www.pwc.com/ifrs

Illustrative IFRS consolidated financial statements 2019

Investment property

Stay informed.
Visit inform.pwc.com

December 2019

pwc

Contents

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 IP 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 2019.

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 2018 could affect their own accounting policies and disclosures.

The IP 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. In these illustrative consolidated financial statements the adoption of *IFRS 16, Leases, Amendment to IFRS 9, Financial Instruments, IFRS 23, Uncertainty over income tax have been applied*.

The areas in which we have made significant changes to presentation and disclosure have been highlighted in pink.

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 transactions have been excluded, as they are not relevant to the IP Group's operations. The illustrated IP 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 IP 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 2019 year-ends* and *IFRS disclosure checklist 2019* for disclosures relating to these items. *Illustrative IFRS financial statements 2019 - Investment funds* and *Illustrative IFRS financial statements 2018 - Private equity* may also be relevant to some real estate entities.

The shares of the parent company of the illustrated IP 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 consolidated 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 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 judgment 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.

Structure

The publication consists of the IP Group consolidated financial statements. An auditor's report has not been included as the location and wording of the report will vary from country to country and will depend on applicable auditing standards. There are two appendices that cover additional disclosures and alternative presentations of primary statements.

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 IFRS, as opposed to IAS, appear in full - for example “IFRS2p6” indicates IFRS 2 paragraph 6. The designation “DV” (disclosure voluntary) indicates 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.
IFRIC15p10	=	IFRS Interpretations Committee [number], paragraph number.

IP Group's consolidated financial statements for the year ended 31 December 2019

(All amounts in € thousands unless otherwise stated)

Consolidated statement of financial position

1p113			**31 December**	
		Note	**2019**	**2018**
1p10(a), 1p54, 1p38, 1p68	**Assets**			
1p60, 1p66	**Non-current assets**			
1p54(b), IFRS 16p48	Investment property	7	617,818	600,387
1p54(a)	Property, plant and equipment	8, 14	139,632	103,178
IFRS15p105,p110(c)	Other assets		820	690
IFRS7p8(h)	Financial assets at fair value through other comprehensive income	9	256	-
IFRS7p8(a)	Financial assets at fair value through profit or loss	9	767	1,041
1p78(b),	Operating lease pre-payments	14	-	6,958
1p55	Goodwill	10	1,599	496
1p54(o), 1p56	Deferred income tax assets	11	933	750
			761,825	**713,500**
1p60, 1p66	**Current assets**			
1p54(g)	Inventories	12	15,917	-
1p54(h)	Trade and other receivables	13	2,175	3,979
IFRS15p105	Contract assets	6	1,567	1,876
IFRS7p8(a)	Financial assets at fair value through profit or loss	9	1,578	478
1p54(d), IFRS7p8(a)	Derivative financial instruments	15	1,464	1,196
1p54(i), 7p8	Cash and cash equivalents		749	35,152
			23,450	**42,681**
IFRS5p38, 1p54(j)	Non-current assets classified as held for sale	16	989	5,421
			24,439	**48,102**
	Total assets		**786,264**	**761,602**
	Equity			
1p54(r)	**Equity attributable to equity holders of the company**			
1p78(e)	Share capital	17	62,720	62,720
1p78(e)	Other reserves		10,684	4,785
	Retained earnings		495,633	490,608
	Total equity		**569,037**	**558,113**
	Liabilities			
1p60, 1p69	**Non-current liabilities**			
1p54(m), IFRS7p8(f), IFRS 16p52	Borrowings	18	108,185	102,804
1p55	Tenant deposits		1,978	2,247
1p54(o), 1p56	Deferred income tax liabilities	11	52,670	49,245
			162,833	**154,296**
1p60, 1p69	**Current liabilities**			
1p54(k)	Trade and other payables	19	42,617	35,094
IFRS15p105	Contract liabilities	6	2,945	989
1p54(m), IFRS7p8(f), IFRS 16p52	Borrowings	18	2,194	2,588
1p55	Tenant deposits		590	608
1p54(m), IFRS7p8(e)	Derivative financial instruments	15	595	747
1p54(n)	Current income tax liabilities	11	4,735	4,392
1p54(l)	Provisions	20	550	1,601
			54,226	**46,019**
IFRS5p38, 1p54(p)	Liabilities directly associated with non-current assets classified as held for sale	16	168	3,174
	Total liabilities		**217,227**	**203,489**
	Total equity and liabilities		**786,264**	**761,602**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

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 consolidated statement of financial position. Additional line items, headings and subtotals are presented in the consolidated 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 consolidated statement of financial position the investment property under construction, providing 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 presented in the consolidated statement of financial position.

1p77, 78 3. An entity discloses, either in the consolidated 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 consolidated 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 is applied in accordance with IFRS 9, *Financial Instruments*, is applied, the classification of derivatives as current/non-current follows the classification of the hedged items they belong to.

Current and deferred tax assets and liabilities are presented separately from each other and deferred tax assets and liabilities are presented separately from other non-current assets and

Consistency

1p45 6. The presentation and classification of items in the consolidated financial statements is retained from one period to the next unless:

a. it is apparent, following a significant change in the nature of the entity's operations or a review of its consolidated 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. IFRS requires a change in presentation.

Materiality and aggregation

1p29 7. Each material class of similar items is presented separately in the consolidated 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 expected credit losses on receivables - is not offsetting.

Three consolidated 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 consolidated financial statements it provides a third consolidated statement of financial position as at the beginning of the preceding period presented (an opening statement of financial position), where that retrospective change has a material effect on the information in the opening statement of financial position. However, where the retrospective change in policy or the restatement has no material effect on this earliest consolidated statement of financial position, it would be sufficient for the entity to disclose that fact.

Separate line items for financial assets/liabilities and contract assets/liabilities

IFRS7p8 10. Paragraph 8 of IFRS 7 requires disclosure, either in the consolidated statement of financial position or in the notes, of the carrying amounts of financial assets and liabilities by the following categories:

a. Financial assets measured at fair value through profit or loss (FVPL), showing separately those mandatorily classified and those designated upon initial recognition;

b. Financial liabilities measured at FVPL, showing those that meet the definition of held for trading and those designated on initial recognition;

c. Financial assets measured at amortised cost;

d. Financial liabilities measured at amortised cost;

e. Financial assets measured at fair value through other comprehensive income (FVOCI), showing separately debt and equity instruments

11. IP Group has chosen to disclose the financial assets by major category but is providing some of the more detailed information in the notes. However, depending on the materiality of these items and the nature of the entity's business, it may also be appropriate to choose different categories for the consolidated statement of financial position and provide the above information in the notes.

IFRS15p105 12. Similarly, IFRS 15, Revenue from Contracts with Customers, requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets. IP Group has therefore reclassified its contract assets and contact liabilities on adoption of IFRS 15 and presented them as a separate line items in the consolidated statement of financial position. However, receivables, contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the consolidated statement of financial position, as long as the entity provides sufficient information so users of the consolidated financial statements can distinguish them from other items.

IFRS16p47 13. Right-of-use assets (other than those meeting the definition of investment property) and lease liabilities do not need to be presented as a separate line item in the balance sheet, as done by IP Group, as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the balance sheet include those right-of-use assets.

IFRS16p48 14. Right-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property.

Primary consolidated financial statements should be read in conjunction with the accompanying notes

15. IP Group reminds readers by way of a footnote that the primary consolidated 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

		Note	2019	2018
1p10(b), 1p10A, 1p113		**Note**	**2019**	**2018**
1p82(a)	Revenue from contracts with customers	6	42,354	40,088
40p76(d)	Net gain from fair value adjustment on investment property	7	7,658	5,048
40p75(f)	Repair and maintenance costs		(7,656)	(2,801)
1p85	Other direct property operating expenses		(2,898)	(2,803)
1p85	Employee benefits expense	21	(1,448)	(1,400)
1p85	Amortisation of operating lease pre-payments	14	-	(104)
1p85	Amortisation of capitalised letting fees	7	(237)	(212)
1p85	Depreciation of property, plant and equipment	8	(5,353)	(2,806)
1p85, IFRS7p20(a)(i)	Net change in fair value of financial instrument at fair value through profit or loss	10,15	1,328	522
1p85	Other expenses		(1,067)	(1,339)
	Operating profit		**32,681**	**34,193**
1p85	Finance income	22	1,178	1,042
1p82(b), IFRS 16p53	Finance costs	22	(8,073)	(11,640)
	Finance costs - net		**(6,895)**	**(10,598)**
1p85	**Profit before income taxes**		**25,786**	**23,595**
12p77, 1p82(d)	Income tax expense	11	(6,056)	(6,359)
1p81A(a)	**Profit for the year**		**19,730**	**17,236**
1p82A(a)(ii)	**Other comprehensive income:** **Items that may be subsequently reclassified to profit or loss**			
21p52	Currency translation differences		5,799	1,247
1p82A, 1p7(da)	Net change in value of debt instruments at fair value through other comprehensive income	9	100	-
1p81A(b)	**Other comprehensive income for the year**		**5,899**	**1,247**
1p81A(c)	**Total comprehensive income for the year**		**25,629**	**18,483**
1p81B(a)	**Profit attributable to:**			
	- Equity holders of IP Group		19,730	17,236
	- Non-controlling interest		-	-
1p81B(b)	**Total comprehensive income attributable to:**			
	- Equity holders of IP Group		25,629	18,483
	- Non-controlling interest		-	-
33p66	**Basic and diluted earnings per share for profit attributable to the equity holders of IP Group during the year (expressed in € per share)**	23	0.49	0.43

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

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 consolidated statement of profit or loss and other comprehensive income:

   a. an entity may present a single consolidated 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 consolidated statement of profit or loss. If so, the separate consolidated 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 subtotal rather than the bottom line, and the statement continues down to total

1p81A 2. The consolidated 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, which is 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 consolidated statement of profit or loss includes, as a minimum, the following line items:

   a. revenue;
   b. gains and losses from the derecognition of financial assets measured at amortised cost;
   c. finance costs;
   d. share of the profit or loss of associates and joint ventures accounted for using the equity method;
   e. certain gains or losses associated with the reclassification of financial assets;
   f. tax expense; and
   g. single amount for the total of discontinued operations.

1p82A 5. The other comprehensive income section shall present items classified by nature (including the 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 IFRS):

   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 6. Additional line items, headings and subtotals are presented in the consolidated statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance.

1p85A 7. Additional subtotals must:

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; and

d. not be displayed with more prominence than the mandatory subtotals and totals. In addition, we recommend that entities consider the following principles:

e. the subtotals should not introduce bias or overcrowd the consolidated statement of profit or loss;

f. it is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below);

g. additional line items or columns should only contain revenue or expenses of the entity itself;

h. additional line items, columns and subtotals should only be presented when they are used internally to manage the business; and

i. the overall message of the consolidated statement of profit or loss should not be distorted or confused

8. Earnings before interest and tax (EBIT) may be an appropriate subheading 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.

9. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included as a subtotal where the entity presents its expenses by nature and provided the subtotal 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.

Material items of income and expense

1p97 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.

1p85, 97 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

Analysis of expenses by nature or function

12. Where an entity classifies its expenses by nature, it must ensure each class of expense includes all items related to that class. Material restructuring costs may, for example, include redundancy payments (employee benefit cost), inventory writedowns (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.
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 consolidated financial statements.

Operating profit

1BC56 14. An entity may elect to include a subtotal for its results from operating activities. This is permitted, but management should ensure 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 writedowns, 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 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.

Reordering of line items

1p86 15. The line items and descriptions of those items are reordered 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.

IFRS7p20 16. Finance income cannot be netted against finance costs; it is included in revenue or 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 subtotal of net finance costs in the income statement. Where earning interest income is one of the entity's main lines of business, it is presented separately in the consolidated statement of comprehensive income as revenue.

Earnings per share

33p66 17. IAS 33, *Earnings Per Share*, requires an entity to present, in the consolidated 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 consolidated financial statements only. The basis on which the numerator has been determined and whether its 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 consolidated statement of comprehensive income or in the notes to the consolidated 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 remeasuring fair value through other comprehensive income (FVOCI) 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 debt instruments classified as FVOCI.

1p91, 90 25. Entities may present components of other comprehensive income either net of related tax effects or before related tax effects. If an entity choses 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 consolidated statement of comprehensive income or in the notes.

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 or certain reclassifications of FVOCI debt instruments and when a hedged forecast transaction affects profit or loss.

1p82A
1p91 28. IAS 1 requires items of OCI, classified by nature (including the share of 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.

Consistency

1p45 29. The presentation and classification of items in the consolidated financial statements is retained from one period to the next unless:

a. it is apparent, following a significant change in the nature of the entity's operations or a review of its consolidated 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.

1p29 30. Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

(All amounts in € thousands unless otherwise stated)

1p32 31. 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.

32. Income which falls under the scope of IFRS 15, *Revenue from Contracts with Customers*, cannot be netted off against related expenses. However, this does not preclude an entity from presenting interest income followed by interest expense and a subtotal such as net interest expense on the face of the consolidated statement of profit or loss as we have done in this publication.

