Tower Group A/S i likvidation

Annual Report 2012

This is an unofficial translation of an original document in the Danish language.
In the event of disputes or misunderstandings arising from the interpretation of any part of the translation, the Danish language version shall prevail.

CVR no. 64 13 84 13

TOWER GROUP

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Company information

<u>Company</u>

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<u>Liquidator</u>

Dr. Christian Eichberger

<u>Auditors</u>

KPMG Statsautoriseret Revisionspartnerselskab

<u>Annual General Meeting</u>

The Company's Annual General Meeting will be held on 30 May 2013 at the Company's office in Copenhagen.

Statement of Liquidator

The Liquidator has today discussed and approved the Annual Report of Tower Group A/S i likvidation for the financial year 2012.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

It is my opinion that the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2012 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year from 1 January to 31 December 2012.

In my opinion, the Management's Report includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flows and financial position, , as well as a description of the most significant risks and uncertainty factors that Group and the Parent Company face.

I recommend that the Annual Report shall be approved at the Annual General Meeting on 30 May 2013.

Copenhagen, 8 May 2013

Liquidator:

Dr. Christian Eichberger

The Independent Auditor's Report

To the Shareholders of Tower Group A/S i likvidation

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Tower Group A/S i likvidation for the financial year 1 January – 31 December 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity,cash flow statement and notes, including a summary of significant accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

Liquidator's responsibility for the consolidated financial statements and the parent company financial statements

Liquidator is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act and for such internal control that Liquidator determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 and the parent company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Liquidator, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2012 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

Emphasis of matter regarding matters in the financial statements

Without modifying our opinion, we draw attention to:

- Note 2 on Basis of preparation of the consolidated financial statements and the Parent Company financial statements and accounting policies, in which it is stated that assets and liabilities have been measured based on their expected net realization values and liquidation values,
- Note 3 on Accounting estimates and assessments and note 10 on Financial Risk and financial instruments, in which the risk of bankruptcy and assumptions for a solvent liquidation is described.

Statement on the Liquidator's review

Pursuant to the Danish Financial Statements Act, we have read the Liquidator's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Liquidator's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 8 May 2013
KPMG
Statsautoriseret Revisionspartnerselskab

Per Gunslev State Authorised Public Accountant	Allan Pedersen State Authorised Public Accountant

Liquidator's review
General

Tower Group A/S i likvidation ("the Company" or "the Parent Company"), as per its Articles of Association, is a company that historically has acquired, through various subsidiaries, residential real estate assets in Germany. The business objective was to hold these assets, extract value through operations, and, in time, dispose at a profit.

After an intensive phase of restructuring negotiations undertaken with the senior and junior lenders in 2010 and 2011, the majority shareholder, BXR Tower B.V., decided in November 2011 to no longer support the restructuring negotiations with additional bridge financing and also to withdraw its support for the scheduled rights issue.

This loss of financial support compromised the Company's ability to continue operating as a going concern, especially as it was clear that without additional funding to complete the restructuring, there was not time to build positive equity value. Therefore, the former management considered and evaluated a number of scenarios which sought to recover value for the stakeholders. Immediate insolvency proceedings were also considered given the indebted situation of the Company.

Given limited or no equity recovery, the former board considered its wider fiduciary obligations to all the Company's stakeholders, and after consideration decided on an alternative aimed at generating as much value as possible for the Company's stakeholders by selling the Company's assets and winding up the remaining group.

After receiving positive indications from a number of stakeholders, the former management initiated the spinout and liquidation process by the end of December 2011. The process comprises the following steps:

1. Sale of the following subsidiaries to FFIRE Investment GmbH: Tower 1 Immobilien erste GmbH, Tower 1 Immobilien neunte GmbH, Tower Pension 1 GmbH, Tower Pension 2 GmbH, Eranus Real Estate Investment GmbH and Molinia SP.z.o.o.
2. Sale of the following subsidiaries: Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH,
3. Conclusion of restructuring and waiver agreements with the junior lenders and the main creditors,
4. Delisting of the shares of Tower Group A/S i likvidation at the NASDAQ OMX Copenhagen, and
5. Orderly, solvent liquidation of the Company and its remaining subsidiaries.

The sale of the portfolio mentioned above under step 1 has been closed in the first half-year 2012. At the Extraordinary General Meeting, held on 25 May 2012, the transaction was approved by the shareholders. Furthermore, the shareholders approved in this meeting the Board of Directors' motion that the Company enters into liquidation proceedings as per 25 May 2012 and appointed Dr. Christian Eichberger as liquidator.

Moreover, the Extraordinary General Meeting approved the proposal of the Board of Directors to file an application for the delisting of the Company's shares from the trading and official listing with NASDAQ OMX Copenhagen A/S. NASDAQ OMX Copenhagen A/S has accepted the Company's request for delisting and the shares in the Company were delisted in November 2012 (step 4).

The status of the other steps are explained in detail in the next section "Development of the spinout and liquidation process".

As already stated in the Company releases in the past as well as in the Annual Report 2011 by the former management, it is still not expected to recover any value for the shareholders. Based on the current liquidation budget, all proceeds of the spinout process have to be used to settle the current claims and liquidation costs. In fact, the Company is still confronted with significant risks which are present and which have the potential to derail the orderly liquidation process, likely resulting in insolvency.

Development of the spinout and liquidation process

Sales & Purchase Agreement with FFIRE

On 3 April 2012, the Company signed a Sales & Purchase Agreement ("SPA") with FFIRE Investment GmbH ("FFIRE"), a 100% subsidiary of FFIRE Immobilien Verwaltung AG. The SPA had several conditions precedent ("CP") which were fulfilled by the end of May 2012. Based on the SPA, the shares in the following subsidiaries were sold:

- Eranus Real Estate Investment GmbH
- Molinia SP.Z.o.o.
- Tower 1 Immobilien erste GmbH
- Tower 1 Immobilien neunte GmbH
- Tower Pension 1 GmbH
- Tower Pension 2 GmbH

As consideration for the share transfer, FFIRE took over certain liabilities from Tower Group A/S i likvidation and its subsidiaries. The settlement of these liabilities led to a cash inflow of EUR 1.75 million which is used to fund the liquidation of the Company and certain subsidiaries. Furthermore, FFIRE Investment GmbH has committed to take on consulting fees associated with the transaction, up to a value of EUR 167,000 as well as to fund the liquidation process with additional liquidity of up to EUR 500,000, if necessary. Based on the current liquidation budget, it is expected that the additional funds are necessary.

Negotiations regarding the spinout of the remaining portfolio

At year-end 2012, the sales process of Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH was still ongoing. In mid-November 2012, under the leadership of an asset manager and the management of the companies and with the support of the senior bank of the portfolio, a competitive bidding process was initiated. Final binding bids were requested by the end of February 2013, and in total four binding bids were received from serious investors. An extensive evaluation of the bids was completed along with an investor ranking and the selection of one bidder. Subsequently, the senior bank supported by the asset manager and the management of the companies entered into exclusive negotiations with this bidder. As a result of this negotiations, Tower 2 Holding ApS signed a Sales & Purchase Agreement with FFIRE Investment GmbH and Value Development GmbH on 10 April 2013. Based on this agreement 100% of the shares in Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH will be transferred. The agreed purchase price for the share transfer is EUR 1.00. At the date of this Annual Report, a few conditions precedent are still open. It is expected that the transaction will be completed by mid-2013. In connection with this transaction, Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH signed a Sales & Purchase Agreement with Gewobag PB Wohnen in Prenzlauer Berg GmbH on 11 April 2013. Based on this agreement the properties located in Berlin of the three companies will be transferred. Please refer also the explanations in section 'Expectations and other forward-looking statements'.

Restructuring and waiver agreement with junior lenders

On 25 May 2012, the Company and its subsidiaries signed a Restructuring Agreement and a Waiver Agreement with the Danish lenders of the junior loans. Based on these agreements, a portion of the junior loans has been transferred to FFIRE Investment GmbH. Furthermore, the waiver and restructuring agreements determine that any right to exercise rights or forward any claim against the Company and its subsidiaries in relation to the residual junior lender claims will be irrevocably waived, if certain conditions are fulfilled. The remaining condition is that the liquidation accounts of Tower Group A/S i likvidation are finally approved and that the liquidation proceeds do not cover the financial obligations. The junior lenders have agreed to suspend any of their rights and remedies relating to the financial obligations until the above mentioned condition is met. Based on the liquidation budget and the expectations regarding the sale of the remaining assets, it is expected that no funds – even partially – will be available to settle the residual junior loans of the Danish lenders. This also corresponds to the expectations of the junior lenders which are documented in the agreements.

