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***Illustrative IFRS
consolidated
financial statements***

**Investment property
– 2017 update**

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Illustrative IFRS consolidated financial statements Investment property 2017 update

PwC's **Illustrative IFRS consolidated financial statements 2016 Investment property** provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional investment property group (IP Group). The illustratives are for a group that prepares its consolidated financial statements in accordance with IFRS as issued by the IASB (that is, it does not prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union).

These illustratives continue to be a relevant source for entities with 31 December 2017 year ends with the exception of the below.

New standards and amendments not yet adopted

IFRS 9, 'Financial instruments', IFRS 15, 'Revenue from contracts with customers' and IFRS 16, 'Leases'

In relation to the impact of IFRSs 9, 15 and 16 which are not yet effective, entities should refer to the latest illustrative disclosure in PwC's **VALUE IFRS Plc Illustrative IFRS consolidated financial statements December 2017**. It should be emphasised that regulators expect disclosure of entity-specific quantitative and qualitative information as to the impact of applying these standards. This is particularly the case for IFRSs 9 and 15 which will already be effective at the time 2017 annual financial statements are published.

IAS 40, 'Investment Property' – transfers of investment property

The amendment clarifies that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

The Board provided two options for transition:

1. Prospective application. Any impact from properties that are reclassified would be treated as an adjustment to opening retained earnings as at the date of initial application. There are also special disclosure requirement if this option is selected.
2. Retrospective application. This option can only be selected without the use of hindsight.

The amendment is effective for periods beginning on or after 1 January 2018.

IP Group has determined it will apply the amendment prospectively. The group has assessed the impact of the amendment on the classification of existing property at 1 January 2018 and has concluded that no reclassifications are required and the timing of subsequent transfers is not expected to change on adoption of the amendment. As such, there will be no impact to the consolidated financial statements on application of the amendment.

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Illustrative IFRS consolidated financial statements 2016

Investment property

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October 2016

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Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional investment property group (IP Group). The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB (that is, it does not prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union).

IP Group is an existing preparer of IFRS consolidated financial statements; IFRS 1, “First-time adoption of International Financial Reporting Standards”, is not applicable. Guidance for first time adopters of IFRS is available at www.pwc.com/ifrs.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2016.

None of the standards or interpretations that are mandatory to apply for the first time in 2016 required changes to the accounting policies or disclosures in this publication. However, we have made a number of minor improvements to existing disclosures. Readers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2016 could affect their own accounting policies and disclosures.

The Group generally adopts standards early if they clarify existing practice but do not introduce substantive changes. These include standards issued by the IASB as part of the improvements program. The Group has early adopted the amendments made to IAS 7 in relation to the *Disclosure Initiative* and included net debt disclosures (see Note 17) to comply with the new requirements. Readers interested in new disclosures that will be required when an entity adopts IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* can refer to the Appendices in PwC’s *Illustrative IFRS consolidated financial statements for 2016 year ends*.

The areas in which we have made significant changes to presentation have been highlighted in pink. The only significant changes for 2016 are in the sections titled “New and amended standards adopted by the Group”, “New standards and interpretations not yet adopted” and “Borrowings”.

We have attempted to create a realistic set of consolidated financial statements for an investment property group with emphasis on real estate (IAS 40, “Investment Property”, and IAS 2, “Inventories”). Certain types of transaction have been excluded, as they are not relevant to the Group’s operations. The illustrated Group does not have associates, joint arrangements, non-controlling interests, government grants, defined benefit plans, treasury shares, preferred shares, convertible debt or share options, nor is the Group exploring mineral resources. There were no disposals of subsidiaries, and no issue of shares in the two years presented. Please refer to PwC’s *Illustrative IFRS consolidated financial statements for 2016 year ends* and *IFRS disclosure checklist 2016* for disclosures relating to these items. *Illustrative IFRS financial statements 2016 – Investment funds* and *Illustrative IFRS financial statements 2016 – Private equity* may also be relevant to some real estate entities.

The shares of the parent company of the illustrated Group are publicly traded; disclosures on segments and earnings per share are therefore included.

Other items that entities may choose (or, in certain jurisdictions, be required) to include in documents containing financial statements, such as a directors’ report or operating and financial review, are not illustrated here.

PwC commentary has been provided, in grey boxes, to explain the detail behind the presentation of a number of challenging areas. These commentary boxes relate to the presentation in: the consolidated statement of

financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the summary of significant accounting policies.

The example disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity’s consolidated financial statements are the responsibility of the entity’s management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS. Examples of alternative presentations of the statements of comprehensive income and cash flows have been included in Appendix I and Appendix II respectively.

Some of the disclosures in this publication would likely be immaterial if IP Group was a ‘real life’ company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

These illustrative consolidated financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires, nor do they take account of any specific legal framework or any stock exchange or other regulations. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS disclosure checklist 2016*.

Structure

The publication consists of the IP Group consolidated financial statements and the auditor’s report. There are two appendices that cover additional disclosures and alternative presentations of primary statements.

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Format

The references in the left-hand margin of the consolidated financial statements represent the paragraph of the IAS standard in which the disclosure appears - for example, “8p40” indicates IAS 8 paragraph 40. References to IFRSs, as opposed to IASs, appear in full - for example “IFRS2p6” indicates IFRS 2 paragraph 6. The designation “DV” (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. These consolidated financial statements also include additional disclosures that may represent best practice. Additional notes and explanations are shown in footnotes.

Amounts presented in brackets are negative amounts. Due to rounding, variations/differences may occur.

Abbreviations

IFRS1p37	=	International Financial Reporting Standard [number], paragraph number.
7p22	=	International Accounting Standards [number], paragraph number.
SIC15p5	=	Standing Interpretations Committee [number], paragraph number.
DV	=	Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice.
IFRIC15p10	=	IFRS Interpretations Committee [number], paragraph number.

***IP Group consolidated financial statements
for the year ended 31 December 2016***

(All amounts in € thousands unless otherwise stated)

Consolidated statement of financial position

1p113		As at 31 December		
		Note	2016	2015
Assets				
Non-current assets				
1p10(a), 1p54, 1p38, 1p68	Investment property	6	616,855	600,387
1p60, 1p66	Property, plant and equipment	7	132,788	103,178
1p54(b)	Available-for-sale financial assets	8	767	1,041
1p54(a)	Goodwill	9	1,599	496
1p54(d), IFRS7p8(d)	Deferred income tax assets	10	933	750
1p55				
1p54(o), 1p56				
			752,942	705,852
Current assets				
1p60, 1p66	Inventories	11	15,917	-
1p54(g)	Trade receivables	12	3,742	5,885
1p54(h)	Operating lease pre-payments	13	6,844	6,958
1p78(b),	Available-for-sale financial assets	8	1,578	478
1p54(d), IFRS7p8(d)	Derivative financial instruments	14	1,464	1,196
1p54(d), IFRS7p8(a)	Cash and cash equivalents		905	35,152
1p54(i), 7p8				
			30,450	49,669
IFRS5p38, 1p54(j)	Non-current assets classified as held for sale	15	989	5,421
			31,439	55,090
Total assets			784,381	760,942
Equity				
Equity attributable to equity holders of the company				
1p54(r)	Share capital	16	62,720	62,720
1p78(e)	Other reserves		10,606	4,787
1p78(e)	Retained earnings		494,791	490,153
Total equity			568,117	557,660
Liabilities				
Non-current liabilities				
1p60, 1p69	Borrowings	17	107,224	102,804
1p54(m), IFRS7p8(f)	Tenant deposits		1,978	2,247
1p55	Deferred income tax liabilities	10	52,670	49,038
1p54(o), 1p56				
			161,872	154,089
Current liabilities				
1p60, 1p69	Trade and other payables	18	45,562	36,083
1p54(k)	Borrowings	17	2,192	2,588
1p54(m), IFRS7p8(f)	Tenant deposits		590	608
1p55	Derivative financial instruments	14	595	747
1p54(m), IFRS7p8(e)	Current income tax liabilities	10	4,735	4,392
1p54(n)	Provisions	19	550	1,601
1p54(l)				
			54,224	46,019
IFRS5p38, 1p54(p)	Liabilities directly associated with non-current assets classified as held for sale	15	168	3,174
Total liabilities			216,264	203,282
Total equity and liabilities			784,381	760,942

Not mandatory The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of financial position

The commentary that follows explains some of the key requirements in IAS 1, ‘Presentation of financial statements’ that impact the consolidated statement of financial position.

- | | | |
|----------|----|--|
| 1p10 | 1. | IAS 1 refers to the balance sheet as the “statement of financial position”. However, this title is not mandatory; it is therefore admissible to retain the title of ‘balance sheet’. |
| 1p54, 55 | 2. | Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the statement of financial position. Additional line items, headings and subtotals are presented in the statement of financial position when such presentation is relevant to an understanding of the entity’s financial position.

Real estate entities with significant investment properties under construction may disclose in the statement of financial position the investment property under construction, providing that this presentation is relevant to an understanding of the entity’s financial position. In such instances, the total carrying amount of all investment properties should also be disclosed in the statement of financial position. |
| 1p77, 78 | 3. | An entity discloses, either in the statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity’s operations. The detail provided in sub-classifications depends on the IFRS requirements and on the size, nature and function of the amounts involved. |

Current/non-current distinction

- | | | |
|----------|----|--|
| 1p60 | 4. | IP Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position. |
| 1p66-70 | 5. | Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for other operating costs, are part of the working capital used in the entity’s normal operating cycle. Such operating items are classified as current liabilities, even if they are due to be settled more than 12 months after the reporting period. Derivative financial instruments are classified as current even though they might be used for the purpose of the economic hedge of the interest-rate risk of the borrowings. If hedge accounting in accordance to IAS 39, ‘Financial instruments: Recognition and measurement’, is applied, the classification of derivatives as current/non-current follows the classification of the hedged items they belong to. |
| 1p54, 56 | | Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities as non-current. |

Consistency

- | | | |
|------|----|--|
| 1p45 | 6. | The presentation and classification of items in the financial statements is retained from one period to the next unless: <ol style="list-style-type: none"> a. it is apparent, following a significant change in the nature of the entity’s operations or a review of its financial statements, that another presentation or classification would be more appropriate according to the criteria for selecting and applying accounting policies in IAS 8, “Accounting policies, changes in accounting estimates and errors”; or b. an IFRS requires a change in presentation. |
|------|----|--|

(All amounts in € thousands unless otherwise stated)

Materiality and aggregation

- 1p29 7. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

- 1p32 8. Management should not offset assets and liabilities unless required or permitted to by an IFRS (for example, current or deferred tax assets and liabilities in accordance to IAS 12p71). Measuring assets net of valuation allowances - for example doubtful debt allowances on receivables - is not offsetting.

Three statements of financial position required in certain circumstances

- 1p40A-40D 9. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it provides a third statement of financial position as at the beginning of the earliest comparative period presented. However, where the retrospective change in policy or the restatement has no effect on this earliest statement of financial position, we believe that it would be sufficient for the entity merely to disclose that fact.

Primary financial statements should be read in conjunction with accompanying notes

10. Group IP reminds readers by way of a footnote that the primary financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of comprehensive income

			Year ended 31 December	
		Note	2016	2015
1p10(b), 1p10A, 1p113				
1p82(a)	Revenue	20	42,354	40,088
40p76(d)	Net gain from fair value adjustment on investment property	6	7,660	5,048
1p85	Ground rent costs		(1,736)	(1,488)
40p75(f)	Repair and maintenance costs		(7,656)	(2,801)
1p85	Other direct property operating expenses		(1,212)	(1,315)
1p85	Employee benefits expense	21	(1,448)	(1,400)
1p85	Amortisation of operating lease pre-payments	13	(104)	(104)
1p85	Amortisation of capitalised letting fees	6	(237)	(212)
1p85	Depreciation of property, plant and equipment	7	(5,249)	(2,806)
1p85	Net change in fair value of financial instruments at fair value through profit or loss	14	571	520
1p85	Other expenses		(1,496)	(2,029)
	Operating profit		31,447	33,501
1p85	Finance income	22	1,915	1,042
1p82(b)	Finance costs	22	(8,025)	(11,640)
	Finance costs – net		(6,110)	(10,598)
1p85	Profit before income tax		25,337	22,903
12p77, 1p82(d)	Income tax expense	10	(6,056)	(6,152)
1p81A(a)	Profit for the year		19,281	16,751
	Other comprehensive income:			
	Items that may be subsequently reclassified to profit or loss			
1p82A	Currency translation differences		5,799	1,247
21p52	Change in value of available-for-sale financial assets		20	2
IFRS7p20(a)(ii)				
1p81A(b)	Other comprehensive income for the year		5,819	1,249
1p81A(c)	Total comprehensive income for the year		25,100	18,000
	Profit attributable to:			
1p81B(a)	- Equity holders of the Company		19,281	16,751
	- Non-controlling interest		-	-
1p81B(b)	Total comprehensive income attributable to:			
	- Equity holders of the Company		25,100	18,000
	- Non-controlling interest		-	-
33p66	Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)	23	0.48	0.42

Not mandatory The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of comprehensive income

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', and other aspects that impact the income statement/statement of comprehensive income.

- 1p10A 1. Entities have a choice of presenting a statement of profit and loss and other comprehensive income:
- a. an entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section; or
 - b. an entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.
- The main difference between these two options is that in option (a), profit for the year is shown as a sub-total rather than the 'bottom line', and the statement continues down to total comprehensive income for the year.
- 1p81A 2. The statement of profit and loss and other comprehensive income shall include:
- a. profit or loss
 - b. total other comprehensive income
 - c. comprehensive income for the period, being the total of (a) and (b)
- 1p81B 3. The following items are disclosed as allocations for the period:
- a. profit or loss attributable to:
 - i. non-controlling interests; and
 - ii. owners of the parent.
 - b. total comprehensive income for the period attributable to:
 - i. non-controlling interests; and
 - ii. owners of the parent.
- IFRS5p33(d) c. the amount of income attributable to owners of the parent from:
- i. continuing operations; and
 - ii. discontinued operations.
- 1p82 4. The profit or loss section or the statement of profit and loss includes, as a minimum, the following line items:
- a. revenue;
 - b. finance costs;
 - c. share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - d. tax expense;
 - e. single amount for the total of discontinued operations.