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: • will not be reclassified subsequently to profit or loss; and • will be reclassified subsequently to profit or loss.	1p82A	Consolidated statement of comprehensive income.
Reclassification adjustments during the period relating to components of other comprehensive income.	1p92	Consolidated statement of comprehensive income or notes
Tax relating to each component of other comprehensive income, including reclassification adjustments.	1p90	Consolidated statement of comprehensive income or notes
Reconciliation for each component of equity, showing separately: • Profit/loss; • Other comprehensive income; • Transactions with owners.	1p106(d)	Consolidated statement of changes in equity
For each component of equity, an analysis of other comprehensive income by item	1p106A	Consolidated statement of changes in equity and notes

(All amounts in € thousands unless otherwise stated)

Consolidated statement of changes in equity

Attributable to equity holders of the Company

		Note	Share capital	Other reserves	Retained earnings	Total equity
1p10(c), 1p106, 1p107, 1p113	**Balance at 1 January 2018 Comprehensive income**		**62,720**	**3,538**	**484,751**	**551,009**
1p106(d)(i)	Profit for the year		-	-	17,236	17,236
1p106(d)(ii)	Other comprehensive income		-	1,247	-	1,247
1p106(d)	**Total comprehensive income for 2018**		**-**	**1,247**	**17,236**	**18,483**
	Transactions with owners					
1p107	Dividends declared	24	-	-	(11,379)	(11,379)
1p106	**Balance at 31 December 2018**		**62,720**	**4,785**	**490,608**	**558,113**
	Comprehensive income					
1p106(d)(i)	Profit for the year		-	-	19,730	19,730
1p106(d)(ii)	Other comprehensive income		-	5,899	-	5,899
1p106(d)	**Total comprehensive income for 2019**		**-**	**5,899**	**19,730**	**25,629**
	Transactions with owners					
1p107	Dividends declared	24	-	-	(14,705)	(14,705)
1p106	**Balance at 31 December 2019**		**62,720**	**10,684**	**495,633**	**569,037**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

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 consolidated 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 consolidated statement of changes in equity or in the notes. Dividends cannot be displayed in the consolidated statement of comprehensive income or income statement.

Other informations

1p106 2. Information to be included in the consolidated statement of changes in equity includes:

a. total comprehensive income for the period, showing separately the total amounts attributable to equity holders of IP Group and to non-controlling interests;

b. for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and

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 consolidated statement of changes in equity or disclosed in the notes.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of cash flows

		Notes	2019	2018
1p10(d), 7p10	**Cash flows from operating activities**			
7p18(b), 7p20	Profit before income tax		25,786	23,595
	Adjustments for:			
	Depreciation of property, plant and equipment	8	5,353	2,806
	Amortisation of operating lease pre-payments	14	-	104
	Amortisation of capitalised letting fees	7	237	212
	Net gain from fair value adjustment on investment property	7	(7,658)	(5,048)
	Net change in fair value of financial instruments at FVPL	9, 15	(1,328)	(522)
	Finance costs - net	22	6,895	10,598
	Impairment charge for trade receivables	13	82	113
	Provisions for legal claims	20	302	200
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	- (Increase)/decrease in trade receivables		4,273	(863)
	- Decrease in contract assets		309	21
	- Increase in inventories	12	(1,460)	-
	- Increase in trade and other payables		10,400	20,959
	- Increase in contract liabilities		1,956	190
	Cash generated from operations		**45,147**	**52,365**
7p31	Interest paid		(12,180)	(12,032)
	Payments on legal claims		(1,412)	(762)
7p35	Income taxes paid		(3,772)	(6,945)
	Letting fees paid		(2,362)	(1,092)
	Proceeds from rental guarantees	9	54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		**24,599**	**19,806**
7p21	**Cash flows from investing activities**			
7p16(a)	Purchases of investment property	7	(2,799)	(220)
7p16(a)	Subsequent expenditure on investment property	7	(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property	7	15,690	750
7p16(a)	Purchases of property, plant and equipment	8	(10,322)	(13,246)
7p40	Acquisition of subsidiaries, net of cash acquired	25	(14,691)	(3,130)
7p16(f)	Proceeds from settlement of lease receivables		316	80
7p16(c)	Purchase of listed bonds	9	(156)	-
7p31	Interest received		560	1,024
	Net cash used in investing activities		**(39,615)**	**(17,224)**
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings	18	10,763	18,234
7p17(d)	Repayments of borrowings	18	(17,543)	(8,966)
7p31	Dividends paid to the Company's shareholders	24	(14,705)	(11,379)
	Net cash used in financing activities		**(21,485)**	**(2,111)**
	Net (decrease) increase in cash and cash equivalents		**(36,501)**	**471**
	Cash and cash equivalents at the beginning of the year		35,152	34,621
7p28	Exchange gains on cash and cash equivalents		2,098	60
	Cash and cash equivalents at the end of the year		**749**	**35,152**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

Commentary - Consolidated statement of cash flows

The commentary that follows explains some of the key requirements in IAS 7, *Statement of Cash Flows*.

Reporting cash flows

7p18 *Cash flows from operating activities*

Cash flows from operating activities are reported using either:

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 consolidated 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 consolidated statement of financial position and this most appropriately reflects IP 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 consolidated 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.

Leases

IFRS16(50) Cash flows relating to leases must be presented as follows:

a. cash payments for the principal portion of the lease liabilities as cash flows from financing activities;

b. cash payments for the interest portion consistent with presentation of interest payments chosen by the group, and

c. short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

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; and

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).

Notes to the consolidated financial statements

1. General information

1p138(b) 1p51(a)(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. 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 stock exchange.

10p17 These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2020. 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) 1p117(b) 1p119 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.

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 consolidated 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 fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI) 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 judgment 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 the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policies and disclosures

8p28 **a. New and amended standards adopted by the Group**

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

- IFRS 16, Leases;
- IFRIC 23, Uncertainty over Income Tax Treatments[1];
- Amendments to IFRS 9, Financial instruments;
- Annual improvements 2015-2017.

IFRS16(C5)(b) The Group changed its accounting policies upon adoption of IFRS 16. It elected to adopt the new rules retrospectively using the simplified method permitted by the standard, but recognised the cumulative effect of initially applying the new standard on 1 January 2019.

The Group did not restate comparative information as it chose to recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings. See note 2.1.c. below.

8p30, 31 **b. New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendments to IFRS 3, Business Combinations

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

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

c. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, Leases, on the Group's consolidated financial statements.

i) Impact on the consolidated financial statements

[1] The IFRIC discussed the presentation of uncertain tax provisions in September 2019 and clarified that the presentation requirements of IAS 1 and where material should be disclosed separated and that such provisions should not be included within the IAS 37 provisions disclosures.

8p28(b)(f)(g)
IFRS16(C5)(b), (C7)
New illustration
New requirements

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 using the simplified method permitted by the standard, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 January 2019. However, as later explained, the adoption of this new standard did not result in any impact to the opening retained earnings of the Group.The new accounting policies are disclosed in note 2.7.

On 31 December 2018, the Group had the following leases, held as a lessee:

- Land held under operating leases classified as investment property and accounted for as if they were finance leases;
- Operating lease prepayments related to an owner-occupied land in Hong Kong; and
- A finance lease in relation to a piece of equipment.

Upon adoption of IFRS 16, the accounting treatment of leases previously classified as finance leases (including ground leases classified as investment property) remained unchanged and there have been no measurement changes to the finance lease liability or the leased asset, which is now classified as a right-of-use asset. The right of use assets are either classified as investment properties, if they meet that definition, or within PPE.

The balance of operating lease prepayments has been reclassified to a right-of-use asset presented within PPE. No lease liability was recorded as the lease had been prepaid.

The Group did not have any other leases held as a lessee which had previously been classified as operating leases under the principles of IAS 17 Leases.

Impact on *the* consolidated statement of financial position

Leases	**Classification**	**Lease liabilities**		**Corresponding right of use assets**	
		2019	**2018****	**2019**	**2018****
Piece of equipment	Right of use within PPE	2,442	2,588	1,689	1,865
Pre-paid owner occupied ground lease in Hong Kong	Right of use within PPE	-*	-*	6,844	6,958
Existing ground lease qualifying as investment property	Investment property	6,556	8,010	6,556	8,010

* Nil as pre-paid

** These were accounted for as ‘finance leases’ in 2018 under IAS 17.

i) Measurement of right-of-use assets and lease liabilities

IFRS16 (C8)(b) The associated right-of-use assets for the owner occupied lease was measured at the amount of the lease liability as at 1 January 2019 adjusted by the amount of prepaid or accrued lease payments related to that lease. As the lease had been prepaid in full, no new lease liabilities were recognised. The amount previously recognised as a prepayment on the operating lease was reclassified to right-of-use assets.

The measurement of right-of-use assets related to leases previously accounted for as finance leases (including ground leases qualifying as investment property) remained unchanged on the date of initial application of IFRS 16.

ii) Adjustments recognised in consolidated statement of financial position on 1 January 2019.

The adoption of IFRS 16 did not result in any measurement change for leases previously accounted for as finance leases (including ground leases classified as investment properties). The impact on the operating lease prepayments was a reclassification from “lease prepayments” in the balance sheet to Property, Plant and Equipment. As such, retained earnings remained unchanged as at 1 January 2019.

iii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

1p119

2.2 Consolidation

a. Subsidiaries

IFRS10p7
IFRS10p20
IFRS10p25
IFRS10p19
IFRS10pB92
IFRS10pB86

Control

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 control ceases.

IFRS3p5 IFRS3p37
IFRS3p39 IFRS3p18
IFRS3p19

All the Group's companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, except where there are indications of impairment.

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 as 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 remeasured to fair value as at the acquisition date; any gains or losses arising from such remeasurement 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 are deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

IFRS3p32
IFRS3B63(a) 36p80 The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total amount 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 as at the date of acquisition. Such transactions or events do not give rise to goodwill.

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 the 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 remeasured to its fair value at the date when control is lost, with the change in the 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.

1p119 **2.3 Operating segments**

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.

1p119 **2.4. Foreign currency translation**

a. Functional and presentation currency

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 euro, which is the Company's functional currency and the Group's presentation currency.

1p119 **b. Transactions and balances**

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 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 consolidated statement of comprehensive income.

1p119 **c. Group companies**

21p39
21p39(a)

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(b)
21p39(c)

i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
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 on the dates of the transactions). The Group is using monthly average exchange rates due to the increased volatility in exchange rates; and
iii. all resulting exchange differences are recognised in the statement of comprehensive income.

21p48, 48A,
48B, 48C

On 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.

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 reattributed to non-controlling interests and are not recognised in profit or loss.

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 are 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[3] also includes property that is being constructed or developed for future use as investment property.

40p6, 25[2] Before 1 January 2019, all land held under operating leases was classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Therefore the operating leases were accounted for as if they were a finance lease.

40p34 After 1 January 2019, all leases that meet the definition of investment property are classified as investment property and measured at fair value.

40p20 Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs (see note 2.14)[4].

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

40p75(e) 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 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.

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:

- 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;
- past experience with similar construction; and
- 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 at 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.

---

[2] These paragraphs were deleted by IFRS 16.

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

[4] Cost is the purchase price, including directly attributable expenditure. Directly attributable expenditure includes transaction costs, such as legal fees and property transfer taxes, and for properties under construction, borrowing costs in accordance with IAS 23 (IAS40p20-21; IAS23p4(a)).

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 cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.
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 of.
40p60	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.
40p61, 62	If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes.
40p58, 60	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 as 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 the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increased 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 the income statement.
IFRS 16p83	Where an investment property undergoes a change in use, such as commencement of development with a view to sell, 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.
	See note 2.7(b) for details of the treatment of letting fees capitalised within the carrying amount of the related investment property.

1p119 **2.6. Property, plant and equipment**

16p73(a) All property, plant and equipment (PPE) are stated at historical cost[5] less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs (see note 2.14).

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.

16p12, 16p13 Subsequent costs are included in the asset's carrying amount or are 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.

16p43, 73(b), 16p50, 73(c) 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:

- land and property under construction: €nil
- buildings: 25 - 40 years
- fixtures and fittings: 5 - 15 years
- 16p51 right of use assets: over the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at
36p59 least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its
16p68, 71 carrying amount is greater than its estimated recoverable amount

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the income statement[6].

[5] If PPE is accounted for using the revaluation 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 the income statement.

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

1p119

2.7. Leases

a. Group is the lessee

Accounting policy applied from 1 January 2019

(i) At initial recognition

The Group acting as lessee recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS16p23

The right-of-use asset is measured at it's cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

IFRS16p26

The lease liability is measured at the present value of the lease payments that are not paid at the date of the consolidated statement of financial position.

IFRS 16p27

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Group is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

IFRS 16p18
IFRS 16p59(b)(ii)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the investment properties used in the Group's leasing activities. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

IFRS16p34

(ii) Subsequent measurement

IFRS16p36

The Group measures the right-of-use assets that meet the definition of investment property using the fair value model applied to its investment property (see note 2.5). Right of use assets linked to owner occupied buildings are measured applying the cost model relevant to that specific class of property, plant and equipment as described in note 2.6 and tested for impairment as described in note 2.9.

IFRS16p38

The lease liability is measured as follows:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

IFRS16p81, 80
Revised requirements

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b. Group is the lessor

IFRS16p83

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 2.18). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet in accordance with their nature.

IFRS

The Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis[7].

At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

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 are amortised over the lease term.

Accounting policy applicable until 31 December 2018

17p4*i.* *(i) Operating lease*

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.

17p4
17p20
17p27

(ii) *Finance lease*

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 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 a borrowing cost (see note 2.14) and is expensed or capitalised (when appropriate) 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.

a. Group is the lessor in an operating lease

(i) Leasing arrangements

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.

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position (note 7). See note 2.18 for the recognition of rental income.

17p52

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

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 are amortised over the lease term.

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

[7] IFRS 16 paragraph 81 requires lessors to recognise lease income on a straight-line basis or another sytematic basis. In this case, another sytematic basis could be to recognise the increases in rental income related to index changes in the periods in which those changes occur. The method applied is an accounting policy choice, and it should be applied consistently to all leases in accordance with IAS 8.

