing costs and accrued interest comprises:

	Principal amount €	Finance costs €	Net loan €	Accrued interest €	Total €
At 18 May 2006	—	—	—	—	—
Receipt of bank loans	356,876,750	(3,043,128)	353,833,622	—	353,833,622
Repayment of bank loans	(584,984)	100,392	(484,592)	—	(484,592)
Finance costs	—	—	—	1,983,889	1,983,889
AT 31 MARCH 2007	356,291,766	(2,942,736)	353,349,030	1,983,889	355,332,919
At 1 April 2007	356,291,766	(2,942,736)	353,349,030	—	353,349,030
Receipt of bank loans	402,873,431	(3,755,446)	399,117,985	—	399,117,985
Repayment of bank loans	(1,149,639)	402,783	(746,855)	—	(746,855)
Finance costs	—	—	—	7,385,016	7,385,016
AT 30 SEPTEMBER 2007	758,015,558	(6,295,399)	751,720,159	7,385,016	759,105,175

All of the Group's properties, as valued by CB Richard Ellis Limited (see note 4) have been secured against the Group's loan facilities.

Loans are floating rate but have been swapped to fixed rates between 3.813% and 4.738%.

7 DIVIDEND

The Board have declared an interim dividend of €5 million representing €0.02 per share payable to shareholders on the register at 14 December 2007 and will be paid on 28 December 2007.

8 RELATED PARTY DISCLOSURES

The Group was charged investment management fees of €860,954 by Develica Deutschland Management Limited during the period of which €nil was outstanding at the period end. Grant Tromans, who holds an interest in the Company and is a Director of the Company, is also a director of Develica Deutschland Management Limited in which he also holds a beneficial interest.

9 ULTIMATE CONTROLLING PARTIES

In the opinion of the Board there is no ultimate controlling party.

10 COMMITMENTS AND CONTINGENCIES

As at the 30 September 2007, the Group was committed to purchasing the following property portfolios, details of which are shown in note 11:

Liberty (outstanding properties)
Gutperle 2
Mannheim
North German

It is the firm intention of the Directors that any disposal of property will be conducted through the sale of a specific special purpose vehicle (“SPV”) in line with current practice in Germany. In the unlikely event of the Group considering a sale of a property other than by way of a sale of the relevant SPV which holds the property, then a buyer might be required to pay transfer taxes at the rate then prevailing. This might marginally affect the price which the Group would consider for such disposal. In addition the Group could be liable for any German capital gains taxes which may then be applicable on the sale of the property out of the SPV in which it was held.

11 SUBSEQUENT EVENTS

Purchases of the following property portfolios have completed since 30 September 2007. All purchases were financed by external loans and equity subscriptions. The details of these purchases are as follows:

Property portfolio	Purchase price	Estimated costs
Liberty	€5,433,255	€595,948
North German	€1,844,675	€110,680

The following property portfolios are notarised but are yet to complete:

Property portfolio	Purchase price	Estimated costs
Gutperle 2	€41,361,827	€2,481,709
Mannheim	€17,044,109	€1,022,646
North German	€4,879,551	€292,773

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