As the only bank it has so far not been possible to close a waiver agreement with Landsbanki Luxembourg S.A. Negotiations with Landsbanki has been ongoing since early 2012. The liquidation process of Landsbanki Luxembourg S.A. and the assignment of its claims to the parent company Landsbanki Islands HF, which is in liquidation itself, and the changes of responsibilities have led to the significant delay in the completion of the waiver agreement. The outstanding loan amounts to EUR 5.0 million. The current negotiations with the liquidator of Landsbanki Islands HF provide for a settlement payment of EUR 0.3 - 0.5 million and a waiver of the remaining claim of EUR 4.5 – 4.7 million. This corresponds to the amount that was agreed upon in the initial liquidation budget with the other junior banks as compensation for Landsbanki.

Waiver Agreements with major suppliers

The Company and its subsidiaries have concluded several waiver agreements with major suppliers. Based on these agreements, the suppliers have agreed to waive a portion of the outstanding amounts, after they have received a certain amount. After all settlement payments have been made in 2012 and thus all conditions were fulfilled, the waiver came into force.

Liquidation

Except for Tower 2 Holding ApS, Tower Management GmbH and the three companies to be sold, all other group companies have entered into liquidation proceedings in 2012 respectively on 1 January 2013. It is expected that the main parts of the liquidations are completed by the end of 2013.

Risk management

As described above, the Company is in the process of unwinding its activities. However, until this process is completed it still has to manage a number of risks. To ensure a liquidation, an ongoing risk identification and monitoring is crucial. The Liquidator has therefore continuous focus on controlling the Company's risks, including ensuring that he is updated appropriately to enable him to keep an eye on the development of the risks applying at any time and to navigate accordingly.

There are several key risk areas which, at the date of approving this Annual Report, remain open, including e.g.:

1. Conclusion of an agreement with the liquidator of Landsbanki Islands HF; if no agreement can be reached or the requested settlement is higher than considered in the liquidation budget, then the orderly liquidation is likely to fail.

2. Reaching a settlement with Curanis (incl. subsidiaries) – the Company is in litigation with Curanis entities with claims and counter-claims. Without a resolution, the orderly liquidation will not be completed, and insolvency is likely. For further information on this issue we refer to our explanation in section ‘Other aspects’ in this report.

3. For several years, the police has been investigating a possible price manipulation with treasury shares. Should the Company be convicted to pay penalties or be involved in legal proceedings, then the orderly liquidation is likely to fail. For further information on this issue we refer to our explanation in section ‘Other aspects’ in this report.

4. The expected liquidation expenses are based on the experience of the last months regarding the need of external advisory services and on the assumption that the liquidation process will be largely completed by the end of 2013. If circumstances arise that require additional external advisory services or extend the liquidation process significantly, there is the risk that the available funds are not sufficient then and bankruptcy is likely.

5. Completing the liquidation of the remaining subsidiaries of Tower Group A/S i likvidation.

Should all these risks, however, be managed, then the Company expects to be able to complete an orderly liquidation of all claims.

Other aspects

<u>Price manipulation</u>

In connection with the preparation of the Company's annual report for 2007/2008, the Company's Board of Directors at the time was informed that a Market Maker Agreement had been made according to which the Company acquired treasury shares corresponding to 1.1 % of the Company's total share capital. In the light of this, the former management filed a report to the Danish Financial Supervisory Authority. The Danish Financial Supervisory Authority has passed on the matter to the police for investigation.

The Company made announcements to the market in announcement of financial statements 2007/08 of 30 September 2008 and in Company release no. 81, 3 December 2008, in which the matter was explained in detail and stating that a police investigation had been initiated regarding a possible price manipulation with treasury shares.

On 16 June 2010, the Company was formally charged with price manipulation. At the same time, the police investigation unit for Serious Economic Crime (SØK) charged a number of people, including previous members of the Company's management.

Since 2009, the Company has under its new management tried to clarify this matter and is assisting the police in every aspect of its investigations. The police have obtained full access to the Company's files.

The Company has not set aside an amount for possible legal proceedings or penalties in connection with a conviction against the Company, as the Company is of the opinion that it has itself committed no crime and investigations in question related solely to the individuals thus far charged.

On 16 January 2012, the Company received a letter from the Danish police indicating that the police were continuing their investigation and were thus still not able to elaborate further. However, they expressed an expectation to make a decision during the summer of 2013.

For the time being there is no further information to report.

On 5 October 2011, the above charge against the Company regarding a possible price manipulation, cf. section 39 (1), cf. section 38 (1) no 2 and 4 and (2) no 3 of the The Securities Trading Act, was expanded, as two named persons were charged who are not or have not been employed by the Company. Furthermore, these persons are not known to the Company's current management. The charges relate to the trading of the Company's shares carried out by the two persons during the period from the beginning of February 2008 up to and including 23 May 2008. Also in this case the police have obtained full access to the Company's files.

Neither in this case has the Company set aside an amount for possible legal proceedings or penalties in connection with a conviction against the Company, as the Company is of the opinion that it has itself committed no crime.

Litigation with Curanis

With effect from 1 February 2009, the Company terminated its administration agreement with the German company Curanis Wohnimmobilien GmbH because of defective and unsatisfactory administration of a material part of the Group's investment properties.

In connection with the cancellation of the agreement, the Company has chosen to retain payment for Curanis Wohnimmobilien GmbH’s services, and the Company and its subsidiaries, Tower 1 Immobilien vierte GmbH, Tower 1 Immobilien fünfte GmbH, and Tower 1 Immobilien sechste GmbH, have so far made a claim for compensation of EUR 7.2 million against Curanis Wohnimmobilien GmbH. Curanis Wohnimmobilien GmbH and one of its subsidiaries have made a claim against the Company and its aforementioned subsidiaries of EUR 690,000.

Curanis Wohnimmobilien GmbH is facing a strained financial situation. Parts of Curanis Wohnimmobilien GmbH were in liquidation in 2010, including one of the subsidiaries against which the Company had initiated a legal action. Already in 2011, all balance sheet items in the Company's financial statements have been regulated according to this development.

No assets or liabilities in respect of the litigation with Curanis have been recognized in the consolidated financial statements and the Parent Company financial statements for 2012.

Corporate Social Responsibility (CSR)

The Company acknowledges a responsibility for contributing to the common good of the community. In the past, the Company supported the formation of a worker’s council and the transfer of its employees to other employers. Furthermore, the Company complied with various environmental laws and regulations.

Due to the winding up of the group, the activities in this field are limited now.

Corporate Governance

The liquidator focuses on corporate governance and on planning the general management in a manner ensuring that the company meets it obligations towards shareholders, authorities and other stakeholders.

The liquidator currently addresses developments in the corporate governance area, including statutory regulations, good practice, and recommendations and will continue to evaluate the company's own standards.

Management

In the past, the Company was managed through a two-tier system with the Board of Directors and the Executive Board as the management bodies. The Board of Directors had the general responsibility for the Company management. The Executive Board was in charge of the day-to-day management of the Company. The CEO of the Executive Board was also a member of the Board of Directors.

Until the Extraordinary General Meeting on 25 May 2012, the Board of Directors had the following members:

- Anton Aksic
- Petr Skrla
- Martin Coté
- Martin Ráž

Martin Coté was also the only member of the Executive Board of the Company.

The Board of Directors as well as the Executive Board have been replaced by Dr. Christian Eichberger who was elected as the liquidator of the Company at the Extraordinary General Meeting on 25 May 2012.

In 2012, the members of the Board of Directors and the Executive Board did not receive any remuneration from the Company. Furthermore, they were not covered by incentive or bonus schemes.

Shareholder information

In November 2012, the shares of the Company have been delisted at the NASDAQ OMX Copenhagen A/S.

As per 31 December 2012, the following shareholders have informed the Company that they own more than 5% of the voting rights or nominal value of the share capital:

Company[1]	**Share**
BXR Tower B.V.	57.13%
Alm. Brand Bank A/S	8.80%
Finansiel Stabilitet A/S	7.25%
Finansieringsselskabet af 14/10 2010 A/S (tidl. Eik Bank Danmark A/S)	5.00%

In January 2013, the Company has been informed that BXR Tower B.V. has sold for a symbolic amount its shares to FFIRE Investment GmbH.

The Company has not paid any dividends during the last four accounting years. With regards to the spinout and liquidation process, the Company does not expect to be able to distribute any dividends or liquidations proceeds to the shareholders in the future.