1p119

2.8. Goodwill

IFRS3p32
IFRS3pB64
(a)

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the 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),
38p108

Goodwill impairment reviews are undertaken annually or more frequently if events or 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
36p6, 68
36p9, 36p10

Assets that have an indefinite useful life - for example, goodwill - are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate 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)
2p9, 36(a)

Inventories are properties that are being redeveloped with a view to sell. When inventories arise from a change in use of investment properties such as by the commencement of development with a view to sell, the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of 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

a. Investments and other financial assets

(i) Classification

IFRS9p4.1.1

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

IFRS9p4.1.4, p5.7.1
IFRS9p4.4.1

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

IFRS7p21, pB5(c)
IFRS9p3.1.1,p3.2.2, pB3.1.3-pB3.1.6

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

IFRS9p5.1.1

(iii) Measurement

IFRS9p4.3.2, p4.3.3

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

IFRS9p5.1.1

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

IFRS9p4.1.2

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss;

IFRS9p4.1.1,p4.1.2A, p5.7.10

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

IFRS9p4.1.1, p4.1.4

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and is presented net within other gains (losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in net change in fair value of financial instruments at fair value through profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

1p117
IFRS7p21
IFRS9p5.5.15

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IFRS7p35G

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include:

IFRS7p35F (e)

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

IFRS735F (a)(i)

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group considers that a default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

IAS1p117
IFRS9p5.5.2

b. Trade receivables

Trade receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, a provision for expected credit losses. The Group holds the trade receivables with the objective to collect the contractual cash flows.

IFRS9p4.2.1

c. Rental guarantees

Rental guarantees provided for by the seller of an investment property are recognised as a financial asset when the Group becomes a party to the contractual provisions of the guarantee. Rental guarantees are classified as financial assets at FVPL.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

1p119

e. Derivatives

IFRS9p5.7.1

The Group does not apply hedge accounting in accordance with IFRS 9. Derivative financial assets and liabilities are classified as financial assets or liabilities at FVPL. Derivative financial assets and liabilities comprise mainly interest rate swap and forward foreign exchange contracts for hedging purposes (economic hedge). 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 profit or loss in net change in fair value of financial instruments at FVPL.

IFRS9p4.2

f. Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL.

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

All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see note 2.14 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.

IFRS 7p21, IFRS9p3.1.1

Trade and other payables

IFRS9p5.1.1

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

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. The Group has elected to treat such deposits as financial liabilities in accordance with IFRS 9, 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 2.18) for the recognition of rental income). The deposit is subsequently measured at amortised cost.

Borrowings

IFRS7p21
IFRS9p5.1.1, p4.2.1

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 a finance cost (note 2.20) 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

IFRS9p3.3.1, p3.3.3

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 consolidated statement of financial position.

IFRS9p5.4.3

For modified borrowings, IFRS 9 requires that a gain or loss be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

1p119

2.12. Prepayments

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

1p119

2.13. 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 **2.14. 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.

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 capitalises borrowing costs on qualifying inventories.

1p119 **2.15. Current and deferred income taxes**

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 consolidated 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 substantively enacted by the date of the consolidated 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

1p119 **2.16. 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 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 an 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 **2.17. Provisions**

37p14 Provisions for legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- tt 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	2.18. Revenue recognition
IFRS15p110	Revenue includes rental income, service charges and property management charges, and sale of redeveloped units
IFRS16p81	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 the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.
	Revenue on sale of redeveloped units is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit.
IFRS15p119(a),p123 (a)	Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.
IFRS15 p119(a), (c),p123, p125,p126	Some property management contracts may include multiple elements of service, which are provided to tenants. The Group assesses the whether individual elements of service in contract are separate performance obligations. Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price will be allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. Where these selling prices are not directly observable, they are estimated based on an expected cost plus margin. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by IP Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
IFRS15p125	Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognized as interest income using the effective interest rate method over the period of the financing.
	A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
	When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.
IFRS15p127b	The Group pays sales commissions in order to secure certain contracts; these sales commissions are assessed to be an incremental cost of obtaining a contract. For sales commissions paid in relation to revenue contracts, which are for a period greater than one year, the sales commissions are capitalized as an other non-current asset and is amortised over the period of the revenue contract to which it relates.
1p119	**2.19. 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 AppxB5(e) 23p2

2.20. Interest income and expense

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 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 a 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

2.21. 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 accrual basis.

1p119

2.22. 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 the 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 IFRS 9 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 consolidated financial statements and notes comply with IFRS makes an explicit and unreserved statement of such compliance in the notes. The consolidated 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 significant accounting policies

3. A summary of significant accounting policies includes:

1p117(a) a. the measurement basis (or bases) used in preparing the consolidated financial statements; and

1p117(b) b. the other accounting policies used that are relevant to an understanding of the consolidated financial statements

1p116 4. The summary may be presented as a separate component of the consolidated 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 IFRS specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow.

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 consolidated 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 is 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.

Consolidated financial statements of subsequent periods need not repeat these disclosures.

Voluntary change in accounting policy

8p29

7. When a voluntary change in an 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 consolidated financial statement line item affected; and
- if IAS 33 applies to the entity, for basic and diluted earnings per share.

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.

Consolidated 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.

IFRS 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 consolidated 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. either:

i. a discussion of the impact that initial application of the IFRS is expected to have on the entity's consolidated 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 judgment 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, management's expectation on whether the entity will use the option should be disclosed.

3. Financial risk management[8]

3.1 Financial risk factors[9]

IFRS7p31 The Group manages financial risks through its risk management function. 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) The Board is ultimately responsible for the development and oversight of the Group's risk management policies and overall framework. The Board has set up a risk management function that is responsible for setting, assessing and monitoring the Group's risk management policies.

Financial 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 cooperation with the Group's operating units and reports to the Board. 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.

[8] 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 consolidated 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

9 IFRS 8 requires disclosures based on the information used for internal reporting purposes. The disclosures illustrated above assume 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.

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

a. Market risk

Market risk is the risk 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 they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, 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.

IFRS7p33(a) 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

IFRS7p22 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.

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 IFRS 9.

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.

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 (economic hedges).

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

IFRS7p31 34(c)
IFRS7p8

As at 31 December 2019	Note	€	£	HK$	Other	Total
Financial assets - loans and receivables						
Trade receivables:	13					
- Rent receivables from lessees, and contract assets, net of impairment		1,265	535	518	644	2,962
- Other financial assets		412	139	135	94	780
Cash and cash equivalents		365	138	102	144	749
Debt investments		256	-	-	-	256
Rental guarantees	7, 9	1,879	320	146	-	2,345
Derivatives	15	1,032	346	86	-	1,464
Assets of disposal groups classified as held for sale:	16					
- Trade receivables		-	40	-	-	40
- Cash and cash equivalents		-	140	-	-	140
Total financial assets		**5,209**	**1,658**	**987**	**882**	**8,736**
IFRS7p8 **Financial liabilities measured at amortised cost**						
Non-current borrowings, including lease liabilities:	18					
- Bank borrowings		60,434	11,758	13,572	-	85,764
- Debentures and other loans		10,326	2,009	2,319	-	14,654
- Lease liabilities		5,757	933	1,077	-	7,767
Tenant deposits - non-current Trade and other payables:	19	1,187	396	170	225	1,978
- Trade payables		27,668	1,498	2,976	303	32,445
- Other financial liabilities		4,327	608	584	85	5,604
- Accruals		648	-	-	-	648
Tenant deposits - current		590	-	-	-	590
Derivatives	15	420	130	45	-	595
Current borrowings - lease liabilities	18	1,245	-	857	92	2,194
Liabilities of disposal groups classified as held for sale	16					
- Trade and other payables		-	41	-	-	41
Total financial liabilities		**112,602**	**17,373**	**21,600**	**705**	**152,280**

As at 31 December 2018	Note	€	£	HK$	Other	Total
Financial assets - loans and receivable						
Trade receivables:						
IFRS7p8 - Rent receivables from lessees and contract assets, net of impairment	13,6	3,569	588	594	764	5,515
- Other financial assets		223	31	37	49	340
Cash and cash equivalents		31,003	3,183	423	543	35,152
Rental guarantees	7, 9	1,205	212	102	-	1,519
Derivatives	15	837	287	72	-	1,196
Assets of disposal groups classified as held for sale:	16					
- Trade receivables		361	40	-	-	401
- Cash and cash equivalents		477	140	-	-	617
Total financial assets		**37,675**	**4,481**	**1,228**	**1,386**	**44,740**

FRS7p8

Financial liabilities measured at amortised cost	**Note**	**€**	**£**	**HK$**	**Other**	**Total**
Non-current borrowings, including finance leases:	18					
- Bank borrowings		63,708	11,886	12,060	-	87,654
- Lease liabilities		5,822	1,086	1,102	-	8,010
- Debentures and other loans		5,190	968	982	-	7,140
Tenant deposits - non-current Trade and other payables:	19	1,348	450	234	215	2,247
- Trade payables		23,879	1,683	2,751	315	28,628
- Other financial liabilities		2,211	275	450	52	2,988
- Accruals		703	-	-	-	703
Tenant deposits - current		608	-	-	-	608
Current borrowings - lease liabilities	18	1,500	-	967	121	2,588
Derivatives	15	540	13	77	-	747
Liabilities of disposal groups classified as held for sale:	16					
- Trade and other payables		2,063	41	324	-	2,428
Total financial liabilities		**107,572**	**16,519**	**18,947**	**703**	**143,741**

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 IFRS 9. 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 financing 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 table presents sensitivities of profit or 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 such as interest rates held constant. The sensitivity analysis adjusts the translation of net assets at the period end for a 25% (2018: 23%) change in the value of the Euro against the relevant currencies.

	Profit or loss	
Effect in €	**Strengthening**	**Weakening**
31 December 2018		
HK$ increase/decrease 23%	(678)	678
GBP increase/decrease 23%	(643)	643
31 December 2019		
HK$ increase/decrease 25%	(730)	730
GBP increase/decrease 25%	(702)	702

The higher foreign currency exchange rate sensitivity in profit in 2019 compared with 2018 is attributable to an increase in foreign currency denominated debt. Equity is more sensitive in 2019 than in 2018 because of the increase foreign currency debt.

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

IFRS7p33(a) (b), p22(c) The Group's interest rate risk principally arises from long-term borrowings (note 17). 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 on notional principal amount. As at 31 December 2019, 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 there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk is monitored by the Group's management on a monthly basis.

IFRS7p33(b) 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 or 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 at 31 December 2019, if interest rates had been 200 basis points higher (2018: 180 basis points higher) with all other variables held constant, post-tax profit for the year would have been €2,104 (2018: €2,280) lower. If interest rates had been 200 basis points lower (2018: 100 basis points lower) with all other variables held constant, post-tax profit for the year would have been €2,104 (2018: €2,280) higher.

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

	2019			2018		
	€	**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%
Lease liabilities	5.0%	4.8%	5.2%	4.8%	5.1%	5.2%
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)(b) IFRS7p36(c) Credit risk is the risk that a counterparty will default on its contractual obligation and will cause a financial loss for the other party by failing to discharge an obligation and principally arises from the Group's receivables from customer. The Group has no significant concentrations of credit risk as the Group has a diverse customer base, with no one customer accounting for more than 1% of rental income.

Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees, contract assets, rental guarantees, contractual cash flows of debt investments carried at FVOCI and favourable derivative financial instruments and deposits with banks and financial institutions. 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 a credit department which has set out policies and procedures for managing exposure to credit. Some of the processes and policies include: trade receivables.

- An assessment of the credit worthiness of the lessee and its ability to pay is performed before credit is granted;
- Where appropriate, guarantees and collateral is held against such receivables;
- After granting the credit, the credit department monthly assesses the age analysis and follows up on all outstanding payments;
- Management of the credit department determine the appropriate provision, receivables which should be handed over for collection and which amounts should be written off. The board will approve the procedures and amounts.

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.

IFRS9p5.5.15 The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- debt investments carried at FVOCI.

While cash and cash equivalents and tenant deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

		2019	2018
IFRS7p36(a)	**Trade receivables, net of provision for impairment (note 13) and contract assets (note 6):**		
	- Rent receivables from lessees	1,395	3,639
	- Contract assets	1,567	1,876
	- Other financial assets	780	340
	Cash and cash equivalents	749	35,152

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

The fair value of cash and cash equivalents as at 31 December 2019 and 31 December 2018 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

		2019	2018
IFRS7p37	Trade receivables - gross (note 13):	2,497	4,219
	Contract assets (note 6):	1,567	1,876
	Less: Impairment provision	(322)	(240)
	Trade receivables - net of provision for impairment and contract assets	**3,742**	**5,855**

Trade receivables were less than 1% of total assets at 31 December 2019 and at 31 December 2018.