(All amounts in € thousands unless otherwise stated)

1p82A	<p>5. The other comprehensive income section shall present items classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped in those that, in accordance with other IFRSs:</p> <ul style="list-style-type: none"> a. will not be reclassified subsequently to profit or loss; and; b. will be reclassified subsequently to profit or loss when specific conditions are met.
1p85	<p>6. Additional line items, headings and subtotals are presented in the statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance.</p>
1p85A	<p>7. Amendments made to IAS 1 in December 2014 clarify that additional subtotals must:</p> <ul style="list-style-type: none"> a. be comprised of items that are recognised and measured in accordance with IFRS. b. be presented and labelled such that they are clear and understandable. c. be consistent from period to period. d. not be displayed with more prominence than the mandatory subtotals and totals. <p>In addition, we recommend that entities consider the following principles:</p> <ul style="list-style-type: none"> a. The subtotals should not introduce bias or overcrowd the statement of profit or loss. b. It is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below). c. Additional line items or columns should only contain revenue or expenses of the entity itself. d. Additional line items, columns and subtotals should only be presented when they are used internally to manage the business. e. The overall message of the statement of profit or loss should not be distorted or confused <p>8. Earnings before interest and tax (EBIT) may be an appropriate sub-heading to show in the income statement. This line item usually distinguishes between the pre-tax profits arising from operating activities and those arising from financing activities.</p> <p>9. In contrast, a sub-total for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included as a sub-total where the entity presents its expenses by nature and provided the sub-total does not detract from the GAAP numbers either by implying that EBITDA is the 'real' profit or by overcrowding the income statement so that the reader cannot determine easily the entity's GAAP performance. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information in a box, in a footnote, in the notes or in the review of operations.</p>
1p97	<p>Material items of income and expense</p> <p>10. When items of income and expense are material, their nature and amount is disclosed separately either in the income statement or in the notes. Some entities provide this information in the income statement in the form of additional analysis boxes or columns. Further discussion is available in PwC's 'IFRS Manual of Accounting'.</p>

(All amounts in € thousands unless otherwise stated)

1p85, 97	<p>11. IAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of “exceptional”, “significant” or “unusual” items either in the income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year.</p> <p>Analysis of expenses by nature or function</p> <p>12. Where an entity classifies its expenses by nature, it must ensure that each class of expense includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (employee benefit cost), inventory write-downs (changes in inventory) and impairments in property, plant and equipment. It is not normally acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.</p> <p>13. Entities that classify their expenses by function include the material items within the function to which they relate. In this case, material items can be disclosed as footnotes or in the notes to the financial statements.</p> <p>Operating profit</p>
1BC56	<p>14. An entity may elect to include a sub-total for its results from operating activities. This is permitted, but management should ensure that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature (for example, inventory write-downs, restructuring and relocation expenses) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds that they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after 'other expenses' – that is, excluding finance costs and the share of profits of equity-accounted investments – although in some circumstances it may be appropriate for the share of profits of equity-accounted investments to be included in operating profit.</p> <p>Re-ordering of line items</p>
1p86	<p>15. The line items and descriptions of those items are re-ordered where this is necessary to explain the elements of performance. However, entities are required to make a ‘fair presentation’ and should not make any changes unless there is a good reason to do so.</p>
IFRS7p20	<p>16. Finance income cannot be netted against finance costs; it is included in 'other revenue/other income' or shown separately in the income statement. Where finance income is an incidental benefit, it is acceptable to present finance income immediately before finance costs and include a sub-total of 'net finance costs' in the income statement. Where earning interest income is one of the entity's main line of business, it is presented as 'revenue'.</p>

(All amounts in € thousands unless otherwise stated)

Earnings per share

- | | |
|---------------|--|
| 33p66 | 17. IAS 33, 'Earnings per share', requires an entity to present, in the statement of comprehensive income basic, and diluted earnings per share (EPS) for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS are disclosed with equal prominence for all periods presented. |
| 33p67A | 18. If an entity presents a separate income statement, basic and diluted earnings per share are presented at the end of that statement. |
| 33p73 | 19. Earnings per share based on alternative measures of earnings may also be given if considered necessary but should be presented in the notes to the financial statements only. The basis on which the numerator has been determined and whether it amounts per share are before or after tax should be given. |
| 33p67 | 20. If diluted EPS is reported for at least one period, it should be reported for all periods presented, even if it equals basic EPS. If basic and diluted EPS are equal, dual presentation can be accomplished in one line in the statement of comprehensive income as done by the IP Group. |
| 33p68 | 21. An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the continued operation either in the statement of comprehensive income or in the notes to the financial statements. |
| 33p69, 41, 43 | 22. Basic and diluted EPS are disclosed even if the amounts are negative (that is, a loss per share). However, potential ordinary shares are only dilutive if their conversion would increase the loss per share. If the loss decreases, the shares are anti-dilutive. |
| 33p4 | 23. When an entity presents both consolidated financial statements and separate financial statements the disclosures required by IAS 33 need to be presented only on the basis of the consolidated information. An entity that chooses to disclose EPS based on its separate financial statements presents such EPS information only in its separate statement of comprehensive income. |

Components of other comprehensive income

- | | |
|----------|---|
| 1p7 | 24. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. They include: changes in the revaluation surplus relating to property, plant and equipment or intangible assets; remeasurements of post-employment defined benefit obligations; gains and losses arising from translating the financial statements of a foreign operation; gains and losses on re-measuring available-for-sale financial assets; and the effective portion of gains and losses on hedging instruments in a cash flow hedge. For IP Group, they include gains and losses arising from translating the financial statements of a foreign operation and fair value gains and losses on re-measuring rental guarantees classified as available-for-sale. |
| 1p91, 90 | 25. Entities may present components of other comprehensive income either net of related tax effect or before related tax effects. If an entity chooses to present the items net of tax, the amount of income tax relating to each component of OCI, including reclassification adjustments, is disclosed in the notes. IP Group has chosen to present the items net of tax. |
| 1p92, 94 | 26. An entity discloses separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. |

(All amounts in € thousands unless otherwise stated)

1p7, 95	27. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.
1p82A 1p91	28. IAS 1 requires items of OCI, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method), to be grouped into those that will be reclassified subsequently to profit or loss, when specific conditions are met and those that will not be reclassified to profit or loss. Entities that present items of OCI before related tax effects with the aggregate tax shown separately to allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified.
39AG8	29. If the value of rental guarantees changes due to a revision of the estimation of payments, the adjustment of the carrying amount has to be recognised in profit or loss as income or expense in accordance to IAS 39 AG8. This adjustment is calculated by discounting the revised estimated future cash flows with the initial effective interest rate of this instrument. Therefore, generally only the fair value changes resulting from a difference between the effective interest rate applied to calculate the adjustments to carrying amounts in accordance with IAS 39 AG8, and the market interest rate used to calculate the fair value of the rental guarantee, are recognised in OCI.
Consistency	
1p45	30. The presentation and classification of items in the financial statements is retained from one period to the next unless: <ul style="list-style-type: none"> a. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate, addressing the criteria for the selection and application of accounting policies in IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or b. IFRS requires a change in presentation.
Materiality and aggregation	
1p29	31. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
Offsetting	
1p32	32. Assets and liabilities, and income and expenses, are not offset unless required or permitted by an IFRS. Examples of income and expenses that are required or permitted to be offset are as follows:
1p34	a. Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.
1p34	b. Expenditure related to a provision that is recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets', and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.
1p35	c. Gains and losses arising from a group of similar transactions are reported on a net basis (for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading). However, such gains and losses are reported separately if they are material.

(All amounts in € thousands unless otherwise stated)

Summary of requirements for OCI

33. The disclosure requirements surrounding components of OCI can be summarised as follows:

Item	Reference	Requirement in
Each component of other comprehensive income recognised during the period, classified by nature and grouped into those that: <ul style="list-style-type: none"> • will not be reclassified subsequently to profit and loss; and • will be reclassified subsequently to profit and loss. 	1p82A	Statement of comprehensive income
Reclassification adjustments during the period relating to components of other comprehensive income	1p92	Statement of comprehensive income or notes
Tax relating to each component of other comprehensive income, including reclassification adjustments	1p90	Statement of comprehensive income or notes
Reconciliation for each component of equity, showing separately: <ul style="list-style-type: none"> • Profit/loss • Other comprehensive income • Transactions with owners 	1p106(d)	Statement of changes in equity
For each component of equity, an analysis of other comprehensive income by item	1p106A	Statement of changes in equity and notes

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of changes in equity

The commentary that follows explains some of the key requirements in IAS 1, 'Presentation of financial statements', and other aspects that impact the statement of changes in equity.

Dividends

- 1p107
1. The amount of dividends recognised as distributions to owners during the period and the related amount per share are presented either in the statement of changes in equity or in the notes. Dividends cannot be displayed in the statement of comprehensive income or income statement.

Other information

- 1p106
2. Information to be included in the statement of changes in equity includes:
 - a. total comprehensive income for the period, showing separately the total amounts attributable to equity holders of the company and to non-controlling interest.
 - b. for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8.
 - c. for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - i. profit or loss:
 - ii. other comprehensive income; and
 - iii. transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.
 3. For each component of equity, the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or disclosed within the notes.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of cash flows

1p113			Year ended 31 December	
1p10(d), 7p10	Cash flows from operating activities	Notes	2016	2015
7p18(b), 7p20	Profit before income tax		25,337	22,903
	Adjustments for:			
	Depreciation of property, plant and equipment	7	5,249	2,806
	Amortisation of operating lease pre-payments	13	104	104
	Amortisation of capitalised letting fees	6	237	212
	Net gain from fair value adjustment on investment property	6	(7,660)	(5,048)
	Net change in fair value of financial instruments at fair value through profit or loss	14	(420)	(520)
	Finance costs – net	22	6,110	10,598
	Impairment charge for trade receivables	12	82	113
	Provisions for legal claims	19	302	200
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	(Increase)/decrease in trade receivables		4,796	(842)
	Increase in inventories	11	(1,460)	-
	Increase in trade and other payables		12,356	21,839
	Cash generated from operations		45,033	52,365
7p31	Interest paid		(12,132)	(12,032)
	Payments on legal claims		(1,412)	(762)
7p35	Income tax paid		(3,772)	(6,945)
	Letting fees paid		(2,362)	(1,092)
	Proceeds from rental guarantees	8	54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		24,533	19,806
	Cash flows from investing activities			
7p21	Purchases of investment property	6	(2,797)	(220)
7p16(a)	Subsequent expenditure on investment property	6	(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property	6	15,690	750
7p16(a)	Purchases of property, plant and equipment	7	(10,322)	(13,246)
7p40	Acquisitions of subsidiaries, net of cash acquired	25	(14,691)	(3,130)
7p16(f)	Proceeds from settlement of finance lease receivables		316	80
7p31	Interest received		560	1,024
	Net cash used in investing activities		(39,457)	(17,224)
	Cash flows from financing activities			
7p21	Proceeds from borrowings	17	10,763	18,234
7p17(c)	Repayments of borrowings	17	(17,541)	(8,966)
7p17(d)	Dividends paid to the Company's shareholders	24	(14,643)	(11,379)
7p31				
	Net cash used in financing activities		(21,421)	(2,111)
	Net (decrease)/increase in cash and cash equivalents		(36,345)	471
	Cash and cash equivalents at the beginning of the year		35,152	34,621
7p28	Exchange gains/(losses) on cash and cash equivalents		2,098	60
	Cash and cash equivalents at the end of the year		905	35,152

7p43 Investing and financing transactions that did not require the use of cash and cash equivalents are excluded from the cash flow statement. . The group enters into non cash transactions when acquiring property, plant and equipment by means of finance leases. No new finance leases have been entered into during the year or prior year.

Not mandatory The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of cash flows

The commentary that follows explains some of the key requirements in IAS 7, ‘Statements of cash flow’.

Reporting cash flows

Cash flows from operating activities

Cash flows from operating activities are reported using either:

- 7p18
- a. the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - b. the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

7p20 IP Group uses the indirect method. For an illustration of a statement of cash flows presented using the direct method, refer to Appendix II.

Cash flows from investing and financing activities

7p21 Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS 7 are reported on a net basis. The acquisitions of investment properties are disclosed as cash flows from investing activities as these are the expenditures that result in a recognised asset in the balance sheet and this most appropriately reflects the Group’s business activities.

Interest and dividends

7p31 Cash flows from interest received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as either operating, investing or financing activities. The standard permits entities to show interest paid in operating or financing activities whereas interest received might be shown in operating or investing activities.

7p34 Dividends paid may be classified as “financing cash flows” because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Income taxes

7p35 Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Effects of exchange rate changes

7p28 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

(All amounts in € thousands unless otherwise stated)

Additional recommended disclosures

- | | |
|---------|--|
| 7p50 | Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information is encouraged and may include, inter alia: |
| 7p50(a) | a. The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities. |
| 7p50(d) | b. The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see IFRS 8, “Operating segments”). |

(All amounts in € thousands unless otherwise stated)

Notes to the consolidated financial statements

1. General information

- 1p138(b) IP (the “Company”; the “Parent”) and its subsidiaries (together the “IP Group” or “the Group”) hold a major portfolio of investment properties in the UK, Germany and Hong Kong.
- 1p51(a)(b) The Group is also involved in the development of investment properties and construction of office buildings for sale in the ordinary course of business.
- 1p138(a) The Company is a limited liability company incorporated and domiciled in Euravia. The address of its registered office is 5 Skyscraper Road, 5050, Propertyville.
- The Company has its primary listing on the Euravia’s stock exchange.
- 10p17 These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2017. The shareholders have the power to amend the consolidated financial statements after issue.