Financial review

Due to the liquidation and disposal process of the assets and liabilities of the complete Group, the Group's and the Company's assets and liabilities have been reclassified to assets and liabilities held for sale in 2011. The assets and liabilities have been measured based on their expected net realization values and liquidation values. Expected debt forgiveness from banks have not been recognized in the financial statements for 2012, since not all conditions of the waiver agreement have been fulfilled, yet, or no agreement has been reached, yet.

The balance sheet total of the Group and of the Company has been reduced significantly since last year. This development mainly relates to the disposal of the six companies which were sold to FFIRE Investment GmbH by the end of May 2012. A further significant reduction of the balance sheet total will occur when the remaining three portfolio companies (Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH, and Tower 1 Immobilien achte GmbH) have been sold.

[1] Not all of the above shareholders are registered by name in the register of shareholders.

The equity of the Group and of the Company has been improved due to the profits of the financial year 2012 in the amount of DKK 43.7 million and 26.5 million, respectively. However, the equity of the Group and of the Company is still negative with DKK 144.4 million and DKK 144.6 million, respectively. The estimate of last year, to have an equity of zero by the year-end 2012, has not been reached. This is mainly due to the fact that the waiver of the Danish junior lenders has not yet been considered in the financial statements, since the waiver becomes effective at the time the liquidation closing balance is prepared. Furthermore, no waiver agreement have been concluded with Landsbanki Islands HF so far. Therefore, the outstanding loan is still recorded as liability.

As of 31 December 2012, the Group has a cash balance of DKK 3.5 million available for the liquidation process and expects further cash inflows of up to DKK 5.4 million. The cash balance and the expected cash inflows will be used to settle the outstanding loan of Landsbanki and to fund the actual liabilities as well as the expected future liquidation expenses. The Company does not expect to receive additional funds, beside the current cash balance and the expected cash inflows.

Key financial data for the Group

	2012 12 Months	2011 12 Months	2009/10 18 Months	2008/09 12 Months	2007/08 12 Months
Income statement					
Profit/Loss for the year of discontinued activities	43,726	-1,036,550	89,839	-257,888	106,269
Net result for the year	43,726	-1,036,550	89,839	-257,888	106,269
Assets					
Total non-current assets	0	0	4,321,926	4,593,519	4,274,512
Total current assets	900,106	1,943,139	134,776	294,140	394,908
Total assets	900,106	1,943,139	4,456,702	4,887,659	4,669,421
Equity					
Share capital	17,259	17,259	258,892	80,378	74,871
Total equity	-144,357	-178,375	581,295	263,553	757,564
Liabilities					
Total non-current liabilities	0	0	16,578	2,366,271	3,210,613
Total current liabilities	1,044,463	2,121,514	3,858,828	2,257,835	701,244
Total liabilities	1,044,463	2,121,514	3,875,406	4,624,106	3,911,857
Total equity and liabilities	900,106	1,943,140	4,456,702	4,887,659	4,669,421
Cash flow					
Cash flow from operating activity, total	-17,040	1,976	-87,838	-106,586	-15,295
Cash flow from investments	18,785	31,365	-22,761	2,600	-2,513,259
Of this investment in tangible assets	0	0	-30,746	-273,772	-2,480,065
Cash flow from financing activities	0	-49,779	1,962	0	2,425,339
Cash flow for the period	1,745	-16,439	-108,637	-69,397	-107,042
Key financial data					
Gross margin	N/A	N/A	N/A	N/A	N/A
Profit margin	N/A	N/A	N/A	N/A	N/A
Return on invested capital (ROIC)	N/A	N/A	N/A	N/A	N/A
Return on equity after tax	neg.	neg.	21.3%	neg.	18.7%
Debt-equity ratio	-16.0%	-9.2%	13.0%	5.4%	16.2%
Assets/equity	-6.2	-10.9	7.7	18.5	6.2
Net interest bearing borrowing/equity	0.0	0.0	5.8	15.8	4.9
Earnings per share					
Earnings per share (EPS)	0.2	-6.0	0.8	-33.0	16.1
Earnings per share, diluted (EPS-D)	0.2	-6.0	0.8	-33.0	16.1
Net asset value per nominal 10 DKK share (BVPS)	-0.77	-1.31	3.4	31.8	99.0
Net asset value per nominal 10 DKK share, diluted (BVPS-D)	-0.77	-1.31	5.5	31.8	99.0
Share information					
Listed price per share	N/A	0,09	0,9	19	125
Net asset value per share (PBV)	N/A	-0.07	0.26	0.60	1.26
Market value (DKK million)	N/A	15.5	155.3	152.7	935.9
Dividend per share (DKK)	0	0	0	0	0
Number of outstanding shares, end of year	172,595,011	172,595,011	172,595,011	8,037,825	7,487,089
Average number of shares (exclusive of own shares)	172,595,011	172,595,011	107,659,528	8,016,701	6,870,437

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions see below:

The definition of key financial data of the Group:

Return on invested capital (ROIC) $= \dfrac{\text{Results of primary operations (EBIT)}}{\text{Average capital invested}}$

Return on equity $= \dfrac{\text{The Company's share of the year's result x 100}}{\text{Average equity exclusive of non-controlling interests}}$

Debt-equity ratio	Equity at the end of the year x 100 / Balance sheet amount
Earnings per share, DKK (EPS)	Result after tax / Average number of shares outstanding
Earnings per share, diluted DKK (EPS-D)	Result after tax / Average number of shares outstanding – diluted
Net asset value per nominal 10 DKK share (BVPS)	Equity end of year exclusive of non-controlling interests / Number of shares end of year
Net asset value per nominal 10 DKK share diluted (BPVS-D)	Equity end of year exclusive of non-controlling interests / Number of shares end of year – diluted
Price/book value (PBV)	Listed price / Book value (BVPS)

Expectations and other forward-looking statements

On 10 April 2013, Tower 2 Holding ApS signed a Sales & Purchase Agreement with FFIRE Investment GmbH and Value Development GmbH. Based on this agreement 100% of the shares in Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH will be transferred. The agreed purchase price for the share transfer is EUR 1.00. The agreement has the following conditions precedent ("CP") which, at the date of this Annual Report, are still open:

- Approval from Bayerische Landesbank and
- Approval from the shareholders of Tower Group A/S i likvidation.

In connection with the above-mentioned transaction, Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH signed a Sales & Purchase Agreement with Gewobag PB Wohnen in Prenzlauer Berg GmbH on 11 April 2013. Based on this agreement the properties located in Berlin of the three companies will be transferred. The agreed purchase price will be used to partially repay the senior loan.

It is expected that the transactions will be closed by the end of June 2013. The impact of the agreements has already been considered in the consolidated financial statements as of 31 December 2012.

It is also expected that an agreement with the liquidator of Landsbanki Islands HF will be concluded in the next months.

Furthermore, should all the risks mentioned in the section ‘Risk Management’, however, be managed, the Company expects to be able to complete an orderly liquidation of all claims.

Consequently, given these assumptions, the Company expects that the equity at the end of the liquidation process amounts to DKK 0.

However, if one or more of the risks mentioned in section ‘Risk Management’ occur or if the liquidation process proves to be more time-consuming than anticipated, the Company would expect to incur a further loss. Furthermore, it cannot be ruled out, that in such case the funds of the liquidation budget will not be sufficient to ensure an orderly liquidation, which in turn would increase the risk of insolvency.