The expected loss rates are based on the payment profiles of tenants over a period of 36 months before 31 December 2019 or 31 December 2018, respectively, and the corresponding historical credit losses experienced within this period. On that basis, the impairment provision as at 31 December 2019 and 31 December 2018 (on adoption of IFRS 9) was determined as follows for trade receivables[10]:

[10] The impairment disclosures need to be provided for all classes of trade receivables, contract assets and lease receivables as required by IFRS7p35M

IFRS7p35M
IFRS7p35K (a)(b)

31 December 2019	Current	30 to 90 days overdue	91 to 180 days overdue	Total
Expected loss rate	2%	24%	52%	
Gross carrying amount - trade receivables and contract assets	3,214	600	250	4,064
Impairment provision	**50**	**142**	**130**	**322**

IFRS7p35M
IFRS7p35K (a)(b)

31 December 2018	Current	30 to 90 days overdue	91 to 180 days overdue	Total
Expected loss rate	2%	16%	40%	
Gross carrying amount - trade receivables and contract assets	5,391	426	278	6,095
Impairment provision	**90**	**70**	**110**	**240**

The following table explains the changes in the credit loss allowance for trade and other receivables under the simplified ECL model. Impairment provision for trade receivables as at 31 December 2019 reconciles to the opening impairment provisions as follows:

		2019	2018
IFRS7p42P	**Opening impairment provision as at 1 January 2018 under IFRS 9**	**240**	**127**
	Impairment charge recognised in profit or loss during the year	82	113
	31 December closing impairment provision	**322**	**240**

At 31 December 2019, the exposure to credit risk for trade receivables by geographic region was as follows:

	2019	2018
UK	674	619
Europe	1,677	3,792
Hong Kong	653	631
Others	738	813
Total as at 31 December	**3,742**	**5,855**

At 31 December 2019, the exposure to credit risk for trade receivables by counterparty was as follows:

	2019	2018
Commercial	1,988	3,029
Retail	1,754	2,826
Total as at 31 December	**3,742**	**5,855**

IFRS7p38

Collateral held for trade receivables

The Group retains legal ownership of inventory sold until the receivable arising from the sale is settled. Receivables collateralised by such inventory are as follows at 31 December:

IFRS7(B8G)

	2019		2018	
	Trade receivables	**Contract assets**	**Trade receivables**	**Contract assets**
Receivables Collaterised by				
Inventory	548	-	438	-
Tenant deposits	2,577	-	1,124	-
Total collaterised receivables at 31 December	**3,125**	**-**	**3,293**	**-**

The disclosure above represents the lower of the carrying value of the receivable or collateral taken.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (under-collateralised assets).

The effect of collateral at 31 December 2019:

2019	**Over collaterised assets**		**Under collaterised assets**	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Receivables collaterised by				
Inventory	289	341	345	198
Tenant deposits	188	257	-	-

2018	**Over collaterised assets**		**Under collaterised assets**	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Receivables collaterised by				
Inventory	321	347	378	284
Tenant deposits	188	257	-	-

The Board reviews the concentration risk on a monthly basis and where required implements processes to manage the risk. It may consider reducing and adjusting credit limits for customers where there are unpaid exposures.

	Trade receivables, contract assets and lease receivables[11]
Significant increase in credit risk	• Not applicable as simplified approach is followed.
Default definition	• More than 90 days past due.
Grouping for assessment	• Based on same characteristics and past due; • Contract assets have same characteristics as trade receivables and tested on the same basis; • Loss rates based on profile of payments for 24 months to determine historical loss rates that would represent current period; • These rates are adjusted for macro factors impacting the ability for customer to pay.
Credit impaired	• Financial instrument is in default; • Counterparty is in liquidation.
Write off policy	• Determined on an individual basis but all more than 480 days are written off.
Modifications	• Depending on the renegotiated terms with receivables may be considered extinguished.

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 (2018: €5,500).

[11] These disclosures should be provided by each material class of financial assets as per IFRS 7.35M.

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

	2019	2018
AA rated	278	24,560
A rated	471	10,592
Total cash and equivalent	**749**	**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 (2018: €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.

IFRS7p35F(a)(i) All of the entity's debt investments at FVOCI are considered to have low credit risk, and the impairment charge recognised during the period was therefore limited to 12 months' expected losses. Management considers low credit risk for listed bonds to be an investment grade credit rating with at least one major rating agency.

IFRS9p5.5.2 Debt investments FVOCI include listed debt securities.

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 management and is reviewed quarterly by the Board of Directors. A summary table with the 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 the 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 consolidated statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial instruments as at 31 December 2019 is as follows:

(All amounts in € thousands unless otherwise stated)

		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	749	-	-	-	-	-	749
	Derivative financial instruments		-	1,464	-	-	-	1,464
DV	Trade receivables	1,597	458	120	-	-	-	2,175
	Contract assets	1,567	-	-	-	-	-	1,567
	Listed bonds	-	-	-	256	-	-	256
	Rental guarantees	-	-	356	664	1,325	-	2,345
	Liabilities							
IFRS7p39(a)	Bank borrowings	643	1,286	5,787	87,330	-	-	95,046
IFRS7p39(a)	Debentures and other loans	-	-	-	5,241	14,154	-	19,395
IFRS7p39(a)	Leases liabilities	229	451	2,119	1,618	4,874	5,213	14,504
	Derivative financial instruments	-	-	595	-	-	-	595
IFRS7p39(a)	Tenant deposits	49	154	387	781	1,206	-	2,577
	Trade and other payables:							
IFRS7p39(a)	- Trade payables	25,382	10,983	-	-	-	-	36,365
IFRS7p39(a)	- Other financial liabilities	4,672	932	-	-	-	-	5,604
IFRS7p39(a)	- Accruals	550	98	-	-	-	-	648
		35,438	**14,362**	**10,828**	**95,890**	**21,559**	**5,213**	**183,290**

The maturity analysis of financial instruments as at 31 December 2018 is as follows:

		Demand and less	From 1 to	From 3 to	From 12 months to 2	From 2 to 5 years	Later than 5 years	Total
	Assets							
DV	Cash and cash equivalents	35,152	-	-	-	-	-	35,152
	Derivative financial instruments		-	1.196	-	-	-	1.196
DV	Trade receivables	3,455	356	168	-	-	-	3,979
	Contract assets	1,876	-	-	-	-	-	1,876
	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	-	-	747	-	-	-	747
IFRS7p39(a)	Tenant deposits	55	160	393	647	885	715	2,855
	Trade and other payables:							
IFRS7p39(a)	- Trade payables	26,193	5,210	-	-	-	-	31,403
IFRS7p39(a)	- Other financial liabilities	2,802	186	-	-	-	-	2,988
IFRS7p39(a)	- Accruals	615	88	-	-	-	-	703
		70,415	**6,515**	**3,962**	**30,902**	**54,851**	**30,937**	**197,582**

(All amounts in € thousands unless otherwise stated)

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 at 31 December 2019 and 31 December 2018 are used for determining the related undiscounted cash flows.

3.2 Capital Management

1p134
1IG10
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 2019, the Group's strategy, which was unchanged from 2018, 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 2019 and 2018. The gearing ratios as at 31 December 2019 and at 31 December 2018 were as follows:

	2019	**2018**
Total borrowings	110,379	105,392
Less: Cash and cash equivalents	(749)	(35,152)
Net debt	109,630	70,240
Total equity	569,037	558,113
Total capital	**678,667**	**628,353**
Gearing ratio	16%	11%

The Group is subject to externally imposed covenants. These covenants are:

- Debt service coverage ratio of 1.2X to EBITDA;
- Loan to value of certain projects not to exceed 50%.

The Group has complied with all covenants throughout 2019 and 2018.

During 2019, the Group's strategy, which was unchanged from 2018, 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 2019 and 2018.

Liabilities arising from the Group's financing activities can be found in note 18.

(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 at 31 December 2018 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 at the date of the event or change in circumstance 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 consolidated statement of financial position date, with the resulting value discounted back to present value; and
- 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.

For financial instruments in Level 3 please see note 9 for disclosure relating to financial assets at FVPL.

(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 as at 31 December 2019 but for which fair value is disclosed.[12]

IFRS13p97

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade and other receivables	-	2,715	-	2,175
Cash and cash equivalents	749	-	-	749
Total	**749**	**2,175**	**-**	**2,924**
Liabilities				
Trade and other payables	-	42,617	-	42,617
Tenant deposits	-	2,568	-	2,568
Borrowings	-	110,379	-	110,379
Total	-	**155,564**	-	**155,564**

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value as at 31 December 2018 but for which fair value is disclosed.

IFRS13p97

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade receivables	-	3,979	-	3,979
Cash and cash equivalents	35,152	-	-	35,152
Total	**35,152**	**3,979**	**-**	**39,131**
Liabilities				
Trade and other payables	-	35,094	-	35,094
Tenant deposits		2,855		2,855
Borrowings	-	105,392	-	105,392
Total	**-**	**143,341**	**-**	**143,341**

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 the 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.

[12] For each class of assets and liabilities not measured at fair value in the consolidated 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 in which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique.

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

Estimates and judgments 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 judgments 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. Investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgments and assumptions made, see note 7.

b. Income taxes

IFRIC23 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 as at 31 December 2019 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 judgment 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.

4.2. Critical judgements in applying the Group's accounting policies

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 a 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
1p122 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
40p53 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 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 its own use.

40p11, 12

ii. The Group owns a hotel, which is managed by an international hotel group under a ten 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 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.

c. Revenue

i. Property development and resale:

IFRS15p119(a), (c), p123,p125

The group develops and sells residential properties. Management has determined that revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, the Group does not have an enforceable right to payment for performance completed throughout the contract period. Therefore, revenue is recognised at a point in time. Management considers that control passes when the customer takes possession of the property.

ii. Determining the transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of variable consideration at the inception of the contracts. Variable considerations arise from discounts, rebates, trade allowances and amounts collected on behalf of other parties. In determining the impact of variable considerations, the Group uses the most likely amount prescribed in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amount

d. Determining the lease term

IFRS16(59)(b)(ii),(B50)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in office leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

For ground leases with extension options, the useful life of buildings constructed on leased land would strongly influence the lease term assumptions. Similarly, the ground lease contractual rents could influence the lease term assumptions when they deviate from market rents.

(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 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 segments[13]:

- UK - commercial;
- UK - retail;
- Germany - commercial;
- Germany - retail;
- Hong Kong - commercial;
- Hong Kong - retail.

IFRS8p22(b) IFRS8p16 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.

IFRS15p114 The segment information provided to the CEO for the operating segments, (which also represent the reportable segments) for the year ended 31 December 2019 is as follows:

		UK		Germany		Hong Kong		
		Commercial	Retail	Commercial	Retail	Commercial	Retail	Total
IFRS8p23, p33(a), IFRS 15 (115)	Total segment revenue: Revenue from external customers	9,412	7,490	7,184	5,591	6,718	5,959	42,354
IFRS8p23	Operating profit	7,387	5,720	5,757	4,404	4,988	4,425	32.681
	Included in operating profit:							
IFRS8p23(e)	- Depreciation and amortisation	(1,245)	(991)	(950)	(527)	(993)	(647)	(5,353)
IFRS8p23(i)	- Net gain from fair value adjustment on investment property	1,672	1,504	1,275	1,006	1,218	983	7,658
	- Net change in fair value of financial instruments at FVPL	-	159	345	253	-	-	757
	Not included in operating profit:							
IFRS8p23(c)	- Interest income	426	180	-	-	304	268	1,178
IFRS8p23(d)	- Interest expense	(1,783)	(1,419)	(1,409)	(1,059)	(1,273)	(1,130)	(8,073)
IFRS8p23(h)	- Income tax expense	(1,349)	(1,073)	(1,030)	(787)	(963)	(854)	(6,056)
IFRS8p23	**Total assets**	**174,307**	**138,712**	**134,928**	**103,543**	**124,415**	**110,359**	**786,264**
	Total assets include:							
	- 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** [14]	**(49,621)**	**(37,889)**	**(37,305)**	**(28,283)**	**(33,984)**	**(30,145)**	**(217,227)**

[13] If operating segments are aggregated into reportable segments, the judgments 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)).

[14] The measurement 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 2018 is as follows:

		UK		Germany		Hong Kong		
		Commercial	Retail	Commercial	Retail	Commercial	Retail	Total
IFRS8p23, p33(a), IFRS 15 (115)	Total segment revenue:							
	Revenue from external customers	9,144	7,290	7,002	5,250	6,270	5,132	40,088
IFRS8p23	Operating profit	8,408	6,074	4,374	5,836	5,224	4,277	34,193
	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)	(1,283)	(796)	(964)	(789)	(6,359)
IFRS8p23	**Total assets**	**173,569**	**138,377**	**133,570**	**99,655**	**119,016**	**97,415**	**761,602**
	Total assets include:							
	- 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**	**(48,126)**	**(36,601)**	**(35,155)**	**(26,360)**	**(31,480)**	**(25,767)**	**(203,489)**

IFRS8p27(a) During 2019 and 2018, there were no transactions between the Group's operating segments.

IFRS8p27(b)
IFRS8p28(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)
IFRS8p27(d) 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.

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 benefit assets and rights arising under insurance contracts) located in other countries is €759,869 (2018: €711,709).

(All amounts in € thousands unless otherwise stated)

6. Revenue from contracts with customers

IFRS8p32 The breakdown of revenue is as follows:

Analysis of revenue by category	**2019**	**2018**
Rental income		
- Warehouse property	6,917	5,887
- Office property	14,285	14,728
- Retail property	16,942	16,100
Total rental income	38,144	36,715
Retail sales from property development	2,000	1,500
Service charges to tenants*	1,527	1,448
Property management fees*	683	425
Total revenue	**42,354**	**40,088**

* Note: Service charges to tenants and property management charges can only be included in their entirety as part of revenue if the entity acts as principal rather than as an agent.

There were no sales in relation property development.

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.

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.

IFRS15p114 Revenue recognised in relation to services to tenants and third party property management charges is recognized over time.

PwC commentary

IFRS 16.53 (f) Income from subleasing right-of-use assets is required to be disclosed. This disclosure may be made when a property held under a ground lease is leased to a single tenant. Conversely, when the land is used for a multi-tenant building, entities will need to assess whether there is a sub-lease of all or part of the specific asset identified in the ground lease or whether the tenant does not have a right to use the leased asset.