2. Summary of significant accounting policies

PwC commentary

The following note is an illustration of a large number of possible accounting policies. Management should only present information that relates directly to the business and should avoid boilerplate disclosures.

- 1p112(a) The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.
- 1p117(b)
- 1p119

2.1 Basis of preparation

- 1p16 *Statement of compliance*

The consolidated financial statements of IP Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC).

Income and cash flow statements

- 7p18 IP Group has elected to present a single statement of comprehensive income and presents its expenses by nature.
- 7p31 The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group’s business activities.

Preparation of the consolidated financial statements

- 1p117(a) The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of investment property at fair value, financial assets classified as available-for-sale and derivative financial instruments that have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(All amounts in € thousands unless otherwise stated)

Changes in accounting policy and disclosures¹

8p28	<p>a. New and amended standards adopted by the Group</p> <p>The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2016:</p> <ul style="list-style-type: none"> • <i>Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11</i> • <i>Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38</i> • <i>Annual improvements to IFRSs 2012 – 2014 cycle, and</i> • <i>Disclosure Initiative: Amendments to IAS 1.</i> <p>The adoption of these amendments did not have any impact on the financial statements of the Group for the current period or any prior period and is not likely to affect future periods.</p> <p>The Group also elected to adopt the following amendments early:</p> <ul style="list-style-type: none"> • <i>Disclosure Initiative: Amendments to IAS 7.</i> <p>This amendment requires disclosure of changes in liabilities arising from financing activities, see Note 17.</p>
8p30, 31	<p>b. New standards and interpretations not yet adopted</p> <p>A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:</p> <p>IAS 12, ‘Income taxes’ was amended to clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. Specifically, the amendments confirm that: (i) a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; (ii) an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; (iii) where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and, (iv) tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This amendment is effective for annual periods beginning on or after 1 January 2017. The Group does not expect the amendment to have a material impact on its financial statements since fair value exceeds the cost for almost all of its investment properties as at 1 January 2015 and 31 December 2015 and 2016. The group is monitoring fair value movements below cost to assess the impact of the amendment in future periods.</p>

¹ A detailed list of IFRSs and IFRIC interpretations effective on or after 1 January 2016 is included as appendix D in the PwC *Illustrative IFRS consolidated financial statements for 2016 year ends*.

(All amounts in € thousands unless otherwise stated)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in a company's own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group expects IFRS 9 to have an immaterial impact on the accounting for available-for-sale financial assets and derivatives.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group expects IFRS 15 to have an immaterial impact on the provision of services and management income that fall under the scope of IFRS 15.

IFRS 16, 'Leases' was issued in January 2016. For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1p119

2.2 Consolidation

a. Subsidiaries

IFRS10p7

Control

IFRS10p20

IFRS10p25

IFRS10p19

IFRS10pB92

IFRS10pB86

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting

(All amounts in € thousands unless otherwise stated)

- IFRS3p5 policies of subsidiaries have been changed where necessary to ensure consistency with the
IFRS3p37 policies adopted by the Group.
- IFRS3p39 Inter-company transactions, balances and unrealised gains or losses on transactions between
IFRS3p18 Group companies are eliminated, except where there are indications for impairment.
IFRS3p19
- Accounting for business combinations*
- The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.
- IFRS3p53 Acquisition-related costs are expensed as incurred.
- IFRS3p42 If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.
- IFRS3p42 Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.
- IFRS3p32 The excess of the consideration transferred, the amount of any non-controlling interest in the
IFRS3B63(a) acquiree and the acquisition-date fair value of any previous equity interest in the acquiree
36p80 over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.
- IFRS3p4 *Accounting for asset acquisitions*
- For acquisition of a subsidiary not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

(All amounts in € thousands unless otherwise stated)

b. Changes in ownership interests in subsidiaries without change of control

IFRS10p23
IFRS10pB94
-96

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c. Disposal of subsidiaries

IFRS10p25
IFRS10pB97-
99

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Operating segments

1p119
IFRS8p5(b)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company.

2.4. Foreign currency translation

a. Functional and presentation currency

1p119
21p17
21p9, 18
1p51(d)

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in euros, which is the Company’s functional currency and the Group’s presentation currency.

b. Transactions and balances

1p119
21p21, 28
21p32

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss for the year.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalised as explained in Note 2.17 (“Borrowing costs”). All other foreign exchange gains and losses are presented net in the statement of comprehensive income.

c. Group companies

1p119
21p39

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 21p39(a)
- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- 21p39(b)
- ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate

(All amounts in € thousands unless otherwise stated)

	on the dates of the transactions). The Group is using monthly average exchange rates due to the increased volatility in exchange rates; and
21p39(c)	iii. all resulting exchange differences are recognised in the statement of comprehensive income.
21p48, 48A, 48B, 48C	<p>On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.</p> <p>In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.</p>
21p47	Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.
1p119	2.5. Investment property
40p5 40p8(e)	Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property ² also includes property that is being constructed or developed for future use as investment property.
40p6, 25	Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.
40p20	Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs (see Note 2.17) ³ .
40p75(e)	<p>After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.</p> <p>It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:</p> <ul style="list-style-type: none"> • The provisions of the construction contract. • The stage of completion. • Whether the project/property is standard (typical for the market) or non-standard. • The level of reliability of cash inflows after completion. • The development risk specific to the property.

² Investment property includes properties that Group companies lease out to an associate or joint venture that occupies the property (IAS40p15).

³ Cost is the purchase price, including directly attributable expenditure. Directly attributable expenditure includes transaction costs, such as legal fees and property transfer taxes (except if accounted for as a business combination, in which case transaction costs are expensed as incurred), and for properties under construction, borrowing costs in accordance with IAS 23 (IAS40p20-21; IAS23p4(a)).

(All amounts in € thousands unless otherwise stated)

- Past experience with similar constructions.
- Status of construction permits.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

40p40	The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.
40p16,68	Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.
40p50(d)	If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.
40p35, 69	Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.
40p60	If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.
40p61, 62	If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to income statement.
40p58, 60	Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.
17p52	See Note 2.7(c) for details of the treatment of letting fees capitalised within the carrying amount of the related investment property.

(All amounts in € thousands unless otherwise stated)

1p119	2.6. Property, plant and equipment
16p73(a)	<p>All property, plant and equipment (PPE) is stated at historical cost⁴ less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs (see Note 2.17).</p> <p>Cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of PPE.</p>
16p12, 16p13	<p>Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.</p>
16p43, 73(b), 16p50, 73(c)	<p>Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:</p> <ul style="list-style-type: none"> • Land and property under construction: nil; • Buildings: 25-40 years; • Fixtures and fittings: 5-15 years.
16p51	<p>The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.</p>
36p59	<p>An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount</p>
16p68, 71	<p>Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement⁵.</p>
1p119	2.7 Leases
	a. Group is the lessee
17p4	i. Operating lease
	<p>Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties. See Note 2.5 for the accounting policy relating to land held on an operating lease and used as investment property.</p>
17p4	ii. Finance lease
17p20 17p27	<p>Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is treated as borrowing costs (see Note 2.17) and</p>

⁴ If PPE is accounted for using the revaluations model under IAS 16, revaluation gains should be reported in other comprehensive income; PPE should still be depreciated if there are depreciable items, and the depreciation charge for the year should be included in income statement.

⁵ If assets are carried under the IAS 16 revaluation model, the related amounts included in revaluation reserve are transferred to retained earnings when revalued assets are derecognised (IAS16p41).

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expensed/capitalised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.

b. Group is the lessor in an operating lease

17p49 Properties leased out under operating leases are included in investment property in the
17p50 consolidated statement of financial position (Note 6). See Note 2.21 for the recognition of rental income.

c. Group is the lessor - fees paid in connection with arranging leases and lease incentives

17p52 The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

1p119 **2.8. Goodwill**

IFRS3p32 Goodwill arises on the acquisition of businesses and represents the excess of the
IFRS3pB64 consideration transferred, the amount of any non-controlling interest in the acquiree and the
(a) acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business acquired in case of a bargain purchase, the difference is recognised directly in the income statement.

36p80 For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is monitored at the operating segment level.

36p10(b), Goodwill impairment reviews are undertaken annually or more frequently if events or
38p108 changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1p119 **2.9. Impairment of non-financial assets**

36p80 Assets that have an indefinite useful life - for example, goodwill - are not subject to
36p6, 68 amortisation and are tested annually for impairment. Assets that are subject to depreciation
36p9, 36p10 or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

1p119 **2.10. Inventories**

40p57(b) The Group's inventories arise where there is a change in use of investment properties
2p9, 36(a) evidenced by the commencement of development with a view to sale, and the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of

(All amounts in € thousands unless otherwise stated)

reclassification. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

1p119

2.11. Financial instruments

IFRS7p21

a. Financial assets

39p43

39p46(a)

39p59,

IFRS7

AppxBp5(f)

IFRS7

AppxBp5(d)

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and available-for-sale financial assets (rental guarantees).

Trade and other receivables

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivatives

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swap and forward foreign exchange contracts for hedging purposes (economic hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in the profit or loss in net change in fair value of financial instruments at fair value through profit or loss.

Rental guarantees

Rental guarantees provided for by the seller of an investment property are recognised as financial asset when the Group becomes a party to the contractual provisions of the guarantee. Rental guarantees are classified as monetary available-for-sale financial assets⁶. When a rental guarantee is recognised initially, the Group measures it at its fair value plus, in the case of a rental guarantee not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, the Group

⁶ In certain circumstances, a different classification in accordance to IAS 39 may be possible.

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measures the rental guarantees at fair value with fair value changes recognised in other comprehensive income (for rental guarantees classified as available-for-sale).

39AG8

If the Group revises its estimate of payments or receipts, the Group adjusts the carrying amount of the rental guarantee to reflect the actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in income statement as finance income or expense (Note 22).

Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

39p67, 68,
70

For debt securities, if any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in income statement.

b. Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans

(All amounts in € thousands unless otherwise stated)

and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.16 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

1p119 **2.12. Prepayments**

Prepayments are carried at cost less any accumulated impairment losses. See Note 2.7 for separate accounting policy for operating lease prepayments.

1p119 **2.13. Cash and cash equivalents**

7p45 Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1p119 **2.14. Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets.

IFRS7p21
32p37 Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1p119 **2.15. Trade and other payables**

IFRS7p21,
39p43
39p47 Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Certain Group companies obtain deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 24 months. Such deposits are treated as financial liabilities in accordance with IAS 39, and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to Note 2.21 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

1p119 **2.16. Borrowings**

39p47
39p43 Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost (Note 2.23) over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1p69 Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

1p119 **2.17. Borrowing costs**

23p8 General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(All amounts in € thousands unless otherwise stated)

- 21p12 Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.
- IP Group capitalise borrowing costs on qualifying investment properties, PPE and inventories
- 1p119 **2.18. Current and deferred income tax**
- 12p58, 61A The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity - in which case, the tax is also recognised in other comprehensive income or equity.
- 12p46 The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- 12p47, 24
12p15 Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- 12p24, 34 Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
- 12p51C The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated statement of financial position regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.
- 12p39, 44 Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
- 12p74 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.
- 1p119 **2.19. Employee benefits**
- The Group operates various post-employment schemes, including both defined contribution pension plans and post-employment medical plans.
- 19p26-28 A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay

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further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

19p51 For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1p119 **2.20. Provisions**

37p14 Provisions for legal claims are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

37p45 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

1p119 **2.21. Revenue recognition**

18p35(a) Revenue includes rental income, and service charges and management charges from properties.

7p50 Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

SIC15p4

Revenue from service and management charges is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Service and management charges are recognised in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

1p119 **2.22. Dividend distribution**

10p12, 32p35 Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

IFRS7 **2.23. Interest income and expense**

AppxB5(e)

23p2

1p110

23p4

Interest income and expense are recognised within 'finance income' and 'finance costs' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen

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to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1p119 **2.24. Other expenses**

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis).

1p119 **2.25. Non-current assets (or disposal groups) held for sale**

IFRS5p5, 15 Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell unless the assets are investment properties measured at fair value or financial assets in the scope of IAS 39 in which case they are measured in accordance with those standards.

Commentary - Summary of significant accounting policies

Statement of compliance with IFRS

- 1p16
1. An entity whose financial statements and notes comply with IFRS makes an explicit and unreserved statement of such compliance in the notes. The financial statements and notes are not described as complying with IFRS unless they comply with all the requirements of IFRS.
 2. Where an entity can make the explicit and unreserved statement of compliance in respect of only:
 - a. the parent financial statements and notes, or
 - b. the consolidated financial statements and notes,
 it clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of accounting policies

3. A summary of significant accounting policies includes:
 - 1p117(a) a. the measurement basis (or bases) used in preparing the financial statements; and
 - 1p117(b) b. the other accounting policies used that are relevant to an understanding of the financial statements.
- 1p116 4. The summary may be presented as a separate component of the financial statements.
- 1p119 5. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow.

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For example, IAS 16, 'Property, plant and equipment', requires disclosure of the measurement bases used for classes of property, plant and equipment.

