IFRS Core Tools

Good Real Estate Group (International) Limited

Illustrative consolidated financial statements for the year ended 31 December 2018

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Contents

Abbreviations and key

The following styles of abbreviation are used in this set of International GAAP® Illustrative Financial Statements:

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee Interpretation No. 4, paragraph 6
IFRS 9.IG.G.2	International Financial Reporting Standard No. 9 — Guidance on Implementing IFRS 9 Section G: Other, paragraph G.2
IAS 32.AG3	International Accounting Standard No. 32 — Appendix A — Application Guidance, paragraph AG3
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure.
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee

Introduction

This publication contains an illustrative set of consolidated financial statements for Good Real Estate Group (International) Limited (the parent) and its subsidiaries (the Group) that is prepared in accordance with International Financial Reporting Standards (IFRS). The Group is a fictitious group of real estate companies. The Group's activities include the development and leasing of investment property together with the development and sale of residential property. The parent is incorporated in a fictitious country - Estateland. The presentation currency of the Group is the euro (€).

Objective

This set of illustrative financial statements is one of many prepared by EY to assist you in preparing your own financial statements. The illustration intends to reflect transactions, events and circumstances that we consider to be most common for companies in the real estate sector. Certain disclosures are included in these financial statements merely for illustrative purposes, even though they may be regarded as items or transactions that are not material for the Group.

How to use these illustrative financial statements to prepare entity-specific disclosures

Users of this publication are encouraged to prepare entity-specific disclosures. Transactions and arrangements other than those applicable to the Group may require additional disclosures. It should be noted that the illustrative financial statements of the Group are not designed to satisfy any stock market or country-specific regulatory requirements, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialised industries.

Notations shown in the right-hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, please refer to EY's *Online International GAAP® Disclosure Checklist*. If questions arise as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Improving disclosure effectiveness

Terms such as 'disclosure overload' and 'cutting the clutter', and more precisely 'disclosure effectiveness', describe a problem in financial reporting that has become a priority issue for the International Accounting Standards Board (IASB or Board), local standard setters, and regulatory bodies. The growth and complexity of financial statement disclosure is also drawing significant attention from financial statement preparers, and more importantly, the users of financial statements.

Considering the purpose of the *Good Real Estate Group (International) Limited – Illustrative consolidated financial statements for the year ended 31 December 2018*, the notes largely follow the order in which items are presented in the primary financial statements. Paragraph 113 of IAS 1 *Presentation of Financial Statements* (2014) requires the notes to be presented in a systematic manner and paragraph 114 provides examples of different systematic orderings and groupings that preparers may consider. An alternative structure that some may find more effective in permitting the users to identify the relevant information more easily, involves reorganising the notes according to their nature and perceived importance. An illustrative ordering of the alternative structure that is based on seven different notes sections is summarised in the table below:

Sections	**For example, comprising:**
Corporate and Group information	▸ Corporate and Group information
Basis of preparation and other significant accounting policies	▸ Basis of preparation ▸ Other significant accounting policies not covered in other sections (below) ▸ Changes in accounting policies and disclosures ▸ Fair value measurement and related fair value disclosures ▸ Impact of standards issued but not yet effective
Group business, operations, and management	▸ Revenue from contracts with customers ▸ Financial instruments risk management objectives and policies ▸ Hedging activities and derivatives ▸ Capital management ▸ Distributions made and proposed ▸ Segment information

Sections	For example, comprising:
	▸ Basis of consolidation and information on material partly-owned subsidiaries ▸ Interest in joint ventures and investment in associates
Significant transactions and events	▸ Business combinations and acquisitions of non-controlling interests ▸ Discontinued operations ▸ Impairment of goodwill and intangible assets with indefinite lives ▸ Related party disclosures ▸ Events after the reporting period
Detailed information on statement of profit or loss and other comprehensive income items	▸ Other operating income and expenses ▸ Finance income and costs ▸ Depreciation, amortisation, foreign exchange differences and costs of inventories ▸ Detailed breakdown of administrative, employee benefits and research & development expenses ▸ Share-based payments ▸ Components of other comprehensive income ▸ Earnings per share
Detailed information on statement of financial position items	▸ Income tax ▸ Property, plant & equipment, investment property and intangible assets ▸ Financial assets and liabilities ▸ Inventories ▸ Contract cost assets ▸ Trade receivables and contract assets ▸ Cash and short-term deposits ▸ Issued capital and reserves ▸ Provisions ▸ Government grants ▸ Trade payables ▸ Contract liabilities ▸ Pensions and other post-employment benefits
Commitments and contingencies	▸ Leases ▸ Other commitments ▸ Legal claim contingency ▸ Guarantees ▸ Other contingent liabilities

By structuring the notes according to their nature and perceived importance, users may find it easier to extract the relevant information. In addition, the significant accounting policies, judgements, key estimates and assumptions could alternatively be placed within the same note as the related qualitative and quantitative disclosures to provide a more holistic discussion for users of the financial statements. The alternative structure summarised above has been applied in *Good Group (International) Limited –Alternative Format*. As the key difference between the illustrative financial statements herein and in the alternative format illustrative financial statements is the structuring of the notes, *Good Group (International) Limited – Alternative Format* is a useful tool for entities exploring ways to enhance the effectiveness of their financial statements' disclosures.

Entities may find that other structures are better for enhancing disclosure effectiveness, and the approach summarised above and illustrated in EY's *Good Group (International) Limited –Alternative Format* is only intended to illustrate that IFRS allows for alternative notes structures. Entities should carefully assess their specific circumstances and the preferences of the primary users before deciding on notes' structure. Engagement of key stakeholders will be a critical part of any process to make significant changes to the financial statements.

Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure, and inappropriate application of the concept may be another cause of the perceived disclosure problem. IFRS sets out a set of minimum disclosure requirements which, in practice, too often is complied with without consideration of the information's relevance for the specific entity. That is, if the transaction or item is immaterial to the entity, then it is not relevant to users of financial statements, in which case, IFRS does not require the item to be disclosed (IAS 1.31). If immaterial information is included in the financial statements, the amount of information may potentially reduce the transparency and usefulness of the financial statements as the material and, thus, relevant information loses prominence. In September 2017, the IASB issued Practice Statement 2 *Making Materiality Judgements*. The Practice Statement provides practical guidance and examples that entities may find helpful in deciding whether information is material. The Practice Statement is not mandatory and neither changes the existing requirements nor introduces new ones. However, entities are encouraged to consider it when making materiality judgements.

As explained above, the primary purpose of these financial statements is to illustrate how the most commonly applicable disclosure requirements can be met. Therefore, they include disclosures that may, in practice, be deemed not material to the Group. It is essential that entities consider their own specific circumstances when determining which disclosures to include. These financial statements are not intended to act as guidance for making the materiality assessments; they must always be tailored to ensure that an entity's financial statements reflect and portray its specific circumstances and its own materiality considerations. Only then will the financial statements provide decision-useful financial information.

For more guidance on how to improve disclosure effectiveness, please refer to our publication, *Applying IFRS: Enhancing communication effectiveness* (February 2017).

Illustrative financial statements

Good Real Estate Group (International) Limited – Illustrative consolidated financial statements for the year ended 31 December 2018 illustrates the IFRS requirements for financial statements and includes in Appendix 1 illustrations of the application of the Best Practice Recommendations (BPR) of the European Public Real Estate Association (EPRA). Please note that some regulators disallow the use in financial statements of alternative performance measures such as those recommended by the EPRA BPR, or accept them only under certain conditions, such as the inclusion of reconciliation to the nearest subtotal or total as defined in IFRS. If the entity presents subtotals that are not required by IFRS, they are subject to guidance included in IAS 1.85A.

We provide a number of industry-specific illustrative financial statements and illustrative financial statements addressing specific circumstances that you may consider, which are available at www.ey.com/ifrs. The entire series of illustrative financial statements comprises:

- Good Group (International) Limited
- Good Group (International) Limited – Alternative Format
- Good Group (International) Limited – Illustrative interim condensed consolidated financial statements
- Good First-time Adopter (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good Bank (International) Limited
- Good Insurance (International) Limited

In Appendix 2, we have included a summary table of the IFRSs that are applied in our various illustrative financial statements.

International Financial Reporting Standards

The abbreviation IFRS is defined in paragraph 5 of the *Preface to International Financial Reporting Standards* to include "standards and interpretations approved by the IASB, and International Accounting Standards (IAS) and Standing Interpretations Committee interpretations issued under previous Constitutions". This is also noted in paragraph 7 of IAS 1 and paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire body of pronouncements sanctioned by the IASB. This includes the IAS, IFRS and Interpretations originated by the IFRS Interpretations Committee (formerly the SIC).

International Accounting Standards Board (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB Board is responsible for the development and publication of IFRSs, including *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs), and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties, the IASB follows a due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee (Interpretations Committee)

The Interpretations Committee is a committee appointed by the IFRS Foundation Trustees that assists the IASB in establishing and improving standards in financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. These include any newly identified financial reporting issues not addressed in IFRS. The Interpretations Committee also advises the IASB on issues to be considered in the Annual Improvements to IFRS project.

IFRS as at 30 June 2018

As a general approach, these illustrative financial statements do not early adopt standards, amendments or interpretations before their effective dates.

The standards applied in these illustrative financial statements are those that were in issue as at 30 June 2018 and effective for annual periods beginning on or after 1 January 2018. It is important to note that these illustrative financial statements will require continual updating as standards are issued and/or revised.

Users of this publication are cautioned to check that there has been no change in requirements of IFRS between 30 June 2018 and the date on which their financial statements are authorised for issue. In accordance with paragraph 30 of IAS 8 , specific disclosure requirements apply for standards and interpretations issued but not yet effective (see Note 6 of these illustrative financial statements). Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these illustrative financial statements may not be applicable. For example, the Group has adopted IFRS 9 *Financial Instruments* in its 2018 illustrative financial statements. An entity with a financial year that commences from, for example, 1 October and ends on 30 September would have to adopt the standard in its annual financial statements beginning on 1 October 2018. Therefore, the standard would not have been applicable in the financial statements of an entity with a year-end of 30 September 2018, unless it voluntarily chose to early adopt the standard.

For an overview of the upcoming changes in standards and interpretations, please refer to our quarterly *IFRS Update* publication.

Accounting policy choices

Accounting policies are broadly defined in IAS 8 and include not just the explicit elections provided for in some standards, but also other conventions and practices that are adopted in applying principles-based standards.

In some cases, IFRS permits more than one accounting treatment for a transaction or event. Preparers of financial statements should select the treatment that is most relevant to their business and circumstances as their accounting policy.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an IFRS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once the choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by IFRS, the Group has adopted one of the treatments as appropriate to the circumstances of the Group. In such cases, the commentary provides details of which policy has been selected, the reasons for the policy selection, and summarises the difference in the disclosure requirements.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what may be included in an annual report. The IASB issued an IFRS Practice Statement, *Management Commentary,* in December 2010, which provides a broad non-binding framework for the presentation of a management commentary that relates to financial statements prepared in accordance with IFRS. If an entity decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety. Further, the content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction.

No financial review by management has been included for the Group.

Changes in the 2018 edition of *Good Real Estate Group (International) Limited* annual financial statements

The standards and interpretations listed below have become effective for annual periods beginning on 1 January 2018. While the list of new standards is provided below, not all of these new standards will have an impact on these illustrative financial statements. To the extent these illustrative financial statements have changed since the 2017 edition due to changes in standards and interpretations, we have disclosed the impact of those changes in Note 3.

Other changes from the 2017 edition have been made in order to reflect practice developments and to improve the overall quality of the illustrative financial statements.

Changes to IFRS

The following new standards and amendments became effective as of 1 January 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40 *Transfers of Investment Property*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*

Good Real Estate Group (International) Limited

31 December 2018

Commentary

Good Real Estate Group (International) Limited is a limited company incorporated and domiciled in Estateland and whose shares are publicly traded. Financial statements of that category of entity are usually subject to mandatory audit either under International Standards on Auditing (ISA) or local audit standards and auditor's report should be disclosed together with the annual financial statements. However, this publication is not intended to provide guidance on the application of ISA 700 (Revised) *Forming an Opinion and Reporting of Financial Statements* or the specific requirements of individual jurisdictions. Hence, an illustrative auditor's report on the consolidated financial statements of Good Real Estate Group (International) Limited has not been included.

Consolidated statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 €000	2017 €000 Restated (Note 3)	IAS 1.51(c) IAS 1.10(b) IAS 1.10A IAS 1.81A IAS 1.51(d)(e)
Rental income	8	22,470	24,333	IAS 40.75 (f)(i)
Revenue from services to tenants	8	2,584	2,197	
Expense from services to tenants	10	(2,654)	(2,254)	
Other property operating expenses	10	(2,118)	(3,149)	IAS 40.75(f)(ii), (iii)
Net rental income		**20,282**	**21,127**	IAS 1.85
Revenue from the sale of completed inventory property	8	5,000	13,750	
Revenue from the sale of inventory property under development	8	6,000	3,000	
Cost of sales – inventory property	22	(7,000)	(17,000)	IAS 1.99, IAS 1.103, IAS 2.36(d)
Profit/(loss) on inventory property		**4,000**	**(250)**	IAS 1.85
Administrative expenses	10	(4,876)	(4,276)	IAS1.99, IAS 1.103
Profit on disposal of investment property	17	2,000	–	IAS 40. 69
Valuation gains from completed investment property	17, 19	14,980	9,480	IAS 40.76(d)
Valuation gains from investment property under development	18, 19	3,920	2,005	IAS 40.76(d)
Net gains on investment property		**20,900**	**11,485**	
Operating profit		**40,306**	**28,086**	IAS 1.85, IAS 1.BC55-56
Interest revenue calculated using the effective interest method	11	8,765	7,457	IAS 1.82(a)
Other finance income		430	102	IAS 1.85
Finance costs	12	(22,040)	(18,869)	IAS 1.82(b), IFRS 7R.20
Share of profit of joint ventures	21	3,250	1,300	IAS 1.82(c)
Profit before tax		**30,711**	**18,076**	IAS 1.103, IAS 1.85
Income tax expense	14	(7,298)	(3,597)	IAS 1.82(d) ,IAS 12.77
Profit for the year		**23,413**	**14,479**	IAS 1.81A(a)
Attributable to:				
Equity holders of the parent		20,824	13,521	IAS 1.81B (a)(ii)
Non-controlling interests		2,589	958	IAS 1.81B (a)(i)
		23,413	**14,479**	
Earnings per share:				
Basic and diluted earnings	15	0.10	0.07	IAS 33.66

Commentary

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of profit or loss and other comprehensive income' or 'statement of financial position'. Entities are, however, permitted to use other titles, such as 'income statement' or 'balance sheet'. The Group applies the titles suggested in IAS 1.

There is no specific requirement to identify restatements to prior period financial statements on the face of the financial statements. IAS 8 requires details to be provided only in the notes. The Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the reader that amounts in the prior period financial statements have been adjusted in comparative period(s) of the current period financial statements.

IAS 1.82(a) requires disclosure of revenue as a line item on the face of the statement of profit or loss, presenting separately interest revenue calculated using the effective interest method. The Group presents various types of revenue on the face of the statement of profit or loss in accordance with IAS 1.85. According to IFRS 15 *Revenue from Contracts with Customers*, revenue arises in the course of an entity's ordinary activities. The Group presents separately rental income, revenue from services to tenants, revenue from the sale of completed property, revenue from the sale of property under development, interest revenue calculated using the effective interest method and other finance income, separated by relevant expense categories, which is an accepted practice within the industry. However, certain regulators might interpret the requirement in IAS 1.82() differently and, as such, entities should be aware of their regulator's view. An aggregation of all revenue is provided in Note 8.

IFRS 15.113(a) requires revenue recognised from contracts with customers accounted for under IFRS 15 to be disclosed separately from other sources of revenue, unless presented separately in the statement of comprehensive income or statement of profit or loss. The Group has elected to disclose the total revenue from contracts with customers separate from the other source of revenue in Note 8. IFRS 15 only applies to a subset of total revenue (i.e., revenue from contracts with customers). IFRS 15 defines revenue as 'income arising in the course of an entity's ordinary activities', but it excludes some revenue contracts from its scope (e.g., leases). IFRS 15 does not explicitly require an entity to use the term 'revenue from contracts with customers'. Therefore, entities may use different terminology in their financial statements to describe revenue arising from transactions that are within the scope of IFRS 15. However, entities should ensure the terms used are not misleading and allow users to distinguish revenue from contracts with customers from other sources of revenue.

Cost of sales includes costs of inventories recognised as expense. IAS 2.34 requires that when inventories are sold, the carrying amount of those inventories must be recognised as an expense in the period in which the related revenue is recognised.

IAS 1.99 requires expenses to be analysed either by their nature or by their function within the statement of profit or loss, whichever provides information that is reliable and more relevant. If expenses are analysed by function, information about the nature of expenses (including depreciation, amortisation and employee benefits expense) must be disclosed in the notes. The Group has presented the analysis of expenses by function. As a result, the Group has made the additional disclosures for employee benefits expense (the Group has no depreciation or amortisation) in the notes to the financial statements - see Note 10.

The Group presents operating profit in the statement of profit or loss although not required by IAS 1. The terms 'operating profit' or 'operating income' are not defined in IFRS. However, IAS 1.BC56 states that the IASB recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. The entity should ensure the amount disclosed is representative of activities that would normally be considered to be 'operating'. For instance, "it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses" (IAS 1.BC56). In practice, other titles, such as earnings before interest and taxation (EBIT), are sometimes used to refer to an operating result. Such subtotals are subject to the guidance included in IAS 1.85A.

IAS 40 *Investment Property* does not require valuation gains/losses on completed investment property to be disclosed separately from those on investment property under development. However, as they are generally subject to different sets of assumptions and accounting estimates, we consider this to be leading industry practice. This approach is also consistent with the separate presentation of investment property under development in the statement of financial position, which we also consider to be leading industry practice.

The Group has presented its share of profit of joint venture using the equity method under IAS 28 *Investments in Associates and Joint Ventures* after the line item 'operating profit'. IAS 1.82(c) requires 'share of the profit or loss of associates and joint ventures accounted for using the equity method' to be presented in a separate line item on the face of the statement of profit or loss. Regulators or standard-setters in certain jurisdictions recommend or accept share of the profit/loss of equity method investees being presented with reference to whether the operations of the investees are closely related to that of the reporting entity. This may result in the share of profit/loss of certain equity method investees being included in the operating profit, while the share of profit/loss of other equity method investees being excluded from operating profit. In other jurisdictions, regulators or standard-setters believe that IAS 1.82(c) requires that share of profit/loss of equity method investees be presented as one line item (or, alternatively, as two or more adjacent line items, with a separate line for the sub-total). This may cause diversity in practice.

IAS 1.82(ba) requires that the statement of profit or loss includes line items that present the impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9. The Group did not present its impairment losses determined in accordance with IFRS 9 separately in the statement of profit or loss as the amounts are not considered material.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 €000	2017 €000 Restated (Note 3)	IAS 1.49 IAS 1.81A IAS 1.10(b) IAS 1.51
Profit for the year		**23,413**	**14,479**	IAS 1.90 IAS 12.61A IAS 1.81A(a) IAS 1.82A
Other comprehensive income that may be reclassified to profit or loss in subsequent periods				
Net gains/(losses) on cash flow hedges arising during the year	33	13,589	(2,632)	IFRS 7R.24C(b)(i)
Amounts reclassified to profit or loss in respect of cash flow hedges	33	(1,275)	680	IAS 1.92 IFRS 7R.24C(iv)
Income tax relating to net gains/(losses) on cash flow hedges	14	(3,714)	570	IAS 1.90, IAS 12.81(a), (b)
Foreign currency translation reserve		(1,700)	(1,654)	
Other comprehensive income/(loss), net of tax, that may be reclassified to profit or loss in subsequent periods		**6,900**	**(3,036)**	IAS 1.82A(b)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods				
Other comprehensive income, net of tax, that will not be reclassified to profit or loss in subsequent periods		–	–	IAS 1.82A(a)
Other comprehensive income/(loss) for the year, net of tax		**6,900**	**(3,036)**	IAS 1.81A(b)
Total comprehensive income for the year, net of tax		**30,313**	**11,443**	IAS 1.81A(c)
Attributable to:				
Equity holders of the parent		27,724	10,485	IAS 1.81B(b)(ii)
Non-controlling interests		2,589	958	IAS 1.81B(b)(i)
		30,313	**11,443**	

Commentary

The Group has elected as an accounting policy to present two statements, a statement of profit or loss and a statement of comprehensive income, rather than a single statement of profit or loss and other comprehensive income (OCI) combining the two elements. If a two-statement approach is adopted, the statement of profit or loss must be followed directly by the statement of comprehensive income.

IAS 1.90 requires an entity to disclose the amount of income tax relating to each item of other comprehensive income (OCI), including reclassification adjustments, either in the statement of comprehensive income or in the notes. Another alternative provided by IAS 1.91 is to present the different items of OCI before the related tax effects, with one amount shown for the aggregate amount of income tax relating to those items. An entity electing this alternative must allocate the tax between those items that 'may be reclassified to profit or loss' and 'will not be reclassified to profit or loss' in subsequent periods. The Group has elected to present the income tax effects gross on an individual basis and, therefore, no additional note disclosure is required.

IAS 1.82A requires that items that may be reclassified subsequently to profit or loss, when specific conditions are met, must be grouped on the face of the statement of comprehensive income. Similarly, items that will not be reclassified must also be grouped together. In order to make these disclosures, an entity must analyse whether its OCI items are eligible to be subsequently reclassified to profit or loss under IFRS.

Under the requirements of IAS 1.82A and the Implementation Guidance to IAS 1, entities must present the share of the OCI items of equity method investees (i.e., associates and joint ventures), in aggregate as single line items within the 'may be reclassified' and the 'will not be reclassified' groups. The Group's joint ventures do not have OCI items and, as such, these disclosures do not apply.

Consolidated statement of financial position

as at 31 December 2018

	Notes	2018 €000	2017 €000 Restated (Note 3)	As at 1 January 2017 €000 Restated (Note 3)	IAS 1.49 IAS 1.51(c) IAS 1.10(a) IAS 1.10(f) IAS 1.51(d)(e) IAS 1.40A, IAS 1.40B
Assets					
Non-current assets					IAS 1.60
Goodwill	7, 20	3,000	–	–	IAS 1.54(c)
Completed investment property	17, 19	452,991	388,620	302,240	IAS 1.54(b)
Investment property under development	18, 19	30,146	30,896	9,540	IAS 1.54(b)
Investments in joint ventures	21	103,250	2,300	1,000	IAS 1.54(e)
Deferred tax assets	14	–	2,992	3,752	IAS 1.54(o), IAS 1.56
		589,387	**424,808**	**316,532**	
Current assets					IAS 1.60, IAS 1.66
Inventory property	22	6,533	9,580	19,000	IAS 1.54(g)
Contract cost assets	23	144	166	121	IAS 1.55
Rent and other trade receivables	24	11,640	21,450	16,310	IAS 1.54(h), IFRS 15.105
Contract assets	24	2,920	1,410	2,543	IFRS 15.105,
Prepayments		9,785	12,122	13,667	IAS 1.55
Cash and short-term deposits	25	78,038	34,618	33,165	IAS 1.54(i)
		109,060	**79,346**	**84,806**	
Investment property held for sale	17,19, 37	10,560	–	–	IAS 1.54(j), IFRS 5.38
Total assets		**709,007**	**504,154**	**401,338**	
Equity and liabilities					IAS 1.54(r), IAS 1.78(e)
Issued share capital	26	227,700	193,700	193,700	
Share premium	26	5,996	–	–	
Cash flow hedge reserve		(419)	(9,019)	(7,637)	
Foreign currency translation reserve		(4,398)	(2,698)	(1,044)	
Retained earnings		56,534	35,490	21,580	
Equity attributable to equity holders of the parent		**285,413**	**217,473**	**206,599**	
Non-controlling interests		18,202	1,807	845	IAS 1.54(q)
Total equity		**303,615**	**219,280**	**207,444**	
Non-current liabilities					IAS 1.60
Interest bearing loans and borrowings	27	379,624	255,831	168,763	IAS 1.54(m)
Rent deposits from tenants and other liabilities		3,593	2,142	1,906	IAS 1.55
Provisions	28	41	48	39	IAS 1.54(l)
Finance lease liabilities	29	1,559	1,550	–	IAS 1.54(m), IAS 1.55
Deferred tax liability	14	11,314	–	–	IAS 1.54(o), IAS 1.56
Derivative financial instruments	33	425	12,804	10,904	IAS 1.54(m), IFRS 7R.8
		396,556	**272,375**	**181,612**	
Current liabilities					IAS 1.60, IAS 1.69
Trade and other payables	28	6,064	10,019	10,120	IAS 1.54(k)
Contract liabilities	28	472	306	204	IFRS 15.105
Income tax payable	14	2,146	2,275	1,958	IAS 1.54(n)
Finance lease liabilities	29	154	205	–	IAS 1.54(m), IAS 1.55
		8,836	**12,499**	**12,282**	
Total liabilities		**405,392**	**284,874**	**193,894**	
Total equity and liabilities		**709,007**	**504,154**	**401,338**	

Commentary

IAS 1 requires an entity to present a statement of financial position at the beginning of the earliest comparative period when: it applies an accounting policy retrospectively; it makes a retrospective restatement of items in its financial statements; or when it reclassifies items in its financial statements (IAS 1.10(f)), and the change has a material effect on the statement of financial position. In these situations, IAS 1.40A states that an entity must present, at a minimum, three statements of financial position, two of each of the other statements and the related notes. The three statements of financial position include the statement of financial position as at the current annual period year end, the statement of financial position as at the previous annual period year end, and the statement of financial position as at the beginning of the previous annual period ('the opening balance sheet', often referred to as the 'third balance sheet'). As the Group has applied new accounting standards retrospectively, it has included a third balance sheet as at 1 January 2017. Such an additional balance sheet is only required if the adjustment to opening balances is considered to be material (IAS 1.40A(b)). However, the notes related to the third balance sheet are not required, nor are additional statements of profit or loss and other comprehensive income, changes in equity or cash flows (IAS 1.40C).