(All amounts in € thousands unless otherwise stated)

IFRS16p92 i. Leasing arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

IFRS16p42A

If there is a change in future lease payments resulting from a CPI increase, the Group remeasures the lease liability by discounting the revised lease payments. The lease liability is remeasured to reflect those revised lease payments only when there is a change in the cash flows. The Group uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

The Group is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk born by the Group is mitigated by active management of its property portfolio with the objective of optimising tenant mix in order to:

- achieve the longest weighted average lease term possible;
- minimise vacancy rates across all properties; and
- minimise the turnover of tenants with high quality credit ratings.

The Group also grants lease incentives to encourage high quality tenants to remain in properties for longer lease terms. In the case of anchor tenants, this also attracts other tenants to the property thereby contributing to overall occupancy levels.

Lease agreements may include a clause requiring the tenant to reinstate the leased space to its original state when the lease expires and the tenant decides not to renew the lease agreement. This contributes to the maintenance of the property and allows for the space to be re-let quickly once a tenant has departed. In addition, the Group has an annual capitalised expenditure plan reviewed at least semi-annually to keep properties in line with market standards.

Assumptions about the future residual values of properties are reflected in their fair value. For further quantitative details of these assumptions, see note 7

IAS 1p77 **Assets and liabilities related to contracts with customers**

The Group has recognised the following assets and liabilities related to contracts with customers:

		31 December 2019	31 December 2018
IFRS15p116(a)	Current contract assets relating to service contracts	1,567	1,876
	Non-current assets recognised for costs incurred to obtain a contract	820	690
IFRS15p116(a)	Contract liabilities relating to service contracts	2,945	989

IFRS15p118 **Significant changes in contract assets and liabilities**

Contract assets have decreased as the Group has provided fewer services ahead of the agreed payment schedules for fixed price contracts. Contract liabilities for services contracts have increased due to the negotiation of larger prepayments and an increase in overall service contract activity.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities. There was no revenue recognised in the current reporting period that relates to performance obligations satisfied in a prior year.

(All amounts in € thousands unless otherwise stated)

		31 December 2019	31 December 2018
IFRS15p116(b)	Revenue recognised that was included in the contract liability balance at the beginning of the period Service contract	989	799

Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from fixed price service and property management contracts.

		31 December 2019	31 December 2018
IFRS15p120(a)	Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	345	-

IFRS15p120 (b), p122

Management expects that 50% of the transaction price allocated to the unsatisfied contracts as at 31 December 2019 will be recognised as revenue during the next reporting period (€173). The remaining 50% (€172) will be recognised in the 2020 financial year. The amount disclosed above does not include variable consideration, which is constrained.

IFRS15p121, p122

All other service contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets recognised from costs to obtain a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to obtain specific service contracts. This is presented within other assets in the consolidated statement of financial position.

		31 December 2019	31 December 2018
IFRS15p97	Asset recognised from costs incurred to obtain a contract as at 31 December	820	690
IFRS15p128 (b)	Amortisation[15] recognised as cost of providing services during the period	125	85

IFRS15p118, p127

The Group recognises an asset in relation to costs incurred in obtaining specific property management contracts. These cost are in relation to sales commissions paid to employees. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

Variable rents recognized as income were €1,234 in 2019 (2018: €1,115).

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

IFRS 16p97

	2019	2018
No later than 1 year	32,534	30,971
Later than 1 year and no later than 2 years	26,523	23,567
Later than 2 years and no later than 3 years	8,674	10,244
Later than 3 years and no later than 4 years	5,789	5,723
Later than 4 years and no later than 5 years	5,003	4,245
Later than 5 years	3,198	3,045
Total	**81,721**	**77,795**

[15] If costs to obtain a contract or fulfilment costs were impaired in the period, this disclosure would also include any impairment losses recognized.

7. Investment properties[16]

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

[16] Real estate entities may disclose details of the most significant properties and development projects, either within the consolidated financial statements or outside the consolidated 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..

(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	2019 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	-	-	1,810	-	-	-	-	2,799
IFRS13e(iii)	- -Acquisitions through business	25	-	-	-	-	17,570	-	-	-	17,570
40p96(a)	- Acquisitions through subsidiaries other than business combinations than business combinations	25	-	-	3,316	-	-	6,416	-	-	9,732
40p96(a)	- Subsequent expenditures		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[17]	8	-	(25,45 6)	-	-	-	-	-	-	(25,456)
40p96(f)	Transfer to inventories - at fair value[18]	12	-	-	-	(14,234)	-	-	-	-	(14,234)
40I(c)	Transfer from/to disposal groups held for sale	16	-	-	1,594	-	-	2,000	-	-	3,594
IFRS13p93e(i)	Disposals		-	-	-	-	-	-	-	(15,690)	(15,690)
40p76(c) IFRS13p93e(i), (f)	Net gain (loss) from fair value adjustment on investment properties		29	2,394	(1,991)	(10.469)	(770)	(2,144)	4,987	15,622	7,658
	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**
	Lease liabilities on ground leases[19]		-	3,953	-	3,566	-	-	-	-	7,519
	Rental guarantee		-	-	-	-	-	-	-	(2,345)	(2,345)
	Fair value as at 31 December		**10,520**	**59,420**	**144,865**	**58,364**	**18,200**	**108,467**	**62,377**	**155,605**	**617,818**

[17] A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2019. It was reclassified from investment property to property, plant and equipment (IAS40p57(a)).

[18] An office building located in Germany was redeveloped in 2019. It was reclassified from investment property to inventories (IAS40p57(b), 10p21).

[19] On 15 January 2019, the Group entered into a new ground lease agreement. At inception, the right of use asset and lease liability related to that lease were equal and amounted to €965.

(All amounts in € thousands unless otherwise stated)

Country segment		Note	UK Office	UK Shopping Malls	Germany Office	Germany Shopping malls	Hong Kong Office	Hong Kong Shopping Ma	2018 Total
IFRS13p93b	*Fair value hierarchy*		*3*	*3*	*3*	*3*	*3*	*3*	
	Fair value as 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 than business combinations	25	-	4,199	-	-	-	-	4,199
40p96(a)	- Subsequent expenditures		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	16	-	(2,403)	-	(2,000)	-	-	(4,403)
IFRS13p93e(i) 40p76(c)	Disposals		-	-	-	-	-	(7,241)	(7,241)
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 [20]		4,500	-	3,510	-	-	-	8,010
	Rental guarantee		-	-	-	-	-	(1,519)	(1,519)
	Fair value as at 31 December		**84,400**	**145,670**	**75,678**	**96,049**	**55,790**	**142,800**	**600,387**

[20] Finance lease liabilities relate to ground leases that meet the definition of operating leases but are accounted for as finance leases.'

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

The Group completed the 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)

As at 31 December 2019, the Group had unprovided contractual obligations for future repairs and maintenance of €3,765 (2018: €3,796).

40p75(f) Direct operating expenses recognised in the income statement include €456 (2018: €412) relating to investment property that was unlet.

As at 31 December 2018, land held under ground leases are accounted for by the Group as investment properties (as if it were finance leases) amounted to €8,010. On 1 January 2019, these leases where reclassified as right of use assets.

40p75(g) On 15 January 2019, the Group entered into a ground lease agreement further to the acquisition of one of its office buildings in Germany. The annual rent payment is €50 and the term of the lease is 70 years.

The total carrying value of lease liabilities on ground leases amounted to €7,519 at year-end.

40p75(e)
IFRS13p93(i)
IFRS13p93(g

Borrowings are secured on investment property to the value of €100,418 (2018: €94,794) (note 18).

Valuation processes

The Group's investment properties were valued as at 31 December 2019 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. For all investment properties, their current use equates to the highest and best use. The Group's finance department includes a team that reviews 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 2019

Level 3 - Range of unobservable inputs (probability-weighted average)
Sensitivity on management's estimates [21]

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate				
UK	Office	10,520	Sales comparison	-	-	-	-	Sales price per square metre +/- 10%	1,052	1,052					
													Change in discount rate		
													-0.5%	**0%**	**0.5%**
		59,420	Discounted cash flows	2.500-3.500 (3.100)	5-6.25 (5.75)	5-5.5 (5.25)	-	-	-	-	Change in cap rate	-0.5%	66,507	64,507	61,722
												0%	60,519	59,420	56,274
												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 in cap rate	-0.5%	162,142	156,171	150,477
												0%	147,545	144,865	137,194
												0.5%	136,841	132,037	127,453
Germany	Office	58,364	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 in cap rate	-0.5%	64,247	61,881	59,625
												0%	68,463	58,364	54,361
												0.5%	54,221	52,318	50,502

[21] 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.

(All amounts in € thousands unless otherwise stated)

Level 3 - Range of unobservable inputs (probability-weighted average)
Sensitivity on management's estimates [22]

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate [16]
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 delay in Revenue	-	**Change in discount rate** **-0.5% / 0% / 0.5%** Change in cap rate -0.5%: 20,371 / 19,620 / 18,905 0%: 18,537 / 18,200 / 17,236 0.5%: 17,192 / 16,588 / 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)	-	-	-	-	**-0.5% / 0% / 0.5%** Change in cap rate -0.5%: 121.403 / 116.932 / 112.669 0%: 110.474 / 108.467 / 102.723 0.5%: 102,459 / 98,862 / 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** **-0.5% / 0% / 0.5%** Change in cap rate -0.5%: 69.816 / 67.245 / 64.793 0%: 63.531 / 62.377 / 59.074 0.5%: 58,922 / 56,854 / 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** **-0.5% / -0.5% / 0.5%** Change in cap rate -0.5%: 174,163 / 167,749 / 161,633 0%: 158,484 / 155,605 / 147,365 0.5%: 146,986 / 141,826 / 136,902
		617,818									

[22] 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

(All amounts in € thousands unless otherwise stated)

Information about fair value measurements using significant unobservable inputs (Level 3) for 2018

Level 3 - Range of unobservable inputs (probability-weighted average)

Sensitivity on management's estimates [23]

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate [18]				
UK	Office	84,400											Change in discount rate		
													-0.5%	0%	0.5%
			Cash flows	3.500-4.500 (4.100)	5-6.25 (5.75)	4.75-5.25 (5.0)	-	-	-	-	Change in cap rate	-0.5%	95,442	89,234	85,831
												0%	88,321	84,400	81,872
												0.5%	83,221	80,221	77,123
UK	Shopping Malls	145,670	Discounted cash flows	8.000-10.000 (9.100)	5.75-7 (6.0)	5.25-6 (6.25)	-	-	-	-			Change in discount rate		
													-0.5%	0%	0.5%
											Change in cap rate	-0.5%	163,155	156,171	150,477
												0%	148,216	145,670	137,194
												0.5%	135,555	132,037	127,453
Germany	Office	75,678	Discounted cash flows	3.200-3.600 (3.500)	5-6(5.25)	4.5-5.25 (4.75)	-	-	-	-			Change in discount rate		
													-0.5%	0%	0.5%
											Change in cap rate	-0.5%	90,247	85,881	79,625
												0%	78,463	75,678	71,361
												0.5%	69,221	65,318	61,502

[23] See footnote above.

(All amounts in € thousands unless otherwise stated)

Level 3 - Range of unobservable inputs (probability-weighted average)
Sensitivity on management's estimates

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate [18]				
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	-0.5%	109.403	104.932	99.669
												0%	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	-0.5%	65,816	60,245	58,793
												0%	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	-0.5%	156,163	149,749	142,633
												0%	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 €607,298 (2018: €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; and
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 (2018: €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 (2018: €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)

8. Property, plant and equipment

1p78(a)		Land & Building	Fixture & fittings	Total
16p73(d)	**As at 1 January 2018**			
	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 2018**			
	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**
	As at 31 December 2018			
	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 2019**			
	Opening net book amount	96,060	7,118	103,178
	Additions	5,125	5,197	10,322
	Transfer from investment property (Note 7)	25,456	-	25,456
	Transfer operating lease prepayments (note 14)	6,958	-	6,958
	Depreciation charge	(3,778)	(1,575)	(5,353)
	Effect of translation to presentation currency	(653)	(276)	(929)
	Closing net book amount	**129,168**	**10,464**	**139,632**
16p73(d)	**As at 31 December 2019**			
	Cost	154,111	19,691	173,802
	Accumulated depreciation	(24,943)	(9,227)	(34,170)
	Net book amount	**129,168**	**10,464**	**139,632**

36p126(a) There were no impairment charges in 2019 and 2018.

23p26 In 2019 and 2018, no borrowing costs were capitalized for PPE.

IFRS16p35
IFRS16p53(a), (j). On 1 January 2019, operating lease pre-payments were reclassified to PPE (land and building) upon adoption of IFRS 16. The upfront payments for a lease of the owner occupied land in Hong Kong (€10,260) were made in in January 1986. The term of the lease is 99 years. The carrying value of the right of use asset on the pre-paid lease was €6,844 (2018: nil; 1 January 2019: €6,958) and the depreciation charge was €104 (2018:nil).

IFRS16p53(a), (j). Fixture & fittings includes the right of use asset in relation to a pieces of equipment acquired through a finance lease for a net book amount of €1,689 (2018: €1,865). The depreciation charge amounted to € 176 (2018: 176). The carrying value of the corresponding lease liability is €2,442 (2018: €2,588).

(All amounts in € thousands unless otherwise stated)

9. Financial assets at fair value through profit or loss and other comprehensive income

9.1 Debt investments at fair value through other comprehensive income (FVOCI)

Debt investments at FVOCI comprise the following investments in listed bonds:

	2019	2018
Non-current assets		
Listed bonds	256	-

IFRS7p21
IFRS9pB5.71 On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

Net change in value of debt instruments at FVOCI amounted €100 (2018: €nil).