Changes in accounting policies

8p28

Initial application of IFRS

6. When initial application of an IFRS:

- a. has an effect on the current period or any prior period;
- b. would have such an effect except that it is impracticable to determine the amount of the adjustment; or
- c. might have an effect on future periods, an entity discloses:
 - i. the title of the IFRS;
 - ii. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
 - iii. the nature of the change in accounting policy;
 - iv. when applicable, a description of the transitional provisions;
 - v. when applicable, the transitional provisions that might have an effect on future periods;
 - vi. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - for each financial statement line item affected;
 - if IAS 33, 'Earnings per share', applies to the entity, for basic and diluted earnings per share;
 - vii. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - viii. if retrospective application required by paragraph 19(a) or (b) of IAS 8, 'Accounting policies, changes in accounting estimates and errors', is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

8p29

Voluntary change in accounting policy

7. When a voluntary change in accounting policy:

- a. has an effect on the current period or any prior period,
- b. would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or
- c. might have an effect on future periods, an entity discloses:
 - i. the nature of the change in accounting policy;
 - ii. the reasons why applying the new accounting policy provides reliable and more relevant information;
 - iii. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - for each financial statement line item affected, and
 - if IAS 33 applies to the entity, for basic and diluted earnings per share;

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- iv. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- v. if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Change during interim periods

1p112(c)

8. There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect.

IFRSs issued but not yet effective

8p30

9. When an entity has not applied a new IFRS that has been issued but is not yet effective, it discloses:
- a. this fact; and
 - b. known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

8p31

10. An entity considers disclosing:
- a. the title of the new IFRS;
 - b. the nature of the impending change or changes in accounting policy;
 - c. the date as at which it plans to apply it initially; and
 - d. the date as at which it plans to apply it initially; and
 - e. either:
 - i. a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements, or
 - ii. if that impact is not known or reasonably estimable, a statement to that effect.
11. Our view is that disclosures in the paragraph above are not necessary in respect of standards and interpretations that are clearly not applicable to the entity or that are not expected to have a material effect on the entity. Instead, disclosure should be given in respect of the developments that are, or could be, significant to the entity. Management will need to apply judgement in determining whether a standard is expected to have a material effect. The assessment of materiality should consider the impact both on previous transactions and financial position and on reasonably foreseeable future transactions. For pronouncements where there is an option that could have an impact on the entity, the management expectation on whether the entity will use the option should be disclosed.

(All amounts in € thousands unless otherwise stated)

3. Financial risk management⁷

3.1. Financial risk factors⁸

IFRS7p31 The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

IFRS7p33(a) Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Key financial risk management reports are produced monthly on a Group level and provided to the key management personnel of the Group.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be accepted, which are monitored on a monthly basis (see details below). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rate and changes in foreign currency rates.

i. Foreign exchange risk

IFRS7p33(a) The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the UK pound and HK dollar. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

IFRS7p22 The Group's policy is to enter into currency hedging transactions with forward foreign exchange contracts; however, it does not opt to use hedge accounting in accordance with the requirements of IAS 39.

The Group has various financial assets such as derivative financial assets and liabilities, trade and other receivables and cash and short-term deposits that arise directly from its operations. Rental guarantees provided by the seller of an investment property are accounted for as an available-for-sale financial instrument of the Group. The Group's principal financial liabilities, besides derivative financial liabilities, comprise bank loans and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

⁷ Disclosures required by IFRS 7, 'Financial instruments: Disclosures', include summary quantitative data about the entity's risks arising from financial instruments, based on information provided internally to key management personnel of the entity. The disclosures illustrated are specific to the fictional group whose financial statements are presented, and different disclosures may be appropriate for entities with different risk profiles and different methods of managing risks arising from financial instruments

⁸ IFRS 8 requires disclosures based on the information used for internal reporting purposes. The disclosures illustrated above assume that the entity's internal reporting is based on the particular operating segments shown, with no assets unallocated to segments. Disclosures may vary considerably between entities

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The derivative transactions the Group enters into are primarily interest rate swaps and forward foreign exchange contracts. The purpose is to manage the interest rate risks and currency risks arising from the Group's operations and its sources of finance (economy hedges).

The tables below summarise the reports provided to key management personnel and used to monitor the Group's exposure to foreign currency risk arising from financial instruments at 31 December before hedging. The Group's financial assets and liabilities are included in the table categorised by currency at their carrying amount.

(All amounts in € thousands unless otherwise stated)

IFRS7p31 34(c)	As at 31 December 2016	Note	€	£	HK\$	Other	Total
IFRS7p8	Financial assets – loans and receivables						
	Trade receivables:	12					
	- Rent receivables from lessees, net of impairment		1,265	535	518	644	2,962
	- Other financial assets		412	139	135	94	780
	Cash and cash equivalents		521	138	102	144	905
	Rental guarantees	8	1,879	320	146	-	2,345
	Derivatives	14	1,032	346	86	-	1,464
	Assets of disposal groups classified as held for sale:	15					
	- Trade receivables		-	40	-	-	40
	- Cash and cash equivalents		-	140	-	-	140
	Total financial assets		5,109	1,658	987	882	8,636
IFRS7p8	Financial liabilities measured at amortised cost						
	Non-current borrowings, including finance leases:	17					
	- Bank borrowings		60,434	11,758	13,572	-	85,764
	- Debentures and other loans		10,326	2,009	2,319	-	14,654
	- Finance lease liabilities		4,796	933	1,077	-	6,806
	Tenant deposits - non-current		1,187	396	170	225	1,978
	Trade and other payables:	18					
	- Trade payables		30,613	1,498	2,976	303	35,390
	- Other financial liabilities		4,327	608	584	85	5,604
	- Accruals		648	-	-	-	648
	Tenant deposits - current		590	-	-	-	590
	Derivatives	14	420	130	45	-	595
	Current borrowings - finance lease liabilities	17	1,243	-	857	92	2,192
	Liabilities of disposal groups classified as held for sale	15					
	- Trade and other payables		-	41	-	-	41
	Total financial liabilities		114,584	17,373	21,600	705	154,262
IFRS7p8	As at 31 December 2015	Note	€	£	HK\$	Other	Total
	Financial assets – loans and receivables						
	Trade receivables:	12					
	- Rent receivables from lessees, net of impairment		3,569	588	594	794	5,545
	- Other financial assets		223	31	37	49	340
	Cash and cash equivalents		31,003	3,183	423	543	35,152
	Rental guarantees	8	1,205	212	102	-	1,519
	Derivatives	14	837	287	72	-	1,196
	Assets of disposal groups classified as held for sale:	15					
	- Trade receivables		361	40	-	-	401
	- Cash and cash equivalents		477	140	-	-	617
	Total financial assets		37,675	4,481	1,228	1,386	44,770

(All amounts in € thousands unless otherwise stated)

FRS7p8	Financial liabilities measured at amortised cost					
	Non-current borrowings, including finance leases:	17				
	- Bank borrowings		63,708	11,886	12,060	- 87,654
	- Debentures and other loans		5,190	968	982	- 7,140
	- Finance lease liabilities		5,822	1,086	1,102	- 8,010
	Tenant deposits - non-current		1,348	450	234	215 2,247
	Trade and other payables:	18				
	- Trade payables		24,868	1,683	2,751	315 29,617
	- Other financial liabilities		2,211	275	450	52 2,988
	- Accruals		703	-	-	- 703
	Tenant deposits - current		608	-	-	- 608
	Current borrowings - finance lease liabilities	17	1,500	-	967	121 2,588
	Derivatives	14	540	130	77	- 747
	Liabilities of disposal groups classified as held for sale:	15				
	- Trade and other payables		2,063	41	324	- 2,428
	Total financial liabilities		108,561	16,519	18,947	703 144,730

IFRS7p33 The Group manages foreign currency risk on a group basis. Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury.

Nevertheless, the Group does not apply hedge accounting in accordance with IAS 39. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as rental revenue) are denominated. This is generally achieved by obtaining loan finance in the relevant currency and by entering into forward foreign exchange contracts.

IFRS7p40 (a-b) The functional currency of the Company is the euro; the functional currencies of the Group's principal subsidiaries are the euro, the HK dollar and the UK pound. The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies.

The following paragraph presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective Group entities, with all other variables held constant.

At 31 December 2016 if the HK dollar weakened/strengthened by 25% against the euro and the UK pound (2015: 23%), post-tax profit for the year would have been € 730 thousand (2015: € 678) higher/lower. If the UK pound weakened/strengthened by 25% against the euro and the HK dollar (2015: 23%), post-tax profit for the year would have been € 702 (2015: € 643) higher/lower.

ii. *Price risk*

IFRS7p33(a) The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk. See Note 4.

iii. *Cash flow and fair value interest rate risk*

IFRS7p33(a) As the Group's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income. The Group is exposed to fair value interest rate risk on tenant deposits classified as available-for-sale. Any change in the market rates might impact the fair value gain or loss

(All amounts in € thousands unless otherwise stated)

recognised in other –comprehensive income. The impact of such changes in not expected to be significant to the group.

IFRS7p33(a) The Group’s interest rate risk principally arises from long-term borrowings (Note 17).
 (b), p22(c) Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

The Group’s policy is to fix the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2016, as in the previous year, after taking into account the effect of interest rate swaps and caps, nearly 100% of the Group’s borrowings are at a fixed rate of interest. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

IFRS7p33(b) The Group’s interest rate risk is monitored by the Group’s management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group’s interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management. Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

IFRS7p40(a) As of 31 December 2016, if interest rates had been 200 basis points higher (2015: 180 basis points higher) with all other variables held constant, post-tax profit for the year would have been € 2,104 (2015: € 2,280) lower. If interest rates had been 200 basis points lower (2015: 100 basis points lower) with all other variables held constant, post-tax profit for the year would have been € 2,104 (2015: € 2,280) higher.

IFRS7p31 The average effective interest rates of financial instruments at the date of the statement of financial position, based on reports reviewed by key management personnel, were as follows:

	2016			2015		
	€	HK\$	£	€	HK\$	£
Cash and cash equivalents	0.5%	1.5%	1.2%	0.4%	1.2%	1.2%
Bank borrowings	7.0%	6.3%	6.9%	6.8%	6.2%	6.6%
Debentures and other loans	7.2%	6.5%	6.3%	7.1%	6.3%	6.5%
Finance lease liabilities	7.4%	6.0%	6.8%	7.2%	5.8%	6.8%
Rental guarantees	5.9%	5.3%	5.6%	5.4%	5.0%	5.3%
Tenant deposits	6.8%	6.0%	6.2%	6.7%	6.1%	6.9%

The average effective rate for tenant deposits disclosed above applies for both non-current and current tenant deposits.

b. Credit risk

IFRS7p33(a) Credit risk is the risk that one party to a financial instrument will cause a financial loss for
 (b) the other party by failing to discharge an obligation. The Group has no significant
 IFRS7p36(c) concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees, rental guarantees and derivatives. Credit risk is managed on a group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review. The Group has policies in place to ensure that rental

(All amounts in € thousands unless otherwise stated)

contracts are entered into only with lessees with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis. Cash balances are held and derivatives are agreed only with financial institutions with a Moody's credit rating of A or better. The Group has policies that limit the amount of credit exposure to any financial institution. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors. The utilisation of credit limits is regularly monitored

The Group's maximum exposure to credit risk by class of financial asset other than derivatives and rental guarantee is as follows:

IFRS7p36(a)	2016	2015
Trade receivables, net of provision for impairment (Note 12):		
- Rent receivables from lessees	2,962	5,545
- Other financial assets	780	340
Cash and cash equivalents	905	35,152

IFRS7p38(b) Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

IFRS7p25 The fair value of cash and cash equivalents at 31 December 2016 and 31 December 2015 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

IFRS7p37	2016	2015
Trade receivables, gross (Note 12):		
- Receivables from large companies	2,852	4,835
- Receivables from small or medium-sized companies	540	690
Total neither past due nor impaired	3,392	5,525
Past due but not impaired:		
- Less than 30 days overdue	290	320
- 30 to 90 days overdue	60	40
Total past due but not impaired	350	360
Individually determined to be impaired (gross):		
- 30 to 90 days overdue	200	130
- 90 to 180 days overdue	122	110
Total individually determined to be impaired (gross)	322	240
Less: impairment provision	(322)	(240)
Total trade receivables, net of provision for impairment	3,742	5,885

Cash and cash equivalents, neither past due nor impaired (Moody's ratings of respective counterparties):

	2016	2015
- AA-rates	434	24,560
- A-rated	471	10,592
Total cash and cash equivalents	905	35,152

For the purposes of the Group's monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of € 5,000 (2015: € 5,500).

IFRS7p34(c) There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a large number of financial institutions, internationally dispersed.

(All amounts in € thousands unless otherwise stated)

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

IFRS7p39(a) The maturity analysis of financial instruments at 31 December 2016 is as follows:
(b)

		Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
	Assets							
DV	Cash and cash equivalents	905	-	-	-	-	-	905
	Derivative financial instruments	-	-	1,657	-	-	-	1,657
DV	Trade receivables	3,392	350	-	-	-	-	3,742
	Rental guarantees	-	-	356	664	1,325	-	2,345
	Liabilities							
IFRS7p39(a)	Bank borrowings	-	-	-	22,054	43,186	29,806	95,046
IFRS7p39(a)	Debentures and other loans	-	-	-	5,241	14,154	-	19,395
IFRS7p39(a)	Finance lease liabilities	229	451	2,069	1,570	4,722	2,063	11,104
	Derivative financial instruments	-	-	665	-	-	-	665
IFRS7p39(a)	Tenant deposits	49	154	387	781	2,299	-	3,670
	Trade and other payables:							
IFRS7p39(a)	- Trade payables	24,407	10,983	-	-	-	-	35,390
IFRS7p39(a)	- Other financial	4,672	932	-	-	-	-	5,604
IFRS7p39(a)	- Accruals	550	98	-	-	-	-	648
		34,204	12,968	5,134	30,310	65,686	31,869	180,171

(All amounts in € thousands unless otherwise stated)

The maturity analysis of financial instruments at 31 December 2015 is as follows:

		Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
	Assets							
DV	Cash and cash equivalents	35,152	-	-	-	-	-	35,152
	Derivative financial instruments	-	-	1,345	-	-	-	1,345
DV	Trade receivables	5,525	360	-	-	-	-	5,885
	Rental guarantees	-	-	232	320	967	-	1,519
	Liabilities							
IFRS7p39(a)	Bank borrowings	-	-	-	23,743	44,068	27,331	95,142
IFRS7p39(a)	Debentures and other loans	-	-	-	4,276	3,687	-	7,963
IFRS7p39(a)	Finance lease liabilities	267	515	2,421	1,916	5,244	2,891	13,254
	Derivative financial instruments	-	-	792	-	-	-	792
IFRS7p39(a)	Tenant deposits	55	160	393	647	1,940	715	3,910
	Trade and other payables							
IFRS7p39(a)	- Trade payables	24,407	5,210	-	-	-	-	29,617
	- Other financial liabilities	2,802	186	-	-	-	-	2,988
IFRS7p39(a)	- Accruals	615	88	-	-	-	-	703
	-							
	-	68,823	6,519	5,183	30,902	55,906	30,937	198,270

As the amount of contractual undiscounted cash flows related to bank borrowings and debentures and other loans is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date - that is, the actual spot interest rates effective as of 31 December 2016 and 31 December 2015 are used for determining the related undiscounted cash flows.