Tower Group A/S i likvidation

Consolidated financial statements and Parent Company financial statements as of 31 December 2012

Income statement

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
The year's result of continued operations		0	0	0	0
The year's result of discontinued operations	4	43,726	-1,036,550	26,468	-849,321
The year's result		**43,726**	**-1,036,550**	**26,468**	**-849,321**
Non-controlling interest of the year's result		938	-8,350	0	0
Parent company shareholders' share of the year's result		42,787	-1,028,200	26,468	-849,321
		43,726	**-1,036,550**	**26,468**	**-849,321**

Statement of comprehensive income

DKK 1,000	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
The year's result		**43,726**	**-1,036,550**	**26,468**	**-849,321**
Other comprehensive income, discontinued operations					
Exchange rate adjustment, foreign subsidiaries		-1,142	618	0	0
Value adjustment, financial instruments		0	332,592	0	0
Deferred tax of equity movements		0	-53,215	0	0
Other comprehensive income after tax		**-1,142**	**279,995**	**0**	**0**
Total income		**42,584**	**-756,555**	**26,468**	**-849,321**
Distributed as follows:					
Shareholders of Tower Group A/S i likvidation		41,645	-748,205	26,468	-849,321
Non-controlling interest		938	-8,350	0	0
		42,584	**-756,555**	**26,468**	**-849,321**

Balance Sheet

Assets

DKK 1,000	Note	Group 31-12-2012	Group 31-12-2011	Parent company 31-12-2012	Parent company 31-12-2011
Non-current assets					
Tangible assets		**0**	**0**	**0**	**0**
Other non-current assets		**0**	**0**	**0**	**0**
Total non-current assets		**0**	**0**	**0**	**0**
Current assets					
Assets held for sale	4	**900,106**	**1,943,139**	**4,792**	**161,161**
Total current assets		**900,106**	**1,943,139**	**4,792**	**161,161**
TOTAL ASSETS		**900,106**	**1,943,139**	**4,792**	**161,161**

Liabilities

DKK 1,000	Note	Group 31-12-2012	Group 31-12-2011	Parent company 31-12-2012	Parent company 31-12-2011
Equity					
Share capital	5	17,259	17,259	17,259	17,259
Special reserve fund		309,955	309,955	309,955	309,955
Reserve for exchange rate adjustment		210	1,698	0	0
Share premium account		539,570	539,570	539,570	539,570
Retained earnings		-999,520	-1,030,124	-1,011,372	-1,037,840
Tower Group A/S shareholders' share of equity		**-132,527**	**-161,642**	**-144,588**	**-171,056**
Non-controlling interests		-11,830	-16,733	0	0
Total equity		**-144,357**	**-178,375**	**-144,588**	**-171,056**
Long-term liabilities		**0**	**0**	**0**	**0**
Short-term liabilities					
Liabilities regarding assets held for sale	4	1,044,463	**2,121,514**	149,380	332,217
Total short-term liabilities		**1,044,463**	**2,121,514**	**149,380**	**332,217**
Total liabilities		**1,044,463**	**2,121,514**	**149,380**	**332,217**
TOTAL EQUITY/LIABILITIES		**900,106**	**1,943,139**	**4,792**	**161,161**

Equity statement

As per 31 December 2012:

DKK 1,000	Group						
	Share capital	Special reserve fund	Reserve for exchange rate adjustment	Share premium account	Retained earnings	Minority interests	**Total equity**
Equity at 1 Jan. 2012	**17,259**	**309,955**	**1,698**	**539,570**	**-1,030,124**	**-16,733**	**-178,375**
Net result for the year	0	0	0	0	42,787	938	43,726
Exchange rate adjustment foreign subsidiaries	0	0	-1,142	0	0	0	-1,142
Total income	**0**	**0**	**-1,142**	**0**	**42,787**	**938**	**42,584**
De-Consolidation of subsidiaries	0	0	-346	0	0	-8,219	-8,565
Reclassification of minority interest	0	0	0	0	-12,184	12,184	0
Other movements	**0**	**0**	**-346**	**0**	**-12,184**	**3,965**	**-8,565**
Total movements in equity	**0**	**0**	**-1,488**	**0**	**30,604**	**4,903**	**34,018**
Equity at 31 Dec. 2012	**17,259**	**309,955**	**210**	**539,570**	**-999,520**	**-11,830**	**-144,357**

As per 31 December 2011:

DKK 1,000	Group							
	Share capital	Special reserve fund	Reserve for exchange rate adjustment	Share premium account	Hedging reserve	Retained earnings	Minority interests	**Total equity**
Equity at 1 Jan. 2011	**258,892**	**68,322**	**1,080**	**539,570**	**-279,377**	**-1,923**	**-5,267**	**581,297**
Net result for the year	0	0	0	0	0	-1,028,201	-8,350	-1,036,551
Exchange rate adjustment foreign subsidiaries	0	0	618	0	0	0	0	618
Value adjustment, financial instruments	0	0	0	0	332,592	0	0	332,592
Deferred tax of other comprehensive income	0	0	0	0	-53,215	0	0	-53,215
Total income	**0**	**0**	**618**	**0**	**279,377**	**-1,028,201**	**-8,350**	**-756,556**
De-Consolidation of subsidiaries	0	0	0	0	0	0	-3,116	-3,116
Capital Reduction	241,633	241,633	0	0	0	0	0	0
Other movements	**241,633**	**241,633**	**0**	**0**	**0**	**0**	**-3,116**	**-3,116**
Total movements in equity	**241,633**	**241,633**	**618**	**0**	**279,377**	**-1,028,201**	**-11,466**	**-759,672**
Equity at 31 Dec. 2011	**17,259**	**309,955**	**1,698**	**539,570**	**0**	**-1,030,124**	**-16,733**	**-178,375**

Equity statement

As per 31 December 2012:

Parent company					
DKK 1,000	Share capital	Special reserve Fund	Share premium account	Retained earnings	**Total equity**
Equity at 1 January 2012	**17,259**	**309,955**	**539,570**	**-1,037,840**	**-171,056**
Total income for the period	0	0	0	26,468	26,468
Total income	**0**	**0**	**0**	**26,468**	**26,468**
Other movements	**0**	**0**	**0**	**0**	**0**
Total equity movements	**0**	**0**	**0**	**26,468**	**26,468**
Equity at 31 December 2012	**17,259**	**309,955**	**539,570**	**-1,011,372**	**-144,588**

As per 31 December 2011:

Parent company					
DKK 1,000	Share capital	Special reserve Fund	Share premium account	Retained earnings	**Total equity**
Equity at 1 January 2011	**258,892**	**68,322**	**539,570**	**-188,519**	**678,265**
Total income for the period	0	0	0	-849,321	-849,321
Total income	**0**	**0**	**0**	**-849,321**	**-849,321**
Capital reduction	-241,633	241,633	0	0	0
Other movements	**-241,633**	**241,633**	**0**	**0**	**0**
Total equity movements	**-241,633**	**241,633**	**0**	**-849,321**	**-849,321**
Equity at 31 December 2011	**17,259**	**309,955**	**539,570**	**-1,037,840**	**-171,056**

Cash flow statement

DKK 1,000	Group		Parent company	
	2012	2011	2012	2011
Cash flow from operating activity, total	-17,040	1,976	-9,985	-18,758
Cash flow from investment activity, total	18,785	31,365	13,065	0
Cash flow from financing activity	0	-49,779	0	6,401
The year's cash flows	**1,745**	**-16,439**	**3,080**	**-12,357**

DKK 1,000	Group		Parent company	
	2012	2011	2012	2011
Liquid funds at the start of the period	45,023	104,103	0	12,357
Exchange rate adjustments of the period	280	0	0	0
Liquid funds in de-consolidated entities	-33,950	-42,641	0	0
Cash flow for the period, discontinued operations	1,745	-16,439	3,080	-12,357
Liquid funds at the end of the period, classified as assets held for sale	**13,098**	**45,023**	**3,080**	**0**

Notes on the consolidated financial statements as of 31 December 2012

Note 1 – General information

Tower Group A/S i likvidation ("the Company") is a public company incorporated under the laws of Denmark. The registered office of the Company is at Nørre Voldgade 11, 1st Floor, DK-1358 Copenhagen K, Denmark.

Tower Group A/S i likvidation, as per its Articles of Association, is a company that historically has acquired, through various subsidiaries, residential real estate assets in Germany. The business objective was to hold these assets, extract value through operations, and, in time, dispose at a profit.

On an Extraordinary General Meeting, held on the 25 May 2012, the shareholders approved the Board of Directors' motion that the Company enters into liquidation proceedings as per 25 May 2012 and appointed Dr. Christian Eichberger as liquidator. Moreover, the Extraordinary General Meeting approved the proposal of the Board of Directors to file an application for the delisting of the Company's shares from the trading and official listing with NASDAQ OMX Copenhagen A/S. NASDAQ OMX Copenhagen A/S has accepted the Company's request for delisting and the shares in the Company were delisted in November 2012.

This Annual Report was approved by the Liquidator and authorized for issue effective on 8. May 2013.

Note 2 – Basis of preparation of the consolidated financial statements and the Parent Company financial statements and accounting policies

The Annual Report for 2012 has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the IFRS order issued according to the Danish Financial Statements Act.

In accordance with IAS 1 "Presentation of financial statements" the Company changed the basis of preparing its financial statements from a going concern to liquidation. Due to the liquidation and disposal process of the assets and liabilities of the complete Group, the Group's assets and liabilities have been reclassified to assets and liabilities held for sale in 2011. The assets and liabilities have been measured based on their expected net realization values and liquidation values. Expected debt forgiveness from banks have not been recognized in the financial statements for 2012, since not all conditions of the waiver agreement have been fulfilled, yet, or no agreement has been reached, yet. For further information we refer to our explanations under Note 3.