9.2 Financial assets at fair value through profit or loss (FVPL)

Rental guarantees provided by the seller of an investment property to the Group are classified as financial assets at FVPL in accordance with IFRS 9 as from 1 January 2018.

The rental guarantees held by the Group are as follows:

		2019	2018
	Fair value as at 1 January	1,519	1,499
IFRS13p93 e(iii)	Additions	-	6
IFRS13p93 e(iv)	Accrued interest	123	12
IFRS13p93 e(v)	Fair value changes (including changes in estimated cash flows)	747	2
	Payment received	(54)	-
	Fair value as at 31 December	**2,345**	**1,519**

Fair value changes and adjustments due to changes in estimated cash flows are recognised within net change in fair value of financial assets at FVPL.

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 2.11.1(c).

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 (2019: 6.75%; 2018: 6,5%). The expected cash flows are supported by third party contracts.

IFRS13p93(d) Once the fair valuation is ascertained the finance team reports to and discusses the result with 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.

(All amounts in € thousands unless otherwise stated)

10. Goodwill

		2019	2018
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 as 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 (2018: €387) of the goodwill relates to offices in Germany, €202 (2018: €109) to retail properties in the UK, and €1,090 (2018: €nil) 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 7. The most relevant assumption is the yield. If the yield for Germany offices changes by 25bps, and UK retail properties 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 on the individual facts and circumstances of the reported CGUs.

11. Income taxes

		2019	2018
12p79	Current tax	4,115	4,548
12p79	Deferred tax	1,941	1,811
	Total	**6,056**	**6,359**

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:

	2019	2018
Profit before income taxes	25,786	23,595
Tax calculated at domestic tax rates applicable to profits in the respective countries		
Tax effect on:	8,361	6,871
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	926
Tax charge	**6,056**	**6,359**

(All amounts in € thousands unless otherwise stated)

12p81(d) The weighted average applicable tax rate was 32% (2018: 29%). 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:

	2019	2018
Beginning of the year	48,495	46,515
Effect of translation to presentation currency	202	169
Income statement charge	2,148	1,811
Effect of business combinations (note 25)	1,306	-
Other	(207)	-
End of the year	**51,737**	**48,495**

12p81(d) (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:[24]

	Deferred tax assets	Provisions against receivables	Other	Total
	As at 1 January 2018	**(422)**	**(120)**	**(542)**
12p81(g)(ii)	Credited to the income statement	(156)	(202)	(358)
	Effect of translation to presentation currency	(10)	(49)	(59)
12p81(g)(i)	**As at 31 December 2018**	**(588)**	**(371)**	**(959)**
12p81(g)(ii)	Credited to the income statement	(45)	(98)	(143)
	Effect of translation to presentation currency	(12)	(25)	(37)
12p81(g)(i)	**As at 31 December 2019**	**(645)**	**(494)**	**(1,139)**

	Deferred tax liabilities	Accelerated tax depreciation	Increases in fair value of investment properties	Total
	As at 1 January 2018	**392**	**46,665**	**47,057**
12p81(g)(ii)	Charged to the income statement	340	1,829	2,169
	Effect of translation to presentation currency	29	199	288
12p81(g)(i)	**As at 31 December 2018**	**761**	**48,693**	**49,454**
12p81(g)(ii)	Deferred tax liabilities recognized following business combinations (note 25)	-	1,306	1,306
	Charged to the income statement	313	1,771	2,084
	Effect od translation to presentation currency	14	18	32
12p81(g)(i)	**As at 31 December 2019**	**1,088**	**51,788**	**52,876**

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 the differences will not reverse in the foreseeable future. The temporary differences associated with unremitted earnings totalled €30,671 as at 31 December 2018 (2018: €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 (2018: €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 taxes that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition (see note 25).

IFRIC23(A5) The tax legislation in relation to expenditures incurred in association with the establishment of the retail division is unclear. The group considers it probable that a tax deduction of €1,933 will be available and has calculated the current tax expense on this basis. However, the group has applied for a private ruling to confirm its interpretation. If the ruling is not favourable, this would increase the group's current tax payable and current tax expense by €876 respectively. The group expects to get a response, and therefore certainty about the tax position, before the next interim reporting date.

[24] In accordance with IAS 12p74, deferred tax assets and liabilities are offset in the statement of financial position, (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)

12. Inventories

		2019	2018
40p57(b)	Transfer from investment property (note 7)	14,234	-
	Redevelopment expenditures	1,460	-
	Capitalised borrowing costs (note 22)	223	-
		15,917	-

2p8, 10p21 In July 2019, the Group commenced redevelopment of an office building in Germany, which was previously classified as investment property (note 7). On commencement of the redevelopment, the Group started its marketing for the consolidated sale of exclusive individual office units.

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

13. Trade receivables

		2019	2018
1p78(b)	Trade receivables:		
IFRS7p6	Rent receivables from lessees	1,717	3,879
	Other financial assets	780	340
	Less: Provision for impairment of trade receivables	(322)	(240)
	Trade receivables, net of provision for impairment	**2,175**	**3,979**

Included within trade receivables, are lease incentive receivables of €250 (2018: €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 (2018: €113). The loss has been included in other expenses in the income statement.

IFRS7p37(b) The individually impaired receivables are mainly over one month 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:

	2019	2018
Accumulated impairment losses as 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 as at 31 December	**322**	**240**

(All amounts in € thousands unless otherwise stated)

14. Operating lease prepayments

As at 1 January 2018	**7,072**
Amortisation	(104)
Effect of translation to presentation currency	(10)
As at 31 December 2018	**6,958**
Transfer to PPE upon adoption of IFRS 16 (see note 8)	(6,958)
As at 31 December 2019	**-**

15. Derivative financial instrument

	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	408	147	269	132
Forward foreign exchange	1,056	448	927	615
Total	**1,464**	**595**	**1,196**	**747**

1p66 The Group does not apply hedge accounting in accordance with IFRS 9. 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 as at 31 December 2019 were €92,370 (2018: €89,689). The notional principal amounts of the outstanding interest rate swap contracts as at 31 December 2019 were €4,314 (2019: €3,839). The fair value gains on derivative financial instruments amount to €571 (2018: €520).

16. 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 as at 31 December 2018 following the decision of the Group's management on 1 December 2018 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 2019

IFRS5p9 The Group did not dispose of the companies during 2019, as the buyers originally identified withdrew from the transactions. As at 31 December 2019, negotiations with a potential buyer for Retail Limited were at an advanced stage. The transaction is expected to be completed by March 2018, 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 2019, 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 writedown of the disposal groups to fair value less costs to sell.

IFRS5p38

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

	2019	2018
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**

	2019	2018
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**

	2019	2018
Foreign exchange translation adjustments (debited) credited to translation reserve	(185)	326
Total	**(185)**	**326**

17. Share capital

1p79 (a)

	Number of shares (thousands)	Ordinary shares	Share premium	Total
As at 31 December 2018 and 2019	**40,000**	**40,000**	**22,720**	**62,720**

1p79(a) The total authorised number of ordinary shares is 40 million (2018: 40 million) with a par value of €1 per share (2018: €1 per share). All issued shares are fully paid (2018: all fully paid).

18. 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.

Non-current	**2019**	**2018**
Bank borrowings	85,764	87,654
Debentures and other loans	14,654	7,140
Lease liabilities	7,767	8,010
Current	**108,185**	**102,804**
lease liabilities	2,194	2,588
Total borrowings	**110,379**	**105,392**

(All amounts in € thousands unless otherwise stated)

40p75(g) The borrowings include amounts secured on investment property to the value of €100,418 (2018: €94,794) (note 7).

Lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated financial statements revert to the lessor in the event of default. The weighted average incremental borrowing rate of the lease liabilities is 5%.

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 2021 and bear average coupons of 7.5% annually (2018: 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:

	2019	**2018**
6 months or less	11,056	14,586
6-12 months	12,531	15,232
After 12 months	86,792	75,574
Total	**110,379**	**105,392**

(All amounts in € thousands unless otherwise stated)

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:

	2019	2018
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 2020. 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.

Minimum lease payments in respect of leases are as follows:

		2019	2018
IFRS16 (C8)(B)	Gross lease liabilities - minimum lease payments:		
IFRS7p39(a)	No later than 1 year	2,799	3,203
	Later than 1 year and no later than 5 years	6,492	7,160
	Later than 5 years	5,213	2,891
	Future finance charges on leases	14,504	13,254
	Present value of lease liabilities	(4,543)	(2,656)
		9,961	**10,598**

IFRS16 (C8)(B) The present value of lease liabilities is as follows:

		2019	2018
IFRS7p39(a)	No later than 1 year	2,194	2,588
	Later than 1 year and no later than 5 years	5,077	5,287
	Later than 5 years	2,689	2,723
	Present value of lease liabilities	**9,961**	**10,598**

7Rp44A-44E This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2019:

	Bank Borrowings	Debentures and other loans	Lease liabilities	Total
As at 1 January 2018	**88,520**	**9,393**	**12,021**	**109,934**
Proceeds from borrowings	18,234	-	-	18,234
Repayments of borrowings	(5,290)	(2,253)	(1,423)	(8,966)
Borrowings assumed	-	-	-	-
Foreign exchange on borrowings	(13,810))	-	-	(13,810)
As at 31 December 2018	**87,654**	**7,140**	**10,598**	**105,392**
Proceeds from borrowings	2,109	8,654	-	10,763
Repayments of borrowings	(14,803)	(1,140)	(1,600)	(17,543)
Borrowings assumed	9,246	-	963	10,209
Foreign exchange on borrowings	1,558	-	-	1,558
As at 31 December 2019	**85,764**	**14,654**	**9,961**	**110,379**

Investment property

(All amounts in € thousands unless otherwise stated)

19. Trade and other payables

	2019	2018
Financial liabilities:		
Trade payables	32,445	28,628
Other financial liabilities	5,604	2,988
Accruals	648	703
Non-financial liabilities:		
Social security and other taxes	3,920	2,775
Total	**42,617**	**35,094**

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).

20. Provisions

DV	As at 1 January 2018	2,103
DV	Effect of translation to presentation currency	60
DV	Additional provisions - charged to income statement	200
DV	Utilised during the year	(762)
37p84(a)	**As at 31 December 2018**	**1,601**
	Effect of translation to presentation currency	59
37p84(b)	Additional provisions - charged to income statement	302
37p84(c)	Utilised during the year	(1,412)
37p84(a)	**As at 31 December 2019**	**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 as at 31 December 2019 is expected to be utilised in the first half of 2020. 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 as at 31 December 2019.

21. Employee benefits expenses

		2019	2018
	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

		2019	2018
	Interest expense on bank borrowings	11,225	10,529
IFRS7p20(b)	Interest on tenant deposits	18	21
	Interest expense on lease liabilities	937	936
21p52(a)	Net foreign exchange losses on borrowings	684	604
	Total finance costs	12,864	12,090
23p8	Less: Finance costs capitalised within investment property (note 7)	(4,568)	(450)
23p8	Less: Finance costs capitalised within inventories (note 11)	(223)	-
	Finance costs	**8,073**	**11,640**
	Interest income on short-term deposits[25]	1,163	1,024
	Interest income on financial assets at FVPL	15	12
	Adjustment due to change in estimated cash flows on financial assets at FVPL	-	6
	Finance income	**1,178**	**1,042**
	Finance costs - net	**6,895**	**10,598**

21p52(a)
23p6(e)
The total foreign losses recognised in income statement during the year 2019 amounted to €490 (2018: €410).

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% (2018: 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.

		2019	2018
33p70(a)	Net profit attributable to shareholders	19,730	17,236
33p770(b)	Weighted average number of ordinary shares in issue (thousands)	40,000	40,000
33p66	Basic earnings per share (€ per share)	0.49	0.44

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

33p30 The dividends paid in 2019 and 2018 were €14,643 (or €0.37 per share) and €11,379 (or €0.28 per share), respectively. A dividend in respect of 2019 of €0.31 per share, amounting to a total dividend of €12,400, is to be proposed at the Annual General Meeting on 13 March 2020. These consolidated financial statements do not reflect this dividend payable.

[25] Finance income should not be netted against finance costs. It is included in other revenue/other income or shown separately in the consolidated 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 subtotal 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)

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

IFRS3p59 (a) IFRS3B64 (a-c)

a. Business combinations

On 10 September 2019, 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 2019. If the acquisition had occurred on 1 January 2019 with all other variables held constant, Group revenue for 2019 would have been unchanged, and profit for 2019 would have been €16,934.

IFRS3p59(a) IFRS3B64(i-j)

Details of the assets and liabilities acquired and the goodwill arising are as follows:[26]

	Attributed fair value
Investment property (note 7)	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 10)	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**

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. The 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*.

[26] In this example, assume that no intangible assets were identified

(All amounts in € thousands unless otherwise stated)

b. Asset acquisitions

On 28 September 2019, 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 2018.

On 3 January 2019, 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 2018, 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 2019, 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.

The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2019 were:

		Asset acquisitions		Total asset acquisitions & business	Total
		ABC	**XYZ**		
7p4(d)	Investment property (note 7)	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 11)	-	-	-	(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**

(All amounts in € thousands unless otherwise stated)

The assets and liabilities recognised in the consolidated statement of financial position on the date of the acquisition of SRT GmbH during 2018 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 (2018: €10,667) in respect of capital expenditures contracted for at the date of the consolidated 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.

24p18, 22 There were no other transactions carried out or balances outstanding with related parties except for dividend distributions (note 25) and the following:

	2019	2018
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 consolidated statement of financial position[27]

10p21 The Group obtained a €150,000 loan facility from a large German bank in January 2018, repayable in 2019. 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 consolidated statement of financial position that have a bearing on the understanding of these consolidated financial statements.