3.2. Financial instruments

1p134
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1p135(a)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain a gearing ratio within 10% to 18% and a BB credit rating. The Group's Moody's credit rating was BB throughout 2016 and 2015. The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:

	2016	2015
Total borrowings	109,416	105,392
Less: cash and cash equivalents	(905)	(35,152)
Net debt	108,511	70,240
Total equity	568,117	557,660
Total capital	676,628	627,900
Gearing ratio	16%	11%

(All amounts in € thousands unless otherwise stated)

3.3. Fair value estimation

a. Assets and liabilities carried at fair value

IFRS13p73 The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- IFRS13p76
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- IFRS13p81
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- IFRS13p86
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's financial assets and liabilities as of 31 December 2016 were classified as follows:

	Level 1	Level 2	Level 3
Rental guarantees	-	-	2,345
Derivative financial assets	-	1,464	-
Derivative financial liabilities	-	595	-

The Group's financial assets and liabilities as of 31 December 2015 were classified as follows:

	Level 1	Level 2	Level 3
Rental guarantees	-	-	1,519
Derivative financial assets	-	1,196	-
Derivative financial liabilities	-	747	-

IFRS13p93(c) There were no transfers between levels 1 and 2 during the year.

IFRS13p93 (e)(iv) The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Financial instruments in level 2

IFRS13p93 (d) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for certain forward foreign exchange contracts explained below.

Financial instruments in level 3 please see Note 8 for disclosure relating to available-for-sale financial assets.

(All amounts in € thousands unless otherwise stated)

b. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed.⁹

IFRS13p97	Assets	Level 1	Level 2	Level 3	Total
	Trade receivables	-	3,742	-	3,742
	Cash and cash equivalents	905	-	-	905
	Total	905	3,742	-	4,647
	Liabilities				
	Trade and other payables	-	45,562	-	45,562
	Tenant deposits	-	2,568	-	2,568
	Borrowings	-	109,416	-	109,416
	Total	-	157,546	-	157,546

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2015 but for which fair value is disclosed.

IFRS13p97	Assets	Level 1	Level 2	Level 3	Total
	Trade receivables	-	5,885	-	5,885
	Cash and cash equivalents	35,152	-	-	35,152
	Total	35,152	5,885	-	41,037
	Liabilities				
	Trade and other payables	-	36,083	-	36,083
	Tenant deposits	-	2,855	-	2,855
	Borrowings	-	105,392	-	105,392
	Total	-	144,330	-	144,330

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Group. Trade and other payables and Borrowings represent contract amounts and obligations due by the Group.

1p122, 1p125 **4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

4.1. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

IFRS13p91 **a. Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on

⁹ For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, IFRS13p97 requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique.

(All amounts in € thousands unless otherwise stated)

market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various rental guarantees that are not traded in active markets. See further disclosure in Note 8.

b. Investment property

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made, see Note 6.

c. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

The deferred tax assets recognised at 31 December 2016 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

Where the actual final outcome (on the judgement areas) differs by 10% from management's estimates, the Group would need to:

- increase the income tax liability by €10,000 and the deferred tax liability by €20,000; if unfavourable; or
- decrease the income tax liability by €9,000 and the deferred tax liability by €18,000; if favourable.

1p122

4.2 Critical judgements in applying the Group's accounting policies

40p53

a. Property under construction

The Group commenced construction of one investment property in Germany during the year. The area in which the land is situated is currently in poor state but is expected to be substantially redeveloped as it will include the site of a station to support the high speed rail network currently being installed in Germany. The exact timing and impact of this redevelopment is uncertain. Management therefore concluded that the fair value of this property cannot reliably be determined at this stage, although it is expected to be when the property is completed. This property has thus been measured at cost.

b. Determination of whether a property is owner occupied or investment property

40p10

i. The Group purchased one office building during the year which it plans to use partly as an investment property and partly for its own use. The different parts of the property cannot be sold separately or leased out separately under finance leases. The Group plans to rent out 24 of the 25 floors and to use the remaining floor for its own use. Management has therefore determined that this property may be treated in its entirety as an investment property as only an insignificant portion is held for own use.

40p11, 12

ii. The Group owns a hotel which is managed by an international hotel group under a 10 year operating lease although the fabric of the building is covered by the Group's insurance policy. The Group receives a fixed monthly fee from the hotel group. Management determined that this hotel is an investment property as the services provided are insignificant and the principal exposures to the cash flows of the hotel business lie with the management company.

(All amounts in € thousands unless otherwise stated)

5. Operating segments

The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company.

IFRS8p22(a) Management has determined the operating segments based on the reports reviewed by the CEO in making strategic decisions.

IFRS8p22(a) The CEO considers the business based on the following operating segments¹⁰ :

- UK – Commercial
- UK – Retail
- Germany – Commercial
- Germany – Retail
- Hong Kong – Commercial
- Hong Kong – Retail

IFRS8p22(b) The operating segments derive their revenue primarily from rental income from lessees. All of the Group's business activities and operating segments are reported within the above segments.

The segment information provided to the CEO for the operating (which also represent the reportable) segments for the year ended 31 December 2016 is as follows:

		UK		Germany		Hong Kong		
		Commercial	Retail	Commercial	Retail	Commercial	Retail	Total
IFRS8p23, p33(a)	Total segment revenue:							
	Revenue from external customers	9,412	7,490	7,184	5,591	6,718	5,959	42,354
IFRS8p23	Operating profit	6,988	5,561	5,334	4,151	4,988	4,425	31,447
	Included in operating profit:							
IFRS8p23(e)	- Depreciation and amortisation	(1,245)	(991)	(950)	(527)	(889)	(647)	(5,249)
IFRS8p23(i)	- Net gain from fair value adjustment on investment property	1,672	1,504	1,277	1,006	1,218	983	7,660
	Not included in operating profit							
IFRS8p23(c)	- Interest income	426	339	325	253	304	268	1,915
IFRS8p23(d)	- Interest expense	(1,783)	(1,419)	(1,361)	(1,059)	(1,273)	(1,130)	(8,025)
IFRS8p23(h)	- Income tax expense	(1,349)	(1,073)	(1,030)	(787)	(963)	(854)	(6,056)
IFRS8p23	Total assets	174,307	138,712	133,045	103,543	124,415	110,359	784,381
	Total assets include:							
IFRS8p24(b)	- Additions to non-current assets (other than financial instruments and deferred tax assets)	11,502	8,917	7,300	5,581	6,826	6,055	46,181
IFRS8p23	Total liabilities ¹¹	(49,621)	(37,889)	(36,342)	(28,283)	(33,984)	(30,145)	(216,264)

¹⁰ If operating segments are aggregated into reportable segments, the judgements made in applying the aggregation should be disclosed (including a brief description of the operating segments that have been aggregated and the economic indicators assessed to determine that those operating segments share similar economic characteristics). (IFRS8p22(aa)).

¹¹ The measure of liabilities has been disclosed for each reportable segment, as it is regularly provided to the CEO.

(All amounts in € thousands unless otherwise stated)

The segment information for the year ended 31 December 2015 is as follows:

		UK		Germany		Hong Kong		Total
		Commercial	Retail	Commercial	Retail	Commercial	Retail	
IFRS8p23, p33(a)	Total segment revenue:							
	Revenue from external customers	9,144	7,290	7,002	5,250	6,270	5,132	40,088
IFRS8p23	Operating profit	7,718	6,074	5,834	4,374	5,224	4,277	33,501
	Included in operating profit:							
IFRS8p23(e)	- Depreciation and amortisation	(513)	(569)	(546)	(404)	(489)	(285)	(2,806)
IFRS8p23(i)	- Net gain from fair value adjustment on investment property	1,102	990	842	663	803	648	5,048
	Not included in operating profit							
IFRS8p23(c)	- Interest income	238	189	182	136	163	134	1,042
IFRS8p23(d)	- Interest expense	(2,655)	(2,117)	(2,033)	(1,524)	(1,821)	(1,490)	(11,640)
IFRS8p23(h)	- Income tax expense	(1,406)	(1,121)	(1,076)	(796)	(964)	(789)	(6,152)
IFRS8p23	Total assets	173,569	138,377	132,910	99,655	119,016	97,415	760,942
	Total assets include:							
IFRS8p24(b)	- Additions to non-current assets (other than financial instruments and deferred tax assets)	4,481	3,572	3,431	2,537	3,073	2,516	19,610
IFRS8p23	Total liabilities	(47,919)	(36,601)	(35,155)	(26,360)	(31,480)	(25,767)	(203,282)

IFRS8p27(a) During 2016 and 2015, there were no transactions between the Group's operating segments.

IFRS8p27(b) The CEO assesses the performance of the operating segments based on a measure of operating profit. The operating profit and profit or loss of the Group's operating segments reported to the CEO are measured in a manner consistent with that in profit or loss. A reconciliation of operating profit to profit before tax is therefore not presented separately.

IFRS8p27(c) The amounts provided to the CEO in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the operating (reportable) segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

IFRS8p32 The breakdown of revenue from all services is as follows:

Analysis of revenue by category	2016	2015
Rental income		
- Warehouse property	6,917	5,887
- Office property	14,285	14,728
- Retail property	18,942	17,600
Total rental income	40,144	38,215
Service and management charges	2,210	1,873
Total revenue	42,354	40,088

IFRS8p33(a) The Company is domiciled in Euravia but does not generate revenue there. The Group's revenue is primarily generated from property assets which are held by Group companies domiciled in the same country as the relevant asset is located. The breakdown of the major components of revenue from external customers by country is disclosed above.

IFRS8p33(b) None of the Group's non-current assets are domiciled in Euravia. The total of non-current assets other than financial instruments and deferred tax assets (there are no employment

(All amounts in € thousands unless otherwise stated)

benefit assets and rights arising under insurance contracts) located in other countries is € 751,242 (2015: € 704,061).

IFRS8p34 Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's revenues.

(All amounts in € thousands unless otherwise stated)

6. Investment property¹²

IFRS13p94 The IP Group's investment property is measured at fair value. The Group holds seven classes of investment property being office buildings and shopping malls in each of the UK, Germany and Hong Kong and a residential complex under development in Germany.

	Country Segment	Note	UK Office	UK Office	UK Shopping Malls	Germany Office	Germany residential (under development)	Germany Shopping malls	Hong Kong Office	Hong Kong Shopping Malls	2016 Total
IFRS13p93b	Fair value hierarchy		2	3	3	3	3	3	3	3	
	Fair value at 1 January		-	84,400	145,670	75,678	-	96,049	55,790	142,800	600,387
IFRS13p93I(iv)	Transfer to / (from) Level 3		9,302	(9,302)	-	-	-	-	-	-	-
IFRS13p93e(i)	Additions:										
40p76(a)	- Direct acquisitions		989	-	-	1,808	-	-	-	-	2,797
IFRS13e(iii)	- Acquisitions through business	25	-	-	-	-	17,570	-	-	-	17,570
40p96(b)											
40p96(a)	- Acquisitions through subsidiaries other through business combinations	25	-	-	3,316	-	-	6,416	-	-	9,732
40p96(a)	- Subsequent expenditure		200	4,931	3,313	2,013	1,400	(547)	1,620	15,283	28,213
17p52	Capitalised letting fees		-	-	-	-	-	2,362	-	-	2,362
17p52	Amortisation of capitalised letting fees		-	-	-	-	-	(237)	-	-	(237)
23p8	Capitalised borrowing costs	22	-	-	-	-	-	4,568	-	-	4,568
40p96(f)	Transfer to property, plant and equipment – at fair value ¹³	7	-	(25,456)	-	-	-	-	-	-	(25,456)
40p96(f)	Transfer to inventories – at fair value ¹⁴	11	-	-	-	(14,234)	-	-	-	-	(14,234)
40I(c)	Transfer from / to disposal groups held for sale	15	-	-	1,594	-	-	2,000	-	-	3,594
IFRS13p93e(i)	Disposals		-	-	-	-	-	-	-	(15,690)	(15,690)
40p76(c)											
IFRS13p93e(i), (f)	Net gain from fair value adjustments on investment property		29	2,394	(1,991)	(10,467)	(770)	(2,144)	4,987	15,622	7,660
	Currency translation difference in OCI		-	(1,500)	(7,037)	-	-	-	(20)	(65)	(8,622)
	Market value per external valuation report		10,520	55,467	144,865	54,798	18,200	108,467	62,377	157,950	612,644
	Finance leases		-	4,203	-	2,603	-	-	-	-	6,806
	AFS Rental guarantee		-	-	-	-	-	-	-	(2,345)	(2,345)
	Lease incentive receivable		-	(250)	-	-	-	-	-	-	(250)
	Fair value at 31 December		10,520	59,420	144,865	57,401	18,200	108,467	62,377	155,605	616,855

¹² Real estate entities may disclose details of the most significant properties and development projects, either within the financial statements or outside the financial statements but within the other information in the entity's annual report. It is assumed that the illustrated entity discloses such information elsewhere in the annual report, and the disclosures are not therefore illustrated in this note.

¹³ A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2016. It was reclassified from investment property to property, plant and equipment (IAS40p57(a)).