The accounting policies used in the preparation of the consolidated financial statements and the Parent Company financial statements are consistent with those of last year.

New and changed standards and interpretation contribution

The Company has implemented all new IFRS standards, changes to existing standards and IFRIC interpretation contribution which have been adopted by the EU and which have become effective.

The following standards and interpretations have been applied the first time during the financial period. The application of the standards and interpretations had no (material) effect on recognition and measurement in the financial statements as of 31 December 2012 of the Company:

- IAS 12 Amendments: Recovery of Underlying Assets (01.01.2012)

New and changed standards and interpretation contributions which have not yet become effective

IASB has adopted a number of new standards and changes to existing standards and interpretation contributions which have not yet become effective, but will become effective during the financial year 2012 or later (Effective date for EU adoption in brackets). They are not relevant to the Company and are not expected to have a (material) effect on future annual reports.

- IFRS 9 Financial Instruments – Classification and Measurement (01.01.2015)
- IFRS 10 Consolidated Financial Statements (01.01.2014)
- IFRS 11 Joint Arrangements (01.01.2014)
- IFRS 12 Disclosures of Interests in Other Entities (01.01.2014)
- IAS 27 Separate Financial Statements (01.01.2014)
- IAS 28 Interests in Associates and Joint Ventures (01.01.2014)
- IFRS 13 Fair Value Measurement (01.01.2013)
- IAS 19 Employee Benefits (01.01.2013)
- IAS 1 Presentation of Items of Other Comprehensive Income (01.07.2012)
- IAS 32/IFRS 7: Amendments to Offsetting Financial Assets and Financial Liabilities (01.01.2013/01.01.2014)
- Annual improvements to IFRS 2009-2011 cycle (amendment of IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1; (01.01.2013)

Principle of consolidation
The consolidated financial statements include the Parent Company and subsidiaries in which the Parent Company has a controlling influence on the subsidiaries' financial and operating policies in order to obtain a return on or other benefits from its activities. Controlling influence is obtained by – directly or indirectly – owning or controlling more than 50 % of the voting rights or controlling the company in question in any other way. Businesses in which the Group has a material, but not controlling, influence are considered associated businesses. Material influence is typically obtained by owning or controlling – directly or indirectly – more than 20 % of the voting rights, but less than 50 %.

To assess whether the Parent Company has a controlling or material influence, potential voting rights which can be used on the date of the balance sheet are considered.

The consolidated financial statement has been prepared as a compilation of the financial statements of the Parent Company and the individual subsidiaries prepared according to the Group's accounting practice and with elimination of intragroup income and costs, share holdings, internal accounts and dividend, and realized and unrealized earnings from transactions between the consolidated companies. Unrealized losses are eliminated in the same way as unrealized earnings to the extent that there has been no value reduction. Capital shares in subsidiaries are balanced by the proportional share of the fair value of the subsidiaries' identifiable net assets and included contingent liabilities on the take-over date.

The following companies are included in the consolidated financial statements as of 31 December 2012:

Company name	Country	Ownership
Tower Group A/S i likvidation	Denmark	*n/a*
Working A/S i likvidation	Denmark	100.00%
StandTech A/S i likvidation	Denmark	100.00%
Tower 1 Holding ApS i likvidation	Denmark	94.40%
Tower 2 Holding ApS	Denmark	100.00%
Tower 3 Holding ApS i likvidation	Denmark	100.00%
Tower Pension 1 A/S i likvidation	Denmark	100.00%
Tower Pension 2 A/S i likvidation	Denmark	94.00%
Tower 1 Verwaltungs GmbH i.L.	Germany	94.40%
Tower 1 GmbH i.L.	Germany	94.40%
Tower 2 GmbH i.L.	Germany	100.00%
Tower 1 Immobilien sechste GmbH	Germany	100.00%
Tower 1 Immobilien siebente GmbH	Germany	100.00%
Tower 1 Immobilien achte GmbH	Germany	100.00%
Tower Management GmbH	Germany	100.00%

In 2012, the following companies had been sold and therefore, were deconsolidated by the end of May 2012:

Company name	Country
Tower Immobilien erste GmbH	Germany
Tower Immobilien neunte GmbH	Germany
Eranus Real Estate GmbH	Germany
Tower Pension 1 GmbH	Germany
Tower Pension 2 GmbH	Germany
Molinia SP. Z o.o.	Poland

The following companies are insolvent and were deconsolidated in 2011 as the Parent Company had no longer a controlling influence on the subsidiaries' financial and operating policies:

Company name	Country
Tower 1 Immobilien zweite GmbH	Germany
Tower 1 Immobilien dritte GmbH	Germany
Tower 1 Immobilien vierte GmbH	Germany
Tower 1 Immobilien fünfte GmbH	Germany

Conversion of foreign currencies

A functional currency is established for each reporting business in the Group. The functional currency is the currency used in the primary financial environment in which the individual reporting business is operating. Transactions in other currencies than the functional currency are transactions in foreign currencies.

Transactions in foreign currencies are converted at the first inclusion to the functional currency at the exchange rate on the transaction date. Exchange rate differences occurring between the exchange rate on the transaction date and on the date of payment are included in the income statement under finance income or costs.

Other receivables, debt and other monetary items in foreign currencies are converted into the functional currency at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the date on which the amount owing or debt was established or the exchange rate in the latest annual report is included in the income statement under finance income and costs.

When including businesses in the consolidated financial statements with a functional currency which differs from DKK, the assets and liabilities are translated at the closing rate on the balance sheet date. Income and expenses are converted at the average rate for the individual year to the extent that this will not lead to a highly different result. All resulting exchange differences are recognized directly in the equity under a separate reserve regarding exchange rate adjustments.

In case of full or partial sale of international entities leading to a de-consolidation the share of the accumulated exchange rate adjustments, which is included directly in the equity and which is related to the equity, is included in the income statement together with any profit or loss from the sale.

Accounting principles

Due to the liquidation and disposal process of the assets and liabilities of the complete Group, the assets and liabilities have been measured based on their expected net realization values and liquidation values.

Assets held for sale and associated liabilities

Assets held for sale comprises non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets classified as held for sale are those liabilities directly associated with the assets that will be transferred in the transaction. Assets are classified as held for sale if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount at the date of the reclassification as "held for sale" or fair value. Assets are not depreciated or amortized from the date when they are reclassified as held for sale.

Liabilities classified as held for sale are measured at amortized cost.

Impairment losses on initial recognition as held for sale and gains and losses on subsequent re-measurement at the lower of carrying amount and fair value are recognized in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets held for sale and associated liabilities are presented as separate line items in the balance sheet.

Presentation of discontinued operations

Discontinued operations comprise a separate major line of business whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the other business areas and where the unit either has been disposed of or is held for sale and where the sale is expected to be carried out within twelve months in accordance with a formal plan. Discontinued operations also include businesses which are classified as "held for sale" in connection with the acquisition.

The profit/loss after tax of discontinued operations and value adjustments after tax of related assets and liabilities and gains and losses on disposal are presented as a separate line item in the income statement with restatement of comparative figures. Revenue, costs, value adjustments and tax of discontinued operations are disclosed in the notes. Assets and liabilities for discontinued operations are presented in separate lines in the balance sheet without restatement of comparative figures, cf. Assets held for sale, and the major classes of assets and liabilities are disclosed in the notes.

Net cash flows from operating, investing and financing activities of the discontinued operations are disclosed in a note.

Net sales

Rental income is accrued and recognized as income on a straight-line basis over the lease term in accordance with the concluded agreement.

Operating costs

Operating costs include costs paid to obtain the year's net sales. The item includes direct and indirect operating costs for investment properties, including repair and maintenance costs, administration fees and part of operating costs regarding vacancy, etc.

Fair value adjustments, investment properties

Value adjustments regarding investment properties include changes to the fair value of investment properties.

Finance income and costs

Finance income and costs include interest, amortization of borrowing costs, capital gains and losses, and write-downs regarding securities, debt and transactions in foreign currencies. In addition, realized and unrealized profits and losses regarding derivative financial instruments which cannot be classified as cover agreements are included.

Tax on the year's result

The Parent Company is taxed jointly with all Danish subsidiaries. The current Danish company tax is divided among the jointly taxed companies in proportion to their taxable income. Companies using tax deficits in other companies pay joint taxation contribution to the Parent Company corresponding to the tax value of the deficits used, whereas companies whose tax deficits are used by other companies receive joint taxation contribution from the Parent Company corresponding to the tax value of the deficits used (full distribution). The jointly taxed companies are included in the on account tax scheme.