[27] 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.

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

(All amounts in € thousands unless otherwise stated)

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)[28]. The following disclosures would be made in the income statement.

			Year ended 31 December	
1p10(b), 1p10(A), 1p103		**Note**	**2019**	**2018**
	Rental income[29]	6	40,144	38,215
	Service and property management charges	6	2,210	1,873
	Operating expenses relating to investment properties		(18,712)	(10,809)
	Net rental income		**23,642**	**29,279**
	Net gain from fair value adjustment on investment property	7	7,658	5,048
40p76(d)	Selling and marketing costs		(788)	(939)
1p103	Administrative expenses		(1,287)	(1,224)
1p103	Net change in fair value of financial instruments at fair value through profit or loss	9, 15	1,328	522
	Other income		2,210	1,873
1p85	Other expenses		(82)	(366)
	Operating profit[30]		**32,681**	**34,193**
	Finance income	22	1,178	1,042
1p82(b)	Finance costs	22	(8,025)	(11,640)
1p85	**Profit before income taxes**		**25,786**	**23,595**
12p77, 1p82(d)	Income tax expense		(6,056)	(6,359)
1p81A(a)	**Profit for the year**		**19,730**	**17,236**
1p8A	**Other comprehensive income:**			
21p52, IFRS7p20(a)(ii)	**Items that may be subsequently reclassified to profit or loss**			
	Exchange difference on translating foreign operations		5,799	1,247
	Net change in value of debt instruments at fair value through other comprehensive income	8	100	-
	Other comprehensive income for the year		**5,899**	**1,247**
	Total comprehensive income for the year		**25,629**	**18,483**
1p81B	**Profit attributable to:**			
	Owner of the parent		19,730	17,236
	Non-controlling interests		-	-
	Total comprehensive income attributable to			
	Owner of the parent		25,629	18,483
	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	0.49	0.43

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

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

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

[30] 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 the commentary to the consolidated statement of comprehensive income.)

Appendix II - Consolidated cash flow statement - direct method

(All amounts in € thousands unless otherwise stated)

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:

		Note	2019	2018
7p10, 18(a)	**Cash flows from operating activities**			
	Cash receipts from tenants and customers		61,558	57,478
	Cash paid to suppliers and employees		(16,411)	(5,113)
	Cash generated from operations		**45,147**	**52,365**
7p31	Interest paid		(12,180)	(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	9	54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		**24,599**	**19,806**
7p21	**Cash flows from investing activities**			
7p16(a)	Purchases of investment property	7	(2,799)	(220)
7p16(a)	Subsequent expenditure on investment property	7	(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property	7	15,690	750
7p16(a)	Purchases of property, plant and equipment	8	(10,322)	(13,246)
7p40	Acquisition of subsidiaries, net of cash acquired	25	(14,691)	(3,130)
7p16(f)	Proceeds from settlement of lease receivables		316	80
7p16(c)	Purchase of listed bonds	9	(156)	-
7p31	Interest received		560	1,024
	Net cash used in investing activities		**(39,615)**	**(17,224)**
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings		10,763	18,234
7p17(d)	Repayments of borrowings		(17,543)	(8,966)
7p31	Dividends paid to the Company's shareholders	24	(14,705)	(11,379)
	Net cash used in financing activities		**(21,485)**	**(2,111)**
	Net (decrease) increase in cash and cash equivalents		**(36,501)**	**471**
	Cash and cash equivalents at beginning of the year		35,152	34,621
7p28	Exchange losses on cash and cash equivalents		2,098	60
	Cash and cash equivalents at the end of the year		**749**	**35,152**

7p43
Not mandatory — The consolidated financial statements should be read in conjunction with the accompanying notes.

Appendix III - Adoption of IFRS 16 as at 1 January 2019 - effect on ground leases previously accounted for as operating leases

This Appendix illustrates an example of financial statements and disclosures impacted by the adoption of IFRS 16 as at 1 January 2019, in a case where the Group had previously accounted for its ground leases as operating leases. The example illustrates the adoption of IFRS 16 using the simplified transition method. Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application. While full retrospective application is optional, if chosen, it must be applied to all leases. Selective application of the simplified transition approach is not permitted. We have highlighted the changes in pink.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of financial position

1p113			31 December	
1p10(a), 1p54, 1p38, 1p68	**Assets**	**Note**	**2019**	**2018**
1p60, 1p66	**Non-current assets**			
1p54(b), IFRS 16p48	Investment property	7	660,361	600,387
1p54(a)	Property, plant and equipment		139,632	103,178
IFRS15p105,p110(c)	Other assets		820	690
IFRS7p8(h)	Financial assets at fair value through other comprehensive income		256	-
IFRS7p8(a)	Financial assets at fair value through profit or loss		767	1,041
1p78(b),	Operating lease pre-payments		-	6,958
1p55	Goodwill		1,599	496
1p54(o), 1p56	Deferred income tax assets		933	750
			804,368	**713,500**
1p60, 1p66	**Current assets**			
1p54(g)	Inventories		15,917	-
1p54(h)	Trade and other receivables		2,175	3,979
IFRS15p105	Contract assets		1,567	1,876
IFRS7p8(a)	Financial assets at fair value through profit or loss		1,578	478
1p54(d), IFRS7p8(a)	Derivative financial instruments		1,464	1,196
1p54(i), 7p8	Cash and cash equivalents		749	35,152
			23,450	**42,681**
IFRS5p38, 1p54(j)	Non-current assets classified as held for sale		989	5,421
			24,439	**48,102**
	Total assets		**828,807**	**761,602**
	Equity			
1p54(r)	**Equity attributable to equity holders of the company**			
1p78(e)	Share capital		62,720	62,720
1p78(e)	Other reserves		10,684	4,785
	Retained earnings		495,633	490,608
	Total equity		**569,037**	**558,113**
	Liabilities			
1p60, 1p69	**Non-current liabilities**			
1p54(m), IFRS7p8(f), IFRS 16p52	Borrowings	18	152,391	105,246
1p55	Tenant deposits		1,978	2,247
1p54(o), 1p56	Deferred income tax liabilities		52,670	49,245
			207,045	**156,738**
1p60, 1p69	**Current liabilities**			
1p54(k)	Trade and other payables		42,617	35,094
IFRS15p105	Contract liabilities		2,945	989
1p54(m), IFRS7p8(f), IFRS 16p52	Borrowings	18	531	146
1p55	Tenant deposits		590	608
1p54(m), IFRS7p8(e)	Derivative financial instruments		595	747
1p54(n)	Current income tax liabilities		4,735	4,392
1p54(l)	Provisions		550	1,601
			52,557	**43,577**
IFRS5p38, 1p54(p)	Liabilities directly associated with non-current assets classified as held for sale		168	3,174
	Total liabilities		**259,770**	**203,489**
	Total equity and liabilities		**828,807**	**761,602**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of comprehensive income

1p10(b), 1p10A, 1p113		**Note**	**2019**	**2018**
1p82(a)	Revenue from contracts with customers		42,354	40,088
40p76(d)	Net gain from fair value adjustment on investment property	7	7,303	5,048
40p75(f)	Repair and maintenance costs		(7,656)	(2,801)
1p85	Other direct property operating expenses		(398)	(2,803)
1p85	Employee benefits expense		(1,448)	(1,400)
1p85	Amortisation of operating lease pre-payments		-	(104)
1p85	Amortisation of capitalised letting fees		(237)	(212)
1p85	Depreciation of property, plant and equipment		(5,353)	(2,806)
1p85, IFRS7p20(a)(i)	Net change in fair value of financial instrument at fair value through profit or loss		1,328	522
1p85	Other expenses		(1,067)	(1,339)
	Operating profit		**34,826**	**34,193**
1p85	Finance income	22	1,178	1,042
1p82(b), IFRS 16p53	Finance costs	22	(10,218)	(11,640)
	Finance costs - net		**(9,040)**	**(10,598)**
1p85	**Profit before income taxes**		**25,786**	**23,595**
12p77, 1p82(d)	Income tax expense		(6,056)	(6,359)
1p81A(a)	**Profit for the year**		**19,730**	**17,236**
	Other comprehensive income:			
1p82A(a)(ii)	**Items that may be subsequently reclassified to profit or loss**			
21p52	Currency translation differences		5,799	1,247
1p82A, 1p7(da)	Net change in value of debt instruments at fair value through other comprehensive income		100	-
1p81A(b)	**Other comprehensive income for the year**		**5,899**	**1,247**
1p81A(c)	**Total comprehensive income for the year**		**25,629**	**18,483**
1p81B(a)	**Profit attributable to:**			
	- Equity holders of IP Group		19,730	17,236
	- Non-controlling interest		-	-
1p81B(b)	**Total comprehensive income attributable to:**			
	- Equity holders of IP Group		25,629	18,483
	- Non-controlling interest		-	-
33p66	**Basic and diluted earnings per share for profit attributable to the equity holders of IP Group during the year (expressed in € per share)**		0.49	0.43

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of changes in equity

Attributable to equity holders of the Company

		Note	Share capital	Other reserves	Retained earnings	Total equity
1p10(c), 1p106, 1p107, 1p113	**Balance at 1 January 2018 Comprehensive income**		**62,720**	**3,538**	**484,751**	**551,009**
1p106(d)(i)	Profit for the year		-	-	17,236	17,236
1p106(d)(ii)	Other comprehensive income		-	1,247	-	1,247
1p106(d)	**Total comprehensive income for 2018**		**-**	**1,247**	**17,236**	**18,483**
	Transactions with owners					
1p107	Dividends declared		-	-	(11,379)	(11,379)
1p106	**Balance at 31 December 2018**		**62,720**	**4,785**	**490,608**	**558,113**
	Comprehensive income					
1p106(d)(i)	Profit for the year		-	-	19,730	19,730
1p106(d)(ii)	Other comprehensive income		-	5,899	-	5,899
1p106(d)	**Total comprehensive income for 2019**		**-**	**5,899**	**19,730**	**25,629**
	Transactions with owners					
1p107	Dividends declared		-	-	(14,705)	(14,705)
1p106	**Balance at 31 December 2019**		**62,720**	**10,684**	**495,633**	**569,037**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of cash flows

		Notes	2019	2018
1p10(d), 7p10	**Cash flows from operating activities**			
7p18(b), 7p20	Profit before income tax		25,786	23,595
	Adjustments for:			
	Depreciation of property, plant and equipment		5,353	2,806
	Amortisation of operating lease pre-payments		-	104
	Amortisation of capitalised letting fees		237	212
	Net gain from fair value adjustment on investment property	7	(7,303)	(5,048)
	Net change in fair value of financial instruments at FVPL		(1,328)	(522)
	Finance costs - net	22	9,040	10,598
	Impairment charge for trade receivables		82	113
	Provisions for legal claims		302	200
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	- (Increase)/decrease in trade receivables		11,822	7,147
	- Decrease in contract assets		309	21
	- Increase in inventories		(1,460)	-
	- Increase in trade and other payables		10,400	20,959
	- Increase in contract liabilities		1,956	190
	Cash generated from operations		**55,166**	**60,375**
7p31	Interest paid		(14,325)	(12,032)
	Payments on legal claims		(1,412)	(762)
7p35	Income taxes paid		(3,772)	(6,945)
	Letting fees paid		(2,362)	(1,092)
	Proceeds from rental guarantees		54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		**32,473**	**27,816**
7p21	**Cash flows from investing activities**			
7p16(a)	Purchases of investment property		(10,318)	(8,230)
7p16(a)	Subsequent expenditure on investment property		(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property		15,690	750
7p16(a)	Purchases of property, plant and equipment		(10,322)	(13,246)
7p40	Acquisition of subsidiaries, net of cash acquired		(14,691)	(3,130)
7p16(f)	Proceeds from settlement of finance lease receivables		316	80
7p16(c)	Purchase of listed bonds		(156)	-
7p31	Interest received		560	1,024
	Net cash used in investing activities		**(47,134)**	**(25,234)**
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings	18	10,763	18,234
7p17(d)	Repayments of borrowings	18	(17,898)	(8,966)
7p31	Dividends paid to the Company's shareholders		(14,705)	(11,379)
	Net cash used in financing activities		**(21,840)**	**(2,111)**
	Net (decrease) increase in cash and cash equivalents		**(36,501)**	**471**
	Cash and cash equivalents at the beginning of the year		35,152	34,621
7p28	Exchange gains on cash and cash equivalents		2,098	60
	Cash and cash equivalents at the end of the year		**749**	**35,152**

DV The consolidated financial statements should be read in conjunction with the accompanying notes.

(All amounts in € thousands unless otherwise stated)

2. Summary of significant accounting policies
2.1 Basis of preparation
c. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, Leases, on the Group's consolidated financial statements.

i) Impact on the consolidated financial statements

8p28(b)(f)(g) IFRS16(C5)(b), (C7) New illustration New requirements

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 January 2019. However, as later explained, the adoption of this new standard did not result in any impact to the opening retained earnings of the Group. The new accounting policies are disclosed in note 2.7.

On 31 December 2018, the Group had the following leases held as a lessee:

- A finance lease in relation to a piece of equipment;
- Land in Germany held under operating leases. The annual rent of the ground leases is €2,500. The lease expires in 2059, with no contractual renewal options.

IFRS16p34

Upon adoption of IFRS 16, there is no measurement change to the finance lease liability or the leased asset, which is now classified as a right-of-use asset. The right-of-use assets and lease liabilities are subsequently measured in accordance with the accounting policy disclosed in note 2.7. The piece of equipment meets the definition of PPE, as such, the related right of use asset has been presented within PPE.