¹⁴ An office building located in Germany was redeveloped in 2016. It was reclassified from investment property to inventories (IAS40p57(b), 10p21)

(All amounts in € thousands unless otherwise stated)

	Country Segment	Note	UK Office	UK Office	UK Shopping Malls	Germany Office	Germany residential (under development)	Germany Shopping malls	Hong Kong Office	Hong Kong Shopping Malls	2015 Total
IFRS13p93b	Fair value hierarchy		2	3	3	3	3	3	3	3	
	Fair value at 1 January		-	86,817	145,670	75,678	-	96,049	55,790	142,800	602,804
IFRS13p93e(i)	Additions:										
40p76(a)	- Direct acquisitions		-	-	-	220	-	-	-	-	220
40p96(a)	- Acquisitions through subsidiaries other through business combinations	25	-	-	4,199	-	-	-	-	-	4,199
40p96(a)	- Subsequent expenditure		-	1,000	1,200	282	-	-	-	-	2,482
17p52	Capitalised letting fees		-	-	-	-	-	942	-	-	942
17p52	Amortisation of capitalised letting fees		-	-	-	-	-	(212)	-	-	(212)
23p8	Capitalised borrowing costs	22	-	-	-	-	-	450	-	-	450
40p76(c)	Transfer from / to disposal groups held for sale	15	-	-	(2,403)	-	-	(2,000)	-	-	(4,403)
IFRS13p93e(i)	Disposals		-	-	-	-	-	-	-	(7,241)	(7,241)
40p76(c)											
IFRS13p93e(i), f	Net gain from fair value adjustments on investment property			(6,417)	4,041	(4,012)		820	1,206	9,410	5,048
	Currency translation difference in OCI		-	(1,500)	(7,037)	-	-	-	(1,206)	(650)	(10,393)
	Market value per external valuation report		-	79,900	145,670	72,168	-	96,049	55,790	144,319	593,896
	Finance leases		-	4,500	-	3,510	-	-	-	-	8,010
	AFS Rental guarantee		-	-	-	-	-	-	-	(1,519)	(1,519)
	Lease incentive receivable		-	-	-	-	-	-	-	-	-
	Fair value at 31 December		-	84,400	145,670	75,678	-	96,049	55,790	142,800	600,387

(All amounts in € thousands unless otherwise stated)

IFRS13p93(e) The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.
(iv)

The Group completed redevelopment of an office building in the UK during the year. During the redevelopment, the valuation technique used significant unobservable inputs such that the fair value measurement was classified as Level 3. On completion of the redevelopment, this property is now valued using the sales comparison approach which uses significant observable inputs. The fair value measurement has therefore been reclassified to Level 2.

40p75(h) At 31 December 2016, the Group had unprovided contractual obligations for future repairs and maintenance of € 3,765 (2015: € 3,796).

40p75(f) Direct operating expenses recognised in the income statement include € 456 (2015: € 412) relating to investment property that was unlet. Investment property includes buildings held under finance leases of which the carrying amount is € 25,680 (2015: € 23,725).

40p75(g) Bank borrowings are secured on investment property to the value of € 107,224 thousand (2015: € 102,804 thousand) (Note 17).

Valuation processes

40p75(e) The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.
IFRS13p93(i)
IFRS13p93(g) For all investment properties, their current use equates to the highest and best use. The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and the independent valuers at least once every quarter, in line with the Group's quarterly reporting dates

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(All amounts in € thousands unless otherwise stated)

Information about fair value measurements using significant unobservable inputs (Level 3) for 2016

Country	Segment	Valuation (€'000)	Valuation technique	Level 3 – Range of unobservable inputs (probability-weighted average)				Sensitivity on management's estimates ¹⁵			Sensitivities in discount and cap rate ¹⁶				
				Rental value (€'000)	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions (€'000)	Estimate	Impact lower (€'000)	Impact higher (€'000)					
UK	Office	10,520	Sales comparison	-	-	-	-	Sales price per square metre +/- 10%	1,052	1,052					
		59,420	Discounted cash flows	2.500- 3.500 (3.100)	5-6.25 (5.75)	5-5.5 (5.25)	-	-	-	-	-	Change in discount rate -0.5% 0% 0.5%			
											Change	-0.5%	66,507	64,507	61,722
											in cap	0%	60,519	59,420	56,274
											rate	0.5%	56,129	54,148	52,278
UK	Shopping Malls	144,865	Discounted cash flows	8.000- 10.000 (9.000)	6-7 (6.25)	5.5-6 (6.5)	-	-	-	-	-	Change in discount rate -0.5% 0% 0.5%			
													Change	-0.5%	162,142
											in cap	0%	147,545	144,865	137,194
											rate	0.5%	136,841	132,037	127,453
Germany	Office	57,401	Discounted cash flows	2.200- 2.600 (2.500)	5-6 (5.5)	4.75-5.25 (5)	-	-	-	-	-	Change in discount rate -0.5% 0% 0.5%			
													Change	-0.5%	64,247
											in cap	0%	58,463	57,401	54,361
											rate	0.5%	54,221	52,318	50,502

¹⁵ IFRS 13 does not explicitly require a quantitative sensitivity analysis; however, such a sensitivity analysis may be necessary in order to satisfy the requirements of IAS 1 paragraph 129 in relation to sources of estimation uncertainty.

¹⁶ See footnote above.

(All amounts in € thousands unless otherwise stated)

Country	Segment	Valuation (€'000)	Valuation technique	Rental value (€'000)	Level 3 – Range of unobservable inputs (probability-weighted average)			Sensitivity on management's estimates ¹⁵			Sensitivities in discount and cap rate ¹⁶					
					Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions (€'000)	Estimate	Impact lower (€'000)	Impact higher (€'000)						
Germany	Residential (under development)	18,200	Discounted cash flows with estimated costs to complete	1.400- 1.800 (1.600)	5.5-7.5 (6.5)	5-7 (6)	1,500-3,000 (2,300)	Completion range 3 months to 2 years +50% estimate	€5,324	-	-	Change in discount rate				
												Change in cap rate	-0.5% 0% 0.5%	20,371 18,537 17,192	19,620 18,200 16,588	18,905 17,236 16,012
								Cost to completion +/- 10%	(2,300)	2,300						
Germany	Shopping Malls	108,467	Discounted cash flow	5.000- 7.000 (6.000)	6-7.5 (6.5)	5.5-6 (5.75)	-	-	-	-	-	Change in discount rate				
												Change in cap rate	-0.5% 0% 0.5%	121,403 110,474 102,459	116,932 108,467 98,862	112,669 102,723 95,430
Hong Kong	Office	62,377	Discounted cash flows	3.500- 4.500 (4.000)	5.25-6.25 (5.75)	5-5.5 (5.25)	-	-	-	-	-	Change in discount rate				
												Change in cap rate	-0.5% 0% 0.5%	69,816 63,531 58,922	67,245 62,377 56,854	64,793 59,074 54,880
Hong Kong	Shopping Malls	155,605	Discounted cash flows	5.000- 7.000 (6.000)	6.25-7.25 (6.75)	4-4.5 (4.25)	-	-	-	-	-	Change in discount rate				
												Change in cap rate	-0.5% 0% 0.5%	174,163 158,484 146,986	167,749 155,605 141,826	161,633 147,365 136,902
		616,855														

(All amounts in € thousands unless otherwise stated)

Country	Segment	Valuation (€'000)	Valuation technique	Rental value (€'000)	Level 3 – Range of unobservable inputs (probability-weighted average)			Sensitivity on management's estimates ¹⁷			Sensitivities in discount and cap rate ¹⁸				
					Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions (€'000)	Estimate	Impact lower (€'000)	Impact higher (€'000)					
Germany	Shopping Malls	96,049	Discounted cash flow	5.000- 6.000 (5.300)	6-7.25 (6.25)	5.25-6 (5.5)	-	-	-	-	Change in discount rate				
												-0.5%	0%	0.5%	
											Change in cap rate	-	109,403	104,932	99,669
											0.5%	99,474	96,049	91,723	
											0.5%	91,459	88,862	85,430	
Hong Kong	Office	55,790	Discounted cash flows	2.500- 3.500 (2.800)	5-6 (5.5)	4.75-5.25 (5)	-	-	-	-	Change in discount rate				
												-0.5%	0%	0.5%	
											Change in cap rate	-	65,816	60,245	58,793
											0.5%	58,531	55,790	51,074	
											0.5%	53,922	50,854	47,880	
Hong Kong	Shopping Malls	142,800	Discounted cash flows	5.000- 6.500 (5.700)	6.0-7.0 (6.5)	4-4.5 (4.25)	-	-	-	-	Change in discount rate				
												-0.5%	-0.5%	0.5%	
											Change in cap rate	-	156,163	149,749	142,633
											0.5%	148,484	142,800	137,365	
											0.5%	141,986	135,826	129,902	
		600,387													

(All amounts in € thousands unless otherwise stated)

IFRS8p34 Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's revenues.

IFRS13p93h (i) There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

Valuation techniques underlying management's estimation of fair value

IFRS13p93 (d) For all shopping malls and office properties in Germany, Hong Kong and non-prime UK locations with a total carrying amount of €588,135 (2015: €600,387), the valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These inputs include:

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	based on current and expected future market conditions after expiry of any current lease
Maintenance costs	including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

For UK office properties with a total carrying amount of €10,520 (2015: € nil), the valuation was determined using the sales comparison approach. Properties valued using the sales comparison approach take into account comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

For residential properties under development in Germany with a total carrying amount of €18,200 (2015:€nil), the valuation was based on a DCF model taking into account the following estimates (in addition to the inputs noted above):

Costs to complete	these are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;
Completion dates	properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

(All amounts in € thousands unless otherwise stated)

7. Property, plant and equipment

		Land & Buildings	Fixtures & fittings	Total
1p78(a)				
16p73(d)	At 1 January 2015			
	Cost	101,758	13,890	115,648
	Accumulated depreciation	(15,889)	(6,810)	(22,699)
	Net book amount	85,869	7,080	92,949
16p73(e)	Year ended 31 December 2015			
	Opening net book amount	85,869	7,080	92,949
	Additions	12,476	770	13,246
	Depreciation charge	(1,964)	(842)	(2,806)
	Effect of translation to presentation currency	(321)	110	(211)
	Closing net book amount	96,060	7,118	103,178
	At 31 December 2015			
	Cost	113,913	14,770	128,683
	Accumulated depreciation	(17,853)	(7,652)	(25,505)
	Net book amount	96,060	7,118	103,178
16p73(e)	Year ended 31 December 2016			
	Opening net book amount	96,060	7,118	103,178
	Additions	5,125	5,197	10,322
	Transfer from investment property (Note 6)	25,456	-	25,456
	Depreciation charge	(3,674)	(1,575)	(5,249)
	Effect of translation to presentation currency	(643)	(276)	(919)
	Closing net book amount	122,324	10,464	132,788
16p73(d)	At 31 December 2016			
	Cost	143,851	19,691	163,542
	Accumulated depreciation	(21,527)	(9,227)	(30,754)
	Net book amount	122,324	10,464	132,788

36p126(a) There were no impairment charges in 2016 and 2015.

23p26 In 2016 and 2015, no borrowing costs were capitalized for PPE.

8. Available-for-sale financial assets

Rental guarantees provided by the seller of an investment property are accounted for as financial instrument of the Group. Rental guarantees that reimburse the Group in case a specific vacancy rate is exceeded are classified as financial instrument available-for-sale.

The rental guarantees held by the Group are as follows:

	2016	2015
IFRS13p93 e(iii) Fair value at 1 January	1,519	-
Additions	-	1,499
Adjustments to change in estimated cash flows recognised in finance income and costs (Note 22)	737	6
IFRS13p93 e(iv) Accrued interest	15	12
IFRS13p93 e(v) Fair value changes recognized in OCI	20	2
Payment received	54	-
Fair value at 31 December	2,345	1,519

Adjustments due to changes in estimated cash flows are recognised within finance income and costs as part of operating profit.

In line with the Group's quarterly reporting dates the Group's finance department calculate the fair value of the rental guarantee in line with the accounting policy 2.11(a).

In determining the fair value of the financial asset 'rental guarantee', the Group applies a valuation model that takes into account the expected future cash flows discounted at the market interest rate (2016: 6.75%; 2015: 6.5%). The expected cash flows are supported by third-party contracts.

(All amounts in € thousands unless otherwise stated)

IFRS13p93 (d) Once the fair valuation is ascertained the finance team report and discuss the results to the CFO. As part of these discussions the team presents a report that explains the reasons for the fair value movements.

There has been no change in the valuation technique adopted by the Group.

If the change in market interest rate increased/decreased by +/- 0.5% the fair value would be €2,221/ €2,388 respectively.

9. Goodwill

		2016	2015
IFRS3p61	Cost and carrying amount at 1 January	496	489
IFRS3p61	Acquisition of subsidiary (Note 25)	1,090	-
IFRS3p61	Effect of translation of presentation currency	13	7
IFRS3p61	Cost and carrying amount at 31 December	1,599	496

36p68 Goodwill is allocated to the Group's CGUs, which in all cases were determined to be individual properties owned by subsidiaries acquired by the Group. € 307 (2015: € 387) of the goodwill relates to offices in Germany, € 202 (2015 € 109) to retail properties in the UK, and € 1,090 to the acquisition disclosed in Note 25.

36p130 No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs were based on their fair value less costs of disposal. The fair values of the buildings were assessed based on reports by external valuers. The external valuations are determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. For more information on the unobservable input used in the external valuation, reference is made to Note 6. The most relevant assumption is the yield. If the yield for offices Germany changes by 25bps, and retail properties UK changes by 50 bps, the recoverable amount is equal to the carrying amount.

PwC commentary

IAS 36 paragraph 134 requires disclosure of information for CGUs for which the carrying amount of goodwill or intangible assets is significant in relation to the entity's total goodwill or intangible assets.

IAS 36 paragraph 134(d)(i) requires disclosure of each of the key assumptions on which management has based its forecasts and to which the recoverable amounts are most sensitive and IAS 36 paragraph 134(f)(iii) requires disclosure of the amounts by which these values must change for the recoverable amount to be equal to the carrying amount.

The relevant assumptions will vary for each reporting entity dependent upon the individual facts and circumstances of the reported CGUs.