The year's tax, including the year's current tax and changes to deferred tax, is included in the income statement with the part which can be attributed to the year's result and directly in the equity for the part which can be attributed to items directly in the equity.

Investment properties
Investment properties are investments in properties with the aim of obtaining a return on the invested capital in the form of on-going operating return through letting and capital gain from sale.

Investment properties are included as assets on the take-over date.

The first inclusion is made on the basis of purchase price which will for an acquired investment property include purchase price, costs directly related to the acquisition, and other costs which can be related to the acquisition plus subsequent improvements. Costs paid which will add new or improved properties to the investment property are added to the purchase price as an improvement. Costs of repair and maintenance are included in the income statement during the financial year in which they are paid.

Investment properties are subsequently included at estimated fair value. The calculation is made through calculated capital values for the expected future cash flows. Changes to the fair value of the investment properties are included in the income statement during the financial year in which the change occurred.

Investments in subsidiaries
Investments in subsidiaries are valued in the parent company accounts at cost. If the cost price exceeds the recoverable amount, write-down to this lower value is made.

Other assets
Other assets include rent earnings and are included in the category lending and amounts outstanding which are financial assets with fixed or determinable payments which are not listed on an active market and which are not derivative financial instruments. Other assets from derivative financial instruments are included in the category trading portfolio and are included under other receivables.

Other assets are calculated at the first inclusion at fair value and subsequently at amortized cost price, which will normally correspond to the nominal value less write-downs to meet expected losses.

Write-downs to meet losses are made where there is an objective indication that the value of an amount owing has decreased. In case of an objective indication that the value of an individual amount owing has decreased, write-down at an individual level is made. Write-downs are calculated as the difference between the book value of the current value of the expected cash flows, including realization value of any guarantees received.

Equity
The ’special fund’ stems from two capital decreases previously executed by the Company, where the share capital was decreased and an amount equal to the nominal decrease of the share capital was transferred to a ‘special fund’.

Share premium account
The reserve includes payment of premium in connection with subscription of new shares. Direct costs paid in connection with capital injections are set off in the reserves. The reserves are free and can therefore be used to distribute dividend or cover deficits.

Hedging reserve
Hedging reserve include the accumulated net change to the fair value of cover transactions meeting the criteria for covering future payment flows where the covered transaction has not yet been realized.

Reserve for exchange rate adjustment
The reserve for exchange rate adjustment includes exchange rate differences which have occurred through conversion of accounts for units with other functional currencies than DKK, exchange rate adjustments regarding assets and liabilities forming part of the Group's net investment in such units, and exchange rate adjustments regarding cover transactions hedging the Group's net investment in such units. In case of full or partial realization of the net investment, the exchange rate adjustments are included in the income statement.

Long- and short-term liabilities
The Group calculates financial liabilities at the time of raising the loan at the proceeds received after deduction of transaction costs paid. Subsequently, liabilities are measured at amortized cost. This means that the difference between the proceeds when the loan was raised and the amount to be repaid is included in the income statement during the term of the loan as a finance cost.

Tax payable and deferred tax
Current tax liabilities and current tax owing are included in the balance sheet as calculated tax on the year's taxable income adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is calculated according to the balance-sheet debt method on all temporary differences between book value and tax value of assets and liabilities, including deferred tax on interest rate hedging and value adjustment of investment properties. Deferred tax is, however, not included when temporary differences have occurred at the time of purchase without any effect on the result or the taxable income. In cases when the calculation of the tax value can be made according to different taxation rules, deferred tax is calculated on the basis of the Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of deferrable tax deficits, are included under other long-term assets at the value at which they are expected to be used, either through set off in tax on future income or by set-off in deferred tax liabilities within the same legal tax unit and jurisdiction.

Adjustment of deferred tax is made regarding eliminations made of unrealized intragroup profits and losses.

Deferred tax is calculated on the basis of the tax rules and rates in the individual countries which will apply according to the legislation on the balance sheet date when the deferred tax is released as current tax. Changes to deferred tax as a consequence of changes to tax rates are included in the income statement.

The cash flow statement

The cash flow statement shows the cash flow for the year divided into cash flow from operations, from investments and from financing. Furthermore, the year's liquidity change and the liquid funds at the start and end of the year are shown. Since 2011, all cash flows have been classified as discontinued operations. Comparison figures have been changed accordingly.

Cash flows from purchase and sale of businesses appear separately under cash flows from investment activities. The cash flow statement includes cash flow regarding businesses acquired from the take-over date, and cash flow regarding businesses sold is included until the date of sale.

Cash flow from operating activity is calculated according to the indirect method as a result before tax adjusted for non-cash operating items, changes to operating capital, interest received and paid, dividend received, and company tax paid.

Cash flow from investment activity includes payment in connection with purchase and sale of businesses and activities, purchase and sale of tangible and other long-term assets, and purchase and sale of securities which are not included as liquid funds.

Cash flow from financing activity includes changes to the size and composition of share capital and related costs, and raising of loans, repayments regarding interest-bearing debt, purchase and sale of treasury shares, and payment of dividend to the company participants.

Cash and cash equivalents include liquid funds, deposits on client accounts and securities with a remaining term on the purchase date of less than three months and which can without any problems be converted into liquid funds and for which there are only immaterial risk of value changes.

Cash flows in other currencies than the functional currency are converted at average exchange rates unless such exchange rates deviate materially from the exchange rate on the transaction date.

Segment information

Due to the liquidation and disposal process all operating subsidiaries are managed and reviewed together within the same disposal process. Therefore no different segments are administered separately any more leading to a stop of segment reporting for the current and the prior year.

Note 3 – Accounting estimates and assessments

When calculating the book value of some of the account items, some items cannot be calculated with certainty, but only estimated. Such estimates include assessments on the basis of the most recent information available when the financial statements are prepared. Such information is collected both internally in the form of experience/history and externally. It may be necessary to change previous estimates because of changes to the conditions on which the estimates were based, or because of additional information, or experience, or subsequent events.

In connection with the use of the accounting policies described in Note 2, the Liquidator has made material accounting estimates shown below which the Liquidator considers relevant and which have had material effect on the annual report.

Uncertainties regarding assets held for sale and associated liabilities
As set out in Note 1 and 2 above, the Group is engaged with a liquidation and disposal process which means that all assets in the Group have been reclassified as Assets Held for Sale. Note 2 shows the current status of the subsidiaries, including the former subsidiaries which are under German insolvency proceedings and therefore not part of the consolidated financial statements, since they are no longer under the control of the Company. All values of shares in these companies and any former intercompany receivables have been written off, while former intercompany debt to these companies is recognized with the nominal values until it has been assessed that this debt can be offset against any of the receivables. Since there is yet no formal agreement with the insolvency administrator, and the insolvency proceedings have not yet been finalized, there are some uncertainties related to the values of assets and debt.

Liabilities for group companies not affected by insolvency have been measured at amortized costs at 31 December 2012 unless a specific signed agreement stipulating that such liability can be settled for less than the recognized amount has been entered into in 2012 and all conditions of such an agreement have been fulfilled at 31 December 2012. On 25 May 2012, the Company and its subsidiaries signed a Restructuring Agreement and a Waiver Agreement with the Danish lenders of the junior loans. Based on these agreements, a portion of the junior loans has been transferred to FFIRE Investment GmbH. Furthermore, the waiver and restructuring agreements determine that any right to exercise rights or forward any claim against the Company and its subsidiaries in relation to the residual junior lender claims will be irrevocably waived, if certain conditions are fulfilled. The remaining condition is that the liquidation accounts of Tower Group A/S i likvidation are finally approved and that the liquidation proceeds do not cover the financial obligations. The junior lenders have agreed to suspend any of their rights and remedies relating to the financial obligations until the above mentioned condition is met. Based on the liquidation budget and the expectations regarding the sale of the remaining assets, it is expected that no funds – even partially – will be available to settle the residual junior loans of the Danish lenders. This also corresponds to the expectations of the junior lenders which are documented in the agreements. However, as the remaining condition is not yet fulfilled, the residual claims of the Danish junior lenders amounting to DKK 109.8 million are still recorded as liabilities.