In accordance with IAS 1.60, the Group has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. IAS 1 does not require a specific order of the two classifications. The Group has elected to present non-current assets and liabilities before current assets and liabilities. IAS 1 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

IAS 40 does not require completed investment property to be disclosed separately from investment property under development, but as they are generally subject to different sets of assumptions and accounting estimates, we consider this to be the leading industry practice.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Attributable to the equity holders of the parent								
	Issued capital (Note 26)	Share premium (Note 26)	Cash flow hedge reserve (Note 33)	Foreign currency translation reserve (Note 32)	Retained earnings	Total	Non-controlling interests	Total equity	IAS 1.10 (c) IAS 1.49 IAS 1.51(c) IAS 1.106(d) IAS 1.51(d)(e)
	€000	€000	€000	€000	€000	€000	€000	€000	
At 1 January 2017	**193,700**	**–**	**(7,637)**	**(1,044)**	**21,364**	**206,383**	**829**	**207,212**	
Effect of adoption of IFRS 15, net of tax (Note 3)	–	–	–	–	216	216	16	232	IAS 1.106(b)
At 1 January 2017 (restated)	**193,700**	**–**	**(7,637)**	**(1,044)**	**21,580**	**206,599**	**845**	**207,444**	
Profit for the year	–	–	–	–	13,521	13,521	958	14,479	IAS 1.106 (d)(i)
Other comprehensive income	–	–	(1,382)	(1,654)	–	(3,036)	–	(3,036)	IAS 1.106 (d)(ii)
Total comprehensive income	–		(1,382)	(1,654)	13,521	10,485	958	11,443	IAS 1.106 (a)
Share based payments (Note 30)	–		–	–	389	389	–	389	IFRS 2.50
At 31 December 2017 (restated)	**193,700**	**–**	**(9,019)**	**(2,698)**	**35,490**	**217,473**	**1,807**	**219,280**	
Effect of adoption of IFRS 9, net of tax (Note 3)	–	–	–	–	(87)	(87)	(4)	(91)	IAS 1.106(b)
At 1 January 2018	**193,700**	**–**	**(9,019)**	**(2,698)**	**35,403**	**217,386**	**1,803**	**219,189**	
Profit for the year	–	–	–	–	20,824	20,824	2,589	23,413	IAS 1.106 (d)(i)
Other comprehensive income	–	–	8,600	(1,700)	–	6,900	–	6,900	IAS 1.106 (d)(ii)
Total comprehensive income	–	–	**8,600**	(1,700)	20,824	27,724	2,589	30,313	IAS 1.106 (a)
Issue of share capital (Note 26)	34,000	6,180	–	–	–	40,180	–	40,180	IAS 1.106 (d)(iii)
Transaction costs (Note 26)	–	(184)	–	–	–	(184)	–	(184)	IAS 32.39, IAS 1.109
Share based payments (Note 30)	–		–	–	307	307	–	307	IFRS 2.50
Acquisition of a subsidiary (Note 7)	–	–	–		–	–	13,810	13,810	IAS 1.106(d)(iii)
At 31 December 2018	**227,700**	**5,996**	**(419)**	**(4,398)**	**56,534**	**285,413**	**18,202**	**303,615**	

Commentary

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements.

For equity-settled share-based payment transactions, paragraph 7 of IFRS 2 *Share-based Payment* requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in retained earnings. This avoids the need to transfer the amount from another reserve when the share options are exercised or expire. In some jurisdictions, it is common for entities to recognise the credit in other capital reserves and subsequently transfer other capital reserves to share premium or retained earnings when the share options are exercised or expire. Such transfer is also permitted by IFRS 2 (IFRS 2.23). However, the transfer to share premium may be subject to legal restrictions that are in force in each jurisdiction.

Consolidated statement of cash flows

for the year ended 31 December 2018

	Notes	2018 €000	2017 €000 Restated (Note 3)	
				IAS 1.49
				IAS 1.51(c)
				IAS 1.10(d)
				IAS 1.51(d)(e)
Operating activities				*IAS 7.10, IAS 7.18(b)*
Profit before tax		30,711	18,076	
Adjustments to reconcile profit before tax to net cash flows				*IAS 7.20(b)*
Valuation gains on investment property	17,18,19	(18,900)	(11,485)	
Gain on disposal of investment property	17	(2,000)	–	
Share of profit in joint ventures	21	(3,250)	(1,300)	
Share based payments	30	307	389	
Finance income	11	(9,195)	(7,559)	*IAS 7.20 (c)*
Finance cost	12	22,105	18,921	*IAS 7.20 (c)*
		(10,933)	(1,034)	
Working capital adjustments				*IAS 7.20(a)*
Decrease/(increase) in rent and other trade receivables	24	6,178	(6,262)	
Decrease in prepayments		2,359	1,500	
Decrease in inventory property	22	2,000	9,420	
Decrease/(increase) contract cost assets		22	(45)	
(Decrease)/increase in trade, other payables and contract liabilities	28	(2,189)	1,868	
(Decrease) / increase in provisions	28	(18)	21	
(Decrease)/increase in tenants' rental deposits		1,407	126	
		9,759	6,628	
Income tax paid		(3,050)	(2,093)	*IAS 7.35*
Net cash flows from operating activities		**26,487**	**21,577**	
Investing activities				*IAS 7.10, IAS 7.21*
Acquisition of businesses, net of cash acquired	7	(57,023)	–	*IAS 7.39*
Investments in joint ventures		(97,700)	–	*IAS 7.16(c)*
Purchase of investment property	17	–	(71,425)	*IAS 7.16(a)*
Capital expenditure on completed investment property	17	(504)	(5,475)	*IAS 7.16(a)*
Expenditure on investment property under development	18	(5,150)	(18,141)	*IAS 7.16(a)*
Proceeds from disposal of investment property	17	28,670	–	*IAS 7.16(b)*
Interest received		8,209	7,210	*IAS 7.31, IAS 7.33*
Net cash flows from investing activities		**(123,498)**	**(87,831)**	
Financing activities				*IAS 7.10, IAS 7.21*
Proceeds from borrowings		123,593	87,183	*IAS 7.17(c)*
Repayment of borrowings		–	–	*IAS 7.17(d)*
Proceeds from issue of share capital	26	40,180	–	*IAS 7.17(a)*
Transaction costs on issue of shares	26	(180)	–	*IAS 7.17(a)*
Repayment of finance lease liabilities		(38)	(130)	*IAS 7.17(e)*
Interest paid		(23,124)	(19,346)	*IAS 7.31, IAS 7.33*
Net cash flows from financing activities		**140,431**	**67,707**	
Net increase in cash and cash equivalents		43,420	1,453	
Cash and cash equivalents at 1 January	25	34,618	33,165	
Cash and cash equivalents at 31 December	25	**78,038**	**34,618**	*IAS 7.45*

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the indirect method. A statement of cash flows prepared using the direct method for operating activities is presented for illustrative purposes in Appendix 4 of our *Good Group (International) Limited 2018* publication.

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements. This is consistent with the illustrative example in IAS 8.IG.1.6.

The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable under IAS 7 *Statement of Cash Flows*.

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received as cash flows from investing activities and interest paid (including interest arising from revenue contracts, if there is any) as cash flows from financing activities as they relate to the net cost of obtaining financial resources.

Certain working capital adjustments and other adjustments included in the statement of cash flows, reflect the change in balances between 2018 and 2017.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Corporate information

IAS 1.10(e)
IAS 1.49
IAS 1.113
IAS 1.138(a)
IAS 10.17
IAS 1.51(a)
IAS 1.51(b)
IAS 1.51(c)

The consolidated financial statements of Good Real Estate Group (International) Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 January 2019. Good Real Estate Group (International) Limited (the Company or the parent) is a limited company incorporated and domiciled in Estateland and whose shares are publicly traded. The registered office is located at Headroom House, Covenant Square in Estateland.

The principal activities of the Group are described in Note 13.

IAS 1.138(b)

2. Basis of preparation

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

IAS 1.16

The Group's financial statements have been prepared on a historical cost basis, except for investment property, derivative financial instruments and contingent consideration that have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except where otherwise indicated.

IAS 1.117(a)
IAS 1.118
IAS 1.112(a)
IAS 1.51(d), (e)

Commentary

Entities in certain jurisdictions may be required to comply with IFRS approved by local regulations, for example, listed companies in the European Union (EU) are required to comply with IFRS as endorsed by the EU. These financial statements only illustrate compliance with IFRS as issued by the IASB.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2017 is presented in these consolidated financial statements due to the retrospective application of accounting policies as a result of the adoption of new accounting standards. See Note 3.

IAS 1.40A
IAS 1.10 (f)
IAS 1.38
IAS 1.38A

3. Changes in accounting policies and disclosures

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below. Specifically, the Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. There were several other new and amendments to standards and interpretations which are applicable for the first time in 2018, but either not relevant or do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. See Note 6.

IAS 8.28

IFRS 9 *Financial Instruments*

IAS 8.28

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 7R.42K
IFRS 9.7.1.1
IFRS 9.7.2.21

The Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group did not elect to restate the comparative information for 2017, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised in retained earnings and, if appropriate, in other components of equity on 1 January 2018.

IFRS 9.7.2.1
IFRS 9.7.2.15
IFRS 9.7.2.22
IFRS 7R.42Q

3. Changes in accounting policies and disclosures *continued*

Commentary

The Group applied IFRS 9 retrospectively and did not elect to restate comparative information. Refer to EY's *Good Group (International) Limited 2018* which illustrates the adoption of IFRS 9 retrospectively including an election to restate the comparative information.

The standard requires, in order to avoid the use of hindsight at a later date, that entities conclude on the following matters as at the date of the initial application (for the Group, this would be 1 January 2018):

- Electing and/or revoking the fair value through profit or loss option for eligible financial instruments
- Electing to measure non-financial contracts held for own use at fair value through profit or loss
- The choice of classifying eligible equity instruments as financial assets at fair value through OCI
- Determining whether recognising movements in own credit risk in OCI for liabilities at fair value would enlarge an accounting mismatch
- Concluding on the business model for financial assets
- Concluding whether the ECL is calculated based on the general or simplified approach for trade receivables and contract assets having a significant financing component and for lease receivables
- Concluding whether or not, at the date of initial application of IFRS 9, to continue to follow hedge accounting under the requirements of IAS 39 Financial Instruments: Recognition and Measurement
- If concluding to apply hedge accounting under IFRS 9 whether to:
  - Voluntarily de-designate any existing hedge relationships before the date of application as IFRS 9 will not allow voluntary de-designation any longer
  - Continue to apply the choice to use IAS 39 on macro fair value hedging, even when applying IFRS 9 for all other hedge relationships
  - Updating hedge documentation for the new IFRS 9 requirements, including re-designation for component hedging features and choices around retrospective application of cost of hedging

These matters may also impact an entity's decision whether to restate its comparatives. In choosing whether to restate, entities should also consider IFRS 9.7.2.15, which allows entities to 'restate prior periods if, and only if, it is possible without the use of hindsight'. Hindsight in this context will include factors influencing measurement such as fair values and expected credit loss calculations. Other considerations, regarding whether or not to restate comparatives include:

- Entities electing to restate comparatives must still continue to account for items that were derecognised in the comparative period in accordance with IAS 39, and so, will need to continue to disclose their IAS 39 accounting policies.
- Entities that elect not to restate comparatives are expected to have more extensive primary financial statements and notes, as line items and the related accounting policies and disclosures will need to be provided for all relevant items in each year. However, IFRS 7 *Financial Instruments: Disclosures* provides some exceptions related to the new disclosures.

Impact on consolidated financial statements

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	Adjustments	1 January 2018
		€000
Assets		
Investment in joint ventures		(6)
Total non-current assets		***(6)***
Rent and other trade receivables	(a)	(112)
Contract assets	(a)	(9)
Total current assets		***(121)***
Total assets		**(127)**
Liabilities		
Deferred tax liabilities	(a)	(36)
Total non-current liabilities		***(36)***
Total liabilities		**(36)**
Total adjustment on equity:		
Retained earnings	(a)	(87)
Non-controlling interests		(4)
		(91)

Overall, IFRS 9 had no significant impact on the Group's statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group recognised an increase in the loss allowance resulting in a negative impact on equity. The nature of these adjustments is described below:

3. Changes in accounting policies and disclosures *continued*

(a) Impairment

IFRS 9.5.5.1

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and for contract assets.

The Group applies the simplified approach and records lifetime expected losses on all receivables (rent receivables, trade receivables and contract assets). The Group determined that, due to the unsecured nature of its rent and other trade receivables, and contract assets, the loss allowance increased by €121,000.

Commentary

IFRS 9 requires entities to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 and that do not contain a significant financing component in accordance with IFRS 15. As the Group's trade receivables (rent and other trade receivables in the statement of financial position) and contract assets do not contain a significant financing component, the Group is required to measure the loss allowance at an amount equal to lifetime expected credit losses.

IFRS 7R.42P

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2017	Remeasurement	ECL under IFRS 9 as at 1 January 2018
	€000	€000	€000
Rent and other trade receivables	439	112	551
Contract assets	70	9	79
	509	**121**	**630**

IFRS 7.42J

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

IFRS 9.7.2.1
IFRS 9.7.2.15

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The changes in the classification of the Group's financial assets are, as follows: all financial assets previously classified as loans and receivables (rent and other trade receivables, contract assets, cash and short-term deposits) are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now measured at amortised cost.

3. Changes in accounting policies and disclosures *continued*

As at 1 January 2018		IFRS 9 measurement category		
		Fair value through profit or loss	Amortised cost	Fair value through OCI
IAS 39 measurement category	**€000**	**€000**	**€000**	**€000**
Loans and receivables				
Rent and other trade receivables	11,640		11,640	–
Contract assets	2,920		2,920	–
Cash and short term deposits	78,038		78,038	–
	92,598	**–**	**92,598**	**–**

Cash and short term deposits, contract assets and rent and other trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments was not required.

Hedge accounting

At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. As IFRS 9 did not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 did not have any impact on Group's financial statements.

IFRS 15 *Revenue from Contracts with Customers* *IAS 8.28*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and applies to all revenues arising from contracts with its customers except for rental income. IFRS 15 requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the full retrospective method. The effect of the transition on 2018 has not been disclosed as the standard provides an optional practical expedient (paragraph C4). The Group did not apply any of the other available optional practical expedients on transition to IFRS 15.

3. Changes in accounting policies and disclosures *continued*

Commentary

Entities electing the full retrospective method of adoption need to apply the provisions of IFRS 15 to each period presented in the financial statements, in accordance with IAS 8. IAS 8.28(f) requires disclosure for the current period and each prior period presented, the amount of the adjustments for each financial statement line item affected and for basic and diluted earnings per share, if applicable. The effect of the transition to IFRS 15 on the current period has not been disclosed as IFRS 15.C4 provides an optional practical expedient on this requirement.

The Group did not apply any of the other available optional practical expedients under IFRS 15.C5, as follows:

- For completed contracts, an entity need not restate contracts that:
  - Begin and end within the same annual reporting period

    Or
  - Are completed contracts at the beginning of the earliest period presented
- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those modifications in accordance with IFRS15.20-21. Instead, an entity must reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
  - Identifying the satisfied and unsatisfied performance obligations
  - Determining the transaction price
  - Allocating the transaction price to the satisfied and unsatisfied performance obligations
- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue (see IFRS 15.120).

If the entity used any of the above practical expedients, it must apply that expedient consistently to all contracts. In addition, the entity must also disclose:

- The expedients that have been used
- To the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients

The Group applied IFRS 15 using full retrospective method. Entities have an option to adopt IFRS 15 using a modified retrospective method of adoption (IFRS 15.C3(b)). Refer to Appendix 1 to EY's *Good Group (International) Limited 2018* which illustrates the modified retrospective method of adoption.

The Group identified the following revenue streams that are in the scope of IFRS 15:

- Services to tenants including management charges and other expenses recoverable from tenants
- Sale of inventory property

In addition, while not in the scope of IFRS 15, disposals of investment property are also affected by the recognition and measurement requirements of IFRS 15, particularly in determining the timing of derecognition and the measurement of consideration (including the application of the requirements for variable consideration) when determining any gains or losses on disposal. The Group has determined that no changes are needed on transition to IFRS 15 for past disposals of investment property previously held for rental income.

Services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IAS 17 *Leases*. Such lease agreements include certain services offered to tenants including cleaning, security, landscaping, snow removal of common areas, as well as reception services, catering and other event related services. These services are specified in the lease agreements and separately invoiced.

Consistent with previous accounting, the Group has determined that these services constitute distinct non-lease components and are within the scope of IFRS 15. The Group continues to allocate the consideration in the contract to the separate lease and service (non-lease) components based on the relative stand-alone selling prices.

The Group concluded applying IFRS 15 to its accounting for services to tenants did not have any impact.

3. Changes in accounting policies and disclosures *continued*

Revenue from sale of inventory property

The Group enters into contracts with customers to sell property that is either completed or under development.

- Sale of completed property

A sale of completed property is generally a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. The determination of transfer of control (for both unconditional and conditional exchanges) did not change upon the adoption of IFRS 15.

- Sale of property under development

For contracts relating to sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. Depending on the terms of each contract, the Group has determined whether control is transferred at a point in time or over time.

For sales of property under development that were recognised on the percentage-of-completion basis under the previous accounting, the Group has determined that they generally do not meet the criteria for recognising revenue over time under IFRS 15 and that control is transferred at a point in time. However, the Group has determined that, in certain jurisdictions, revenue from sales of property under development continues to be recognised over time under IFRS 15 because control is transferred over time. In these jurisdictions, the Group's performance either creates an asset that the customer controls as the asset is created or the Group's performance does not create an asset with alternative use to the Group and the Group has concluded that it at all times has an enforceable right to payment for performance completed to date.

In addition, for sales of property under development that were recognised upon completion under the previous accounting, the Group has determined that control is generally transferred at a point in time. However, the Group has determined that, for its typical contracts in Estateland, its performance does not create an asset with alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For certain contracts involving the sale of property under development, the Group requires progress payments of up to 10% of the selling price to be made as work goes on. Under previous accounting, the Group presented these progress payments made before satisfying the performance obligation as deferred revenue in the statement of financial position and no interest was accrued on the long-term advances received. Under IFRS 15, for contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects that, at contract inception, the length of time between when the customer pays for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. However, the Group has concluded that the impact from this adjustment is immaterial to the financial statements of both the current and prior years. Hence, the requirement to identify and account for the significant financing component in a contract under IFRS 15 did not have material impact on the financial statements upon transition. Therefore, no adjustments have been made.

Certain contracts include variable consideration and, in certain instances, the Group incurred incremental costs in obtaining contracts.

3. Changes in accounting policies and disclosures *continued*

Accordingly, the effect of adopting IFRS 15 is, as follows:

Impact on statement of profit or loss (increase/(decrease))

	Adjustments	2017
		€000
Revenue from the sale of inventory property under development	(a),(b)	1,402
Cost of sales	(a),(c)	914
Gross profit		**488**
Operating profit		**488**
Profit before tax		**488**
Income tax expense		146
Profit for the year		**342**
Attributable to:		
Equity holders of the parent		318
Non-controlling interests		24

Impact on the consolidated statement of financial position (increase/(decrease)):

	Adjustments	31 December 2017	1 January 2017
		€000	€000
Assets			
Inventory property	(a)	(1,629)	(670)
Contract cost assets	(c)	166	121
Contract assets	(b)	111	–
Total current assets		**(1,352)**	(549)
Total assets		**(1,352)**	**(549)**
Equity			
Retained earnings	(a),(b),(c)	534	216
Non-controlling interests		40	16
Total equity		**574**	**232**

3. Changes in accounting policies and disclosures *continued*

	Adjustments	31 December 2017 €000	1 January 2017 €000
Liabilities			
Contract liabilities (previously referred to as deferred revenue (non-current))	(a)	(2,172)	(881)
Deferred tax liabilities		246	100
Total non-current liabilities		**(1,926)**	**(781)**
Total liabilities		(1,926)	**(781)**
Total equity and liabilities		**(1,352)**	**(549)**

The adoption of IFRS 15 did not have a material impact on OCI for the period, nor the basic nor diluted earnings per share. The impact on the statement of cash flows for the year ended 31 December 2017 only relates to the changes in profit before tax, certain adjustments to reconcile profit before tax to net cash flows from operating activities, and working capital adjustments. However, there was no impact on the net cash flows from operating activities. The cash flows from investing and financing activities were not affected.

Commentary

While IFRS 15 does not change an entity's cash flows and cash or cash equivalents, it does affect the balance sheet items such as inventory property and contract cost assets, as shown in the table above and, indirectly, can have an impact on the presentation of the statement of cash flows as well.

The Group provided more detailed disclosure of the nature and impact of the adjustments for each line item affected. Some of the changes described may not be material for the Group, but were provided for illustrative purposes. Entities will need to exercise judgement in determining the level of disclosures to include.

The nature of these adjustments is described below:

(a) Sale of inventory property under development – timing of revenue recognition

The timing of revenue recognition under IFRS 15 is later than that under previous accounting for the sale of properties under development when revenue which was recognised on the percentage-of-completion basis is now recognised at a point in time. Nevertheless, the timing of revenue recognition under IFRS 15 is earlier than that under previous accounting for the sale of properties under development in Estateland, when revenue was recognised upon completion and is now recognised over time.

Accordingly, the 2017 revenue was increased by €1,291,000. There was a corresponding decrease in contract liabilities amounting to €2,172,000 and €881,000 as at 31 December 2017 and 1 January 2017, respectively. The Group also recognised an increase in the 2017 cost of sales of €959,000 in relation to the contracts adjusted with a corresponding decrease in inventory properties amounting to €1,629,000 and €670,000 as of 31 December 2017 and 1 January 2017, respectively.

(b) Sale of inventory property under development – variable consideration

Some contracts for the sale of property under development include variable consideration in the form of delay penalties and, in limited cases, early completion bonuses. Previously, the Group waited until the uncertainty was resolved before recognising this revenue. In determining the transaction price under IFRS 15, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods and services to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. Therefore, under IFRS 15, the transaction price may include the variable consideration before the uncertainty is resolved and revenue may be recognised earlier than under previous accounting.

Accordingly, the Group recorded contract assets and increased the 2017 revenue by €111,000 to reflect inclusion of variable consideration in the contracts' transaction price.

3. Changes in accounting policies and disclosures *continued*

(c) Contract costs

In certain contracts, the Group incurs commissions that are incremental costs of obtaining a contract with a customer. Previously, all such costs were expensed immediately to cost of sales when incurred. Under IFRS 15, the Group capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. The capitalised costs are subject to amortisation on a systematic basis that is consistent with the transfer over time to the customer of the property, generally about 12 to 18 months. The cost of sales in 2017 was reduced by €498,000 representing incremental costs to obtain contracts.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Since Group's previous practice is in line with the clarifications issued, these amendments do not have any effect on the Group's consolidated financial statements.

Commentary

For illustrative purposes, the Group has listed only the disclosures of new and amended standards and interpretations that are effective from 1 January 2018 that may have an impact on the Group's financial position, performance and/or disclosures. However, an alternative that entities should consider would be to list and address all new and amended standards and interpretations that are effective from 1 January 2018 regardless of whether these have any impact on the Group's financial statements.

Refer to *Good Group (International) Limited 2018*, Note 2.4, for a comprehensive list of the disclosures of amended standards that are effective from 1 January 2018. The list includes:

- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*
- Annual Improvements Cycle – 2014-2016:
  - Amendments to IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
  - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

The Group has not disclosed details of these amended standards and interpretations as they either have no impact on the Group's financial statements or are not relevant to the Group.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may therefore be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure as standards issued but not yet effective in accordance with IAS 8.30 when an entity provides a complete set of financial statements, irrespective of whether the legal process referred to above has been completed.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management — Note 34
- Financial instruments risk management objectives and policies — Note 32
- Sensitivity analyses disclosures — Notes 19 and 32

Judgements *IAS 1.122*

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Group acts as a lessor:

- *Determination of the lease term* *IAS 17.4*

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases the Group does not identify sufficient evidence to meet the required level of certainty.

- *Property lease classification – the Group as lessor* *IAS 17.8*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers: *IFRS 15.123*

- *Determination of performance obligations* *IFRS 15.22*

With respect to the sale of property, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output i.e., the completed property for which the customer has contracted.

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

4. Significant accounting judgements, estimates and assumptions *continued*

- *Principal versus agent considerations – services to tenants*

IFRS 15.B34

IFRS 15.B34A
IFRS 15.B37

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

- *Determining the timing of revenue recognition on the sale of* property

IFRS 15.123(a)

IFRS 15.124

The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

For contracts relating to the sale of property under development, the Group has generally concluded that the over time criteria are not met and, therefore, recognises revenue at a point in time. These are either property sold to one customer for the entire land and building or multi-unit property. However, in certain jurisdictions, the Group has considered the factors contained in the contracts of those jurisdictions and concluded that the control of multi-unit property is transferred to the customer over time because:

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. That is, the Group has considered various factors that indicate that the customer controls the part-constructed property as it is being constructed, e.g., the fact that the customer is able to pledge the property under development while it is being constructed (rather than the future right to the completed unit), the customer's ability to change any specification of the property as it is being constructed or to another entity. However, none of the factors is determinative and therefore, the Group has carefully weighed all factors and used judgement to determine that it meets this over-time criterion.
- The Group's performance does not create an asset with alternative use to the Group. Furthermore, the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is at all times entitled to an amount that at least compensates it for performances for performance completed to date (usually costs incurred to date plus a reasonable profit margin). In making this determination, the Group has carefully considered the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

IFRS 15.124

Commentary

In March 2018, the IFRS IC published three agenda decisions regarding the application of IFRS 15, all relevant to the real estate sector. One agenda decision was related to revenue recognition in a contract for the sale of a unit in a residential multi-unit complex and the IFRS IC discussed the application of paragraph 35 of IFRS 15, which specifies when an entity recognises revenue over time. The second agenda decision discussed whether a real estate developer has an enforceable right to payment for performance completed to date as described in paragraph 35(c) of IFRS 15. The third agenda decision was related to revenue recognition in a contract for the sale of land and a building to be constructed on the land, Please refer to *IFRS Update of standards and interpretations in issue at 31 March 2018* for further details.