10. Income tax

		2016	2015
12p79	Current tax	4,115	4,548
12p79	Deferred tax	1,941	1,604
	Total	6,056	6,152

(All amounts in € thousands unless otherwise stated)

12p81(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate on the applicable profits of the consolidated companies as follows:

	2016	2015
Profit before tax	25,337	22,903
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,361	6,871
Tax effect on:		
Income not subject to tax:		
Tax free profit from disposal of IP	(3,038)	(1,438)
Expenses not deductible for tax purposes:		
Sponsorship and charitable donations	733	719
Tax charge	6,056	6,152

12p81(d) The weighted average applicable tax rate was 33% (2015: 30%). The increase was caused by a change in the profitability of the Group's subsidiaries in the respective countries.

The gross movement on the deferred income tax account is as follows:

	2016	2015
Beginning of the year	48,288	46,515
Effect of translation to presentation currency	202	169
Income statement charge	1,941	1,604
Effect of business combinations (Note 25)	1,306	-
End of the year	51,737	48,288

(All amounts in € thousands unless otherwise stated)

12p81(g):(i-ii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:¹⁹

	Deferred tax assets	Provisions against receivables	Other	Total
	At 1 January 2015	(422)	(120)	(542)
12p81(g)(ii)	Credited to the income statement	(83)	(101)	(184)
	Effect of translation to presentation currency	(10)	(49)	(59)
12p81(g)(i)	At 31 December 2015	(515)	(270)	(785)
12p81(g)(ii)	Credited to the income statement	(61)	(76)	(137)
	Effect of translation to presentation currency	(12)	(59)	(71)
12p81(g)(i)	At 31 December 2016	(588)	(405)	(993)

	Deferred tax liabilities	Accelerated tax depreciation	Increases in fair value of investment properties	Total
	At 1 January 2015	392	46,665	47,057
12p81(g)(ii)	Charged to the income statement	293	1,495	1,788
	Effect of translation to presentation currency	29	199	228
12p81(g)(i)	At 31 December 2015	714	48,359	49,073
	Deferred tax liabilities recognised following business combinations (Note 25)	-	1,306	1,306
	Charged to the income statement	313	1,765	2,078
	Effect of translation to presentation currency	34	239	273
12p81(g)(i)	At 31 December 2016	1,061	51,669	52,730

12p81(f) Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as the Group is able to control the timing of the reversal of the differences and it is probable that the differences will not reverse in the foreseeable future. The temporary differences associated with unremitted earnings totalled € 30,671 at 31 December 2016 (2015: € 23,294).

12p81(e-f) There are no other significant unrecognised deferred tax assets and liabilities.

The Group has not recognised a cumulative deferred tax liability in the amount of € 5,602 (2015: € 2,972) relating to acquisitions of subsidiaries, which were accounted for as acquisitions of groups of assets. As the acquisitions are not accounted for as business combinations, and affected neither accounting nor taxable profit at the point of acquisition, the initial recognition exemption in IAS 12 applies. The Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition. See Note 25.

11. Inventories

		2016	2015
40p57(b)	Transfer from investment property (Note 6)	14,234	-
	Redevelopment expenditures	1,460	-
	Capitalised borrowing costs (Note 22)	223	-
		15,917	-

2p8, 10p21 The Group commenced redevelopment during 2016 of an office building in Germany, which was classified as investment property (Note 6) in July 2016. Upon commencement of the redevelopment, the Group started its marketing for sale of exclusive individual office units. This

¹⁹ In accordance to IAS 12p74, deferred tax assets and liabilities are offset in the statement of financial positions, (a) if there is a legally enforceable right to set off current tax assets against current tax liabilities and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity or (ii) different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(All amounts in € thousands unless otherwise stated)

building is part of a new business line of the Group. The Group intends to develop other office buildings for resale.

12. Trade receivables

		2016	2015
1p78(b)	Trade receivables:		
IFRS7p6	Rent receivables from lessees	3,284	5,785
	Other financial assets	780	340
	Less: provision for impairment of trade receivables	(322)	(240)
	Trade receivables, net of provision for impairment	3,742	5,885

Included within trade receivables, are lease incentive receivables of €250 (2015: €nil)

IFRS7p25 The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts. Expected cash flows are discounted at current market rates to determine fair values.

IFRS7p34(c) There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants, internationally dispersed.

IFRS7p37(b) The Group has recognised a loss of € 82 relating to the impairment of its trade receivables (2015: € 113). The loss has been included in “other expenses” in the income statement.

IFRS7p37(b) The individually impaired receivables are over three months past due and mainly relate to certain tenants in office buildings. A provision is recognised for amounts not expected to be recovered. Movements in the accumulated impairment losses on trade receivables were as follows:

	2016	2015
Accumulated impairment losses at 1 January	240	132
Additional impairment losses recognised during the year, net	82	113
Amounts written off during the year as uncollectible	(20)	(10)
Effect of translation to presentation currency	20	5
Accumulated impairment losses at 31 December	322	240

The impairment losses recognised during the year are net of a credit of € 10 (2015: € 16) relating to the recovery of amounts previously written off as uncollectable.

IFRS7p31 The allocation of the carrying amount of the Group's trade receivables by foreign currency is presented in Note 3.1(a).

13. Operating lease pre-payments

At 1 January 2015	7,072
Amortisation	(104)
Effect of translation to presentation currency	(10)
At 31 December 2015	6,958
Amortisation	(104)
Effect of translation to presentation currency	(10)
At 31 December 2016	6,844

17p35 The up-front payments for an operating lease of the owner-occupied land in Hong Kong (€ 10,260) were paid in January 1980. The term of the lease is 99 years.

14. Derivative financial instruments

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	408	147	269	132
Forward foreign exchange contracts	1,056	448	927	615
Total	1,464	595	1,196	747

(All amounts in € thousands unless otherwise stated)

1p66 The Group does not apply hedge accounting in accordance to IAS 39. Nevertheless, interest rates swaps and forward exchange contracts are part of economic hedge relationships. Interest rate swaps are used to fix the interest payments of variable debt instruments. Forward exchange contracts are used to hedge forecast transactions and foreign currency borrowings against foreign currency risks.

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2016 were € 92,370 (2015: € 89,689). The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2016 were € 4,314 (2015: € 3,839). The fair value gains on derivative financial instruments amounts to € 571 (2015: € 520).

15. Non-current assets classified as held for sale

IFRS5p41 (a-d) The assets and liabilities related to the Group companies Warehouse GmbH (part of the Germany commercial operating segment) and Retail Limited (part of the UK retail operating segment) were presented as held for sale at 31 December 2015 following the decision of the Group's management on 1 December 2015 to sell the companies and the Group's active marketing for sale since that date. The completion date for the transactions was originally expected by July 2016.

IFRS5p9 The Group did not dispose of the companies during 2016, as the buyers originally identified withdrew from the transactions. As of 31 December 2016, negotiations with a potential buyer for Retail Limited were at an advanced stage. The transaction is expected to complete by March 2017, and the assets and liabilities of the Company therefore remain classified as a disposal group.

IFRS5p26 Warehouse GmbH is no longer actively marketed for sale. From 1 April 2016, the Company's assets and liabilities were reclassified from disposal groups to the respective asset and liability accounts in the consolidated statement of financial position.

IFRS5p41(c) The assets and liabilities of the disposal groups are presented at their carrying amount. The Group did not recognise any impairment loss for a write-down of the disposal groups to fair value less costs to sell.

IFRS5p38 a. Assets of disposal groups classified as held for sale

	2016	2015
Investment property	809	4,403
Trade receivables	40	401
Cash and cash equivalents	140	617
Total	989	5,421

IFRS5p38 b. Liabilities of disposal groups classified as held for sale

	2016	2015
Current income tax liabilities	127	746
Trade and other payables	41	2,428
Total	168	3,174

IFRS5p38 c. Cumulative income or expenses recognised directly in equity relating to disposal groups classified as held for sale

	2016	2015
Foreign exchange translation adjustments (debited)/credited to translation reserve	(185)	326
Total	(185)	326

(All amounts in € thousands unless otherwise stated)

16. Share capital

1p79		Number of shares (thousands)	Ordinary Shares	Share Premium	Total
1p79(a)	At 31 December 2015 and 2016	40,000	40,000	22,720	62,720

1p79(a) The total authorised number of ordinary shares is 40 million (2015: 40 million) with a par value of € 1 per share (2015: € 1 per share). All issued shares are fully paid (2015: all fully paid).

17. Borrowings

IFRS7p7
IFRS7p8(f) All the Group's borrowings are at floating rates of interest. Interest costs may increase or decrease as a result of changes in the interest rates.

	2016	2015
Non-current		
Bank borrowings	85,764	87,654
Debentures and other loans	14,654	7,140
Finance lease liabilities	6,806	8,010
	107,224	102,804
Current		
Finance lease liabilities	2,192	2,588
Total borrowings	109,416	105,392

40p75(g) The borrowings include amounts secured on investment property to the value of € 107,224 thousand (2015: € 102,804 thousand) (Note 6).

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

IFRS7p29(a)
IFRS7p27(c) The fair value of borrowings approximated their carrying value at the date of the consolidated statement of financial position.

IFRS7p31 Bank borrowings mature in May 2017 and bear average coupons of 7.5% annually (2015: 7.4% annually).

IFRS7p31 The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2016	2015
6 months or less	11,056	14,586
6-12 months	98,360	90,806
Total	109,416	105,392

IFRS7p31,
34(c) The carrying amounts of the Group's borrowings denominated in foreign currencies are disclosed in Note 3.1.

DV, 7p50(a) The Group has the following undrawn floating rate borrowing facilities:

	2016	2015
Expiring within one year	16,300	10,500
Expiring beyond one year	22,600	14,500
Total	38,900	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2017. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe. See Note 28 for details of borrowing arrangements entered into after the date of the consolidated statement of financial position.

(All amounts in € thousands unless otherwise stated)

Minimum lease payments in respect of finance leases are as follows:

		2016	2015
17p31(b)	Gross finance lease liabilities – minimum lease payments:		
IFRS7p39(a)	No later than 1 year	2,749	3,203
	Later than 1 year and no later than 5 years	6,292	7,160
	Later than 5 years	2,063	2,891
		<u>11,104</u>	<u>13,254</u>
	Future finance charges on finance leases	(2,106)	(2,656)
	Present value of finance lease liabilities	8,998	10,598

17p31(b) The present value of finance lease liabilities is as follows:

		2016	2015
	No later than 1 year	2,192	2,588
	Later than 1 year and no later than 5 years	4,900	5,287
	Later than 5 years	1,906	2,723
	Total	8,998	10,598

7Rp44A-44E This section sets out an analysis of net debt and the movements in net debt for the year
Not mandatory ended December 31, 2016²⁰:

	Cash and equivalents	Borrowings	Net debt
At 1 January, 2016	35,152	(105,392)	(70,240)
Cash flows	(41,289)	6,778	(34,511)
Cash and cash equivalents and borrowings assumed in business combination (Note 25)	4,527	(8,702)	(4,175)
Cash and cash equivalents and borrowings assumed in asset acquisitions (Note 25)	417	(544)	(127)
Finance lease	-	(6,806)	(6,806)
Exchange gains/losses in profit or loss and other comprehensive income	2,098	5,250	7,348
At 31 December 2016	905	(109,416)	(108,511)

²⁰ From 1 January 2017, entities will be required to explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. Group IP has decided to adopt this amendment to IAS 7 early. While the IASB acknowledged that the inclusion of cash and cash equivalent balances may be useful where an entity manages debt on a net basis, the board did not want to delay the project by discussing how net debt should be defined and what should, or should not be included. As a consequence, the mandatory requirement only covers balance sheet items for which cash flows are classified as financing activities. Where entities do include other items within the reconciliation, such as cash and cash equivalents as elected by Group IP, they shall identify separately the changes in liabilities arising from financing activities. IAS 7R is also flexible in terms of how the information required by new paragraph 44A is presented. Specifically, entities do not need to provide a reconciliation from opening to closing balances but could provide the information in other ways. In the first year of adoption, entities do not need to provide any comparative information.

(All amounts in € thousands unless otherwise stated)

18. Trade and other payables

	2016	2015
Financial liabilities:		
Trade payables	35,390	29,617
Other financial liabilities	5,604	2,988
Accruals	648	703
Non-financial liabilities:		
Social security and other taxes	3,920	2,775
Trade and other payables	45,562	36,083

IFRS7p25 The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts.

IFRS7p31, 34(c) The allocation of the carrying amount of the Group's trade and other payables by foreign currency is presented in Note 3.1(a).

19. Provisions

DV	At 1 January 2015	2,103
DV	Effect of translation to presentation currency	60
DV	Additional provisions – charged to income statement	200
DV	Utilised during the years	(762)
37p84(a)	At 31 December 2015	1,601
	Effect of translation to presentation currency	59
37p84(b)	Additional provisions – charged to income statement	302
37p84(c)	Utilised during the years	(1,412)
37p84(a)	At 31 December 2016	550

37p85(a) The amounts shown are for certain legal claims relating to disputes over service and maintenance charges brought against the Group by certain tenants in Jersey, Channel Islands. The balance at 31 December 2016 is expected to be utilised in the first half of 2017. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2016.

(All amounts in € thousands unless otherwise stated)

20. Revenue

		2016	2015
40p75(f)(i)	Rental income	40,144	38,215
19p35(b)	Service and management charges ²¹	2,210	1,873
	Total	42,354	40,088

17p56(c) The period of leases whereby the Group leases out its investment property under operating leases is three years or more.

17p56(b) Contingent rents recognized as income were €1,234 in 2016 (2015: €1,115).