IFRS16p34

The Group recognised lease liabilities and corresponding right-of-use assets in relation to ground leases which had previously been classified as operating leases under IAS 17 *Leases*. The leased land, in conjunction with buildings constructed on the leased land, are held solely for the purpose

40p29A

of earning rental income, therefore, the right of use assets are classified as investment property.

IAS 40 para 41 IFRS16.C8

The lease liability is measured on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to the ground leases as at 1 January 2019 was 5%. The right-of-use asset is included in investment property at the amount of lease liability. There were no further adjustments to the right-of-use asset as there were no prepaid or accrued ground lease payments as at 31 December 2018.

There was no impact to opening equity as at 1 January 2019, as a result of adoption IFRS 16.

The tables below illustrate the impact of ground leases under IFRS 16 on the Consolidated statement of financial position as at 1 January 2019:

Consolidated statement of financial position

Financial statements line items impacted	31 December 2018	IFRS 16 adjustment	1 January 2019
Investment property	600,387	42,898	643,285
Borrowings - non-current liabilities	105,246	42,543	147,789
Borrowings - current liabilities	146	355	501

(All amounts in € thousands unless otherwise stated)

IFRS16(12)(b) The difference between the operating ground lease commitments disclosed applying IAS 17 as at 31 December 2018 and the lease liabilities recognised in the consolidated statement of financial position at the date of initial application is detailed as follows:

Operating lease commitments	**Ground leases**
No later than 1 year	2,500
Later than 1 year and no later than 5 years	10,000
Later than 5 years	87,500
Operating lease commitment as at 31 December 2018	**100,000**
Effect of discounting	(57,102)
Present value of lease liabilities as at 1 January 2019	**42,898**

For details regarding the minimum lease payments, please refer to note 18.

ii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

PwC Commentary

The impact of the adoption of IFRS 16 on the other primary statements is illustrated below:

Consolidated statement of comprehensive income

Financial statements line items impacted	**2019 pre-adjustments**	**IFRS 16 adjustments**	**2019 post-adjustments**
Net gain from fair value adjustment on investment	7,658	(355)	7,303
Other direct property operating expenses	(2,898)	2,500	(398)
Finance costs	(8,073)	(2,145)	(10,218)

There is not impact to the consolidated statement of changes in equity.

Consolidated statement of cash flows

Financial statements line items impacted	**2019 pre-adjustments**	**IFRS 16 adjustments**	**2019 post-adjustments**
Net gain from fair value adjustment on investment	(7,658)	355	(7,303)
Finance costs - net	6,895	2,145	9,040
Cash generated from operations	**52,666**	**2,500**	**55,166**
Interest paid	(12,180)	(2,145)	(14,325)
Net cash generated from operating activities	**32,118**	**355**	**32,473**
Net cash used in investing activities	**(47,134)**	**-**	**(47,134)**
Repayments of borrowings	(17,543)	(355)	(17,898)
Net cash used in financing activities	**(21,485)**	**(355)**	**(21,840)**

7. Investment properties

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

(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	2019 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	3,953	-	5,376	-	-	-	-	10,318
IFRS13e(iii)	- -Acquisitions through business	25	-	-	-	-	17,570	-	-	-	17,570
40p96(a)	- Acquisitions through subsidiaries other than business combinations than business combinations	25	-	-	3,316	-	-	6,416	-	-	9,732
40p96(a)	- Subsequent expenditures		200	4,931	3,313	2,013	1,400	(547)	1,620	15,283	28,213
	Capitalised letting fees		-	-	-	-	-	2,362	-	-	2,362
	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[31]	8	-	(25,456)	-	-	-	-	-	-	(25,456)
40p96(f)	Transfer to inventories - at fair value[32]	12	-	-	-	(14,234)	-	-	-	-	(14,234)
40I(c)	Transfer from/to disposal groups held for sale	16	-	-	1,594	-	-	2,000	-	-	3,594
IFRS13p93e(i) 40p76(c)	Disposals		-	-	-	-	-	-	-	(15,690)	(15,690)
IFRS13p93e(i), (f)	Net gain (loss) from fair value adjustment on investment properties		29	2,394	(2,346)	(10,469)	(770)	(2,144)	4,987	15,622	7,303
	Currency translation difference in OCI		-	(1,500)	(6,682)	-	-	-	(20)	(65)	(8,267)
	Market value per external valuation report		**10,520**	**55,467**	**144,865**	**58,364**	**18,200**	**108,467**	**62,377**	**157,950**	**612,644**
40p50(d)	Lease liabilities on ground leases[33]		-	-	-	42,543	-	-	-	-	42,543
	Rental guarantee		-	-	-	-	-	-	-	(2,345)	(2,345)
	Fair value as at 31 December		**10,520**	**59,420**	**144,865**	**100,907**	**18,200**	**108,467**	**62,377**	**155,605**	**660,361**

[31] A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2019. It was reclassified from investment property to property, plant and equipment (IAS40p57(a)).

[32] An office building located in Germany was redeveloped in 2019. It was reclassified from investment property to inventories (IAS40p57(b), 10p21).

[33] The valuation of investment properties is net of payments related to future ground lease rental amounts where properties are located on leased land. As a separate lease liability is recognised for these future lease payments, an adjustment is made to the carrying value of investment property. See further note 18 for details of lease liabilities.

(All amounts in € thousands unless otherwise stated)

Country segment		Note	UK Office	UK Shopping Malls	Germany Office	Germany Shopping malls	Hong Kong Office	Hong Kong Shopping Malls	2018 Total
IFRS13p93b	*Fair value hierarchy*		*3*	*3*	*3*	*3*	*3*	*3*	
	Fair value as at 1 January		**86,817**	**145,670**	**75,678**	**96,049**	**55,790**	**142,800**	**602,804**
IFRS13p93e(i)	Additions:								
40p76(a)	- Direct acquisitions		4,500	-	3,730	-	-	-	8,230
40p96(a)	- Acquisitions through subsidiaries other than business combinations	25	-	4,199	-	-	-	-	4,199
40p96(a)	- Subsequent expenditures		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	16	-	(2,403)	-	(2,000)	-	-	(4,403)
IFRS13p93e(i) 40p76(c)	Disposals		-	-	-	-	-	(7,241)	(7,241)
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		84,400	145,670	72,168	96,049	55,790	144,319	593,896
	Rental guarantee		-	-	-	-	-	(1,519)	(1,519)
	Fair value as at 31 December		**84,400**	**145,670**	**75,678**	**96,049**	**55,790**	**142,800**	**600,387**

(All amounts in € thousands unless otherwise stated)

18 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.

Non-current	**2019**	**2018**
Bank borrowings	93,283	95,664
Debentures and other loans	14,654	7,140
Lease liabilities	44,454	2,442
Current	**152,391**	**105,246**
Lease liabilities	531	146
Total borrowings	**152,922**	**105,392**

40p75(g)

The borrowings include amounts secured on investment property to the value of €100,418 (2018: €94,794) (note 7).

Lease liabilities include a lease liability in relation to a piece of equipment for an amount of €2,442 (2018: €2,588) and lease liabilities on ground leases amounting to €42,543 (2018:nil).

IFRS16(C12)(a)

Lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated financial statements revert to the lessor in the event of default. The weighted average incremental borrowing rate of the lease liabilities is 5%.

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 2021 and bear average coupons of 7.5% annually (2018: 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:

	2019	**2018**
6 months or less	11,056	14,586
6-12 months	12,531	15,232
After 12 months	129,335	75,574
Total	**152,922**	**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:

	2019	**2018**
Expiring within one year	16,300	10,500
Expiring beyond one year	22,600	14,500
Total	**38,900**	**25,000**

(All amounts in € thousands unless otherwise stated)

The facilities expiring within one year are annual facilities subject to review at various dates during 2020. 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.

Minimum lease payments in respect of lease liabilities on are as follows:

		2019	2018
IFRS16p59	Gross lease liabilities - minimum lease payments:		
IFRS7p39(a)	No later than 1 year	2,652	146
	Later than 1 year and no later than 5 years	10,927	853
	Later than 5 years	87,431	2,846
		101,010	**3,845**
	Future finance charges on leases liabilities	(56,025)	(1,257)
	Present value of lease liabilities	**44,985**	**2,588**

IFRS16p59 The present value of lease liabilities is as follows:

		2019	2018
IFRS7p39(a)	No later than 1 year	531	146
	Later than 1 year and no later than 5 years	2,948	625
	Later than 5 years	41,506	1,817
	Present value of lease liabilities	**44,985**	**2,588**

7Rp44A-44E This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2019:

	Bank Borrowings	Debentures and other loans	Lease liabilities	Total
As at 1 January, 2018	**96,530**	**9,393**	**4,011**	**109,934**
Proceeds from borrowings	18,234	-	-	18,234
Repayments of borrowings	(5,290)	(2,253)	(1,423)	(8,966)
Borrowings assumed	-	-	-	-
Foreign exchange on borrowings	(13,810)	-	-	(13,810)
As at 31 December 2018	**95,664**	**7,140**	**2,588**	**105,392**
As at 1 January 2019 (restated)	**95,664**	**7,140**	**45,486**	**148,290**
Proceeds from borrowings	2,109	8,654	-	10,763
Repayments of borrowings	(16,257)	(1,140)	(501)	(17,898)
Borrowings assumed	10,209	-	-	10,209
Foreign exchange on borrowings	1,558	-	-	1,558
As at 31 December 2019	**93,283**	**14,654**	**44,985**	**152,922**

The movements on lease liabilities are made up of a repayment of lease liability on a piece of equipment of €146 (2018: €1,423) and repayments of lease liabilities on ground leases of €355 (2018: nil).

(All amounts in € thousands unless otherwise stated)

22. Finance income and costs

		2019	2018
	Interest expense on bank borrowings	12,057	11,342
IFRS7p20(b)	Interest on tenant deposits	18	21
	Interest expense on lease liabilities	2,250	123
21p52(a)	Net foreign exchange losses on borrowings	684	604
	Total finance costs	15,009	12,090
23p8	Less: Finance costs capitalised within investment property	(4,568)	(450)
23p8	Less: Finance costs capitalised within inventories	(223)	-
	Finance costs	**10,218**	**11,640**
	Interest income on short-term deposits	1,163	1,024
	Interest income on financial assets at FVPL	15	12
	Adjustment due to change in estimated cash flows on financial assets at FVPL	-	6
	Finance income	**1,178**	**1,042**
	Finance costs - net	**9,040**	**10,598**

21p52(a)
23p6(e)

The total foreign losses recognised in income statement during the year 2019 amounted to €490 (2018: €410).

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% (2018: 7.4%).

(All amounts in € thousands unless otherwise stated)

Contact us

To have a deeper discussion on the content of this publication, please contact:

Territory	Name	E-mail	Telephone
Argentina	Eduardo Loiacono	eduardo.loiacono@ar.pwc.com	+54 11 4850 4690
Australia	Bianca Buckman	bianca.buckman@au.pwc.com	+61 8266 0382
Belgium	Didier Matriche Elena Shibkova	didier.matriche@be.pwc.com elena.shibkova@be.pwc.com	+32 2 7107 287 + 32 2 7109 644
Canada	Andrew Popert Lucy Durocher	andrew.popert@ca.pwc.com lucy.durocher@ca.pwc.com	+1 416 687 8901 +1 416 869 2311
China	Kathleen Chen	kathleen.chen@cn.pwc.com	+86 21 2323 2566
Cyprus	Tasos Nolas	tasos.nolas@cy.pwc.com	+357 25 555 192
France	Thibault Lanselle	thibault.lanselle@fr.pwc.com	+33 1 56 57 1279
Germany	Anita Dietrich	anita.dietrich@de.pwc.com	+49 69 9585 2254
Hong Kong	Clarry Chan	clarry.chan@hk.pwc.com	+852 2289 2169
Ireland	Aoife O'Connor	aoife.oconnor@ie.pwc.com	+353 1 7928527
Italy	Nicola Fierro	nicola.fierro@it.pwc.com	+39 02 778 5669
Japan	Hideo Ohta	hideo.ohta@jp.pwc.com	+81 80 3254 6831
Jersey	Lisa McClure	lisa.mcclure@je.pwc.com	+44 1534 838315
Luxembourg	Frank Ballmann	frank.ballmann@lu.pwc.com	+352 49 48 48 2280
Netherlands	Sidney Herwig	sidney.herwig@nl.pwc.com	+31 88 792 4936
Norway	Ola Anfinsen	ola.anfinsen@no.pwc.com	+47 95 26 0503
Poland	Mateusz Ksiezopolski	mateusz.ksiezopolski@pl.pwc.com	+48 50 218 4483
Singapore	Magdalene Chua	magdalene.wz.chua@sg.pwc.com	+65 6236 3668
South Africa	Lihor Spazzoli	lihor.spazzoli@za.pwc.com	+27 (11) 7974826
Spain	Gonzola Sanjurjo Pose	gonzola.sanjurjo.pose@es.pwc.com	+34 915 684 989
Sweden	Johan Ericsson	johan.m.ericsson@se.pwc.com	+46 10 213 3037
Switzerland	Guido Andermatt	guido.andermatt@ch.pwc.com	+41 58 792 2540
United Arab Emirates	Michelle Amjad	m.amjad@ae.pwc.com	+971 4304 3686
United Kingdom	Avni Mashru Peter Jourdier	avni.r.mashru@uk.pwc.com peter.jourdier@uk.pwc.com	+44 7590 354 085 +44 7814 745 707
United States	Scott Tornberg Tom Wilkin	scott.w.tornberg@us.pwc.com tom.wilkin@us.pwc.com	+1 973 236 5336 +1 646 471 7090