4. Significant accounting judgements, estimates and assumptions *continued*

IFRS 15.123(b)

- *Consideration of significant financing component in a contract*

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

IFRS 15.126(a)

- *Consideration of warranties*

IFRS 15.123(b)
IFRS 15.126(d)

Contracts for the sale of property contain certain warranties covering a period of up to ten years after completion of the property, such as the property meeting specific operational performance requirements (e.g., insulation, energy efficiency, etc.). The Group assessed that these conditions represent 'assurance-type' warranties that are legally required to be provided as quality guarantees and are therefore accounted for under IAS 37.

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). For example, the Group assessed the acquisition of Property Business Ltd in the current year (Note 7. Business combinations) as a purchase of a business because of the strategic management function and associate processes purchased along with the investment property.

IFRS 3.2

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

4. Significant accounting judgements, estimates and assumptions *continued*

Commentary

IFRS 3 *Business Combinations* defines a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits'. However, the standard goes on to say that a business need not include all of the inputs or processes that the seller used in operating that business if market participants are 'capable of' acquiring the business and continuing to produce outputs, for example, by integrating the business with their own.

The phrase 'capable of' is sufficiently broad that judgement will be required in assessing if an acquired set of activities and assets, such as investment property, constitutes a business. In isolation, this requirement could be interpreted to mean that the acquisition of most investment property should be dealt with as a business combination under IFRS 3 (and therefore be recognised in accordance with IFRS 3 rather than IAS 40 *Investment Property*). If dealt with under IFRS 3, then the initial accounting for investment property is considerably more complex. For example, amongst other requirements:

- Transaction costs are expensed (according to IAS 40, they must be capitalised)
- The initial recognition exception for deferred taxation does not apply (IAS 12 *Income Taxes* does not allow deferred taxation to be provided on existing temporary differences for acquisitions that are not business combinations)
- Goodwill is recognised (often itself 'created' by the deferred taxation)

Judging whether an acquisition is a business combination or not is, therefore, of considerable importance.

The IASB recognised the difficulties in determining whether an acquisition meets the definition of a business and that this is not just limited to investment property. Therefore, following the post-implementation review of IFRS 3, the IASB issued the final amendments to IFRS 3 in October 2018. Refer to Note 6. Standards issued but not yet effective for more information.

It will be a matter of judgement for preparers when applying the guidance in IFRS 3, whether an investment property acquisition is within the scope of IAS 40 rather than IFRS 3. This judgement will rest upon the facts and circumstances of each acquisition.

The definition of a business is applied regardless of whether the entity purchases a property directly or, in the case of consolidated financial statements, via shares in another entity.

Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Group is a part owner of two investments in which it has a 50% ownership interest. The Group has determined that it has joint control over the investee and the ownership is shared with the other 50% owner. These investments are joint arrangements.

IFRS 11.7
IFRS 12.7-9

The joint arrangements are separately incorporated. The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 *Joint Arrangements*. As a consequence, it accounts for its investments using the equity method.

4. Significant accounting judgements, estimates and assumptions *continued*

Commentary

IAS 1.22 requires an entity to disclose the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

IFRS 12 *Disclosure of Interests in Other Entities* adds to the general requirements of IAS 1 by specifically requiring an entity to disclose all significant judgements and estimates made in determining the nature of its interest in another entity or arrangement, and in determining the type of joint arrangement in which it has an interest. IFRS 12.7 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining that:

- It has control of another entity
- It has joint control of an arrangement or significant influence over another entity
- The type of joint arrangement (i.e., joint operation or joint venture) when the arrangement has been structured through a separate vehicle

An entity must disclose, for example, significant judgements and assumptions made in determining that:

- It does not control another entity even though it holds more than half of the voting rights of the other entity
- It controls another entity even though it holds less than half of the voting rights of the other entity
- It is an agent or principal as defined by IFRS 10 *Consolidated Financial Statements*
- It does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- It has significant influence even though it holds less than 20 per cent of the voting rights of another entity

The Group does not have any interest in unconsolidated structured entities. Interests in such entities require the disclosures under IFRS 12.24-31. These disclosures have been illustrated in our publication, *Applying IFRS: IFRS 12 Example disclosures for interests in unconsolidated structured entities (March 2013)* available at ey.com/ifrs.

Commentary

IFRS 15.123 also adds to the general requirements of IAS 1 by requiring an entity to disclose the judgements, and changes in the judgements, made in applying the standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity must explain the judgements, and changes in the judgements, used in determining both the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations. The following is required by IFRS 15:

- For performance obligations that an entity satisfies over time, the entity must disclose both the method used to recognise revenue and an explanation why the methods used provide a faithful depiction of the transfer of goods or services (IFRS 15.124).
- For performance obligations satisfied at a point in time, the entity must disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services (IFRS 15.125).
- An entity must disclose information about the methods, inputs and assumptions used to (IFRS 15.126):
  - Determine the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration
  - Assess whether an estimate of variable consideration is constrained
  - Allocate the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable)
  - Measure obligations for returns, refunds and other similar obligations

The Group disclosed those judgements that significantly affect the determination of the amount and timing of its revenue from contracts with customers. Some of the items listed in IFRS 15.125-126 were considered not to be sufficiently significant to the Group and did not warrant further disclosure.

- Entities will need to apply judgement to ensure the information disclosed is sufficient to meet the disclosure objective.

Estimates and assumptions

IAS 1.125

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Significant accounting judgements, estimates and assumptions *continued*

Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. In one case, the fair value of the investment property under development could not be reliably determined because it is situated in an area in which there is considerable political uncertainty and economic instability. Therefore, the circumstances do not allow for a reliable fair value estimate to be made; this property is recorded at cost. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 17. Investment property, Note 18. Investment property under development, Note 19. Fair value measurement – investment property and investment property under development.

IAS 40.75(e)
IFRS 13.62

Estimation of net realisable value for inventory property

At year end, the Group holds inventory property with a carrying value of €6,533,000 (2017: €9,580,000. Inventory property is stated at the lower of cost and net realisable value (NRV).

IAS 2.9

NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same geographical market serving the same real estate segment.

NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Measurement of progress when revenue is recognised over time

For those contracts involving the sale of property under development that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

IFRS 15.124

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has €12,204,000 (2017: €12,204,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

IAS 12.81(e)

Further details on taxes are disclosed in Note 14.

Provision for expected credit losses of trade receivables and contract assets

IFRS 7R.35G

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating, and coverage by credit insurance).

IFRS 7R.35F(c)

4. Significant accounting judgements, estimates and assumptions *continued*

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 24.

Commentary

Under IFRS 7R.35G(b), an entity must disclose how forward-looking information has been incorporated into the determination of ECL, including the use of macroeconomic information. The Group did not provide detailed information on how the forecast economic conditions (such as interest rates, the gross domestic product and real income) have been incorporated in the determination of ECL because the impact is not significant. Entities are expected to provide more detailed information if the forward-looking information has a significant impact in the calculation of ECL.

Estimating variable consideration

IFRS 15.126

The Group estimates variable considerations (generally delay penalties and, in limited cases, early completion bonuses) to be included in the transaction price for the sale of inventory property under development through development monitoring. Development monitoring is a constant and ongoing process that can identify potentially serious delays in a project. The Group's development project management team applies international best practice standards and oversight to projects.

The Group has a weekly monitoring model which effectively updates each project's progress to date and the completion forecast. For each property development, the model used the historical data progress forecast (including costs incurred and milestones reached) and the current economic conditions to come up with percentages of expected timescales of a development. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical pattern will impact the percentages of expected timing of completion estimated by the Group.

As at 31 December 2018, the Group did not expect any delay penalties in any of its contracts for the sale of property under development. The Group has, however, included in the transaction price an amount of €406,500 related to early completion bonus for one of its residential developments.

Commentary

IAS 1.125 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond the requirements that already exist in some other IFRS, such as IAS 37.

These disclosures represent a very important source of information in the financial statements because they highlight the areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help users of the financial statements understand the impact of possible significant changes.

The Group has, for illustrative purposes, included disclosures of significant judgements and estimates beyond what is normally required, and potentially also beyond what is decision-useful. Under IAS 1, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities within the next financial year that should be addressed in this section. The additional requirement from IFRS 15 is to disclose the judgements, and changes in the judgements, made in applying the standard that significantly affect the determination of the amount and timing of revenue from contracts with customers.

It is important that entities carefully assess which judgements and estimates are most significant as required by IAS 1, or significant in the context of IFRS 15, and make the disclosures accordingly, to allow the users of the financial statements to appreciate the impact of the judgements and uncertainties. Disclosure of uncertainties that do not have a significant risk of resulting in material adjustments may clutter the financial statements in a way that reduces the users' ability to identify the major uncertainties.

The Group does not mention here the estimates and assumptions related to the impairment of goodwill or share-based payments, as these are not sufficiently significant items for the Group and relevant disclosures are provided elsewhere in the notes. For comprehensive examples of disclosures, refer to our *Good Group (International) Limited* illustrative financial statements.

5. Summary of significant accounting policies

Commentary

The identification of an entity's significant accounting policies is an important aspect of the financial statements. IAS 1.117 requires the significant accounting policies disclosures to summarise the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. The significant accounting policies disclosed in this note illustrate some of the more commonly applicable disclosures. However, it is essential that entities consider their specific circumstances when determining which accounting policies are significant and relevant and therefore need to be disclosed.

Basis of consolidation

IFRS 10.7

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

IFRS 10.B38

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

IFRS 10.B80
IFRS 10.B86
IFRS 10.B99

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date it ceases to control the subsidiary.

IFRS 10.B94
IFRS 10.B87
IFRS 10.B86

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

IFRS 10.B96
IFRS 10.B98
IFRS 10.B99

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Property acquisitions and business combinations

IFRS 3.2(b)

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 4.

Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities of the entity based on their relative values at the acquisition date.

5. Summary of significant accounting policies *continued*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

IFRS 3.4
IFRS 3.18
IFRS 3.19
IFRS 3.53
IFRS 3.B64(m)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

IFRS 3.15
IFRS 3.16

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

IFRS 3.39
IFRS 3.58

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

IFRS 3.32
IFRS 3.36

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

IFRS 3.B63(a)
IAS 36.80

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU.

IAS 36.86

5. Summary of significant accounting policies *continued*

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. *IFRS 11.16 IFRS 11.7*

The factors considered in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in joint ventures are accounted for using the equity method. *IAS 28.10*

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. *IAS 28.26-29*

The statement of profit or loss reflects the Group's share of the results of operations of the joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures. *IAS 1.82(c)*

The aggregate of the Group's share of profit or loss of the joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as that of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in each joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in each joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of joint ventures' in the statement of profit or loss. *IAS 28.40-43*

Upon loss of joint control over a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. *IAS 28.22(b)*

Commentary

The Group does not have an interest in any joint operation. If the Group had an interest in a joint operation, as per IFRS 11.20, it would recognise in relation to such interest its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is: *IAS 1.60*

- Expected to be realised or intended to be sold or consumed in the normal operating cycle *IAS 1.66*
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

5. Summary of significant accounting policies *continued*

A liability is current when: *IAS 1.69*

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. *IAS 1.56*

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. *IAS 1.51(d)* *IAS 21.9*

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. *IAS 21.21*

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. *IAS 21.23(a)*

Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI. *IAS 21.28* *IAS 21.32*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively). *IAS 21.23(b)* *IAS 21.23(c)* *IAS 21.30*

In determining the spot exchange rate to use on initial recognition of the related asset, liability, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration. *IFRIC 22.8* *IFRIC 22.9*

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss. *IAS 21.39(a)* *IAS 21.39(b)* *IAS 21.39(c)* *IAS 21.48*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. *IAS 21.47*

5. Summary of significant accounting policies *continued*

Borrowing costs

IAS 23.8
IAS 23.5

Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs incurred in relation to investment property under development are expensed as incurred.

Commentary

In March 2019, the IFRS IC published an agenda decision about the capitalisation of borrowing costs in relation to the development of a residential multi-unit real estate development.

In the agenda decision, the IFRS IC observed that:

- a receivable that the entity recognises is not a qualifying asset. Paragraph 7 of IAS 23 specifies that financial assets are not qualifying assets.
- a contract asset that the entity recognises is not a qualifying asset. The contract asset (as defined in Appendix A to IFRS 15) would represent the entity's right to consideration that is conditioned on something other than the passage of time in exchange for transferring control of a unit. The intended use of the contract asset — to collect cash or another financial asset—is not a use for which it necessarily takes a substantial period of time to get ready.
- inventory (work-in-progress) for unsold units under construction that the entity recognises is not a qualifying asset. In the fact pattern described in the request, this asset is ready for its intended sale in its current condition, i.e., the entity intends to sell the part-constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer.

IAS 23.12
IAS 23.14

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

IAS 23.17-25

Commentary

IAS 23.4 does not require entities to capitalise interest in respect of assets that are measured at fair value (this includes assets measured at fair value through other comprehensive income, albeit no such assets are presented in these illustrative financial statements). Consequently, entities holding investment property under development that is carried at fair value have a policy choice in respect of this matter, which primarily impacts the presentation of borrowing costs in the statement of profit or loss since the investment property is subsequently measured at fair value without taking into consideration any borrowing costs.

Investment property

IAS 40.7

Investment property comprises completed property and property under development or re-development that is held, or to be held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

IAS 40.75(c)

Investment property comprises principally offices, commercial warehouse and retail property that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

5. Summary of significant accounting policies *continued*

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. *IAS 40.20*

Subsequent to initial recognition, investment property are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is: *IAS 40.20 IAS 40.33 IAS 40.75(a) IAS 40.35*

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments *IAS 40.50*
- In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation *IAS 40.25*

Transfers are made to (or from) investment property only when there is evidence of a change in use (such as commencement of development or inception of an operating lease to another party). For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property). *IAS 40.57 IAS 40.60 IAS 40.63*

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15. Refer to the section "Non-current assets held for sale" on the accounting for investment property classified by held for sale. *IAS 40.66 IAS 40.69 IAS 40.70*

Commentary

The Group has elected to measure investment property at fair value in accordance with IAS 40. As an alternative, IAS 40 permits investment property to be measured using a cost model (i.e., to be carried at historical cost less accumulated depreciation and impairment); these financial statements do not illustrate the latter approach. IAS 40 requires disclosure of the fair value of investment property recorded at cost. Therefore, entities would still need to determine the fair value of investment property regardless of the policy choice.

Inventory property *IAS 2.36(a) IAS 2.6, 9, 21*

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV).

Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes: *IAS 40.75(c) IAS 2.10*

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale. *IAS 2.6*

5. Summary of significant accounting policies *continued*

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold. *IAS 2.34*

Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. *IFRS 5.6* *IFRS 5.15* *IFRS 5.15A* *IFRS 5.Appendix A*

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. *IFRS 5.7* *IFRS 5.8*

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position. *IFRS 5.5(d)* *IAS 1.54(j)*

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: *IAS 1.54(p)*

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations *IFRS 5.32*

Or

- Is a subsidiary acquired exclusively with a view to resale

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. *IAS 32.11*

i) Accounting for financial assets before 1 January 2018 (under IAS 39)

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. *IAS 39.9*

Subsequent measurement

For purposes of subsequent measurement, the Group's financial assets are classified in two categories:

- Financial assets at fair value through profit or loss (derivative financial instruments)
- Loans and receivables (rent and other trade receivables, contract assets and cash and short-term deposits)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. *IAS 39.9* *IAS 39.46* *IAS 39.AG14* *IAS 39.55(a)*

5. Summary of significant accounting policies *continued*

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 24.

IAS 39.9
IAS 39.46(a)
IAS 39.56

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

IAS 39.17(a)
IAS 39.18(a)
IAS 39.18(b)

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

IAS 39.58
IAS 39.59
IFRS 7.B5(f)

ii) Accounting for financial assets after 1 January 2018 (under IFRS 9)

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

IFRS 7R.21
IFRS 9.4.1.1

For purposes of subsequent measurement, the Group's financial assets are classified in two categories:

- Financial assets at fair value through profit or loss (derivative financial instruments)
- Financial assets measured at amortised cost (rent and other trade receivables, contract assets and cash and short-term deposits)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Group's rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenues from contracts with customers.

IFRS 9.4.1.1
IFRS 15.108

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

IFRS 9.4.1.2(b)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

IFRS 9.B4.1.1

5. Summary of significant accounting policies *continued*

Subsequent measurement *IFRS 9.4.1.2*

For purposes of subsequent measurement, the Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows *IFRS 9.4.1.2(a)*

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding *IFRS 9.4.1.2(b)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. *IFRS 9.5.4*

Since the Group's financial assets (rent and other trade receivables, contract assets, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

Commentary

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group only has simple financial instruments. For entities that have complex financial instruments, the SPPI assessment can be particularly challenging. The application guidance for IFRS 9 and EY's *International GAAP 2019* publication provide specific examples of instruments that pass or fail the SPPI test. Such entities should also consider providing more detailed accounting policies in relation to their SPPI and business model assessments. Only equity instruments that meet the definition of equity from the issuer's perspective can be designated at fair value through OCI at initial recognition. IFRS 9 also allows entities to elect to designate non-financial contracts such as commodity contracts held for own use as financial assets at FVPL under certain circumstances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when: *IFRS 9.3.2.3(a)*

- The rights to receive cash flows from the asset have expired

Or *IFRS 9.3.2.4(a)* *IFRS 9.3.2.4(b)*

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. *IFRS 9.3.2.6(a)* *IFRS 9.3.2.6(c)* *IFRS 9.3.2.4(b)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. *IFRS 9.3.2.16*

5. Summary of significant accounting policies *continued*

Impairment of financial assets *IFRS 9.5.5.1*

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Rent and other trade receivables Note 24
- Financial instruments risk management objectives and policies Note 32

The Group recognises an allowance for expected credit losses (ECLs) for all receivables and contract assets held by the Group. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. *IFRS 9.5.5.1*

For rent and other trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. *IFRS 9.5.5.15 IFRS 9.B5.5.35*

Commentary

An entity is required to apply the simplified approach for trade receivables or contract assets that do not contain a significant financing component, or when the entity applies the practical expedient for contracts that have a maturity of one year or less. However, an entity has a policy choice to apply either the simplified approach or the general approach for the following:

- All trade receivables or contract assets that contain a significant financing component in accordance with IFRS 15. The policy choice may be applied separately to trade receivables and contract assets.
- All lease receivables that result from transactions that are within the scope of IAS 17 and IFRS 16 (when applied). The policy choice may be applied separately to finance and operating lease receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. *IFRS 7R.35F(b) IFRS 9.5.5.9 IFRS 9.B5.5.37*

iii) Accounting for financial liabilities before 1 January 2018 (under IAS 39)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. *IFRS 7.6 IFRS 7.21*

All financial liabilities are recognised initially at fair value and, in the case of all financial liabilities except for derivative financial instruments, net of directly attributable transaction costs. *IAS 39.43*

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings, rent deposits from tenants and other liabilities, finance lease liabilities and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. *IAS 39.9*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. *IAS 39.47(a)*

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. *IAS 39.55(a)*

5. Summary of significant accounting policies *continued*

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. *IAS 39.47* *IAS 39.56* *IAS 39.9*

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category applies to all financial liabilities except derivative financial instruments and lease liabilities.

Derecognition *IAS 39.39*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. *IAS 39.41* *IAS 39.40*

iv) Accounting for financial liabilities after 1 January 2018 (under IFRS 9)

Initial recognition and measurement

The Group's financial liabilities comprise interest-bearing loans and borrowings, finance lease liabilities, derivative financial instruments and trade and other payables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Refer to the accounting policy on lease for the initial recognition and measurement of finance lease liabilities, as this is not in the scope of IFRS 9. *IFRS 7R.6* *IFRS 7R.21*

All financial liabilities are recognised initially at fair value and, in the case of all financial liabilities except derivative financial instruments, net of directly attributable transaction costs. *IFRS 9.5.1.1*

Subsequent measurement

For purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. *IFRS 9.4.2.1* *IFRS 9.5.7.2*

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Refer to the accounting policy on lease for the subsequent measurement of finance lease liabilities, as this is not in the scope of IFRS 9.

For more information on the interest-bearing loans and borrowings, refer to Note 27.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. *IFRS 9.3.3.1* *IFRS 9.3.3.3* *IFRS 9.3.3.2*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. *IAS 32.42*

5. Summary of significant accounting policies *continued*

Derivative financial instruments and hedge accounting before 1 January 2018 (under IAS 39)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, i.e., interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. *IAS 39.43* *IFRS 7.21*

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment *IAS 39.86(a)*
- Hedges of a net investment in a foreign operation *IAS 36.86(b)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. *IAS 39.86(c)* *IAS 39.88*

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses interest rate swap contracts as hedges of its exposure to volatility in the interest rates. Any ineffective portion is recognised in finance costs. *IAS 39.95*

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. *IAS 39.101*

Derivative financial instruments and hedge accounting after 1 January 2018 (under IFRS 9)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. *IFRS 9.5.1.1* *IFRS 7R.21*

For the purpose of hedge accounting, these hedges are classified as cash flow hedges as described below. *IFRS 9.6.5.2(b)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. *IFRS 9.6.4.1*

5. Summary of significant accounting policies *continued*

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: *IFRS 9.6.4.1*

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. *IFRS 9.6.5.2(b)*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. Amounts accumulated in OCI are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss, such as when the hedged finance income or finance expense is recognised. *IFRS 9.6.5.11*

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI remains in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI is accounted for as described above (i.e., reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss). *IFRS 9.6.5.12*

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. *IAS 7.6*
IAS 7.7

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. *IAS 7.46*

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. *IFRIC 4.6*
IFRIC 4.7

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. All leases of investment property are accounted for as finance leases *IAS 17.8*
IAS 17.20
IAS 17.25
IAS 40.25

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

5. Summary of significant accounting policies *continued*

IAS 17.27

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

IAS 17.33

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

IAS 17.8
IAS 17.50
IAS 17.52

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in this note.

Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies of financial liabilities in this note.

Revenue recognition

The Group's key sources of income include: rental income, services to tenants, sale of completed property and sale of property under development. The accounting for each of these elements is discussed below.

i) Rental income

IAS 17.50, 52

The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

SIC 15.4

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option. For more information on the judgement involved, please see Note 4. Significant accounting judgements, estimates and assumptions.

The initial direct costs and tenant lease incentives are presented as current assets in the line item 'Prepayments' in the statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

ii) Revenue from services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IAS 17. These agreements include certain services offered to tenants (i.e., customers) including CAM services (such as cleaning, security, landscaping and snow removal), as well as other support services (e.g., reception services and catering). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred.

5. Summary of significant accounting policies *continued*

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

IFRS 15.74
IFRS 15.76

Commentary

These services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price on a relative stand-alone selling price basis. IFRS 15 requires an entity to first determine the stand-alone selling price of the distinct good or service underlying each performance obligation. Under the standard, this is the price at which an entity would sell a good or service on a stand-alone (or separate) basis at contract inception.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

IFRS 15.22
IFRS 15.39
IFRS 15.41
IFRS 15.B18

The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis. For more information, please refer to Note 4. Significant accounting judgements, estimates and assumptions.

IFRS 15.B34
IFRS 15.B36

(iii) Revenues from the sale of inventory property

The Group enters into contracts with customers to sell property that are either completed or under development.

Completed inventory property

IFRS 15.31
IFRS 15.38

The sale of completed property constitutes a single performance obligation and the Group has determined that is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

IFRS 15.63
IFRS 15.129

Inventory property under development

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy.

IFRS 15.22
IFRS 15.29
IFRS 15.35(b)

For the sale of property under development, the Group has determined that it generally does not meet the criteria to recognise revenue over time. In these cases, control is transferred and hence revenue is recognised at a point in time. This is either property sold to one customer encompassing either all of the land and building or multi-unit property. However, the Group has determined that, for its typical contracts of multi-unit property in Estateland, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. In addition, in some other jurisdictions, the Group's performance for contracts of multi-unit property creates an asset that the customer controls as the asset is created and therefore, revenue for these contracts is also recognised over time.

IFRS 15.35

5. Summary of significant accounting policies *continued*

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

IFRS 15.39
IFRS 15.41
IFRS 15.B18
IFRS 15.B19

Other consideration related to the sale of property

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

IFRS 15.22
IFRS 15.48

If the consideration in a contract for the sale of property under development includes a variable amount in the form of delay penalties and, in limited cases, early completion bonuses, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. At the end of each reporting period, an entity updates the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. For more information, please refer to Note 4. Significant accounting judgements, estimates and assumptions on the related significant accounting judgements, estimates and assumptions.

IFRS 15.50

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, for certain contracts involving the sale of property under development, the Group may require customers to make progress payments of up to 10% of the selling price, as work goes on, that give rise to a significant financing component. For contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects, at contract inception, that the length of time between when the customers pays for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. However, the Group has concluded that the impact from this adjustment is immaterial to the financial statements of both the current and prior years.

The Group has determined that contracts involving the sale of completed property do not contain significant financing components. In addition, there is no non-cash consideration or consideration payable to customers.