Only with Landsbanki Luxembourg S.A. no waiver agreement have been closed so far. Negotiations with Landsbanki has been ongoing since early 2012. The liquidation process of Landsbanki Luxembourg S.A. and the assignment of its claims to the parent company Landsbanki Islands HF, which is in liquidation itself, and the changes of responsibilities have led to the significant delay in the completion of the waiver agreement. The outstanding loan amounts to

EUR 5.0 million. The current negotiations with the liquidator of Landsbanki Islands HF provide for a settlement payment of EUR 0.3 - 0.5 million and a waiver of the remaining claim of EUR 4.5 – 4.7 million. This corresponds to the amount that was agreed upon in the initial liquidation budget with the other junior banks as compensation for Landsbanki. However, as no formal agreement has been concluded, the liability is still recorded with its nominal value of EUR 5.0 million in the balance sheet.

Consequently, the equity of the parent Company and the Group is negative, although the aim of the process is to carry out a solvent liquidation, which prerequisite that the remaining condition of the waiver agreement with the Danish junior lenders will be fulfilled and a comparable agreement will be reached with the liquidator of Landsbanki Islands HF. If not successful the likely consequence will be a bankruptcy.

For the subsidiaries, which are expected to be sold, all values of shares have been written off. Assets have been measured at fair value, taking into account the expected consideration the purchaser is willing to pay in cash, and the debt the purchaser will take over. Since there is yet no formal agreement, there are some uncertainties related to the values of assets and debt.

Liquidity risks

While the cash inflows during the liquidation process can be estimated quite reliably, there are still uncertainties regarding the cash outflows. The estimated settlement payment for Landsbanki Islands HF is based on the results of the negotiations of the last months. However, since there is no formal agreement with the liquidator of Landsbanki Islands HF, there is the risk that the liquidator of Landsbanki Islands HF requires a higher compensation as considered in the liquidation budget and that this increase might not be covered by reductions of other planned cash outflows and bankruptcy is likely.

Furthermore, the expected liquidation expenses are based on the experience of the last months regarding the need of external advisory services and on the assumption that the liquidation process will be largely completed by the end of 2013. If circumstances arise that require additional external advisory services or extend the liquidation process significantly, there is the risk that the available funds are not sufficient then and bankruptcy is likely.

Other uncertainties

As described in details in the section ‘Price manipulation’ under ‘Other aspects’ on page 9, the Group is currently cooperating with the police investigation unit for Serious Economic Crime (SØK) with respect to a potential price manipulation case involving Tower Group A/S treasury shares. The Liquidator was not involved at the time, and the Company has not set aside any funds with respect to the situation, as it is the Company’s opinion that the Company itself has committed no crime. No provision has been made on the basis of this assessment.

The Company is also involved in litigation with Curanis Wohnimmobilien GmbH, a previous property manager, for unsatisfactory services rendered in the past. The Company is seeking to recover EUR 7.2 million in this case. Curanis Wohnimmobilien GmbH is facing a strained financial situation. Parts of Curanis Wohnimmobilien GmbH were in liquidation in 2010, including one of the subsidiaries against which the Company had initiated a legal action. Already in 2011, all balance sheet items in the Company's financial statements have been regulated according to this development. Curanis Wohnimmobilien GmbH and one of its subsidiaries have made a claim against the Company and its subsidiaries of EUR 690,000. No provision has been made on the basis of this assessment.

Note 4 – Result from discontinued operations and assets held for sale

DKK 1,000	Group		Parent	
	2012	**2011**	**2012**	**2011**
Net Sales/Income	101,917	203,543	262	6,637
Operating Costs	-49,198	-179,620	-2,140	-19,939
Income from debt forgiveness	30,928	0	30,786	0
Financial Result	-143,646	-488,386	-1,231	-36,894
Revaluations according to IFRS 5				
Result from De-Consolidation of subsidiaries	59,344	-244,032	0	0
Write down Intercompany Balances	3,635	-182,180	945	-801,248
Revaluations, investment properties	40,774	-215,731	0	0
Period's result before tax	**43,754**	**-1,106,406**	**28,622**	**-851,444**
Tax on the year's result	-28	69,856	-2,154	2,123
Period's result after tax	**43,726**	**-1,036,550**	**26,468**	**849,321**
Cash flow from operating activities	-17,040	1,975	-9,985	-18,758
Cash flow from investing activities	18,785	31,365	13,065	0
Cash flow from financing activities	0	-49,779	0	6,401
Total cash flow	**1,745**	**-16,439**	**3,080**	**-12.357**
Investment Properties	880,720	1,818,287	0	0
Receivables with related parties	0	0	0	161,161
Other short term Assets	6,288	79,828	1,712	0
Cash	13,098	45,023	3,080	0
Assets held for sale, total	**900,106**	**1,943,138**	**4,792**	**161,161**
Credit institutions and banks	885,424	1,912,871	147,113	228,252
Liabilities to related parties	122	63,637	478	49,843
Other Short-term liabilities	158,917	145,006	1,789	54,122
Liabilities relating to assets held for sale	**1,044,463**	**2,121,514**	**149,380**	**332,217**

Information about staff cost and fees for the Company's elected auditors are presented in Note 6 and Note 7.

Note 5 – Share capital and treasury shares

The share capital in the parent company as per 31 December 2012 is split into 172.595.011 shares of DKK 0.10. No shares have special rights. All the shares issued have been authorized and fully paid. As per 31 December 2012 own shares were not held.

The share capital has developed as follows during the past five years:

DKK 1.000	Parent company				
	2012	**2011**	**2009/2010**	**2008/2009**	**2007/2008**
Balance 1 January / 1 July	17,259	258,892	80,378	74,871	57,510
Capital reduction	0	-241,633	-68,868	0	0
Capital increase	0	0	247,382	5,507	17,361
Book value, 31 December / 30 June	**17,259**	**17,259**	**258,892**	**80,378**	**74,871**

The Company's holding of treasury shares has developed as follows:

DKK 1.000	Parent company				
Number of treasury shares	**2012**	**2011**	**2009/2010**	**2008/2009**	**2007/2008**
Balance 1 January / 1 July	0	0	364,173	186,821	32,187
Added during the period	0	0	0	177,352	154,634
Sold during the period	0	0	-364,173	0	0
Holding, 31 December / 30 June	**0**	**0**	**0**	**364,173**	**186,821**
Nominal value	**2012**	**2011**	**2009/2010**	**2008/2009**	**2007/2008**
Balance 1 January / 1 July	0	0	3,642	1,868	322
Added during the period	0	0	0	1,774	1,546
Sold during the period	0	0	-3,642	0	0
Holding, 31 December / 30 June	**0**	**0**	**0**	**3,642**	**1,868**
Share of share capital	**0.0%**	**0.0%**	**0.0%**	**4.5%**	**2.5%**

Note 6 – Staff Costs

DKK 1,000	Group		Parent company	
	2012	2011	2012	2011
Wages and Salaries	0	12,655	0	922
Pensions	0	25	0	25
Other Social Security Costs	0	3,252	0	156
Other staff costs	0	4,520	0	0
	0	**20,452**	**0**	**1,103**
Average number of employees	0	64	0	1

DKK 1,000	2012		2011	
	Board of Directors, parent company	Executive Board, parent company	Board of Directors, parent company	Executive Board, parent company
Wages and salaries	**0**	**0**	**733**	**0**

Note 7 – Fee for the Company's elected auditors

DKK 1,000	Group		Parent company	
Ernst & Young/KPMG	2012	2011	2012	2011
Auditing KPMG	450	140	450	140
Auditing Ernst & Young	0	4,171	0	3,132
Other audit statements KPMG	0	22	0	22
Other audit statements Ernst & Young	0	4,678	0	4,512
Tax advisory KPMG	469	435	469	435
Tax advisory Ernst & Young	0	2,720	0	2,274
Other services KPMG	331	0	331	0
	1,250	**11,569**	**1,250**	**9,918**

Note 8 – Related parties

BXR Tower B.V and RPG RE Management, s.r.o. (a member of the BXR Group) had a controlling influence in the Company until the closing of the transaction with FFIRE Investment GmbH. The parties agreed that all shareholder actions from BXR Tower B.V. have to be preapproved by FFIRE Investment GmbH. Therefore, according to the IFRS, FFIRE Investment GmbH had a controlling influence since then.

The Liquidator and the former Board members of Tower Group A/S i likvidation are, as well, related parties with a controlling influence.

Subsidiaries are also related parties. Please refer to Note 13 for a list of subsidiaries.