17p56(a) The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2016	2015
No later than 1 year	32,534	30,971
Later than 1 year and no later than 5 years	45,989	43,779
Later than 5 years	3,198	3,045
Total	81,721	77,795

21. Employee benefits expenses

		2016	2015
	Wages and salaries	1,064	1,008
	Social security costs	104	96
19p46	Pension costs - defined contribution plans	280	296
	Total	1,448	1,400

22. Finance income and costs

		2016	2015
IFRS7p20(b)	Interest expense on bank borrowings	11,225	10,529
	Interest on tenant deposits	18	21
	Interest expense on finance leases	889	936
21p52(a)	Net foreign exchange losses on borrowings	684	604
	Total finance costs	12,816	12,090
23p8	Less: Finance costs capitalised within investment property (Note 6)	(4,568)	(450)
23p8	Less: Finance costs capitalised within inventories (Note 11)	(223)	-
	Finance costs	8,025	11,640
	Interest income on short-term deposits ²²	1,163	1,024
	Interest income on available-for-sale monetary financial assets (Note 8)	15	12
	Adjustment due to change in estimated cash flows on available-for sale monetary financial assets (Note 8)	737	6
	Finance income	1,915	1,042
	Finance costs – net	6,110	10,598

21p52(a) 23p6(e) The total foreign losses recognised in income statement during the year 2016 amounted to €490 (2015: €410).

²¹ Service and management charges can only be included in their entirety as part of revenue if the entity acts as principal rather than as an agent.

²² Finance income should not be netted against finance costs; it is included in “other revenue/other income” or shown separately in the statement of comprehensive income. Where finance income is just an incidental benefit, it is acceptable to present finance income immediately before finance costs and include a sub-total of ‘net finance costs’ in the income statement. However, where earning interest income is one of the entity’s main lines of business, it is presented as “revenue

(All amounts in € thousands unless otherwise stated)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.5% (2015: 7.4%)

23. Earnings per share

33p10 Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year

		2016	2015
33p70(a)	Net profit attributable to shareholders	19,281	16,751
33p770(b)	Weighted average number of ordinary shares in issue (thousands)	40,000	40,000
33p66	Basic earnings per share (€per share)	0.48	0.42
33p30	The company has no dilutive potential ordinary shares,; the diluted earnings per share are the same as the basic earnings per share		

24. Dividends per share

1p107,
1p137(a) The dividends paid in 2016 and 2015 were €14,643 (or €0.37 per share) and €11,379 (or €0.28 per share) respectively. A dividend in respect of 2016 of €0.31 per share, amounting to a total dividend of € 12,400, is to be proposed at the Annual General Meeting on 31 March 2017. These consolidated financial statements do not reflect this dividend payable.

25. Acquisitions of subsidiaries (business combinations and asset acquisitions)

a. Business combinations

IFRS3p59
(a) IFRS3B64
(a-c) On 10 September 2016, the Group acquired 100% of the share capital of GHI GmbH, a company incorporated in Germany, which is engaged in the construction of a residential complex in Munich, Germany. The acquired subsidiary will not generate revenue until the completion of the development. The subsidiary contributed a loss of € 1,843 to the Group for the period from the date of acquisition to 31 December 2016. If the acquisition had occurred on 1 January 2016 with all other variables held constant, Group revenue for 2016 would have been unchanged, and profit for 2016 would have been € 16,934.

Details of the assets and liabilities acquired and goodwill arising are as follows:²³

IFRS3p59(a) IFRS3B64(i-j)	Attributed fair value
Investment property (Note 6)	17,570
Cash and cash equivalents	4,527
Borrowings	(8,702)
Deferred tax liability	(1,306)
Trade and other payables	(2,864)
Fair value of acquired interest in net assets of subsidiary	9,225
Goodwill (Note 9)	1,090
Total purchase consideration	10,315
Less: cash and cash equivalents of subsidiary acquired	(4,527)
Net outflow of cash and cash equivalents on acquisition	5,788

²³ In this example, assume that no intangible assets were identified

(All amounts in € thousands unless otherwise stated)

IFRS3p61 The purchase consideration disclosed above comprises cash and cash equivalents paid to the acquiree's previous owner of € 10,315. Goodwill is primarily attributable to enhanced returns expected from operating the investment property under the Group's brand and the significant synergies expected to arise.

The valuation of investment property at the acquisition date was performed by an independent professional appraiser with experience of the relevant market. The fair value of cash and cash equivalents was considered to equal the carrying value representing the entity's bank deposits; fair value of borrowings and trade and other payables was calculated based on discounted cash flow models.

At the date of acquisition, GHI GmbH was actively engaged in the construction and development process and marketing of the project. Management determined that the acquired entity should be accounted for as a business in accordance with IFRS 3, "Business combinations".

b. Asset acquisitions

On 28 September 2016, the Group acquired 100% of the share capital of ABC Limited, a company incorporated in the UK, which owns a land plot near Reading, UK. Total purchase consideration amounted to cash of € 3,415. The Group intends to use the site to construct an out-of-town retail centre on the land plot, with development commencing in 2017.

On 3 January 2016, the Group acquired 100% of the share capital of XYZ Limited, a company incorporated in Germany, which holds land on long-term lease in central Berlin, Germany. Total purchase consideration amounted to cash of € 5,905. Following the acquisition the Group commenced construction of an office building.

On 26 January 2015, the Group acquired 100% of the share capital of SRT GmbH, a company incorporated in Germany, which owns a land plot near Stuttgart, Germany. Total purchase consideration amounted to cash of € 4,125. In November 2016, the Group completed the development of an office complex on the site.

Management considers that at acquisition, ABC Limited, XYZ Limited and SRT GmbH constituted groups of net assets, rather than businesses as defined in IFRS 3, "Business combinations", as prior to acquisition the subsidiaries were holding the leased land or owned land in a passive fashion with a view to the sale of the subsidiaries by the previous shareholders, with no operations or plans in place to use the land.

At the date of acquisition of SRT GmbH, the Group had not determined whether the land would be developed by the Group or leased to a third-party developer. As the land was acquired for an undetermined future use, it was classified as investment property by the Group at initial recognition.

As the acquisitions of ABC Limited, XYZ Limited and SRT GmbH were not accounted for as business combinations and as neither accounting profit nor taxable profit were affected at the time of the transactions, the initial recognition exemption in IAS 12, 'Income taxes' applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

(All amounts in € thousands unless otherwise stated)

The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2016 were:

		Asset acquisitions		Total asset acquisition & business combinations	
		ABC	XYZ	Total	
7p4(d)	Investment property (Note 6)	3,316	6,416	9,732	27,302
7p4(c)	Cash and cash equivalents	316	101	417	4,944
7p40(d)	Borrowings	-	(544)	(544)	(9,246)
7p40(d)	Deferred tax liability (Note 10)	-	-	-	(1,306)
7p40(d)	Trade and other payables	(217)	(68)	(285)	(3,149)
	Goodwill	-	-	-	1,090
7p40(a)-(b)	Total purchase consideration, settled in cash	3,415	5,905	9,320	19,635
7p40(c)	Less: cash and cash equivalents of subsidiary acquired	(316)	(101)	(417)	(4,944)
	Net outflow of cash and cash equivalents on acquisition	3,099	5,804	8,903	14,691

The assets and liabilities recognised in the consolidated statement of financial position on the date of the acquisition of SRT GmbH during 2015 were:

		Asset acquisition
7p40(d)	Investment property	4,199
7p40(d)	Cash and cash equivalents	50
7p40(d)	Trade and other payables	(124)
7p40(a)-(b)	Total purchase consideration, settled in cash	4,125
7p40(c)	Less: cash and cash equivalents of subsidiary acquired	(995)
	Net outflow of cash and cash equivalents on acquisition	3,130

26. Contingencies and commitments

37p86 The Group has no significant contingent liabilities

16p74(c) The Group has capital commitments of €460 (2015:€10,667) in respect of capital expenditures contracted for at the date of the statement of financial position.

27. Related-party transactions

1p138(c)
24p13 The Group's immediate parent company is Mother Limited (incorporated in Euravia), which owns 55% of the Company's shares. The remaining 45% of the shares are widely held. The ultimate parent of the Group is Grandpa Limited (incorporated in Euravia). The Group's ultimate controlling party is Mr. Power.

(All amounts in € thousands unless otherwise stated)

24p18, 22 There were no other transactions²⁴ carried out or balances outstanding with related parties except for dividend distributions (Note 24) and the following:

	2016	2015
Key management compensation		
Salaries and other short-term employee benefits	106	100
Termination benefits	150	-
Post-employment benefits	28	30
Total	284	130

28. Events after the date of the statement of financial position²⁵

10p21 The Group obtained a € 150,000 loan facility from a large German bank in January 2017, repayable in 2018. The loan will be used to meet the Group's short-term funding requirements and support future investment in ongoing developments and future projects.

Other than the above, there were no material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.

²⁴ These illustrative financial statements do not include any related-party transactions other than dividends, key management compensation and one disposal. Where there is a greater range of transactions, further disclosures may be required under IAS 24. See the *Illustrative IFRS consolidated financial statements for 2016 year ends*.

²⁵ In accordance with IAS10p22(g), abnormally large changes in the market prices of real estate and foreign exchange rates that occurred after the year end should be disclosed as non-adjusting post balance sheet events.

(All amounts in € thousands unless otherwise stated)

Independent auditor's report to the shareholders of IP

The audit report will be provided by the entity's auditor upon completion of the audit of the financial report. As the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication

Commentary – Independent auditor's report

Form and content of audit report

- ISA700
1. Standards and guidance on the preparation of reports on audits conducted in accordance with international auditing standards are given in International Auditing Standard ISA 700 *Forming an Opinion and Reporting on a Financial Report*.
 2. A revised ISA 700 becomes applicable for periods ending on or after 15 December 2016 and other ISAs, including the standard on going concern have also been updated. The most significant changes relate to:
 - (a) A requirement for auditors of listed entities to describe key audit matters in the audit report, being matters that required significant auditor attention. The description must:
 - (i) discuss why the matter was considered to be one of most significance in the audit,
 - (ii) discuss how the matter was addressed and
 - (iii) include a reference to the related financial statement disclosures, if any.
- ISA570
- (b) In relation to going concern there is
 - (i) a new requirement for the auditor to evaluate the adequacy of disclosures in 'close call' going concern situations
 - (ii) a new required description in all audit reports of both management's and the auditor's responsibilities related to going concern, and
 - (iii) a new separate section of the auditor's report which will draw attention to material uncertainties related to going concern (where the going concern disclosures are adequate).
 - (c) Other enhancements relate to:
 - (i) presenting the opinion section first, unless law or regulations prescribe otherwise
 - (ii) an affirmative statement about the auditor's independence and the auditor's fulfilment of relevant ethical responsibilities, and
 - (iii) enhanced descriptions of both the responsibilities of the auditor and key features of an audit.

(All amounts in € thousands unless otherwise stated)

Appendix I – Consolidated statement of comprehensive income by function of expense

This appendix is an example of one alternative format that might be adopted. As an alternative to presentation of costs by nature shown in the above illustrative investment property consolidated financial statements, the Group is permitted to present the analysis of costs using the function of expenditure format (IAS1p103)²⁶. The following disclosures would be made in the income statement.

		Year ended 31 December		
		Note	2016	2015
1p10(b), 1p10A 1p103	Rental income ²⁷	20	40,144	38,215
	Rental expenses		(16,951)	(9,626)
	Net rental income		23,193	28,589
40p76(d)	Net gain from fair value adjustment on investment property	6	7,660	5,048
1p103	Selling and marketing costs		(788)	(939)
1p103	Administrative expenses		(716)	(704)
	Other income	20	2,210	1,873
	Other expenses		(112)	(366)
1p85	Operating profit ²⁸		31,447	33,501
	Finance income	22	1,915	1,042
1p82(b)	Finance costs	22	(8,025)	(11,640)
1p85	Profit before income tax		25,337	22,903
12p77, 1p82(d)	Income tax expense	10	(6,056)	(6,152)
1p81A(a)	Profit for the year		19,281	16,751
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
1p8A 21p52, IFRS7p20(a)	Exchange difference on translating foreign operations		5,799	1,247
(ii)	Change in fair value of available-for-sale financial assets		20	2
	Other comprehensive income for the year		5,819	1,249
	Total comprehensive income for the year		25,100	18,000
1p81B	Profit attributable to:			
	Owner of the parent		19,281	16,751
	Non-controlling interests		-	-
	Total comprehensive income attributable to			
	Owner of the parent		25,100	18,000
	Non-controlling interests		-	-
33p66	Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)	23	0.48	0.42

Not mandatory The consolidated financial statements should be read in conjunction with the accompanying notes.

²⁶ Entities classifying expenses by function should also disclose information on the nature of expenses in the notes to the financial statements (IAS1p104).

²⁷ The line item includes gross service charge income where the entity acts as principal rather than agent.

²⁸ The disclosure of operating profit in the income statement is not prescribed by IAS 1. However, there is no prohibition from disclosing this or a similar line item. (See point 14 on commentary to the consolidated statement of comprehensive income.)

(All amounts in € thousands unless otherwise stated)

Appendix II – Consolidated cash flow statement – direct method

IAS 7 encourages the use of the “direct method” for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS7p18 is as follows:

7p10, 18(a)	Note	2016	2015
Cash flows from operating activities			
		59,574	57,478
		(16,461)	(5,113)
		43,113	52,365
7p31		(11,367)	(12,032)
		(1,412)	(762)
7p35		(3,772)	(6,945)
		(1,207)	(1,092)
	8	54	-
		-	2,945
		(876)	(14,673)
		24,533	19,806
Cash flows from investing activities			
7p21		(2,797)	(220)
7p16(a)	6	(28,213)	(2,482)
7p16(a)	6	15,690	750
7p16(b)	6	(10,322)	(13,246)
7p16(a)	7	(14,691)	(3,130)
7p40	25	316	80
7p16(f)		560	1,024
7p31		(39,457)	(17,224)
Cash flows from financing activities			
7p21		10,763	18,234
7p17(c)		(17,541)	(8,966)
7p17(d)		(14,643)	(11,379)
7p31	24	(21,421)	(2,111)
		(36,345)	471
		35,152	34,621
7p28		2,098	60
		905	35,152
7p43			

Not mandatory The consolidated financial statements should be read in conjunction with the accompanying notes.



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