5. Summary of significant accounting policies *continued*

Commentary

IFRS 15.48 requires that an entity considers the effects of all of the following in determining the transaction price:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Non-cash consideration
- Consideration payable to a customer

The Group did not receive any non-cash consideration nor incur any consideration payable to a customer. In addition, the Group considered the variable consideration arising from market rent reviews to services to tenants (which are based on a percentage of rental income) to be immaterial.

When an entity receives, or expects to receive, consideration in the form of goods, services or other non-cash consideration (e.g., property, plant and equipment, a financial instrument) from the customer, the fair value of the non-cash consideration is included in the transaction price. An entity likely applies the requirements of IFRS 13 *Fair Value Measurement* or IFRS 2 when measuring the fair value of any non-cash consideration. If an entity cannot reasonably estimate the fair value of non-cash consideration, it measures the non-cash consideration indirectly by reference to the stand-alone selling price of the promised goods or services.

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity (IFRS 15.70).

Entities need to include the above in their accounting policy disclosures, if significant.

Contract cost assets

IFRS 15.8

IFRS 15.91
IFRS 15.94
IFRS 15.129

The Group pays sales commission to its employees for contracts that they obtain to sell certain units of property and capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. These costs are amortised on a straight-line basis over the period that the property is transferred (over time), which is usually around 12 to 18 months. Capitalised costs to obtain such contracts are presented separately as a current asset in the statement of financial position and its amortisation is included in cost of sales in the income statement.

IFRS 15.127

The Group assesses, at each reporting date, whether the carrying amount exceeds the remaining amount of consideration that the entity expects to receive in exchange for the residential development less the costs that relate directly to completing the development and that have not been recognised as expenses.

5. Summary of significant accounting policies *continued*

Commentary

IFRS 15 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognised as an asset if certain criteria are met. Any capitalised contract costs assets must be amortised on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer.

The Group does not incur any costs to fulfil a contract that are eligible for capitalisation.

Under IFRS 15.101, assets recognised for costs to obtain a contract and costs to fulfil a contract are subject to impairment testing. An impairment exists if the carrying amount of an asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services. Impairment losses are recognised in profit or loss.

Entities need to include an accounting policy for impairment if the assets recognised for costs to obtain a contract and costs to fulfil a contract are significant.

Entities with costs to obtain a contract and costs to fulfil a contract recognised as an asset will need to consider the requirement in IFRS 15.128 to separately disclose the closing balances and the amount of amortisation and impairment losses recognised during the period. However, IFRS 15 is silent on the classification of that asset and the related amortisation. In the absence of a standard that specifically deals with classification and presentation of contract costs, entities will need to apply the requirements in IAS 8 to select an appropriate accounting policy. In developing such an accounting policy, costs to obtain a contract and costs to fulfil a contract need to be considered separately for the purpose of presentation in the financial statements.

Considering the nature of costs to obtain a contract and the lack of guidance in IFRS, an entity may choose to present these costs as either:

- A separate class of intangible assets in the statement of financial position and its amortisation in the same line item as amortisation of intangible assets within the scope of IAS 38 *Intangible Assets*

Or

- A separate class of asset (similar in nature to work in progress or 'inventory') in the statement of financial position and its amortisation within cost of goods sold, changes in contract costs or similar

In addition, entities need to consider the requirements in IAS 7 *Statement of Cash Flows*, in particular IAS 7.16(a), when determining the classification of cash flows arising from costs to obtain a contract, i.e., either as cash flow from operating activities or financing activities.

In contrast, the nature of costs to fulfil a contract is such that they directly impact the entity's performance under the contract. Therefore, costs to fulfil a contract should be presented as a separate class of asset in the statement of financial position and its amortisation within cost of goods sold, changes in contract costs or similar.

Regardless whether costs to fulfil a contract meet the criteria for capitalisation in IFRS 15.95 or are expensed as incurred, the presentation of such costs in the statement of profit or loss and the presentation of related cash flows in the statement of cash flows needs to be consistent.

Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in profit or loss, but the standard is silent on where to present such amounts within the primary financial statements. It would be appropriate for the presentation of any impairment losses to be consistent with the presentation of the amortisation expense.

Contract balances

IFRS 15.105

Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. *IFRS 15.107*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Unlike the method used to recognise contract revenue related to sale of property under development, the amounts billed to the customer are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed, the difference is recognised (as a contract asset) and presented in the statement of financial position under "Contract assets", whereas in contracts in which the goods or services transferred are lower than the amount billed to the customer, the difference is recognised (as a contract liability) and presented in the statement of financial position under "Contract liabilities".

For more information on contract assets, and for more information on contract liabilities, please refer to Note 28. Trade and other payables.

We refer to the accounting policies on financial assets in this note for more information.

5. Summary of significant accounting policies *continued*

Trade receivables

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Revenue earned from property development activities, but yet to be billed to customers, is initially recognised as contract assets and reclassified to trade receivables when the right to consideration becomes unconditional. We refer to the accounting policies on financial assets in this note for more information. *IFRS 15.108*

The trade receivables are presented in the statement of financial position under "Rent and other trade receivables". For more information, see Note 24.

Warranties

Contracts for the sale of property contain certain warranties covering a period of up to ten years after completion of the property, such as the property meeting specific operational performance requirements (e.g., insulation, energy efficiency, etc.). These conditions represent 'assurance-type' warranties that are legally required to be provided as quality guarantees. Minor repairs are expensed immediately and included in other property operating expenses.

A provision is recognised for expected warranty claims on property sold during the year, based on past experience of the level of major repairs. Assurance-type warranty provisions for the year are charged to cost of sales. *IAS 37.85*

Assumptions used to calculate the provision for warranties are based on property sales levels and current and historical information available about major repairs based on the warranty period for all property sold. It is expected that these costs will be incurred in the next two years from the date of sale. No discounting is required as the effect of the time value of money is considered not material.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date. *IAS 12.46*

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in OCI or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. *IAS 12.61A*

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss *IAS 12.15*
- In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future *IAS 12.39*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except: *IAS 12.34*

5. Summary of significant accounting policies *continued*

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. *IAS 12.24*
- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised *IAS 12.44*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. *IAS 12.56* *IAS 12.37*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. *IAS 12.47*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. *IAS 12.61A*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss. *IAS 12.68*

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which 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. *IAS 12.74*

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions). IFRS 2.44

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 30. *IFRS 2.7* *IFRS 2.10*

That cost is recognised in administrative expenses (Note 10), together with a corresponding increase in retained earnings in equity, over the period in which the service conditions and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in administrative expenses. *IFRS 2.19* *IFRS 2.20* *IFRS 2.21*

5. Summary of significant accounting policies *continued*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. *IFRS 2.21* *IFRS 2.21A* *IFRS 2.27*

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. *IFRS 2.28*

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. *IFRS 2.B42-B44*

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 15). IAS 33.45

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in administrative expenses (see Note 10). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model, further details of which are given in Note 30. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions. *IFRS 2.30* *IFRS 2.32* *IFRS 2.33*

Fair value measurements

The Group measures financial instruments such as derivatives and investment property at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: *IFRS 13.9*

- In the principal market for the asset or liability *IFRS 13.16*

  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. *IFRS 13.22*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. *IFRS 13.27*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. *IFRS 13.61*

5. Summary of significant accounting policies *continued*

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities *IFRS 13.73*

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. *IFRS 13.95*

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. *IFRS 13.94*

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

▶ Accounting policy disclosures	Note 5
▶ Disclosures for valuation methods, significant estimates and assumptions	Notes 4, 5, 7, 19 and 32
▶ Contingent consideration	Note 7
▶ Investment property	Note 19
▶ Quantitative disclosures of fair value measurement hierarchy	Note 32
▶ Derivatives and other financial instruments (including those carried at amortised cost)	Note 32

Commentary

The Group has not elected to apply the portfolio exception in paragraph 48 of IFRS 13 *Fair Value Measurement*. If an entity makes an accounting policy decision to use the exception, this fact is required to be disclosed, as per IFRS 13.96.

6. Standards issued but not yet effective

IAS 8.30
IAS 8.31

The new and amended standards and interpretations relevant to this Group that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. This list of new and amended standards and interpretations issued are those that the Group reasonably expects to have an impact on the Group's financial statements when applied at a future date. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

As a result of the publication of IFRS 16, many amendments were made to IAS 40. One consequence of the amendments is that an entity can no longer elect to classify and measure a property interest held by a lessee under a lease as investment property at fair value on a property-by-property basis. Instead, the measurement of investment property at cost or fair value has now become a policy choice that applies to all investment property, whether leased or owned.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is, however, substantially unchanged from present accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating leases and finance leases. One exception is that IFRS 16 requires the intermediate lessor to classify the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. However, this change is not expected to have an impact on the Group's classification of the subleases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

6. Standards issued but not yet effective *continued*

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively for each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will, therefore, not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

	€000
Assets	
Property, plant and equipment (right-of-use assets)	996
Prepayments	(58)
Liabilities	
Lease liabilities	1,012
Deferred tax liabilities	(17)
Trade and other payables	(16)
Net impact on equity	**(41)**

Impact on the statement of profit or loss (increase/(decrease)) for 2018:

	€000
Depreciation expense (included in administrative expenses)	188
Operating lease expense (included in administrative expenses)	(220)
Operating profit	32
Finance cost	49
Income tax expense	(5)
Profit for the year	**(12)**

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

6. Standards issued but not yet effective *continued*

Amendments to IFRS 3 – *Definition of a Business*

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments mainly include:

- Clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs
- Adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrowing the definitions of business and of outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. The amendments will, therefore, not impact the Group's consolidated financial statements when they become effective. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

6. Standards issued but not yet effective *continued*

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and require additional disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Commentary

IAS 8.30 requires entities to disclose in the financial statements those standards that have been issued but are not yet effective and to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The Group has listed only standards and interpretations that are expected to have an impact on Group's financial position, performance, and/or disclosures. An alternative that entities may consider would be to list all standards and interpretations that are not yet effective. This alternative is used in our publication *Good Group (International) Limited 2018*.

The International Organisation of Securities Commissions (IOSCO) and enforcement authorities in some jurisdictions (such as the European Securities and Markets Authority (ESMA)) issued recommendations on disclosure of the expected impact of major standards such as IFRS 16 *Leases* in the interim and annual financial statements of the companies within their jurisdictions.

Good Real Estate Group (International) Limited stated that it has completed its detailed analysis of IFRS 16 in 2018. As the Group is primarily a lessor it does not expect IFRS 16, which will be effective in the next reporting year, to result in any material change to its consolidated financial statements aside from additional disclosures.

EY's *Good Real Estate Group (International) Limited* contains detailed quantitative disclosures of the effect of IFRS 16 adoption. Paragraph 30 of IAS 8 does not require disclosures to be provided with such level of granularity. Entities may be only in the process of finalising their analysis at the date of issuance of their 2018 financial statements, and may wish to disclose the impact of IFRS 16 at a more aggregated level. Such entities would disclose the known or reasonably estimable information relevant to assessing the possible impact that application of IFRS 16 will have on their financial statements in the period of initial application. However, rather than disclosing the impact on each financial statement line item, entities may only be able to disclose an estimated range of the overall impact on profit or loss, assets, liabilities and equity, and they would state in their financial statements that quantitative information disclosed in this note may be subject to further changes in 2019.

7. Business combinations

Acquisitions in 2018

IFRS 3.59,60
IFRS 3.B64(a)
IFRS.3.B64(b)
IFRS 3.B64(c)
IFRS 3.B64(d)
IFRS 12.12

On 1 April 2018, the Group acquired 80% of the shares of Property Business Ltd, a non-listed company based in Estateland. Property Business Ltd holds a portfolio of retail and office buildings let under operating leases and the acquisition was made to give the Group access to those assets. The existing strategic management function and associated processes were acquired with the property and, as such, the Directors considered this transaction as an acquisition of a business, rather than an asset acquisition.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Property Business Ltd as at the date of acquisition were:

	Fair value recognised on acquisition	*IFRS 3.B64(i)* *IAS 7.40*
Assets	**€000**	
Investment property	75,000	
Rent and other trade receivables	600	
Cash and cash equivalents	375	*IAS 7.40 (c)*
	75,975	
Liabilities		
Trade payables	(575)	
Deferred tax liabilities	(6,350)	
	(6,925)	
Total identifiable net assets at fair value	**69,050**	
Non-controlling interest	(13,810)	*IFRS 3.B64(o)(i)*
Goodwill arising on acquisition	3,000	*IFRS 3.32*
Purchase consideration transferred	**58,240**	*IAS 7.40(a)*

The purchase consideration of €58,240,000 for the 80% interest acquired consists of €57,398,000 cash and €842,000 contingent consideration.

IFRS 3.B64(f)(i)
IFRS 3.B64(f)(iii)

The transaction costs of €1,750,000 incurred in connection with the acquisition have been expensed and are included in administrative expenses (Note 10).

IFRS 3.B64(m)

The fair value at the date of acquisition of the trade receivables amounts to €600,000. The gross amount of trade receivables is €610,000. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

IFRS 3.B64(h)

The Group has elected to measure the non-controlling interest in Property Business Ltd at the proportionate share of the acquiree's net identifiable assets.

IFRS 3.19
IFRS 3.B64(o)

Commentary

The Group elected to measure the non-controlling interest using its proportionate share of the acquiree's identifiable net assets. Entities may also elect to measure the non-controlling interest at fair value. In addition, this election can be made separately for each business combination, and is not a policy choice that determines an accounting treatment for all business combinations the Group will carry out (IFRS 3.19).

From the date of acquisition, Property Business Ltd has contributed €1,289,000 to the profit after tax and €1,842,000 to revenues (revenue from Property Business Ltd is only attributable to rental income) of the Group. If the combination had taken place at the beginning of the year, the profit after tax for the Group would have been €25,048,000 and revenue from contracts with customers would have been €15,428,000.

IFRS 3.B64(q)(i)
IFRS 3.B64(q)(ii)

The goodwill of €3,000,000 comprises €2,600,000 created by the existence of a deferred tax liability that the Group considered to be in excess of its fair value and a portfolio premium arising from the acquisition of €400,000. Goodwill is allocated entirely to the Property Business Ltd group of CGUs. None of the goodwill is expected to be deductible for tax purposes.

IFRS 3.B64(e)
IFRS 3.B64(k)

7. Business combinations *continued*

Contingent consideration

As part of the purchase agreement with the previous owner of Property Business Ltd, a contingent consideration payable by 1 April 2021 has been agreed. There will be additional cash payments to the previous owners of Property Business Ltd, as follows (the amounts are disclosed in euros): *IFRS 3.B64(g)(ii) IFRS 3.B64(g)(iii)*

- €500,000, if the entity generates more than €5,000,000 but less than €10,000,000 net rental income from the acquisition date to 31 December 2020
- €1,000,000, if the entity generates €10,000,000 or more net rental income from the acquisition date to 31 December 2020.

As at the acquisition date, the fair value of the contingent consideration was estimated at €842,000. There were no measurement period adjustments and the fair value continues to be €842,000. This is a Level 3 measurement in the fair value measurement hierarchy as at 31 December 2018. *IFRS 3.B64(g)(i) IFRS 13.93(a) IFRS 13.93(b)*

The fair value as at 31 December 2018 was determined using a discounted cash-flow analysis using the significant unobservable valuation inputs, as provided below:

Assumed probability-adjusted net rental income of Property Business Ltd	€8,700,000	*IFRS 13.93(d)*
Discount rate	14%	
Discount for own non-performance risk	0.05%	

An increase (decrease) by 10% in the assumed probability-adjusted net rental income of Property Business Ltd from the acquisition date would result in an increase (decrease) of the fair value of the contingent consideration liability by €53,000, while an increase (decrease) in the discount rate and own non-performance risk by 1.35% and 0.01%, respectively, would result in an decrease (increase) of the fair value of the liability by €23,000 and €3,000, respectively. *IFRS 13.93(h)(i)*

A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	2018	
	€000	*IFRS 13.93(e)*
Opening balance as at 1 January	–	
Liability arising on business combination (Note 28)	842	*IFRS 13.93(f)*
Unrealised fair value changes recognised in profit or loss	–	
Closing balance as at 31 December	**842**	

7. Business combinations *continued*

Commentary

The classification of a contingent consideration requires an analysis of the individual facts and circumstances. It may be classified as follows: equity or a financial liability in accordance with IAS 32 *Financial Instruments: Presentation* and IFRS 9; a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; or in accordance with other standards, each resulting in different initial recognition and subsequent measurement. The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed it to be a financial liability (IAS 32.11). Consequently, the Group is required to remeasure that liability at fair value at each reporting date with changes in fair value recognised in profit or loss in accordance with IFRS 9 (IFRS 3.58(b)(i)).

As part of the business combination, contingent payments to employees or selling shareholders are common methods of retention of key people for the combined entity. The nature of such contingent payments, however, needs to be evaluated in each individual circumstance as not all such payments qualify as contingent consideration, but are accounted for as separate transactions. For example, contingent payments that are unrelated to the future service of the employee are deemed contingent consideration, whereas contingent payments that are forfeited when the employment is terminated are deemed remuneration. Paragraphs B54 – B55 of IFRS 3 (in connection with IFRS 3.51, 52(b)) provide further guidance.

IFRS 13 disclosures do not apply to the initial measurement (IFRS 13.91(a)), but they do apply to the items that are subsequently measured at fair value.

Under IFRS 13.93(h)(ii), for the recurring fair value measurement of financial assets and financial liabilities at Level 3 of the hierarchy, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value significantly, an entity is required to state that fact and disclose the effect of changes. The entity is also required to state how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For this purpose, significance is determined with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. In case of the contingent consideration liability recognised by the Group, the impact of reasonably possible changes in unobservable inputs other than those disclosed in the note above, were assessed to be insignificant.

8. Rental income and revenue from contracts with customers

	2018	2017 (restated)	
	€000	€000	
Rental income (excluding straight-lining of lease incentives)	22,750	24,688	
Straight-lining of lease incentives	(280)	(355)	
Rental income	**22,470**	**24,333**	*IAS 40.75(f)(i)*
Services to tenants	2,584	2,197	
Sale of completed inventory property	5,000	13,750	
Sale of inventory property under development	6,000	3,000	
Revenue from contracts with customers	**13,584**	**18,947**	*IFRS 15.113(a)*
Total rental income and revenue from contracts with customers	**36,054**	**43,280**	

Commentary

The presentation in the Group's statement of profit or loss is consistent with industry practice in presenting revenue information aligned with the nature of the business activities of real estate entities. However, it does not present total revenue as a line item. The above disclosure is therefore provided by the Group to satisfy the IAS 1.82(a) requirement.

Rental income includes contingent rental income of €1,654,000 (2017: €1,375,000). See also information in Note 9. Operating leases – Group as lessor. *IAS 17.56(b)*

The Group has granted incentives such as rent-free periods to new tenants. The average rent-free period granted is nine months. The total unamortised portion of rent-free periods is, as follows:

	2018	2017
	€000	€000
Gross amount of lease incentives not fully amortised	4,788	4,754
Cumulative amount recognised in profit or loss	(2,548)	(2,234)
Net amount of lease incentives not fully amortised	**2,240**	**2,520**

The net amount of lease incentives not fully amortised are included in the statement of financial position under 'Prepayments'.

8. Rental income and revenue from contracts with customers *continued*

Commentary

Regulators in certain jurisdictions require entities holding investment property to disclose more detail about lease incentives, in particular rent-free periods, than is specifically required under IFRS. We have included illustrative disclosures of lease incentives and their impact on profit or loss in the period.

Note 13. Segment information contains further disaggregation of the Group's revenue from contracts with customers based on segment and geography.

Commentary

In its financial statements, the Group presented disaggregated revenue based on the type of goods or services provided to customers, the geographical region and the timing of transfer of goods and services. Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business. *IFRS 15.114* *IFRS 15.115*

The Group presented disaggregated revenue based on geographical region and for each reportable segment within the segment reporting disclosures. As an alternative, entities may find it appropriate to provide disaggregated revenue information separately. Refer to EY's *Good Group (International) Limited 2018* which illustrates such alternative.

Set out below is the amount of revenue recognised from:

	2018	2017	
	€000	€000	
Amounts included in contract liabilities at the beginning of the year (Note 28)	304	175	*IFRS 15.116(b)*
Performance obligations satisfied in previous years	25	54	*IFRS 15.116(c)*

The amounts included in the contract liabilities represents advances paid by customers that the entity has now recognised as revenue, following the entity's progress in satisfying the performance obligations in the contracts. The amounts related to performance obligations satisfied in previous years represents variable consideration for which the uncertainty was only resolved during the current reporting period (after negotiations with the customer were completed).

Commentary

IFRS 15.116 requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods'. Entities can also present this in a tabular or narrative format.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows: *IFRS 15.120*

	2018	2017	
	€000	€000	*IFRS 15.120(b)(i)*
Within 1 year	16,405	12,705	
After 1 year, but not more than 5 years	8,519	6,436	
	24,564	**19,141**	

The remaining performance obligations expected to be recognised in the future mainly relate to the sale of property under development and services to tenants. This property is related to projects that were just started or being developed (1 to 5 years) or near completion (within 1 year). Variable consideration is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Refer to Note 5. Summary of significant accounting policies for further information on variable consideration. *IFRS 15.120(b)(ii)*

8. Rental income and revenue from contracts with customers *continued*

Commentary

As a practical expedient provided in IFRS 15.121, an entity can decide not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year or those that meet the requirements of the right to invoice practical expedient in IFRS 15.B16. If an entity uses this practical expedient, it is required to qualitatively disclose that fact.

An entity may also use another practical expedient provided in IFRS 15.C5(d) when using the full retrospective method of adoption. For all reporting periods presented before the date of initial application (i.e., 1 January 2018), an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Group used a quantitative approach to disclose information about remaining performance obligations. The Group did not use any practical expedients available in IFRS 15.

9. Operating leases – Group as lessor

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms of between 5 and 15 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term. *IAS 17.56(c)*

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2018	2017	
	€000	€000	*IAS 17.56(a)*
Within 1 year	24,321	23,430	
After 1 year, but not more than 5 years	74,080	72,320	
More than 5 years	115,200	112,500	
	213,601	**208,250**	

10. Expense from services to tenants, other property operating and administrative expenses

	2018	2017	*IAS 1.104*
	€000	€000	
Expense from services to tenants			
Repairs, maintenance and utilities	1,453	1,256	
Property insurance costs	546	538	
Other	655	460	
	2,654	**2,254**	
Other property operating expenses			
Repairs, maintenance and utilities	900	1,310	
Impairment on rent and other trade receivables (Note 24)	305	341	
Impairment on contract assets (Note 24)	18	23	
Property management expenses	443	911	
Other	456	564	
	2,118	**3,149**	
Total property operating expenses	**4,772**	**5,403**	

10. Expense from services to tenants, other property operating and administrative expenses - *continued*

	2018	2017	
	€000	€000	
Property expenses arising from investment property that generate rental income	4,105	4,510	*IAS 40.75(f)(ii)*
Property expenses arising from investment property that did not generate rental income	667	893	*IAS 40.75(f)(iii)*
Total property operating expenses	**4,772**	**5,403**	

	2018	2017	
Administrative expenses	€000	€000	
Short-term employee benefits	1,910	1,884	*IAS 1.104*
Other long-term benefits	198	165	
Termination benefits (Note 31)	32	–	
Share-based payment transactions (Note 30)	412	583	
Total employee benefits expense	**2,552**	**2,632**	
Acquisition costs (Note 7)	1,750	–	
Operating lease expenses	220	209	
Other administrative expenses	354	1,435	
Total administrative expenses	**4,876**	**4,276**	

11. Finance income

	2018	2017	
	€000	€000	
Interest revenue calculated using the effective interest method	8,765	7,457	
Other finance income	430	102	
Total finance income	**9,195**	**7,559**	*IFRS 7R.20(b)*

12. Finance cost

	2018	2017	
	€000	€000	
Interest on bank loans	21,984	19,866	
Less: amounts capitalised	(360)	(1,730)	
Total interest expense	**21,624**	**18,136**	
Finance lease interest	55	107	
Net foreign exchange loss	426	678	
Total finance cost	**22,105**	**18,921**	*IFRS 7R.20(b)*

The capitalisation rate used to determine the borrowings eligible for capitalisation is 4.5% (2017: 4.5%). *IAS 23.26(b)*

Commentary

Finance income and finance cost are not defined terms in IFRS. Some regulators limit the inclusion of certain income and expense within those items (e.g., restricted to interest income and expense), while other jurisdictions allow additional items to be included.

IFRS 15.65 requires the effects of financing (interest revenue or interest expense) to be presented separately from revenue from contracts with customers in the statement of comprehensive income. The Group did not incur interest expense on contract liabilities nor generate interest income on contract assets (unbilled receivables).

13. Segment information

Information on the residential development property segment provided to the members of executive management is aggregated and represented by revenue and profit from the sale of inventory property. *IFRS 8.22*

The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved with retail, office, industrial and residential development operating segments. There is no aggregation of operating segments into any reportable segments.

Consequently, the Group is considered to have four reportable segments, as follows:

- Retail – acquires, develops and leases shopping malls
- Office – acquires, develops and leases offices
- Industrial – acquires, develops and leases warehouses and factories
- Residential development – builds and sells residential property

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management, who collectively comprise the chief operating decision maker (CODM). The information provided is on a net rental basis (including gross rent and property expenses), valuations gains/losses, profit/loss on disposal of investment property and share of profit from the joint ventures.

Group administrative costs, finance revenue, finance costs and income taxes are not reported to the members of the executive management team on a segment basis. There are no sales between segments.

Segment assets for the investment property segments represent investment property (including those under development) and the investment in the joint ventures. Segment assets for the residential development segment represent unsold inventory property. *IFRS 8.28(c)*

Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the Board on a segmental basis. *IFRS 8.28(d)*

Commentary

IFRS 8.22(a) requires entities to disclose the factors used to identify the entity's reportable segments, including the basis of organisation, as well as factors considered in determining aggregation of operating segments. Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single reportable segment if they have similar economic characteristics, and the segments are similar in each of the following respects:

(a) The nature of the products and services;
(b) The nature of the production process;
(c) The type or class of customer for their products and services;
(d) The methods used to distribute their products or provide their services; and
(e) If applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

This analysis requires significant judgement as to the circumstances of the entity.