Transactions with related parties

During the financial year, the Group and the Parent Company have had the following transactions with related parties:

DKK 1,000	Group	
	2012	**2011**
Controlling influence		
Reimbursement (FFIRE)	1,237	0
Waiver (BXR/RPG)	2,055	0
Advisory and consulting fees (BXR/RPG)	-1,187	1,525
Liquidator fees	-653	0
Interest costs (BXR/RPG)	-604	3,286
Total result effect	**848**	**4.811**
Temporary Bridge financing (BXR/RPG)*	**0**	**-49,843**
Reimbursement (FFIRE)*	**1,237**	**0**

* at the end of the period

Parent company - Tower Group A/S I likvidation	Tower Group A/S i.l.	
	2012	**2011**
Subsidiaries		
Administration fee	0	6,637
Interest costs	0	-955
Interest income	0	4,149
Value adjustment of the year on investment in subsidiaries and on Intercompany balances	945	-856,118
Total result effect	**945**	**-846,287**
Investment in subsidiaries	11,008	57,138
- Impairment investment in subsidiaries	-11,008	-57,138
Intercompany balances	1,664,437	1,825,841
- Impairment Intercompany Balances	-1,664,915	-1,827,455
Total share of Parent balance	**-478**	**-1,614**
Temporary Bridge financing (BXR/RPG)*	**0**	**-49,843**
Reimbursement (FFIRE)*	**1,237**	**0**

* at the end of the period

Note 9 – Contingent assets, liabilities and guarantees

Contingent assets and liabilities

As described in details in the section ‘Price manipulation’ under ‘Other aspects’ on page 9, the Group is currently cooperating with the police investigation unit for Serious Economic Crime (SØK) with respect to a potential price manipulation case involving Tower Group A/S treasury shares. The current management was not involved at the time, and the Company has not set aside any funds with respect to the situation, as it is the Company’s opinion that the Company itself has committed no crime. No provision has been made on the basis of this assessment.

The Company is also involved in litigation with Curanis Wohnimmobilien GmbH, a previous property manager, for unsatisfactory services rendered in the past. The Company is seeking to recover EUR 7.2 million in this case. Curanis Wohnimmobilien GmbH is facing a strained financial situation. Parts of Curanis Wohnimmobilien GmbH were in liquidation in 2010, including one of the subsidiaries against which the Company had initiated a legal action. Already in 2011, all balance sheet items in the Company's financial statements have been regulated according to this development. Curanis Wohnimmobilien GmbH and one of its subsidiaries have made a claim against the Company and its subsidiaries of EUR 690,000. No provision has been made on the basis of this assessment.

Securities

To secure debts to banks and credit institutions, security has been provided in the Group's properties.

Assets have been completely pledged as securities for existing liabilities. Regarding the book values of the respective assets we refer to our explanations under Note 4 ‘Result from discontinued operations and assets held for sale’.

Senior loans have typically been granted without liability for the parent company and without share pledging, but against security in the form of primary mortgage in the properties, pledging of accounts and transfer of rent income, payments under derivatives and any insurance payments. If a senior loan is granted to several legal entities owning properties, cross-security will normally have been established.

Junior loans are typically raised directly in the parent company and typically against security in the form of pledging of shares, mortgage in properties subordinate to the senior bank, secondary pledge in accounts, secondary pledge in rent income, any insurance payments, dividend and any inter-company loans, letters of subordination towards subsidiaries, and powers of attorney for sale regarding pledged shares in subsidiaries.

Based on the restructuring and waiver agreements and a receivable purchase agreement between a junior lender and a senior lender, the rights of the junior lenders have been waived or transferred. For further information, we refer to our explanations under Note 3 ‘Accounting estimates and assessments’.

Note 10 – Financial risk and financial instruments

Because of its operations, investments and financing, the Group was exposed to a number of financial risks, including market, credit and liquidity risks in the past. Due to the liquidation process, the sale of certain subsidiaries to FFIRE Investment GmbH, the carve-out of the three remaining operative companies (Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH) and the restructuring and waiver agreements with the junior lenders the risk structure of the Group and of the Company has changed significantly compared to last year.

Due to the new conditions, the Company and its subsidiaries are exposed to the following major risks:

Liquidity risks

Liquidity risks of the Tower Group are fully related to the liquidation budget. The estimated settlement payment for Landsbanki Islands HF is based on the results of the negotiations of the last months. However, since there is no formal agreement with the liquidator of Landsbanki Islands

HF, there is a risk that the liquidator of Landsbanki Islands HF requires a higher compensation as considered in the liquidation budget and that this increase might not be covered by reductions of other planned cash outflows. Furthermore, the expected liquidation expenses are based on the experience of the last months regarding the need of external advisory services and on the assumption that the liquidation process will be largely completed by the end of 2013. If circumstances arise that require additional, external advisory services or extend the liquidation process significantly, there is a risk that the available funds are not sufficient then. There is however a risk that liabilities currently not known to the Group, could arise.

Credit risks

The Group's credit risks are primarily related to the other receivables which mainly contain the cost reimbursement by FFIRE. The maximum credit risk is reflected in the book values of the other receivables.

Should one or more of these risks occur, then the orderly liquidation is likely to fail and bankruptcy is likely.

Note 11 – Subsequent events

On 10 April 2013, Tower 2 Holding ApS signed a Sales & Purchase Agreement with FFIRE Investment GmbH and Value Development GmbH. Based on this agreement 100% of the shares in Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH will be transferred. The agreed purchase price for the share transfer is EUR 1.00. The agreement has the following conditions precedent ("CP") which, at the date of approving this Annual Report, are still open:

- Approval from Bayerische Landesbank and
- Approval from the shareholders of Tower Group i likvidation.

In connection with the above-mentioned transaction, Tower 1 Immobilien sechste GmbH, Tower 1 Immobilien siebente GmbH and Tower 1 Immobilien achte GmbH signed a Sales & Purchase Agreement with Gewobag PB Wohnen in Prenzlauer Berg GmbH on 11 April 2013. Based on this agreement the properties located in Berlin of the three companies will be transferred. The agreed purchase price will be used to partially repay the senior loan.

It is expected that the transactions will be closed by the end of June 2013. The impact of the agreements has already been considered in the consolidated financial statements as of 31 December 2012.

There have been no further material subsequent events.

Note 12 – Company Overview

Company name	Company number	Shareholder	Country	Ownership	Date of founding
Tower Group A/S i likvidation	64 13 84 13	n/a	Denmark	*n/a*	14 August 1961
Working A/S i likvidation	13 64 42 09	Tower Group A/S	Denmark	100.00%	1 November 1989
StandTech A/S i likvidation	27 98 14 02	Tower Group A/S	Denmark	100.00%	2 August 2008
Tower 1 Holding ApS i likvidation	29 68 62 54	Tower Group A/S	Denmark	94.40%	1 July 2006
Tower 2 Holding ApS	29 82 44 01	Tower Group A/S	Denmark	100.00%	14 November 2006
Tower 3 Holding ApS i likvidation	31 15 26 66	Tower Group A/S	Denmark	100.00%	3 December 2007
Tower Pension 1 A/S i likvidation	30 61 74 36	StandTech A/S	Denmark	100.00%	19 June 2007
Tower Pension 2 A/S i likvidation	30 54 77 99	Tower Group A/S	Denmark	94.00%	19 June 2007
Tower 1 Verwaltungs GmbH i.L.	HRB 113295	Tower 1 Holding ApS	Germany	94.40%	9 August 2006
Tower 1 GmbH i.L.	HRB 112942	Tower 1 Holding ApS	Germany	94.40%	13 July 2006
Tower 2 GmbH i.L.	HRB 115643	Tower 2 Holding ApS	Germany	100.00%	24 October 2006
Tower 1 Immobilien zweite GmbH	HRB 126237	Tower 1 Holding ApS	Germany	94.40%	30 August 2006
Tower 1 Immobilien dritte GmbH	HRB 126297	Tower 2 Holding ApS	Germany	100.00%	9 August 2006
Tower 1 Immobilien vierte GmbH	HRB 126666	Tower 2 Holding ApS	Germany	100.00%	9 August 2006
Tower 1 Immobilien fünfte GmbH	HRB 126664	Tower 2 Holding ApS	Germany	100.00%	27 April 2007
Tower 1 Immobilien sechste GmbH	HRB 126420	Tower 2 Holding ApS	Germany	100.00%	27 April 2007
Tower 1 Immobilien siebente GmbH	HRB 126258	Tower 2 Holding ApS	Germany	100.00%	27 July 2007
Tower 1 Immobilien achte GmbH	HRB 126228	Tower 2 Holding ApS	Germany	100.00%	27 July 2007
Tower Management GmbH	HRB 112941	Tower Group A/S	Germany	100.00%	24 July 2007
Tower 1 Beteiligung GmbH i.L.	HRB 125814	Tower 2 Holding ApS	Germany	100.00%	8 January 2010

Note 13 – Group chart