13. Segment information *continued*

Year ended 31 December 2018	Retail	Office	Industrial	Residential development	Adjustments*	Total	
	€000	€000	€000	€000	€000	€000	IFRS 8.28 IFRS 8.23
Revenue							
Rental income	4,906	1,930	17,436	–	(1,802)	22,470	IFRS 8.23(a)
Revenue from contracts with customers							IFRS15.114-115
Services to tenants							
▸ Estateland	275	99	–	–	–	374	
▸ Germany	83	30	595	–	–	708	
▸ Luxembourg	–	21	–	–	–	21	
▸ France	–	71	1,410	–	–	1,481	
	358	221	2,005	–	–	2,584	IFRS 8.23(a)
Property sales – property under development							
▸ Estateland	–	–	–	2,682	–	2,682	
▸ Germany	–	–	–	814	–	814	
▸ Luxembourg	–	–	–	578	–	578	
▸ France	–	–	–	1,926	–	1,926	
	–	–	–	6,000	–	6,000	IFRS 8.23(a)
Property sales – completed property							
▸ Estateland	–	–	–	2,200	–	2,200	
▸ Germany	–	–	–	104	–	104	
▸ Denmark	–	–	–	1,754	–	1,754	
▸ France	–	–	–	942	–	942	
	–	–	–	5,000	–	5,000	IFRS 8.23(a)
	358	221	2,005	11,000	–	13,584	
	5,264	**2,151**	**19,441**	**11,000**	**(1,802)**	**36,054**	IFRS 8.23
Cost and others							
Property operating expenses	**(1,011)**	**(520)**	**(3,241)**	**–**	**–**	**(4,772)**	
Costs of sales – inventory property	–	–	–	(7,000)	–	(7,000)	
Net change in carrying value of investment property	3,817	4,883	10,200	–	–	18,900	IFRS 8.23(i)
Share of profit of joint ventures	3,250	–	–	–	–	3,250	IFRS 8.23(g)
Profit on disposal of investment property	–	–	2,000	–	–	2,000	
Segment profit	**11,320**	**6,514**	**28,400**	**4,000**	**(1,802)**	**48,432**	IFRS 8.23
Administrative expenses						(4,876)	IFRS 8.25
Finance costs						(22,105)	
Finance revenue						9,195	
Profit before tax						**30,646**	IFRS 8.21(c) IFRS 8.28

* The rental income information presented to the CODM is in the form of the rent paid in the period rather than being spread on a straight-line basis over the lease term in the way prescribed by IAS 17. Consequently, the rent information presented to the Board is adjusted here to agree with rental income in the statement of profit or loss. *IFRS 8.28(a)*

13. Segment information *continued*

31 December 2018	Retail	Office	Industrial	Residential development	Total	IFRS 8.28
	€000	€000	€000	€000	€000	
Assets						
Investment property	79,587	41,998	331,406	–	452,991	
Investment property under development	–	30,146	–	–	30,146	
Investment property held for sale	10,560	–	–	–	10,560	
Inventory property	–	–	–	6,533	6,533	
Investment in joint ventures	103,250	–	–	–	103,250	IFRS 8.24(a)
Segment assets	**193,397**	**72,144**	**331,406**	**6,533**	**603,480**	IFRS 8.23 IFRS 8.28
Goodwill					3,000	
Current assets (excluding inventory property)					102,527	
Total assets					**709,007**	
Segment liabilities						
Loans and borrowings	**129,414**	**65,200**	**185,010**	**–**	**379,624**	IFRS 8.23
Other non-current liabilities					16,932	
Other current liabilities					8,836	
Total liabilities					**405,392**	IFRS 8.23 IFRS 8.28
Additions to non-current assets	**31,808**	**28,521**	**31,442**	**–**	**91,771**	

Additions to non-current assets in the current year consist of additions of investment property, including assets from the acquisition of subsidiaries of €86,621,000 and investment property under development of €5,150,000. *IFRS 8.27(c)*

13. Segment information *continued*

Year ended 31 December 2017 (restated)	Retail	Office	Industrial	Residential development	Adjustments*	Total	
	€000	€000	€000	€000	€000	€000	*IFRS 8.28*
Revenue							
Rental income	4,866	2,575	18,502	–	(1,610)	24,333	*IFRS 8.23(a)*
Revenue from contracts with customers							*IFRS15.114-115*
Services to tenants				–	–		
▸ Estateland	364	104	–	–	–	468	
▸ Germany	75	–	483	–	–	558	
▸ Luxembourg	–	128	–	–	–	128	
▸ France	–	–	1,043	–	–	1,043	
	439	232	1,526	–	–	2,197	*IFRS 8.23(a)*
Property sales – property under development					–		
▸ Estateland	–	–	–	910	–	910	
▸ Germany	–	–	–	–	–	–	
▸ Luxembourg	–	–	–	1,110	–	1,110	
▸ France	–	–	–	980	–	980	
	–	–	–	3,000	–	3,000	*IFRS 8.23(a)*
Property sales – completed property							
▸ Estateland	–	–	–	6,300	–	6,300	
▸ Germany	–	–	–	–	–	–	
▸ Denmark	–	–	–	1,065	–	1,065	
▸ France	–	–	–	6,385	–	6,385	
	–	–	–	13,750	–	13,750	
	439	232	1,526	16,750		18,947	
	5,305	**2,807**	**20,028**	**16,750**	**(1,610)**	**43,280**	*IFRS 8.23*
Costs and others							
Property operating expenses	(1,150)	(475)	(3,778)	–	–	(5,403)	
Costs of sales – inventory property	–	–	–	(17,000)	–	(17,000)	
Share of profit of joint ventures	1,300	–	–	–	–	1,300	*IFRS 8.23(g)*
Net change in carrying value of investment property	2,510	3,225	5,750	–	–	11,485	
Segment profit	**7,965**	**5,557**	**22,000**	**(250)**	**(1,610)**	**33,662**	*IFRS 8.23*
Administrative expenses					(4,276)	(4,276)	*IFRS 8.25*
Finance costs					(18,921)	(18,921)	
Finance revenue					7,559	7,559	
Profit before tax	**7,965**	**5,557**	**22,000**	**(250)**	**(17,248)**	**18,024**	*IFRS 8.28(b)*

* The rental income information presented to the CODM is in the form of the rent passing in the period rather than being spread on a straight-line basis over the lease term in the way prescribed by IAS 17. Consequently, the rent passing information presented to the CODM is adjusted here to agree with rental income in the statement of profit or loss. *IFRS 8.28(a)*

13. Segment information *continued*

31 December 2017 (restated)	Retail	Office	Industrial	Residential development	Total	IFRS 8.28
	€000	€000	€000	€000	€000	
Assets						
Investment property	57,456	18,714	312,450	–	388,620	
Investment property under development	–	30,896	–	–	30,896	
Inventory property	–	–	–	9,580	9,580	
Investment in joint ventures	2,300	–	–	–	2,300	IFRS 8.24(a)
Segment assets	**59,756**	**49,610**	**312,450**	**9,580**	**431,396**	IFRS 8.23
Deferred tax					2,992	
Current assets (excl. Inventory property)					69,766	
Total assets					**504,154**	
Segment liabilities						
Loans and borrowings	22,132	44,721	188,978	–	255,831	IFRS 8.23
Other non-current liabilities	–	–	–	–	16,639	
Other current liabilities	–	–	–	–	12,499	
Total liabilities	22,132	44,721	188,978	–	**284,969**	IFRS 8.23
Additions to non-current assets	**10,102**	**26,832**	**58,107**	–	**95,041**	

Additions to non-current assets in the prior year consist of additions of investment property, including assets from the acquisition of subsidiaries of €76,900,000 and investment property under development of €18,141,000.

Geographical information	2018	2017 (restated)	
Revenues from external customers	€000	€000	IFRS 8.33(a)
Estateland	15,331	12,664	
Germany	4,651	558	
Luxembourg	3,306	15,623	
Denmark	1,754	1,065	
France	11,012	13,370	
Total	**36,054**	**43,280**	

13. Segment information *continued*

The revenue information above is based on the locations of the customers. There are no revenues from transactions with a single external customer that account for 10% or more of the Group's total revenues. *IFRS 8.34*

	31 December 2018	31 December 2017 (restated)	
Carrying amount of investment property (including under development and held for sale), goodwill and investment in joint ventures	**€000**	**€000**	*IFRS 8.33(b)*
Estateland	89,211	74,909	
The Netherlands	103,250	2,300	
Germany	91,450	72,211	
Luxembourg	65,020	70,286	
France	251,016	202,110	
Total	**599,947**	**421,816**	

Commentary

In 2018, due to the adoption of IFRS 15, the Group increased the information included in its management reporting.

An entity's internal reporting may not necessarily be set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS (e.g., national GAAP or tax basis). In this case, a reconciliation between the internally reported items and the externally communicated items needs to be presented.

Interest income and interest expense have not been disclosed by segments as these items are managed on a group basis, and are not provided to the CODM at the operating segment level. Disclosure of operating segment assets and liabilities is only required when such measures are provided to the CODM.

Additional disclosure may be required if the CODM regularly reviews certain other items recorded in the statement of profit or loss, e.g., depreciation and amortisation, impairments and the share of profit in associates.

Paragraph 23(f) of IFRS 8 *Operating Segments* requires an entity, in addition to the amounts disclosed under paragraphs 23 (a)-(e), to disclose material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 (as revised in 2007). Paragraph 97 of IAS 1 requires an entity to disclose separately the nature and amount of material items of income or expense. Refer to EY's *Good Group (International) Limited 2018* which illustrates the application of the requirements of paragraph 23(f) of IFRS 8.

14. Income tax

The major components of income tax expense are:

	2018	2017 (restated)	
	€000	**€000**	*IAS 12.79*
Statement of profit or loss			
Current income tax:			
Current income tax charge	3,056	2,267	*IAS 12.80(a)*
Deferred income tax:			
Relating to origination and reversal of temporary differences	4,242	1,330	*IAS 12.80(c)*
Income tax expense reported in the statement of profit or loss	**7,298**	**3,597**	
Statement of OCI			
Deferred income tax related to items recognised in OCI during the year:			*IAS 12.81(a)*
Net losses/(gains) on revaluation of cash flow hedges	3,714	(570)	
Deferred income tax reported in OCI	**3,714**	**(570)**	

14. Income tax *continued*

Reconciliation of tax expense and the accounting profit multiplied by Estateland's tax rate is, as follows:

	2018	2017 (restated)	
	€000	€000	*IAS 12.81(c)(i)*
Accounting profit before income tax	**30,646**	**18,024**	
At Estateland's statutory tax rate of 30% (2017: 30%)	9,193	5,407	
Non-deductible expenses	1,194	519	
Non-taxable income	(156)	(781)	
Effect of lower tax rates in other countries	(2,933)	(1,548)	
Income tax expense reported in the statement of profit or loss	**7,298**	**3,597**	

Commentary

IAS 12 requires an explanation of the relationship between income tax expense and accounting profit in either or both of the following forms:

- A numerical reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rate(s), also disclosing the basis on which the applicable tax rate(s) is (are) computed
- A numerical reconciliation between the average effective tax rate and the applicable tax rate, also disclosing the basis on which the applicable tax rate is computed

The Group has presented the former.

	Statement of financial position		Statement of profit or loss		
	31 December 2018	31 December 2017 (restated)	2018	2017 (restated)	
					IAS 12.81(g)(i)
	€000	€000	€000	€000	*IAS 12.81(g)(ii)*
Deferred income tax liability					
Revaluations of investment property to fair value	14,794	4,286	4,158	2,086	
Adjustments relating to straight lining of lease incentives	672	756	(84)	(106)	
	15,466	5,042	4,074	1,980	
Deferred income tax assets					
Revaluation of an interest rate swap (cash flow hedge) to fair value	123	3,837	–	–	
Losses available for offsetting against future taxable income	4,029	4,197	168	(650)	
	4,152	8,034			
Deferred income tax expense			**4,242**	**1,330**	
Deferred tax liabilities/(assets) net	**11,314**	**(2,992)**			
Reflected in the statement of financial position as follows:					
Deferred tax assets	–	(2,992)			
Deferred tax liabilities	11,314	–			
Deferred tax liabilities/(assets) net	**11,314**	**(2,992)**			

The temporary difference resulting from revaluation of investment property to fair value includes an amount of €6,350,000 related to the purchase price allocation of Property Business Ltd (Note 7).

The Group has tax losses that arose in Estateland of €12,204,000 (2017: €12,204,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other convincing evidence of recoverability in the near future.

14. Income tax *continued*

At initial recognition, a temporary difference of €35,100,000 (2017: €35,800,000) exists between the carrying amount of investment property and its tax base, for which no deferred taxation has been provided. This temporary difference resulted from acquisition of single asset entities that own investment property which were not considered to constitute a business. *IAS 12.37* *IAS 12.81(e)*

Commentary

Although not specifically required by IAS 1 or IAS 12 *Income Taxes*, the reconciliation of the net deferred tax liability may be helpful.

As in some other disclosures included in this note, the cross reference with the amounts from which they are derived is not direct. Nevertheless, the reasonableness of each balance may be obtained from the respective notes by applying a 30% tax rate.

IAS 12 does not require disclosure of temporary differences for which no deferred taxation has been provided because of the initial recognition exemption in IAS 12. However, we included the disclosure because we consider it provides useful information to users.

IAS 1.61 requires an entity to separately disclose the line items that are included in the amounts expected to be recovered or settled within 12 months and more than 12 months after the reporting date. Deferred tax assets and liabilities may be considered one example, for items comprising such amounts. However, IAS 1.56, in contrast, does not permit presentation of those items as current, which suggests that providing the disclosures required by IAS 1.61 does not apply to deferred tax assets and liabilities.

15. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2018	2017 (restated)	
	€000	€000	
Profit attributable to ordinary equity holders of the parent for basic earnings	20,824	13,521	*IAS 33.70(a)*

	2018	2017	
	Thousands	Thousands	
Weighted average number of ordinary shares for basic EPS	213,700	193,700	*IAS 33.70(b)*

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements. *IAS 33.70(d)*

The exercise price of the outstanding share options exceeded the average market price of ordinary shares during the period. Therefore, the outstanding share options did not have an impact on the determination of the diluted EPS.

16. Net asset value per share (NAV)

The NAV per share at 31 December 2018 is 1.25 (31 December 2017: 1.12).

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at year end. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

The following reflects the net asset and share data used in the basic and diluted NAV per share calculations:

	2018	2017 (restated)
	€000	€000
NAV attributable to ordinary equity holders of the parent at year-end	285,413	217,382

	2018	2017
	Thousands	Thousands
Number of ordinary shares at year-end	227,700	193,700

17. Investment property

31 December 2018 Country Class	Estateland Retail Level 3*	Estateland Office Level 3*	Germany Industrial Level 3*	Germany Office Level 3*	Germany Retail Level 3*	Luxembourg Office Level 3*	France Industrial Level 3*	France Office Level 3*	*Total 2018*	*IFRS 13.93(e)*
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	
At 1 January	**56,195**	**18,714**	**70,950**	**–**	**1,261**	**70,286**	**171,214**	**–**	**388,620**	
Acquisitions arising from business combinations (Note 7)	10,000	–	–	20,000	10,000	–	35,000	–	75,000	*IAS 40.76(b)*
Capital expenditure on owned property	204	50	50	–	50	50	100	–	504	*IAS 40.76(a)*
Transfer from inventory property (Note 22)	1,047	–	–	–	–	–	–	–	1,047	*IAS 40.76(f)*
Transfer from property under development (Note 18)	–	–	–	–	–	–	–	10,070	10,070	*IAS 40.76(f)*
Disposals	–	–	–	–	–	–	(26,670)	–	(26,670)	*IAS 40.76(g)*
Reclassifications	1,000	(1,000)	–	–	–	–	–	–	–	*IAS 40.76(g)*
Other	320	(320)	–	–	–	–	–	–	–	*IAS 40.76(g)*
Remeasurement adjustment (Note 19)	11,001	(11,000)	(15,414)	5,484	(931)	(5,316)	31,156	–	14,980	*IAS 40.76(d)*
Total completed investment property	**79,767**	**6,444**	**55,586**	**25,484**	**10,380**	**65,020**	**210,800**	**10,070**	**463,551**	
Less: classified as held for sale (Note 37)	(10,560)	-	-	-	-	-	-	-	(10,560)	*IAS 40.76(c)* *IFRS 5.41*
At 31 December	**69,207**	**6,444**	**55,586**	**25,484**	**10,380**	**65,020**	**210,800**	**10,070**	**452,991**	

31 December 2017 Country Class	Estateland Retail Level 3*	Estateland Office Level 3*	Germany Industrial Level 3*	Germany Retail Level 3*	Luxembourg Office Level 3*	France Industrial Level 3*	**Total 2017**	*IFRS 13.93(e)*
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	
At 1 January	**47,307**	**19,401**	**76,619**	**2,262**	**72,501**	**84,150**	**302,240**	
Acquisitions of property	6,100	–	–	–	–	65,325	71,425	*IAS 40.76(a)*
Capital expenditure on owned property	–	–	2,000	–	1,000	2,475	5,475	*IAS 40.76(a)*
Remeasurement adjustment (Note 19)	2,788	(687)	(7,669)	(1,001)	(3,215)	19,264	9,480	
Total completed investment property at 31 December	**56,195**	**18,714**	**70,950**	**1,261**	**70,286**	**171,214**	**388,620**	

* Classified in accordance with the fair value hierarchy, see Notes 5 and 19.

17. Investment property *continued*

Commentary

The Group has elected to measure investment property at fair value in accordance with IAS 40 *Investment Property*.

Paragraph 99 of IFRS 13 requires an entity to present the necessary quantitative disclosures in a tabular format unless another format is more appropriate. In some cases, it may be useful to present the information required by IFRS 13 together with the information required by IAS 40, to avoid replicating information and to provide user-friendly analysis.

An example would be the combination of disclosures required under IFRS 13.93 (e) with the disclosures required under IAS 40.76.

- IFRS 13.93(e) requires an entity with recurring fair value measurements categorised within Level 3 of the fair value hierarchy to reconcile the opening balances to the closing balances.
- IAS 40.76 requires an entity that applies the fair value model to its investment property to provide a reconciliation between the carrying amounts of investment property at the beginning and the end of the period.

If most or all of the entity's investment property is categorised within Level 3, the information above could be presented in the same table instead of separate tables. This is the approach taken by the Group.

IAS 40 also permits investment property to be carried at historical cost less accumulated depreciation and any accumulated impairment losses. If the Group accounted for investment property at cost, information about the cost basis and depreciation rates (similar to the requirement under IAS 16 for items of property, plant and equipment) would be required. IAS 40.79(e) requires disclosure of fair value of the property. For the purpose of this disclosure, the fair value is required to be determined in accordance with IFRS 13. Also, in addition to the disclosures under IAS 40, IFRS 13.97 requires disclosure of:

- The level at which fair value measurement is categorised i.e., Level 1, Level 2 or Level 3
- A description of valuation technique and inputs, for Level 2 or Level 3 fair value measurement
- If the highest and best use differs from the current use of the asset, that fact and the reason

	31 December 2018	31 December 2017	
	€000	€000	
Market value as estimated by the external valuer	**464,078**	**389,385**	*IAS 40.77*
Add: finance lease obligation recognised separately (Note 29)	1,713	1,755	
Less: lease incentive balance included in prepayments	(2,240)	(2,520)	
Fair value for financial reporting purposes	**463,551**	**388,620**	

IAS 40.75(e)
IAS 40.33
IAS 40.75(a), IFRS 13.93(d)

The fair value of completed investment property, except for two properties described below, is determined using a discounted cash flow (DCF) method.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, and refurbishment. The appropriate durations are typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

17. Investment property *continued*

Two properties are valued using alternative methods:

- The office building in Germany is valued using the income capitalisation method, where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time-weighted average, such as the average lease-up costs. Under the income capitalisation method, over and under-rent situations are considered separately. *IFRS13.93(h)(i)*
- The office building in Estateland is valued using the market comparable approach, due to a high volume of transactions involving comparable property in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

The valuations were performed by Chartered Surveyors & Company, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. *IAS 40.75(e)*

More information about the fair value measurement is set out in Note 19.

As at 31 December, property with an aggregate value of €75,000,000 (2017: €70,000,000) is held under lease agreements. Future lease payments are presented in Note 29. *IAS 40.75(b)*

IAS 17.31, IAS 40.75

Commentary

Whilst not a specific IFRS requirement, in some jurisdictions, disclosure of the vacancy rates of the entities' property portfolio is commonly provided. For example, EPRA (see Appendix 1) recommends that entities disclose vacancy rates calculated as the ERV of vacant space divided by ERV of the whole portfolio. The vacancy rate generally includes all completed property (whether classified as investment or trading) including entity's share of its joint ventures' vacancies, but excluding those properties that are under development. The Group did not disclose this information in its financial statements.

Disposals of industrial investment property

Although the Group's long-term loans and borrowings are subject to certain banking covenants (Note 34), the Group has no restrictions on the realisability of its investment property. *IAS 40.75(g)*

In 2018, the Group sold two industrial investment property with a total net carrying amount of €26,670,000 for a cash consideration of €28,670,000, net of attributable expenses. The resulting €2,000,000 net gains on these disposals were recognised separately in the statement of profit or loss. *IFRS 5.41*

Commentary

Paragraph 41 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires additional disclosures in the notes in the period in which a non-current asset has been either classified as held for sale or sold:

- a description of the non-current asset (or disposal group);
- a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;
- the gain or loss recognised in accordance with IFRS 5.20-22 and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss; and
- if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8.

In practice, the information above can easily be derived using other information already included in the financial statements, such as statement of profit or loss, statement of cash flows, investment property reconciliation table and segment information. For illustrative purposes, the Group also included the information as a narrative disclosure within investment property note.

18. Investment property under development

France – Office (under development)	2018	2017	IFRS 13.93(e)
Level 3	**€000**	**€000**	
At 1 January	**30,896**	**9,540**	*IAS 40.76*
Capital expenditure	5,150	18,141	*IAS 40.76(a)*
Interest capitalised	250	1,210	*IAS 23.26(a)*
Transfer to completed investment property (Note 17)	(10,070)	–	
Remeasurement adjustment during the year (including effect of re-measuring investment property under development from cost to fair value) (Note 19)	3,920	2,005	
At 31 December	**30,146**	**30,896**	*IAS 40.76*

Unless stated at cost, the fair value of investment property under development located in France (with the exception of the asset mentioned below, also located in France), has been determined using a DCF method, as described in Note 19. In the case of investment property under development, estimates of capital outlays and development costs, development costs, and anticipated sales income are estimated to arrive at a series of net cash flows that are then discounted over the projected development and marketing periods. Specific development risks such as planning, zoning, licences, and building permits are separately valued. *IAS 40.75(a),(e) IAS 40.33 IFRS 13.93(d)*

The valuations were performed by Chartered Surveyors & Company, an accredited independent valuer with a recognised and relevant professional qualification and recent experience of the location and category of the investment property being valued. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. These valuation models are consistent with the principles in IFRS 13.

As at 31 December 2018, one property under development in France is carried at cost of €10,070,000 (2017: €8,500,000) because its fair value could not be reliably measured due to uncertainty around ownership and zoning permission in that market. Management, however, has assessed this property for impairment and concluded that the carrying amount is not impaired, rather they assess its fair value as between €8,000,000 and €12,000,000. *IAS 40.53,78*

All investment property under development is classified as Level 3 in the fair value hierarchy (see Note 19).

Commentary

According to IAS 40.53, there is a rebuttable presumption that an entity can reliably measure the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property after a change in use) that the fair value of the investment property is not reliably measurable on a continuing basis. This arises when, and only when, the market for comparable property is inactive (e.g., there are few recent transactions, price quotations are not current or observed transaction prices indicate that the seller was forced to sell) and alternative reliable measurements of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under development is not reliably measurable but expects the fair value of the property to be reliably measurable when development is complete, it is required to measure that investment property under development at cost until either its fair value becomes reliably measurable or development is completed (whichever is earlier). If an entity determines that the fair value of an investment property (other than an investment property under development) is not reliably measurable on a continuing basis, the entity is required to measure that investment property using the cost model in IAS 16.

19. Fair value measurement – investment property and investment property under development

The management group that determines the Group's valuation policies and procedures for property valuations comprises the chief operating officer (COO) and chief financial officer (CFO). Each year, the COO and the CFO appoint, following the audit committee's approval, an external valuer who is responsible for the external valuations of the Group's property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. *IFRS 13.93(g)*

In addition, the COO and CFO are responsible for the Group's internal valuation department. The Group's internal valuation department comprises two employees, both of whom hold relevant internationally recognised professional qualifications and are experienced in valuing the types of property in the applicable locations.

Valuations for interim reporting purposes are performed internally by the Group's internal valuation department. Internal methods are aligned with those used by external valuers and such methods are externally validated by an independent party. However, on a sample basis (for approximately 25% of all property - rotated every quarter), external valuations are obtained to validate the internal valuations for interim reporting purposes or external valuers are requested to confirm the main input variables used in the internal valuations. As at each year-end, all property are valued by external valuers.

At each reporting date, the internal valuation department analyses the movements in each property's value. For this analysis, the internal valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (e.g., rent amounts in rental contracts), market reports (e.g., market rent, cap rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis.

Each property is considered a separate asset class based on its unique nature, characteristics and risks. For each property, the latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than a certain specified threshold, the changes are further considered by discussion with external valuers. *IFRS 13.94*

The internal valuation department also compares each property's change in fair value with relevant external sources (such as the investment property database or other relevant benchmarks) to determine whether the change is reasonable.

On a quarterly basis, after the COO and the CFO have considered the valuations with the internal valuation department, together with the external valuers present the Group's valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on: (i) property with fair value changes outside the relevant thresholds set out above; and (ii) investment property under development.

Changes in valuation techniques *IFRS 13.93(d)*

The fair value of a shopping mall in Estateland (included in the retail portfolio) was previously determined based on the income capitalisation method. The Group believes that the DCF method provides better transparency than the income capitalisation method and has, therefore, decided to change the valuation method. This change in valuation method is applied prospectively as it is a change in estimate.

Other than as described above, there were no other changes in valuation techniques during the year.

Commentary

IFRS 13.66 states that a revision resulting from a change in the valuation technique or its application is accounted for as a change in accounting estimate in accordance with IAS 8, thus requiring prospective application. IFRS 13.66 provides an exemption regarding the disclosure for a change in accounting estimate under IAS 8, specifying that the disclosure is not required for revisions resulting from a change in a valuation technique or its application.

Highest and best use *IFRS 13.93(i)*

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

19. Fair value measurement – investment property and investment property under development *continued*

Commentary

If, for recurring and non-recurring fair value measurements, the highest and best use of a non-financial asset differs from its current use, an entity must disclose that fact and the reason why the asset is being used in a manner that differs from its highest and best use (IFRS 13.93(i)). The Group has assessed that the highest and best use of its property does not differ from their current use.

An example of a situation where the current use of a property differs from its highest and best use is a property that is being used as a parking area. The entity that holds the property has determined that use of the property as an office building, after development, will generate the most economic benefits, i.e., use as an office building is the highest and best use of the property.

Fair value hierarchy *IFRS 13.99 IFRS 13.93(b)*

The following tables show an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value measurement hierarchy (as disclosed in Note 5):

	Fair value measurement using				
31 December 2018	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**	**Total gain or (loss) in the period in the statement of profit or loss**
	€000	**€000**	**€000**	**€000**	**€000**
Estateland – Retail	–	–	69,207	69,207	11,001
Estateland – Office	–	–	6,444	6,444	(11,000)
Germany – Industrial	–	–	55,586	55,586	(15,414)
Germany – Office	–	–	25,484	25,484	5,484
Germany – Retail	–	–	10,380	10,380	(931)
Luxembourg – Office	–	–	65,020	65,020	(5,316)
France – Industrial*	–	–	210,800	210,800	31,156
France – Office under development	–	–	30,146	30,146	3,920
Total (Notes 17, 18)	–	–	**473,067**	**473,067**	**18,900**

IAS 40.75(f)(iv)

* Office in France completed during 2018 (under development in 2017), is measured at cost of €10,070,000 and is not included in the above (Note 18).

Transfers between hierarchy levels

There were no transfers between Levels 1, 2 or 3 during 2018. *IFRS 13.93(c)*

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to €18,900,000 and are presented in the consolidated statement of profit or loss in line items 'valuation gains from completed investment property' (€14,980,000) and 'valuation gains from investment property under development (€3,920,000). *IFRS 13.93(f)*

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property (completed and under development) held at the end of the reporting period. *IFRS 13.93(e)(ii) IFRS 13.93(f)*

19. Fair value measurement – investment property and investment property under development *continued*

31 December 2017	Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Total gain or (loss) in the period in the statement of profit or loss
	€000	€000	€000	€000	€000
Estateland – Retail	–	–	56,195	56,195	2,788
Estateland – Office	–	–	18,714	18,714	(687)
Germany – Industrial	–	–	70,950	70,950	(7,669)
Germany – Retail	–	–	1,261	1,261	(1,001)
Luxembourg – Office	–	–	70,286	70,286	(3,215)
France – Industrial	–	–	171,214	171,214	19,264
France – Office under development *	–	–	22,396	22,396	2,005
Total (Notes 17, 18)	**–**	**–**	**411,016**	**411,016**	**11,485**

IAS 40.75(f)(iv)

* Office under development in France is measured at cost of €8,500,000 and is not included in the above (Note 18)

There were no transfers between Levels 1, 2 or 3 during 2017. *IFRS 13.93(c)*

Valuation techniques used to derive Level 2 and Level 3 fair values

IFRS 13.94
IFRS 13.93(d)

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period
- The level of the fair value hierarchy (e.g., Level 2 or Level 3) within which the fair value measurements are categorised in their entirety
- A description of the valuation technique applied
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement

Commentary

Many of the IFRS 13 disclosures are required for each class of assets (and liabilities). IFRS 13 requires these classes of assets (and liabilities) to be determined based on:

(a) the nature, characteristics and risks of the asset or liability; and

(b) the level of the fair value hierarchy within which the fair value measurement is categorised.

The determination of the appropriate class of assets will require significant judgement. At one end of the spectrum, the property in an operating segment (as defined by IFRS 8 *Operating Segments*) may be a class of assets for the purpose of the disclosures required by IFRS 13. This may be the case, even if there are many properties in the segment, if the properties have the same risk profile (e.g., the segment comprises residential property in countries with property markets of similar characteristics). At the other end of the spectrum, IFRS 13 disclosures may be required for individual properties or small groups of properties if the individual properties or groups of properties have different risk profiles (e.g., a real estate entity with two properties – an office building in a developed country and a shopping centre in a developing country).

Because most properties are unique, IFRS 13 may be interpreted as requiring a preparer to provide disclosure information on a property-by-property basis, but it is clear that a balance must be found between meaningful and useful disclosure and avoiding a level of detail that, for many companies, would be onerous. The Group has made the judgement that appropriate disclosures are by type of property and geographical location. This may not be the case for entities with groups of properties sharing major characteristics.

Examples of different asset classes are:

- Core, value-added and opportunistic
- Geographic allocation: country level (Germany, France, Luxembourg) or area level (Europe EU, Europe non-EU, North America, South America, China, Rest of Asia Pacific, Emerging Markets)
- Retail, offices, industrial, residential and mixed use

Care should be taken in the assessment of asset classes, as different companies have different portfolios with different risk profiles and concentrations. More or less disclosure may be necessary if the asset classes change.

The Group has determined that each property is a separate asset class.

19. Fair value measurement – investment property and investment property under development *continued*

IFRS 13.93(d)

Class of Property	Fair Value 2018 €000	Fair Value 2017 €000	Valuation technique	Key unobservable inputs	Range (Weighted avg) 2018	Range (Weighted avg) 2017
Estateland – Retail Level 3	69,207	56,195	DCF	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €140- €180 (€160) ▶ 1.7%-2.5% (1.9%) ▶ 4%-6% (5%) ▶ 6.0%-8.2% (6.5%)	▶ €145- €175 (€150) ▶ 1.7%-2.5% (1.8%) ▶ 4%-6.5% (5.25%) ▶ 6.0%-8.4% (7%)
Estateland – Office Level 3	6,444	18,714	Market comparable approach	▶ Price per sqm	▶ €1000- €2500 (€2000)	▶ €1000- €2600 (€2100)
Germany – Industrial Level 3	55,586	70,950	DCF	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €50- €100 (€65) ▶ 1.0%-1.5% (1.25%) ▶ 1%-3% (2%) ▶ 3.0%-4.2% (3.6%)	▶ €55- €110 (€75) ▶ 1.0%-1.6% (1.35%) ▶ 1.5%-3.5% (1.75%) ▶ 2.5%-4.0% (3%)
Germany - Office Level 3	25,484	-	Income capitalization method	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €200 -€300 (€250) ▶ 1.5%-2.5% (2.0%) ▶ 3%.5% (4%) ▶ 4.0%-4.2% (4.1%)	▶ N/A
Germany – Retail Level 3	10,380	1,261	DCF	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €100- €250 (€200) ▶ 1.0% - 2.0% (1.5%) ▶ 1%-3% (2%) ▶ 6.0%-8.0% (7.0%)	▶ €100- €200 (€150) ▶ 1.0% - 2.0% (1.25%) ▶ 1%-2% (1.5%) ▶ 6.0%-8.5% (7.5%)
Lux - Office Level 3	65,020	70,286	DCF	▶ ERV ▶ Rent growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €90- €120 (€100) ▶ 1.0%-1.5% (1.2%) ▶ 5%-9% (8%) ▶ 4.0%-4.9% (4.3%)	▶ €90- €125 (€110) ▶ 1.0%-1.5% (1.3%) ▶ 5%-8% (7%) ▶ 3.75%-4.9% (4%)
France – Industrial Level 3	210,800	171,214	DCF	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate	▶ €50- €90 (€58) ▶ 1.0%-1.585% (1.52%) ▶ 1%-5% (4%) ▶ 5.0%-5.6% (5.2%)	▶ €40- €80 (€50) ▶ 1.0%-1.5% (1.2%) ▶ 1%-5% (3.8%) ▶ 5.0%-5.8% (5.4%)
France - Office Investment property under development Level 3	30,146	22,396	DCF	▶ ERV ▶ Rental growth p.a. ▶ Long term vacancy rate ▶ Discount rate ▶ Construction cost ▶ Construction period ▶ Development profit	▶ €275- €310 (€290) ▶ 1.0%-1.5% (1.25%) ▶ 2%-4% (3%) ▶ 5.0%-5.6% (5.3%) ▶ €1,000 per sqm ▶ 36 months ▶ 20%	▶ €275- €300 (€285) ▶ 1.0%-1.4% (1.3%) ▶ 2%-4% (3%) ▶ 5.0%-5.5% (5.25%) ▶ €950 per sqm ▶ 48 months ▶ 20%
	483,627	411,016				

19. Fair value measurement – investment property and investment property under development *continued*

Commentary

IFRS 13 also requires specific disclosures about fair value measurements and fair value. IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 to be included in a tabular format, unless another format is more appropriate. The Group has included the disclosures in tabular format.

In addition to the disclosure requirements in IFRS 13, IAS 1 requires disclosure of the significant judgements management has made about the future and sources of estimation uncertainty. IAS 1.129(b) includes, as an example of such a disclosure, the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity. As such, information beyond that required by IFRS 13.93(h) may be needed in some circumstances.

Significant increases (decreases) in ERV and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. *IFRS 13.93(h)*

Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the ERV is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

Commentary

IFRS 13 requires only narrative information with respect to sensitivities. However, quantitative information on sensitivities may be useful for the users of financial statements. The Group has provided quantitative information on sensitivities as it believes that it would benefit the information needs of the users of their financial statements.

This analysis may not necessarily be for the same classes of assets as the IFRS 13 disclosures. However, a detailed sensitivity analysis may be useful in certain circumstances, such as when there is a significant estimation uncertainty pertaining only to the fair value of certain properties of an entity.

A quantitative sensitivity analysis is, as shown below:

		Effect on fair value	
	Sensitivity used	Completed Investment Property	Investment Property under development
		€000	€000
2018			
Increase in ERV	10%	57,900	3,750
Rental growth per annum	1%	55,600	3,200
Increase in long term vacancy rate	1%	(4,600)	(300)
Increase in discount rate/yield	0.25bps	(15,000)	(900)
Increase in construction cost	€100 per sqm	–	(2,000)
Increase in construction period	1 month	–	(200)
Market required development profit	10%	–	(3,000)

		Effect on fair value	
	Sensitivity used	Completed Investment Property	Investment Property under development
		€000	€000
2017			
Increase in ERV	10%	57,800	3,775
Rental growth per annum	1%	55,550	3,225
Increase in long term vacancy rate	1%	(4,575)	(315)
Increase in discount rate/yield	0.25bps	(15,100)	(925)
Increase in construction cost	€100 per sqm	–	(2,050)
Increase in construction period	1 month	–	(210)
Market required development profit	10%	–	(3,050)

20. Goodwill

	2018	2017	
	€000	€000	*IAS 36.134(a)*
Opening balance at 1 January	–	–	
Acquisition of Property Business Ltd (Note 7)	3,000	–	
Closing balance at 31 December	**3,000**	**–**	

Goodwill was recognised on the acquisition of Property Business Ltd (see Note 7) and is allocated to the Property Business Ltd group of CGUs comprised of retail and office buildings (each of which is considered a CGU) acquired with Property Business Ltd and represents the portfolio premium paid. *IAS 36.134(c)*

The Group performed its annual impairment test in December 2018 (2017: not applicable). The recoverable amount of the Property Business Ltd group of CGUs of €73,213,000, as at 31 December 2018, has been determined based on a value-in-use (VIU) calculation using cash flow projections from financial budgets approved *IAS 36.130(e)* *IAS 36.134 (d)(iii)* *IAS 36.134 (d)(iv)* *IAS 36.134 (d)(v)*
by executive management covering a five-year period. The projected cash flows have been updated to reflect the increased forecast profitability of the business from the synergies created by the acquisition of Property Business Ltd – in particular, those arising as a result of the Group entering the new location and the expert strategic management functions associated with the acquired property. The pre-tax discount rate applied to the cash flow projections is 14% for the retail buildings CGU and 13.7% for the office buildings CGU and cash flows beyond the five-year period are extrapolated using a 2.9% growth rate (2017: not applicable) that is the same as the long-term average growth rate for rentals in the Estateland retail and office market industry. As a result of the analysis, there is headroom of €6,538,000 and management did not identify impairment for the CGUs. *IAS 36.126(a)*

Key assumptions used in value in use (VIU) calculations

The calculation of VIU for the Property Business Ltd group of CGUs is most sensitive to the following assumptions: *IAS 36.134(d)(i)* *IAS 36.134 (d)(iii)*

- Rental income growth *IAS 36.134(f)*
- Discount rates *IAS 36.134(f)(i)*
- Growth rates used to extrapolate cash flows beyond the forecast period *IAS 36.134(f)(ii)* *IAS 36.134(f)(iii)*

Rental income growth – Rental income is based on average income received from these properties in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 2% per annum was applied.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax cash flows in order to reflect a pre-tax discount rate.

Growth rates used to extrapolate cash flows beyond the forecast period – Rates are based on published industry research.

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Rental income growth - A decline in occupancy rates or an inability to successfully negotiate rent rate may lead to a decline in rental income. A decrease in rental income of 5.0% would result in impairment.

Discount rates - A rise in pre-tax discount rate by 2% to 16.0% in the retail buildings CGU and by 1.3% to 15% in the office buildings CGU would result in impairment.

Growth rates used to extrapolate cash flows beyond the forecast period - Management recognises that development by competitors of new retail and office buildings in close proximity to property held by the Group can have a significant impact on growth rate assumptions. A reduction by 2.6% to 0.3% in the long-term growth rate would result in impairment.

20. Goodwill *continued*

Commentary

The Group has determined the recoverable amount of the group of CGUs based on the value in use under IAS 36 *Impairment of Assets*. If the recoverable amounts are determined using fair value less costs of disposal, IAS 36.134(e) requires disclosure of the valuation technique(s) and other information including: the key assumptions used; a description of management's approach to each key assumption; the level of fair value hierarchy and the reason(s) for changing valuation techniques, if there is any change. Furthermore, if fair value less cost of disposal is determined using discounted cash flow projections, additional information such as the period of cash flow projections, growth rate used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections are required to be disclosed. An entity is not required to provide disclosures required under IFRS 13, these disclosures under IAS 36.134(e) are similar to those under IFRS 13.

IAS 36.134(d)(i) requires disclosure of key assumptions made for each CGU for which the carrying amount of goodwill allocated is significant in comparison with the entity's total carrying amount of goodwill. Companies need to evaluate the significance of each assumption used for the purpose of this disclosure.

IAS 36.134(f) requires disclosures of sensitivity analysis for each CGU for which the carrying amount of goodwill allocated to that CGU is significant in comparison with the entity's total carrying amount of goodwill. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount. Entities need to also take into account the consequential effect of a change in one assumption or other assumptions, as part of the sensitivity analyses when determining the point at which the recoverable amount equals the carrying amount (IAS 36.134(f)(iii)).

It is sometimes argued that investment property entities that measure their property at fair value cannot have goodwill on their statements of financial position, since goodwill needs to be justified by future cash flows and a property investor's future cash flows are already built into the fair value of the investment property.

On a business combination, deferred tax is provided in accordance with IAS 12 and this is usually far in excess of the fair value of the expected tax liability. As it is the fair value of the expected actual tax payment that is generally considered in setting the price for the business acquired, the requirements of IAS 12 tend to increase the amount of goodwill arising.

Whilst IAS 36 explicitly requires tax to be excluded from the estimate of future cash flows used to calculate any impairment, it is our view that it cannot have been the intention of IAS 36 to require an immediate impairment of such goodwill generated by the recognition of deferred tax liabilities in excess of their fair value. Rather, the post-tax discount rate needs to be adjusted in order to determine the appropriate pre-tax discount rate. In effect, this means that, on acquisition, the deferred tax liability in excess of its fair value may be offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.

This is consistent with the view that goodwill can result from a measurement mismatch between two standards. The IASB acknowledged this can happen when, as noted above, it observed that goodwill could include "errors in measuring and recognising the fair value of either the cost of the business combination or the acquiree's identifiable assets, liabilities or contingent liabilities, or a requirement in an accounting standard to measure those identifiable items at an amount that is not fair value".

However, this approach can be used only when it is clear that the deferred tax provision arising from an acquisition of a business is in excess of the fair value of that liability.

It should be possible to continue to apply the above approach when testing the goodwill for impairment in subsequent years, but the entity will need to be able to track the deferred tax liability. Consequently, to the extent that the deferred tax provision in excess of the fair value of that liability is reduced or eliminated, perhaps through a change in the tax circumstances of the entity, the goodwill arising from the initial recognition of the provision may become impaired.

For further discussion refer to the EY publication issued in February 2016, *Applying IFRS: Goodwill hunting - Looking for property investors' missing cash flows*

21. Interest in joint ventures

The Group has a 50% interest in Westmeadow NV, a joint venture which owns shopping malls in the Netherlands. During 2018, the Group additionally acquired a 50% interest in Eastmeadow NV, a joint venture which also owns shopping malls in the Netherlands. The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements. Neither of these joint ventures have a quoted market price. Summarised financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

IFRS 12.20
IFRS 12.21
IFRS 12.B14
IFRS 12.21(b)(iii)

31 December 2018	**Eastmeadow NV**	**Westmeadow NV**	**Total**	
	€000	**€000**	**€000**	*IFRS 12.B12* *IFRS 12.B13*
Current assets, including cash & cash equivalents of €700,000 and €100,000 for Eastmeadow and Westmeadow, respectively	4,200	1,000	5,200	
Non-current assets –investment property	203,447	6,553	210,000	
	207,647	7,553	215,200	
Current liabilities including tax payable of €80 and €120,000 for Eastmeadow and Westmeadow, respectively	(2,200)	(500)	(2,700)	
Non-current liabilities including long term borrowings of €4,100,000 and €900,000 for Eastmeadow and Westmeadow, respectively	(4,500)	(1,500)	(6,000)	
	(6,700)	(2,000)	(8,700)	
Equity	200,947	5,553	206,500	
Proportion of the Group's interest	50%	50%	50%	
Group's carrying amount of the investment at 31 December 2018	**100,473**	**2,727**	**103,250**	*IFRS 12.B14(b)*
Period ending at 31 December 2018				
Rental income	7,446	6,910	14,356	*IFRS 12.B13*
Property expenses	(1,028)	(1,600)	(2,628)	*IFRS 12.B13*
Other expenses, including depreciation of €80,000 and €300,000, respectively, and finance expenses of €40,000 and €90,000 for Eastmeadow and Westmeadow, respectively	(390)	(810)	(1,200)	*IFRS 12.B13*
Loss on valuation of investment property	–	(1,500)	(1,500)	
Profit before income tax	**6,028**	**3,000**	**9,028**	
Income tax expense	(1,634)	(894)	(2,528)	*IFRS 12.B13*
Profit for the year	4,394	2,106	6,500	
Group's share of profit for 2018	**2,197**	**1,053**	**3,250**	

21. Interest in joint ventures *continued*

31 December 2017 (restated) (only Westmeadow NV)	**€000**	*IFRS 12.B12* *IFRS 12.B13*
Current assets, including cash & cash equivalents of €350,000	1,040	
Non-current assets – investment property	5,300	
	6,340	
Current liabilities including tax payable of €100,000	(540)	
Non-current liabilities including long term borrowings of €1,000,000	(1,200)	
	(1,740)	
Equity	4,600	
Proportion of the Group's ownership	50%	
Carrying amount of the investment at 31 December 2017	**2,300**	*IFRS 12.B14(b)*

Period ending at 31 December 2017		
Rental income	6,868	*IFRS 12.B13*
Property expenses	(1,516)	*IFRS 12.B13*
Other expenses, including depreciation of €300,000 and finance expense of €100,000	(802)	*IFRS 12.B13*
Loss on valuation of investment property	(938)	
Profit before income tax	**3,612**	
Income tax expense	(1,012)	*IFRS 12.B13*
Profit for the year	2,600	
Group's share of profit for 2017	**1,300**	

The Group has not incurred any contingent liabilities as at 31 December 2018 and 2017 in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the Group is contingently liable.

The Group has not entered into any capital commitments in relation to its interest in the joint ventures and did not receive any dividends from the joint ventures. The Group's share in the capital commitments of the joint ventures themselves is €5,200,000 (Note 35). *IFRS 12.22 (a)* *IFRS 12.23(a)* *IFRS 12.B18-B19*

22. Inventory property

The Group has a division that develops residential property, which it sells in the ordinary course of business and has entered into contracts to sell certain of these properties.

We refer to the significant accounting policies (Note 5).

A summary of movement in inventory property is set out below:

	2018	2017 (restated)	
	€000	€000	
At 1 January	**9,580**	**19,000**	
Development costs incurred	890	5,060	
Interest capitalised	110	520	*IAS 23.26(a)*
Transfer to completed investment property (Note 17)	(1,047)	–	*IAS 40.57*
Disposals (recognised in cost of sales)	(3,000)	(15,000)	*IAS 2.36(d)*
At 31 December	**6,533**	**9,580**	*IAS 2.36(b)*

The amounts recognised in cost of sales for the year are as follows:

	2018	2017 (restated)	
	€000	€000	
In respect of sale of property under development	3,481	1,471	
In respect of sale of completed property	3,000	15,000	*IAS 2.36(d)*
	6,481	**16,471**	
Amortisation of contract cost assets (see Note 23)	455	453	
Warranty provision (Note 28)	64	76	
	7,000	**17,000**	

23. Contract cost assets

IFRS 15.128

	2018	2017 (restated)
Costs to obtain contracts with customers	€000	€000
At 1 January	166	121
Additions	433	498
Amortisation for the year	(455)	(453)
At 31 December	**144**	**166**

The Group capitalised those sales commissions paid to its employees for contracts obtained to sell residential properties when they represent incremental costs of obtaining a contract. The capitalised costs are amortised on a systematic basis that is consistent with the transfer to the customer of the property to which the asset relates and amortisation for the period is recognised in cost of sales. No impairment was considered necessary as the remaining amount of consideration exceeded to a significant extent the remaining budgeted costs and the carrying amount of the contract cost assets.

24. Rent and other trade receivables and contract assets

	31 December 2018	31 December 2017 (restated)	
	€000	€000	
Rent receivables	6,364	7,091	
Receivables from related parties	4,630	1,810	
Trade receivables related to services to tenants	646	549	
Trade receivables in respect of inventory property sale – property under development	–	12,000	
Receivables arising from contracts with customers	646	12,549	
Total rent and other trade receivables	**11,640**	**21,450**	*IFRS 7R.6*

IFRS 15.116(a)

Receivables related to rent and services to tenants are billed three-months in advance, non-interest bearing and are typically due within 30 days. The acquisition of a subsidiary resulted in increase in the receivables of €600,000 in 2018 (Note 7). Receivables in respect of property under development are non-interest bearing and are generally on terms of 30 to 90 days. *IFRS 7R.34(a) IFRS 15.117 IFRS 15.118*

For further information on terms and conditions relating to related party receivables, refer to Note 31. *IAS 24.18*

	31 December 2018	31 December 2017 (restated)
	€000	€000
Contract assets	2,920	1,410

IFRS 15.116(a)

IFRS 15.117 IFRS 15.118

Contract assets are initially recognised for revenue earned from property under development rendered but yet to be billed to customers. Upon billing of invoice, the amounts recognised as contract assets are reclassified to trade receivables. The significant increase in contract assets in 2018 is mainly due to the increase in ongoing property under development at the end of the current year compared to prior year.

Commentary

IFRS 15.116 requires the disclosure of the opening balances of receivables and contract assets from contracts with customers, if not otherwise separately presented or disclosed. The Group has presented the balances as at 1 January 2017 to comply with this requirement.

The Group disclosed its receivables arising from contracts with customers separately from other receivables. It will be necessary for entities that have material receivables from non-IFRS 15 contracts to separate these balances for disclosure purposes. For example, an entity may have accounts receivable relating to leasing contracts that would need to be disclosed separately from accounts receivable related to contracts with customers.

The Group provided qualitative and quantitative disclosures of its contract balances and changes on those balances during the period. Entities are permitted to disclose information about contract balances, and changes therein, as they deem most appropriate, which would include a combination of tabular and narrative information.

As at 31 December 2018, a provision for impairment of €793,000 (2017: €510,000, restated) was recognised in relation to rent receivables, €49,000 (2017: €41,000, restated) in relation to other trade receivables and € 93,000 (2017: € 79,000, restated) in relation to contract assets. The main cause of the impairment allowances is the increased credit risk from local independent customers. *IFRS 15.118*

24. Rent and other trade receivables and contract assets *continued*

Movements in the provision for impairment of receivables were, as follows: *IFRS 7.37*

	Rent receivables	Other trade receivables	Contract assets	Total
	€000	€000	€000	€000
At 1 January 2017	**136**	**34**	**55**	**170**
Charge for the year (Note 10)	338	3	23	364
Utilised	(14)	(11)	(8)	(25)
At 31 December 2017	**413**	**26**	**70**	**509**
Impact of transition to IFRS 9	**97**	**15**	**9**	**121**
At 1 January 2018	**510**	**41**	**79**	**630**
Charge for the year (Note 10)	293	12	18	319
Utilised	(10)	(4)	(4)	(14)
At 31 December 2018	**793**	**49**	**93**	**935**

IFRS 15.113(b)

IFRS 7.16

The increase in the expected credit losses in 2018 was mainly caused by the increase in receivables from private tenants with no credit ratings.

Commentary

IFRS 7R.35B requires an entity to provide quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for the changes. Judgement is needed to determine the appropriate level of detail of these disclosures. The Group provided limited disclosures on the charge for the year to the provision for impairment on the ground of materiality.

IFRS 7R.35H requires tabular disclosure of a reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instrument. The Group has provided this required reconciliation for rent and other trade receivables and contract assets.

IFRS 7R.35I requires an entity to provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. However, it does not explicitly require a reconciliation of movements in the gross carrying amounts in a tabular format and the requirement could be addressed using a narrative explanation.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. *IFRS 7R.35F(c)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, rent and other trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The credit insurance is considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2018, 60% (2017: 65%) of the Groups rent and other trade receivables and contract assets are covered by credit insurance. These credit enhancements obtained by the Group resulted in a decrease in the ECL of €22,000 as at 31 December 2018 (2017: €21,000). The Group evaluates the concentration of risk with respect to rent and other trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. *IFRS 7R.35F(e)* *IFRS 7R.35K*

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are in several jurisdictions and industries and operate in largely independent markets.

24. Rent and other trade receivables and contract assets *continued*

Set out below is the information about the credit risk exposure on the Group's rent and other trade receivables and contract assets using a provision matrix: *IFRS 7R.35M* *IFRS 7R.35N*

31 December 2018	Rent and other trade receivables and contract assets							
		Days past due						
	Contract assets	Current	<30 days	30-60 days	61-90 days	91-120 days	> 120 days	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Expected credit loss rate	3.4%	1.5%	3.5%	6.9%	11.6%	26.7%	35.7%	
Carrying amount	3,022	7,434	1,032	1,427	1,052	906	621	15,495
Expected credit loss	102	112	36	98	122	242	222	935
Net amount	2,920	7,322	996	1,329	930	664	399	14,560

As permitted by IFRS 9, prior year's comparative information was not restated. As at 31 December 2017, the analysis of trade receivables that were past due is set out below: *IFRS 7.37*

31 December 2017 (restated)		Days past due					
	Current	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days	Total
	€000	€000	€000	€000	€000	€000	€000
Rent receivables	5,152*	872	437	397	413	330	**7,601**
Other trade receivables	12,398	68	33	23	17	51	**12,590**
	17,550	940	470	420	430	381	**20,270**
Related parties	1,315	223	109	76	54	33	**1,810**
Contract assets	1,489						1,489
	20,354	1,163	579	496	484	414	23,490
Impairment loss	(70)	(17)	(49)	(64)	(145)	(164)	**(509)**
Net carrying amount	20,284	1,146	530	432	339	250	**22,981**

* The receivables that are due from tenants vary between international A credit-rated businesses and local specialist retail tenants. The Group holds no collateral in respect of these receivables.

Total rent and other trade receivables	31 December 2018	31 December 2017 (restated)
	€000	€000
International A credit rated	2,041	9,290
Domestic B credit rated	3,223	7,782
Local independent	6,376	4,378
	11,640	21,450

Contract assets	31 December 2018	31 December 2017 (restated)
	€000	€000
International A credit rated	1,265	611
Domestic B credit rated	1,059	512
Local independent	596	288
	2,920	1,410

See Note 32 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of receivables that are neither past due nor impaired. *IFRS 7R.36(c)*

24. Rent and other trade receivables and contract assets *continued*

Commentary

As required by IFRS 9, the Group used the simplified approach in calculating ECL for trade receivables and contract assets that did not contain a significant financing component. The Group applied the practical expedient to calculate ECL using a provision matrix. In practice, many entities use a provision matrix to calculate their current impairment allowances. In order to comply with the IFRS 9 requirements, corporates would need to consider how current and forward-looking information might affect their customers' historical default rates and, consequently, how the information would affect their current expectations and estimates of ECLs.

The ECLs relating to cash and short-term deposits of the Group rounds to zero. In practice, an ECL may need to be charged on cash and short-term deposits.

Refer to our publication *Good Bank - Illustrative disclosures for IFRS 9 impairment and transition* for the illustrative disclosures on the general approach of measuring ECLs.

The Group adopted IFRS 9 which does not require restatement of comparative periods. The Group therefore retained the comparative information.

25. Cash and short-term deposits

	31 December 2018	31 December 2017	
	€000	€000	
Cash at bank and on hand	35,135	23,576	
Short-term deposits	42,903	11,042	
	78,038	**34,618**	*IAS 7.45*

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. *IAS 7.50*

The table below provides information regarding the credit risk exposure of the Group's cash and short-term deposits according to the Group's categorisation of counterparties by the Estateland Credit Agency's credit rating.

	31 December 2018	31 December 2017	
	€000	€000	*IFRS 7R.35M*
Banks with a credit rating of A or above	78,038	34,618	

26. Issued capital

	31 December 2018	31 December 2017	*IAS 1.79(a)(i)*
	Thousands	Thousands	*IAS 1.79(a)(iii)*
Authorised shares			
Ordinary share of €1 each (issued and fully paid)	227,700	193,700	

	31 December 2018	31 December 2017	
	€000	€000	*IAS 1.79(a)(iv)*
Ordinary shares issued and fully paid			
At 1 January	193,700	193,700	
Issued in the year	34,000	–	
At 31 December	**227,700**	**193,700**	

26. Issued capital *continued*

During the year, the authorised share capital was increased by €34,000,000 by the issue of 34,000,000 ordinary shares of €1 each, in exchange for a consideration of €40,000,000.

	31 December 2018 €000	31 December 2017 €000	IAS 1.78(e)
Share premium			
At 1 January	–	–	
Issued in the year	6,180	–	
Transaction costs for issued share capital	(184)	–	
At 31 December	**5,996**	**–**	

27. Interest-bearing loans and borrowings

Non-current	Effective interest rate (EIR) %	Maturity	31 December 2018 €000	31 December 2017 €000	IFRS 7R.7
€150,500,000 bank loan	*EURIBOR +0.45	1 November 2020	149,547	149,777	
€85,500,000 bank loan	*EURIBOR +0.55	1 April 2020	84,340	84,274	
€147,500,000 bank loan	*EURIBOR +0.55	1 March 2021	140,637	16,880	
£4,000,000 bank loan	LIBOR +2.5	30 April 2020	5,100	4,900	
			379,624	255,831	

The bank loans are secured by fixed and floating charges over the Group's property portfolio. The pledged assets as collateral include all items presented under 'Completed investment property' in the statement of financial position.

* Excludes the effects of related interest rate swaps.

€147,500,000 bank loan

The Group increased its borrowings under this loan contract by €124,000,000 (presented above with offsetting costs) during the reporting period. This loan principal is only repayable on 1 March 2021.

The reconciliation of the changes in liabilities arising from financing activities is provided in Note 36.

Commentary

Paragraph 7 of IFRS 7 *Financial Instruments: Disclosures* only requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. As the Group has a significant amount of interest-bearing loans and borrowings on its statement of financial position, it has decided to provide detailed information to the users of the financial statements about the effective interest rate (EIR) as well as the maturity of the loans.

28. Trade and other payables

	31 December 2018 €000	31 December 2017 (restated) €000
Trade payables	4,620	9,106
Cash settled share based payments (Note 30)	299	194
Unpaid contingent consideration (Note 7)	842	–
Provisions (see below)	60	71
Accruals	243	342
	6,064	**9,713**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

IFRS 7R.39

28. Trade and other payables *continued*

For explanations on the Group's liquidity risk management processes, refer to Note 32. *IFRS 7R.39(c)*

	31 December 2018	31 December 2017
	€000	€000
Contract liabilities – customer deposits and advance payments	472	306

Contract liabilities include non-refundable deposits received from customers on conditional exchange of contracts relating to sale of completed unit of property as part payment towards the purchase at completion date. This gives the Group protection if the customer withdraws from the conveyancing transaction. If this were to happen, the customers would forfeit their deposits. The standard conditions of sale provide for a 10% deposit to be paid on exchange of contracts, based on the purchase price and the value of the property and other items that have been agreed to be sold under the contract. *IFRS 15.117* *IFRS 15.118*

Contract liabilities also include €215,000 (2017: €183,000; 1 January 2017: €175,000) relating to the remaining portion of services to tenants and management fees billed three-months in advance.

The significant increase in contract liabilities in 2018 was mainly due to the 10% deposits received from the sale of €2,570,000 residential units upon conditional exchange of contracts in November 2018 (2017: €Nil). In 2017, €123,000 represents advance payments received in January 2017 for a sale of property which completed in May 2018. There were no customer deposits or advance payments received as at 1 January 2017.

Commentary

IFRS 15.116 requires the disclosure of the opening balances of contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. The Group has no contract liabilities as at 1 January 2017 and this fact is included in the narrative disclosure to comply with this requirement.

The Group provided qualitative and quantitative disclosures of its contact balances and changes on those balances during the period. Entities are permitted to disclose information about contract balances, and changes therein, as they deem to be most appropriate, which would include a combination of tabular and narrative information.

The table below provides an overview of the provision for warranties provided by the Group, which are accounted for as assurance-type warranties.

Provisions for assurance-type warranties

	2018	2017	
	€000	€000	
At 1 January	119	98	*IAS 37.84(a)*
Arising during the year	64	76	*IAS 37.84(b)*
Utilised	(82)	(55)	*IAS 37.84(c)*
At 31 December	**101**	**119**	
Current	**60**	**71**	
Non-current	**41**	**48**	

Commentary

The above table shows the voluntary disclosure of provisions for the comparative period as IAS 37.84 does not require such disclosure.

29. Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. These leases typically have lease terms between 20 and 100 years. Most are at a fixed rental, but a minority contain an obligation to pay a contingent rental calculated by reference to a retail price index. *IAS 17.31(e)*

	31 December 2018		31 December 2017		
	Present value of payments	**Minimum lease payments**	**Present value of payments**	**Minimum lease payments**	
	€000	**€000**	**€000**	**€000**	
Within 1 year	154	164	205	215	*IFRS 7R.39(a)*
After 1 year but not more than 5 years	510	655	465	670	
More than 5 years	1,049	1,156	1,085	1,110	
Total minimum lease payments	1,713	1,975	1,755	1,995	*IAS 17.31(b)*
Less: future interest costs	–	(262)	–	(240)	
Present value of minimum lease payments	1,713	1,713	1,755	1,755	

The amount recognised as an expense in the year in respect of contingent rental is €45,000 (2017: €42,000). *IAS 17.31(c)*
The reconciliation of the changes in liabilities arising from financing activities is provided in Note 36.

Commentary

IAS 17 *Leases* requires additional disclosures for material leasing arrangements, such as: the basis on which contingent rent payable is determined; the existence and terms of renewal or purchase options and escalation clauses; and restrictions imposed by the lease arrangements, such as dividends, additional debt and further leasing. If these disclosures are not included in the Group's financial statements, it is because they are not applicable to the Group's lease arrangements.

30. Share-based payments

Senior Executive Plan *IFRS 2.45(a)*

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months of service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group's EPS increases by 10% within three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the EPS performance condition is not met.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions on which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest. *IFRS 2.46*

The share options can be exercised up to two years after the three-year vesting period and therefore, the contractual term of each option granted is five years. There are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the SEP as an equity-settled plan.

General Employee Share-option Plan *IFRS 2.45(a)*

Under the General Employee Share Option Plan (GESP), the Group, at its discretion, may grant share options of the parent to employees other than senior executives, once the employees have completed two years of service. *IFRS 2.47(a)(iii)* Vesting of the share options is dependent on the Group's total shareholder return (TSR) as compared to a group of principal competitors. Employees must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of grant using a Monte Carlo simulation model, taking into account the terms and conditions on which the share options were granted. The model simulates the TSR and compares it with a group of principal competitors. It takes into account historical and expected dividends, and share price volatility of the Group relative to that of its competitors so as to predict the share performance.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards. The Group accounts for the GESP as an equity-settled plan. *IFRS 2.46*

Share appreciation rights

The Group's business development employees are granted share appreciation rights (SARs), settled in cash. *IFRS 2.45(a)* *IFRS 2.46* The SARs vest when a specified target number of new sales contracts are closed within three years from the date of grant and the employee continues to be employed by the Group at the vesting date. The share options can be exercised up to three years after the three-year vesting period and therefore, the contractual term of the SARs is six years. The fair value of the SARs is measured at each reporting date using a binomial option pricing model, taking into account the terms and conditions on which the instruments were granted and the current likelihood of achieving the specified target.

The carrying amount of the liability relating to the SARs at 31 December 2018 is €299,000 (2017: €194,000). *IFRS 2.51(b)* No SARs were granted or forfeited during the current or previous reporting period. No SARs have vested at 31 December 2018 and 31 December 2017, respectively.

The expense recognised for employee services received during the year is shown in the following table:

	2018	2017	
	€000	€000	
Expense arising from equity-settled share-based payment transactions	307	389	
Expense arising from cash-settled share-based payment transactions	105	194	
Total expense arising from share-based payment transactions	**412**	**583**	*IFRS 2.51(a)*

There were no cancellations or modifications to the awards in 2018 or 2017.

30. Share-based payments *continued*

Movements in the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	2018	2018 WAEP	2017	2017 WAEP	
Outstanding at 1 January	640,000	€4.02	525,000	€4.75	
Granted during the year	250,000	€3.85	155,000	€3.03	
Forfeited during the year	–	–	(25,000)	€5.33	
Exercised during the year	–	–	–	–	*IFRS 2.45(c)*
Expired during the year	(25,000)	€3.02	(15,000)	€4.83	
Outstanding at 31 December	**865,000**	€3.95	**640,000**	€4.02	*IFRS 2.45(d)*
Exercisable at 31 December	110,000	€4.98	100,000	€5.51	*IFRS 2.45(b)*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 2.94 years (2017: 2.60 years). *IFRS 2.45(d)*

The weighted average fair value of options granted during the year was €1.32 (2017: €1.18). *IFRS 2.47(a)*

The range of exercise prices for options outstanding at the end of the year was €3.02 to €6.85 (2017: €3.03 to €6.85). *IFRS 2.45(d)*

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2018 and 31 December 2017: *IFRS 2.47(a)(i)*

	2018 SEP	2018 GESP	2018 SAR
Weighted average fair values at the measurement date	€3.45	€3.10	€2.80
Dividend yield (%)	3.13	3.13	3.13
Expected volatility (%)	15.00	16.00	18.00
Risk-free interest rate (%)	5.10	5.10	5.10
Expected life of share options/SARs (years)	6.50	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12
Model used	Binomial	Monte Carlo	Binomial

	2017 SEP	2017 GESP	2017 SAR
Weighted average fair values at the measurement date	€3.30	€3.00	€2.60
Dividend yield (%)	3.01	3.01	3.01
Expected volatility (%)	16.30	17.50	18.10
Risk-free interest rate (%)	5.00	5.00	5.00
Expected life of options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88
Model used	Binomial	Monte Carlo	Binomial

The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. *IFRS 2.47(a)(ii)*

31. Related party disclosures

The consolidated financial statements of the Group include the financial statements of the parent and the subsidiaries and joint ventures. The principal activities of the Group are described in Note 13. The Group's significant investment in subsidiaries and joint ventures are listed in the following table: *IAS 24.12*

		% equity interest		
	Country of incorporation	**2018**	**2017**	*IAS 24.14*
Subsidiary				
Office portfolio 1 Sarl	Luxembourg	100	100	
Office portfolio 2 Sarl	Luxembourg	100	100	
Property Business Ltd	Estateland	80	–	
Residential Trading Limited	Estateland	100	100	
Residential Property A/S	Denmark	100	100	
Single Asset Entity 1 GmbH	Germany	94.9	94.9	
Single Asset Entity 2 GmbH	Germany	94.9	94.9	
Single Asset Entity 3 GmbH	Germany	94.9	94.9	
Single Asset Entity 4 GmbH	Germany	94.9	94.9	
Single Asset Entity 5 GmbH	Germany	94.9	94.9	
Single Asset Entity 6 GmbH	Germany	94.9	94.9	
Townhouse Trading GmbH	Germany	94.9	94.9	
Une Property 1 SA	France	100	100	
Une Property 2 SA	France	100	100	
Une Property 3 SA	France	100	100	
Une Property 4 SA	France	100	100	
Build-a-home Property SA	France	100	100	
Joint venture				
Westmeadow NV	The Netherlands	50	50	
Eastmeadow NV	The Netherlands	50	–	

There were no dividends paid to non-controlling interests in the year. The non-controlling interests in Single Asset Entity 1 GmbH through to Single Asset Entity 7 GmbH are considered immaterial. *IFRS 12.B10(a)*

IFRS 12.B10(b)

The non-controlling interest in Property Business Ltd is represented by a 20% interest in the Investment Property of €75,000,000 and other net liabilities of €5,950,000 as at 31 December 2018 and a 20% interest in the profit and net cash flows attributable to the group of €1,289,000 and €1,000,000, respectively, for the period ended 31 December 2018 (see Note 7 for more information on the assets and liabilities of Property Business Ltd). *IFRS 12.12*

Commentary

IFRS 12.10(a) requires entities to disclose information about the composition of the group. The list above discloses information about all of the Group's subsidiaries. Entities need to note, however, that this disclosure is required for material subsidiaries only, rather than a full list of every subsidiary. The above illustrates one example as to how the requirements set out in IFRS 12 can be met. However, local legislation or listing requirements may not require disclosure of a full list of all subsidiaries.

IFRS 12.12(b) requires entities to disclose certain information for each of its subsidiaries that have non-controlling interests that are material to the reporting entity. In the comparative period, the Group did not have a subsidiary with a material non-controlling interest. However, in 2018, an 80% interest in Property Business Ltd was acquired resulting in a non-controlling interest that is material for the Group as at the reporting date. Therefore, the Group disclosed the information required by paragraphs 12(a)-(f) for the current year only. The Group did not disclose information required by paragraph 12(g), since the acquisition occurred during the current year, but it included reference to the Note 7, where information on the business combination is disclosed. In the next year, the Group will disclose the information required by IFRS 12.12 for Property Business Ltd in full, provided that the non-controlling interest continues to be material.

Refer to EY's *Good Group (International) Limited 2018*, which illustrates the application of the requirements of paragraph 12(g) of IFRS 12.

When there is a change in the ownership of a subsidiary, IFRS 12.18 requires disclosure of a schedule that shows the effects on equity of any changes in its ownership interest in the subsidiary that did not result in a loss of control. When there are significant restrictions on the Group's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, IFRS 12.13 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such restrictions.

IFRS 12.10 (b) (iv) requires disclosure of information to enable the users to evaluate the consequences of losing control of a subsidiary during the period. The Group did not lose control over a subsidiary during the period.

31. Related party disclosures *continued*

The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

Fees recharged to joint ventures	Fees charged	Due from joint ventures at year end	Due to joint ventures at year end
	€000	€000	€000
2018	750	50	–
2017	750	50	–

Other related party receivables

IAS 24.21
IAS 24.18(b)

These are primarily trading balances (receivables related to rent and services to tenants) with a company over which a director has a significant influence. The amounts outstanding are disclosed in Note 24. The movement in the year is the result of cash transfers.

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are payable at 30 days, unsecured and interest free and settlement occurs in cash.

Commentary

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is only allowed if an entity can substantiate such terms. The Group was able to substantiate the terms and therefore provides the disclosure.

Compensation of key management personnel of the Group

	2018	2017	
	€000	€000	
Short-term employee benefits	810	775	*IAS 24.17(a)*
Other long-term benefits	98	65	*IAS 24.17(c)*
Termination benefits (Note 10)	32	–	*IAS 24.17(d)*
Share-based payment transactions	10	10	*IAS 24.17(e)*
Total compensation paid to key management personnel	**950**	**850**	

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Directors' interests in the Senior Executive Plan

Share options held by executive members of the Board of Directors under the senior executive plan to purchase ordinary shares have the following expiry dates and exercise prices:

Date of grant	Expiry date	Exercise price	2018	2017	*IAS 24.17(e)*
			Number outstanding	Number outstanding	
2017	2019	€2.33	10,000	10,000	
2017	2019	€3.13	83,000	83,000	
2018	2020	€3.85	27,000	–	
Total			**120,000**	**93,000**	

No share options have been granted to the non-executive members of the Board of Directors under this scheme. Refer to Note 30. Share-based payments for further details on the scheme.

Commentary

Certain jurisdictions may require additional and more extensive disclosures, e.g., about the remuneration and benefits of key management personnel and members of the Board of Directors.

32. Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of its property portfolio. The Group has rent and other trade receivables, trade and other payables and cash and short-term deposits that arise directly from its operations. *IFRS 7R.33*

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and currency risk. The financial instruments held by the Group that are affected by market risk are principally loans and borrowings and the derivative financial instruments. *IFRS 7R.33*

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017. *IFRS 7R.40*

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2018 and 2017.

The analyses exclude the impact of movements in market variables on the non-financial assets and liabilities of foreign operation. The analysis for the contingent consideration liability is provided in Note 7.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 31 December 2018 for the effects of the assumed changes of the underlying risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. *IFRS 7R.21A(a)* *IFRS 7R.22A*

To manage its interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2018, after taking into account the effect of interest rate swaps, 100% of the Group's borrowings are hedged (2017: 100%). *IFRS 7R.22B*

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

32. Financial instruments risk management objectives and policies *continued*

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives are all constant and using the hedge designations in place at the reporting date.

IFRS 7R.40 (a)

	Increase/(decrease) in basis points	Effect on equity	Effect on profit before tax
	€000	€000	€000
2018			
EURIBOR	+15	(786)	–
EURIBOR	-15	875	–
2017			
EURIBOR	+10	(510)	–
EURIBOR	-10	602	–

There is no impact on profit before tax because the floating rate financial liabilities are 100% hedged with floating to fixed interest rate swaps.

The effect on equity is the aggregate effect of the impact of the fair value of the hedging derivatives.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency) and its net investments in foreign subsidiaries.

IFRS 7R.21A(a)
IFRS 7R.22A

The Group has limited exposure to foreign currencies (primarily related to the activities of its subsidiary in Denmark). The Group limits its foreign currency risk by ensuring to the extent possible that the income and expenses in foreign currencies are in balance (natural hedge).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives.

IFRS 7R.33
IFRS 7R.35B

Tenant receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals and services to tenants in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

IFRS 7R.34(c)
IFRS 7R.B8

Receivables resulting from the sale of inventory property, property under development and contract assets

Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with its policies. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and may be updated throughout the year, subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risk and, therefore, mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2018 and 31 December 2017, respectively, is the carrying amounts of each class of financial instruments.

IFRS 7R.33
IFRS 7.36
IFRS 7R.B8
IFRS 7R.B10

32. Financial instruments risk management objectives and policies *continued*

Commentary

As required by IFRS 9, the Group used the simplified approach in calculating ECL for trade receivables and contract assets that did not contain a significant financing component. The Group applied the practical expedient to calculate ECL using a provision matrix. In practice, many entities use a provision matrix to calculate their current impairment allowances. However, in order to comply with the requirements of IFRS 9, corporates would need to consider how current and forward-looking information might affect their customers' historical default rates and, consequently, how the information would affect their current expectations and estimates of ECLs.

The ECLs relating to cash and short-term deposits of the Group rounds to zero. In practice, an ECL may need to be charged on cash and short-term deposits.

Refer to our publication, Good Bank - Illustrative disclosures for IFRS 9 impairment and transition for the illustrative disclosures on the general approach of measuring ECLs.

Liquidity risk

IFRS 7R.33

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

IFRS 7R.39

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

IFRS 7R.39(a)(b)

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings	–	521	2,582	400,696	–	403,799
Deposits from tenants	–	–	–	4,036	–	4,036
Finance leases	–	40	124	1,811	–	1,975
Financial derivatives	23	269	22	141	–	455
Trade and other payables	771	4,767	167	–	–	5,705
	794	**8,326**	**10,064**	**57,996**	**408,790**	**485,970**

31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings	–	2,183	6,550	314,934	–	323,667
Deposits from tenants	–	–	–	2,392	–	2,392
Finance leases	–	51	164	1,780	–	1,995
Financial derivatives	697	7,781	348	3,978	–	12,804
Trade and other payables	1,265	7,427	756	–	–	9,448
	1,962	**17,442**	**7,818**	**43,081**	**280,003**	**350,306**

The disclosed amounts for financial derivatives in the above table are the net undiscounted cash flows.

32. Financial instruments risk management objectives and policies *continued*

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

IFRS 7R.25
IFRS 7R.26
IFRS 7R.29

	Carrying amount		Fair value	
	2018	2017 (restated)	2018	2017 (restated)
	€000	€000	€000	€000
Financial liabilities				
Interest-bearing loans and borrowings	379,624	255,831	377,876	258,761
Deposits from tenants	3,634	2,285	3,650	2,285
Finance leases	1,713	1,755	1,700	1,755
Derivatives	425	12,804	425	12,804

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy (described in Note 5) as at 31 December 2018:

IFRS 13.91(a)
IFRS 13.93(a)
IFRS 13.93(b)
IFRS 13.97
IFRS 7R.29

31 December 2018	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Interest-bearing loans and borrowings	–	377,876	–	377,876
Deposits from tenants	–	3,650	–	3,650
Finance leases	–	1,700	–	1,700
Derivatives	–	425	–	425

31 December 2017 (restated)	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Interest-bearing loans and borrowings	–	258,761	–	258,761
Deposits from tenants	–	2,285	–	2,285
Finance leases	–	1,755	–	1,755
Derivatives	–	12,804	–	12,804

32. Financial instruments risk management objectives and policies *continued*

There were no transfers between Level 1 and 2 during 2018 or 2017.

IFRS 13.92
IFRS 13.93(b)(d)
IFRS 13.97

Management has assessed that the fair values of cash and short-term deposits, rent and other trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of obligations under finance leases and deposits from tenants is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques which employ the use of market observable inputs are mainly interest rate swaps. See Note 33 for information.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method, using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2018.

Commentary

An entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. An entity might disclose some or all of the following to comply with IFRS 13.92:

- The nature of the item being measured at fair value, including the characteristics of the item being measured that are taken into account in the determination of relevant inputs. For example, if the Group had residential mortgage-backed securities, it might disclose the following:
  - The types of underlying loans (e.g., prime loans or sub-prime loans)
  - Collateral
  - Guarantees or other credit enhancements
  - Seniority level of the tranches of securities
  - The year of issue
  - The weighted-average coupon rate of the underlying loans and the securities
  - The weighted-average maturity of the underlying loans and the securities
  - The geographical concentration of the underlying loans
  - Information about the credit ratings of the securities
- How third-party information such as broker quotes, pricing services, net asset values and relevant market data was taken into account when measuring fair value

The Group does not have any liabilities measured at fair value and issued with an inseparable third-party credit enhancement. If the Group had such liabilities, IFRS 13.98 requires disclosure of the existence of credit-enhancement and whether it is reflected in the fair value measurement of the liability.

IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in tabular format above.

IFRS 13.93(h)(ii) requires a quantitative sensitivity analysis for financial assets and financial liabilities that are measured at fair value on a recurring basis. For all other recurring fair value measurements that are categorised within Level 3 of the fair value hierarchy, an entity is required to provide:

- A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement
- If there are inter-relationships between the inputs and other unobservable inputs used in the fair value measurement, a description of the inter-relationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement

For this purpose, significance must be judged with respect to profit or loss and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. The Group's only financial liability that is categorised within Level 3 of the fair value hierarchy is a contingent consideration arising from a business combination. The Group included the quantitative sensitivity analysis for the contingent consideration in Note 7.

33. Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk. *IFRS 7R.21A*

The Group's risk management strategy and how it is applied to manage risk are explained in Note 32.

Commentary

The disclosure requirements for entities applying hedge accounting are set out in IFRS 7R.21A-24G. The objective of the hedge accounting disclosures is for entities to disclose information about:

- The risk management strategy and how it is applied to manage risks (IFRS 7R.22A-22C)
- How the risk management activities may affect the amount, timing and uncertainty of future cash flows (IFRS 7R.23A-23F)
- The effect hedge accounting has had on the statement of financial position, the statement of comprehensive income and the statement of changes in equity (IFRS 7R.24A-24F)

In applying this objective, an entity has to consider the necessary level of detail, the balance between different disclosure requirements, the appropriate level of disaggregation and whether additional explanations are necessary to meet the objective.

The hedge accounting disclosures should be presented in a single note or a separate section of the financial statements. An entity may include information by cross-referencing to information presented elsewhere, such as a risk report, provided that information is available to users of the financial statements on the same terms as the financial statements and at the same time.

Cash flow hedges

The Group has entered into interest rate swap contracts with notional amounts of €403,799,000 (2017: €323,667,000) whereby it pays a fixed rate of interest of between 5.25% and 5.75% and receives a variable rate based on EURIBOR/LIBOR on the notional amount. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (Note 27). The EURIBOR and LIBOR exposures are fully hedged. *IFRS 7R.23A*

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap contracts match the critical terms of the variable rate secured loans (i.e., notional amounts, interest rate index and payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items. However, this is regarded as insignificant at present. We refer to the discussion on the collateral in this notes for more information. *IFRS 7R.22B* *IFRS 7R.22C*

Commentary

As a result of the reforms mandated by the Financial Stability Board following the financial crisis, regulators are pushing for IBORs (e.g. EURIBOR or LIBOR) to be replaced by new benchmark rates, known as Risk-Free Rates (RFRs), such as the reformed Sterling Overnight Interest Average (SONIA). The uncertainties arising from IBOR reform could affect the 'highly probable' hedge accounting requirement, regardless of whether an entity designates the IBOR risk component of a floating-rate debt or the entire debt instrument as the hedged item. In December 2018, the IASB added a project to assess the effects of the IBOR reform on financial reporting. As a first phase of the project, the IASB decided to amend IAS 39 and IFRS 9 to provide relief to allow hedge accounting to continue despite the expected transition from IBOR to RFRs. The IASB plan to issue an Exposure Draft in April or May 2019 and to publish final amendments by December 2019, with an effective date of 1 January 2020.

Currently our view is that IBOR is still a risk component that is implicit in the context of the market structure, as debt instruments are currently priced by reference to, or are indexed to, IBOR and there is a liquid market for IBOR-based interest rate swaps for maturities that extend significantly beyond the possible IBOR replacement dates (e.g. 2021 for LIBOR). However, as the use of RFR-based instruments increases, there may come a time when IBOR is no longer the driver of the interest rate market, while closer to transition, the short-term variability of the spread between IBOR and RFRs will become a bigger source of ineffectiveness. IBOR would therefore no longer be an eligible risk component for hedging purposes and the designated hedged items will no longer be highly probable.

Preparers should monitor closely the IASB project and the developments in this area and consider to which extent, as the use of RFR-based instruments increases, the above considerations are applicable to their specific facts and circumstances and would require any specific disclosures, including a disclosure of the significant judgements made in assessing hedge effectiveness.

For further details on this topic, refer to IFRS Developments Issue 144, February 2019 '*IBOR reform: the IASB's proposals*'.

33. Hedging activities and derivatives *continued*

The interest swap contracts have the following maturity profile:

	Maturity				
Year ended 31 December 2018	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	€000	**€000**	**€000**	**€000**	**€000**
Interest rate swap contracts	–	–	403,799	–	403,799
Average rate of interest			5.53%		

Year ended 31 December 2017	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**	
	€000	**€000**	**€000**	**€000**	**€000**	
Interest rate swap contracts	–	–	323,667		323,667	*IFRS 7R.23B*
Average rate of interest			5.75%			

The impact of the hedging instruments on the statement of financial position is, as follows:

As at 31 December 2018	**Notional amount**	**Carrying amount**	**Line item in the statement of financial position**	**Change in fair value used for measuring ineffectiveness for the period**
	€000	**€000**		**€000**
Interest rate swap contracts	403,799	425	Derivative financial instruments	(12,379)

The change in fair value for discontinued hedges in 2018 was € 0 (2017: € 0).

As at 31 December 2017	**Notional amount**	**Carrying amount**	**Line item in the statement of financial position**	**Change in fair value used for measuring ineffectiveness for the period**	
	€000	**€000**		**€000**	*IFRS 7R.24A*
Interest rate swap contracts	323,667	12,804	Derivative financial instruments	(1,900)	*IFRS 7R.24A(a)* *IFRS 7R.24A(b)* *IFRS 7R.24A(c)* *IFRS 7R.24A(d)*

The impact of hedged items on the statement of financial position is, as follows:

	31 December 2018		**31 December 2017**	
	Change in fair value used for measuring ineffectiveness	**Cash flow hedge reserve**	**Change in fair value used for measuring ineffectiveness**	**Cash flow hedge reserve**
	€000	**€000**		**€000**
Interest rate swap contracts	65	(419)	52	(9,019)

The impact of the cash flow hedges in the statement of profit or loss and other comprehensive income is, as follows:

Year ended 31 December 2018	**Total hedging gain/(loss) recognised in OCI**	**Ineffectiveness recognised in profit or loss**	**Line item in the statement of profit or loss**	**Amount reclassified from OCI to profit or loss**	**Line item in the statement of profit or loss**	
	€000	**€000**		**€000**		*IFRS 7R.24B(b)*
Interest rate swap contracts	13,589	65	Finance cost	(1,275)	Finance cost	

33. Hedging activities and derivatives *continued*

IFRS 7R.24C(b)

Year ended 31 December 2017	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
	€000	€000		€000	
Interest rate swap contracts	(2,632)	52	Finance cost	680	Finance cost

Impact of hedging on equity

	Cash flow hedge reserve
	€000
As at 1 January 2017	(7,637)
Effective portion of changes in fair value arising from interest rate swap contracts	(2,632)
Amounts reclassified to profit or loss	680
Tax effect	570
As at 1 January 2018	(9,019)
Effective portion of changes in fair value arising from Interest rate swap contracts	13,589
Amounts reclassified to profit or loss	(1,275)
Tax effect	(3,714)
As at 31 December 2018	(419)

The loans and interest rate swaps have the same critical terms and are fully effective. Cash flows are expected to occur between November 2019 and March 2022 and will be recognised through profit or loss at that time.

The Group enters into interest rate swap contracts with various counterparties, principally financial institutions with investment grade credit ratings. The valuation techniques applied to fair value these derivatives employ the use of market observable inputs and include swap models which use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates. All interest rate swap contracts are fully cash collateralised, thereby reducing both counterparty and the Group's own non-performance risk.

The interest rate swaps are classified in Level 2 of the fair value measurement hierarchy. There were no transfers between Levels 1, 2 or 3 during 2018 or 2017.

34. Capital management

IAS 1.134

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital primarily using a loan-to-value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep its average loan-to-value ratio lower than 80%.

34. Capital management *continued*

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 80% to 85%. *IAS 1.135*

In order to achieve this overall objective, the Group's management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. During the current period, the Group did not breach any of its loan covenants, nor did it default on any of its obligations under its loan agreements. *IFRS 7R.18*

IAS 1.135(b)

	31 December 2018	31 December 2017
	€000	€000
Carrying amount of interest-bearing loans and borrowings (Note 27)	379,624	255,831
Unamortised borrowing costs	2,376	949
Principal amount of interest-bearing loans and borrowings	**382,000**	**256,780**
External valuation of completed investment property (Note 17)	452,991	388,620
External valuation of investment property under development (Note 18)	30,146	30,896
Total external valuation of investment property	**483,137**	**419,516**
Loan to value ratio	**79%**	**61%**

Commentary

IAS 1.134 and IAS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital.

The Group has disclosed a loan-to-property-value ratio as this is the measure it uses to monitor capital. Nevertheless, other measures may be more suitable for other entities.

IFRS 7R.18-19 requires disclosures in the event of a default or breaches as at the end of a reporting period and during the year. Although there are no explicit requirements addressing the opposite situation, the Group has disclosed the restriction on capital represented by financial covenants as it considers it relevant information to the users of the financial statements.

35. Contingencies and commitments

Commitments

As at 31 December 2018, the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property under development of €8,600,000 (2017: €15,200,000). There are no contractual commitments in respect of completed investment property. The Group's share in the capital commitments of the joint ventures themselves is €5,200,000 (Note 21). *IAS 40.75(h)*

Legal claim contingency

A previous tenant of the Group has commenced an action against the Group in respect of alterations to the leased property made during its tenancy. It has been estimated that the liability, should the action be successful, is €1,200,000. A trial date has not yet been set. Therefore, it is not practicable to state the timing of the payment, if any. The Group has been advised by legal counsel that it is possible, but not probable, the action will succeed and, accordingly, no provision for any liability has been made in these financial statements. *IAS 37.86*

Contingent liabilities

The Group recognised a contingent liability of €842,000 in the course of the acquisition of Property Business Ltd (see Notes 7 and 28).

Operating lease commitments – Group as a lessee *IAS 17.35(d)*

The Group has entered into an operating lease for the use of office space, with a lease term of nine years. The Group has the option to lease the asset for an additional term of five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows: *IAS 17.35(a)*

	31 December 2018	31 December 2017
	€000	€000
Within one year	255	250
After one year but not more than five years	612	600
More than five years	408	400
	1,275	1,250

36. Changes in liabilities arising from financing activities

IAS 7.44A
IAS 7.44C

	1 January 2018	Cash flows	Foreign exchange movements	New leases	Other movements	Change in fair value	31 December 2018
	€000	€000	€000	€000	€000	€000	€000
Current obligations under finance leases	205	(38)		–	(13)	–	154
Non-current interest-bearing loans and borrowings (excluding finance leases)	255,831	123,593	200	–	–	–	379,624
Non-current obligations under finance leases	1,550	–		100	(91)	–	1,559
Derivatives	12,804	–		–	1,210	(13,589)	425
Total liabilities from financing activities	270,390	123,755	200	100	1,106	(13,589)	381,762

IAS 7.44B, IAS 7. 44D

IAS 7.44A
IAS 7.44C

	1 January 2017	Cash flows	Foreign exchange movements	New leases	Other movements	Change in fair value	31 December 2017
	€000	€000	€000	€000	€000	€000	€000
Current obligations under finance leases	108	(130)		–	227	–	205
Non-current interest-bearing loans and borrowings (excluding finance leases)	168,763	87,183	(115)	–	–	–	255,831
Non-current obligations under finance leases	1,487	–		300	(237)	–	1,550
Derivatives	10,904	–		–	(732)	2,632	12,804
Total liabilities from financing activities	181,262	87,053	-115	300	(742)	2,632	270,390

IAS 1.38
IAS 7.44B, IAS 7.44D

36. Changes in liabilities arising from financing activities *continued*

The other movements include the reclassification of the non-current obligations under finance leases that will be due in the next reporting period.

Commentary

Paragraph 44C of IAS 7 states that liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group disclosed information about its interest-bearing loans and borrowings including its obligations under finance lease. In addition, the Group included information on certain derivatives as their settlement will affect financing cash flows.

The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it must provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Group decided to provide information in a reconciliation format. The major changes in the Group's liabilities arising from financing activities are due to financing cash flows and accrual of financial liabilities. The Group did not acquire any liabilities from financing activities during business combinations effected in the current period or comparative period.

37. Events after the reporting period

Investment property held for sale

IAS 10.21

As at 31 December 2018, the Group held two retail investment properties that were under offer from a third party. The assessed fair value of these properties as at 31 December 2018 was €10,560,000 and they are classified as 'held for sale' in the statement of financial position (Note 17). These properties were disposed of in January 2019 for €10,360,000, after taking into account attributable expenses, realising a loss on book value of €200,000.

Commentary

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. IFRS 5.5B states that the requirements of other standards do not apply to discontinued operations, unless the other standards specify disclosures that are applicable to them. The Group did not have discontinued operations during the period.

In IFRS 5.41, the standard requires additional disclosures in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

- a description of the non-current asset (or disposal group)
- a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal
- the gain or loss recognised in accordance with IFRS 5.20-22 and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss
- if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8

Appendix 1 EPRA Performance Measurements

The European Public Real Estate Association (EPRA) is neither an accounting body nor a valuation body, but it publishes Performance Measurements in its Best Practice Recommendations (BPR) which aim to achieve uniform accounting and valuation principles amongst its members. There is no requirement in IFRS to present EPRA Performance Measurements in the financial statements. Other industry organisations, such as the European Association for Investors in Non-Listed Real Estate Vehicles (INREV), have their own metrics. EPRA is principally followed by public companies, whereas INREV is aimed at private entities. EPRA recommends the following metrics:

Measure	Definition	Purpose	Example
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations.	Note 1 EPRA Net Initial Yield (NIY & Topped up NIY)
EPRA Topped up NIY	NIY adjusted for the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	To show a long- term sustainable yield (assuming rent free periods are offered once off).	Note 1
EPRA Earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	Note 2 EPRA earnings
EPRA NAV	Net Asset Value (NAV) adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	To provide with information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	Note 3 EPRA Net Asset Value (NAV & NNNAV)
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	To provide with information on the current fair value of all the assets and liabilities within a real estate company.	Note 3 EPRA Net Asset Value (NAV & NNNAV)
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	Not illustrated
EPRA Cost Ratios	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	Note 4 EPRA Cost ratios

Entities sometimes include EPRA Performance Measurements in such sections of their Annual Report to avoid the need for sign-off by the auditors.

We note that:

a) If the EPRA Performance Measurements are spread over the annual report, the EPRA recommends a table with reference to the pages of the Annual Report where the Performance Measurements can be found

b) Some regulators disallow the use of non-GAAP measures such as those recommended by the EPRA BPR, or accept them only under certain conditions, such as the inclusion of reconciliation to the nearest IFRS number. For example, the European Securities and Markets Authority (ESMA) have issued Guidelines on such Alternative Performance Measures (APMs) that require:

- APMs to be clearly defined, the basis of calculation disclosed and details given on material assumptions used
- The calculation of the APMs to be consistent over time
- APMs to be reconciled to the most directly reconcilable item in the financial statements
- The relevance and use of the APMs to be explained
- Comparatives be provided

Appendix 1 EPRA Performance Measurements *continued*

Note 1 EPRA Net Initial Yield (NIY & Topped up NIY)

EPRA NIY is calculated as the annualised rental income on the cash rents passing at the reporting date, less property expenses and divided by the gross market value of the property. The 'Topped up' NIY adjusts these amounts with reference to the expiration of rent free periods or other lease incentives, such as discounted rent periods and step rents.

	2018 €000	2017 €000
Completed Investment property – wholly owned	452,991	388,620
Completed Investment property – share of joint ventures	105,000	2,650
Inventory *at fair value**	–	–
Gross completed property portfolio valuation	**557,991**	**391,270**
Annualised cash rent passing - wholly owned property	28,150	24,200
Annualised cash rent passing – share of joint ventures	11,100	3,240
Property outgoings (excluding those costs allowed in EPRA BPR) – wholly owned	(2,005)	(3,050)
Property outgoings (excluding those costs allowed in EPRA BPR) – share of joint ventures	(2,320)	(626)
Shortfall on services to tenants/Service charge shortfall	(70)	(57)
Annualised net rents	**34,855**	**23,707**
Notional rent expiration of rent free periods	1,610	1,205
Topped up net annualised rent	**36,465**	**24,912**
	%	%
EPRA NIY	6.2	6.0
EPRA Topped up NIY	6.5	6.4

** This is considered as nil as it relates to development.*

Note 2 EPRA earnings

The EPRA considers that its earnings metric is a measure of underlying operational performance to reflect the income return on investment rather than a capital return. It, therefore, excludes certain items such as valuation gains and profits and losses on disposals.

	2018 €000	2017 €000
Earnings for basic EPS	20,824	13,521
Revaluation movements on investment property	(18,900)	(11,485)
Related deferred tax	4,158	2,086
Profit on disposal of investment property	(2,000)	–
Current tax on disposal of investment property	510	–
Non-controlling interest in respect of the above	1,623	665
Earnings for EPRA EPS	**6,215**	**4,787**
	€ per share	**€ per share**
EPRA EPS	0.03	0.02

Appendix 1 EPRA Performance Measurements *continued*

Note 3 EPRA Net Asset Value (NAV & NNNAV)

EPRA NAV

The EPRA NAV seeks to represent the fair value of an entity's equity on a long-term basis, which is not equivalent to fair value as defined in IFRS 13. Items that EPRA considers will have no impact on the long term, such as value of derivatives and deferred taxes on property values, are therefore excluded.

	2018	2017
	€000	€000
Basic NAV	285,413	217,382
Value of derivatives	425	12,804
Deferred taxation	11,314	(2,992)
Goodwill caused by deferred taxation on a business combination	(2,600)	–
Adjustment to measure inventory property at fair value, otherwise held at cost	850	1,100
NCI in respect of the above	(899)	(873)
EPRA NAV	**294,503**	**227,421**
	€ per share	**€ per share**
EPRA NAV	1.29	1.17

EPRA NNNAV

Whilst EPRA NAV seeks to provide a consistent measure of the value of the Group on an ongoing basis, NNNAV is designed to provide a spot measure of NAV including all assets and liabilities at fair value. Items that the EPRA considers should be included, therefore, are the fair value of financial instruments and deferred taxes on property values on a fair value basis.

	2018	2017
	€000	€000
EPRA NAV	294,503	227,421
Fair value of financial instruments	(425)	(12,804)
Deferred taxation *at fair value*	4,500	–
EPRA NNNAV	**298,578**	**214,617**
	€ per share	**€ per share**
EPRA NNNAV	1.31	1.11

Note 4 EPRA Cost ratios

EPRA cost ratios are intended to provide a consistent base-line from which companies can provide further information and describe ratios including 'direct vacancy costs' and 'excluding direct vacancy costs'. Direct vacancy costs are property expenses that are directly related to the property (and have been included in the administrative/operating expenses) including the following: rates/property taxes, services to tenants (service charges), the relevant units' contributions to the tenant association's share of marketing costs, insurance premiums, CRC – carbon tax or any other costs directly billed to the unit, e.g., individually metered energy bills.

	2018	2017
	€000	€000
Administrative costs	4,876	4,276
Property operating costs	2,118	3,149
Net costs on services to tenants (service charges)	70	57
Share of joint venture expenses	1,659	959
EPRA costs (including direct vacancy costs)	**8,723**	**8,441**
Direct vacancy costs	248	250
EPRA costs (excluding direct vacancy costs)	**8,971**	**8,671**
Gross rental income	22,470	24,333
Share of joint venture gross rental income	7,178	3,434
EPRA gross rental income	**29,648**	**27,767**
	%	%
EPRA cost ratio (including direct vacancy costs)	29.4	30.4
EPRA cost ratio (excluding direct vacancy costs)	30.2	31.2

Appendix 2 – Information in other illustrative financial statements available

IFRS are illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Investment Fund (Equity and Liability)	**Good Real Estate**	Good Mining	Good Petroleum	Good Bank	Good Insurance (IFRS 4)	Good Insurance (IFRS 17 - General model and PAA)
International Financial Reporting Standards (IFRS)												
IFRS 1	*First-time Adoption of International Financial Reporting Standards*				✓				✓			
IFRS 2	*Share-based Payment*	✓	✓	✓	✓		✓				✓	
IFRS 3	*Business Combinations*	✓	✓	✓	✓		✓	✓	✓	✓	✓	
IFRS 4	*Insurance Contracts*										✓	
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	✓	✓	✓	✓		✓			✓		
IFRS 6	*Exploration for and Evaluation of Mineral Resources*							✓	✓			
IFRS 7	*Financial Instruments: Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	*Operating Segments*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IFRS 9	*Financial Instruments*	✓	✓	✓		✓				✓		✓
IFRS 10	*Consolidated Financial Statements*	✓	✓	✓			✓			✓	✓	
IFRS 11	*Joint Arrangements*	✓	✓	✓			✓		✓			
IFRS 12	*Disclosure of Interests in Other Entities*	✓	✓				✓	✓	✓	✓	✓	
IFRS 13	*Fair Value Measurement*	✓	✓	✓			✓	✓	✓	✓	✓	
IFRS 14	*Regulatory Deferral Accounts*											
IFRS 15	*Revenue from Contracts with Customers*	✓	✓	✓		✓	✓					
IFRS 16	*Leases*											
IFRS 17	*Insurance Contracts*											✓
International Accounting Standards (IAS)												
IAS 1	*Presentation of Financial Statements*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 2	*Inventories*	✓	✓	✓	✓		✓	✓	✓			
IAS 7	*Statement of Cash Flows*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓	✓	✓	✓	✓	✓	✓	✓		✓	
IAS 10	*Events after the Reporting Period*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 12	*Income Taxes*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 16	*Property, Plant and Equipment*	✓	✓		✓			✓	✓	✓	✓	
IAS 17	*Leases*	✓	✓	✓	✓		✓	✓	✓	✓	✓	
IAS 19	*Employee Benefits*	✓	✓	✓	✓			✓	✓	✓	✓	
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	✓	✓	✓	✓							
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 23	*Borrowing Costs*	✓	✓	✓	✓		✓	✓	✓	✓	✓	
IAS 24	*Related Party Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*											
IAS 27	*Separate Financial Statements*											
IAS 28	*Investments in Associates and Joint Ventures*	✓	✓	✓	✓		✓		✓	✓	✓	

		Good Group	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Investment Fund (Equity and Liability)	**Good Real Estate**	Good Mining	Good Petroleum	Good Bank	Good Insurance (IFRS 4)	Good Insurance (IFRS 17 - General model and PAA)
International Accounting Standards (IAS) *continued*												
IAS 29	*Financial Reporting in Hyperinflationary Economies*											
IAS 32	*Financial Instruments: Presentation*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 33	*Earnings per Share*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 34	*Interim Financial Reporting*			✓								
IAS 36	*Impairment of Assets*	✓	✓	✓	✓		✓	✓	✓	✓	✓	
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
IAS 38	*Intangible Assets*	✓	✓	✓	✓		✓	✓	✓	✓	✓	
IAS 40	*Investment Property*	✓	✓	✓	✓		✓				✓	
IAS 41	*Agriculture*											
Interpretations												
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓	✓	✓	✓			✓	✓			
IFRIC 2	*Members' Shares in Co–operative Entities and Similar Instruments*											
IFRIC 4	*Determining whether an Arrangement contains a Lease*	✓	✓	✓	✓			✓	✓			
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓				✓	✓			
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	✓	✓	✓	✓							
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*											
IFRIC 9	*Reassessment of Embedded Derivatives*	✓	✓	✓						✓	✓	
IFRIC 10	*Interim Financial Reporting and Impairment*	✓	✓	✓								
IFRIC 12	*Service Concession Arrangements*											
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*											
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	✓	✓	✓	✓							
IFRIC 17	*Distributions of Non-cash Assets to Owners*				✓							
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*											
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*							✓				
IFRIC 21	*Levies*	✓	✓	✓						✓		
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	✓										
IFRIC 23	*Uncertainty over Income Tax Treatments*											
SIC 7	*Introduction of the Euro*											
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*											
SIC 15	*Operating Leases – Incentives*	✓	✓	✓	✓		✓					
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*				✓							
SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓	✓	✓	✓							
SIC 29	*Service Concession Arrangements: Disclosures*											
SIC 32	*Intangible Assets – Web Site Costs*											

✓ This standard or interpretation is incorporated into these illustrative financial statements.

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