



IFRS Core Tools

# Good Real Estate Group (International) Limited

Illustrative consolidated  
financial statements for the  
year ended 31 December 2019

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## 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 (formerly IFRIC) 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 illustrative financial statements are intended 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 *Good Real Estate Group (International) Limited - Illustrative consolidated financial statements for the year ended 31 December 2019*, 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* 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	<ul style="list-style-type: none"> <li>▶ Corporate and Group information</li> </ul>
Basis of preparation and other significant accounting policies	<ul style="list-style-type: none"> <li>▶ Basis of preparation</li> <li>▶ Other significant accounting policies not covered in other sections (below)</li> <li>▶ Changes in accounting policies and disclosures</li> <li>▶ Fair value measurement and related fair value disclosures</li> <li>▶ Impact of standards issued but not yet effective</li> </ul>
Group business, operations, and management	<ul style="list-style-type: none"> <li>▶ Revenue from contracts with customers</li> <li>▶ Financial instruments risk management objectives and policies</li> <li>▶ Hedging activities and derivatives</li> <li>▶ Capital management</li> <li>▶ Distributions made and proposed</li> <li>▶ Segment information</li> <li>▶ Basis of consolidation and information on material partly-owned subsidiaries</li> <li>▶ Interest in joint ventures and investment in associates</li> </ul>

Sections	For example, comprising:
	<ul style="list-style-type: none"> <li>▶ Leases</li> </ul>
Significant transactions and events	<ul style="list-style-type: none"> <li>▶ Business combinations and acquisitions of non-controlling interests</li> <li>▶ Discontinued operations</li> <li>▶ Impairment of goodwill and intangible assets with indefinite lives</li> <li>▶ Related party disclosures</li> <li>▶ Events after the reporting period</li> </ul>
Detailed information on statement of profit or loss and other comprehensive income items	<ul style="list-style-type: none"> <li>▶ Other operating income and expenses</li> <li>▶ Finance income and costs</li> <li>▶ Depreciation, amortisation, foreign exchange differences and costs of inventories</li> <li>▶ Detailed breakdown of administrative, employee benefits and research and development expenses</li> <li>▶ Share-based payments</li> <li>▶ Components of other comprehensive income</li> <li>▶ Earnings per share</li> </ul>
Detailed information on statement of financial position items	<ul style="list-style-type: none"> <li>▶ Income tax</li> <li>▶ Property, plant and equipment, investment properties and intangible assets</li> <li>▶ Financial assets and liabilities</li> <li>▶ Inventories</li> <li>▶ Contract cost assets</li> <li>▶ Trade receivables and contract assets</li> <li>▶ Cash and short-term deposits</li> <li>▶ Issued capital and reserves</li> <li>▶ Provisions</li> <li>▶ Government grants</li> <li>▶ Trade payables</li> <li>▶ Contract liabilities</li> <li>▶ Pensions and other post-employment benefits</li> </ul>
Commitments and contingencies	<ul style="list-style-type: none"> <li>▶ Commitments</li> <li>▶ Legal claim contingency</li> <li>▶ Guarantees</li> <li>▶ Other contingent liabilities</li> </ul>

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 users of the financial statements with a more holistic discussion. 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 *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. IFRS Practice Statement 2 *Making Materiality Judgements* provides practical guidance and examples that entities may find helpful in deciding whether information is material. The Practice Statement is not mandatory. 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 2019* 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](http://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 (IFRS 4)
- ▶ Good Life Insurance (International) Limited
- ▶ Good General Insurance (International) Limited

In Appendix 3, 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 (IASs) 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). IASB members are 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 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 2019**

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

The standards applied in these illustrative financial statements are those that were in issue as at 30 June 2019 and effective for annual periods beginning on or after 1 January 2019. 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 2019 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 16 *Leases* in its 2019 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 2019. Therefore, the standard would not have been applicable in the financial statements of an entity with a year end of 30 September 2019, 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 policies 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 these cases, the commentary provides details of which policy has been selected, and the reasons for the policy selection.

### **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. IFRS Practice Statement 1, *Management Commentary* provides a 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. 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 2019 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 2019. 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 2018 edition due to changes in standards and interpretations, we have disclosed the impact of those changes in Note [3](#).

Other changes from the 2018 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 at 1 January 2019:

- ▶ IFRS 16 *Leases*
- ▶ IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
- ▶ Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- ▶ Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- ▶ Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- ▶ Annual IFRS Improvement Process
  - ▶ Amendments to IFRS 3 *Business Combinations* - Previously held Interests in a joint operation
  - ▶ Amendments to IFRS 11 *Joint Arrangements* - Previously held Interests in a joint operation
  - ▶ Amendments to IAS 12 *Income Taxes* - Income tax consequences of payments on financial instruments classified as equity
  - ▶ Amendments to IAS 23 *Borrowing Costs* - Borrowing costs eligible for capitalisation



# Good Real Estate Group (International) Limited

31 December 2019

## **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 on 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 2019

		2019	2018	
	Notes	€000	€000	
			<b>Restated (Note 3)</b>	
Rental income	<a href="#">8</a>	22,470	24,333	IAS 1.51(c) IAS 1.10(b) IAS 1.10A IAS 1.81A IAS 1.51(d)(e)
Revenue from services to tenants	<a href="#">8</a>	2,584	2,197	
Expense from services to tenants	<a href="#">10</a>	(2,654)	(2,254)	
Other property operating expenses	<a href="#">10</a>	(2,118)	(3,149)	IAS 40.75(f)(ii), (iii)
<b>Net rental income</b>		<b>20,282</b>	<b>21,127</b>	IAS 1.85
Revenue from the sale of completed inventory property	<a href="#">8</a>	5,000	13,750	
Revenue from the sale of inventory property under development	<a href="#">8</a>	6,000	3,000	
Cost of sales - inventory property	<a href="#">22</a>	(7,000)	(17,000)	IAS 1.99, IAS 1.103, IAS 2.36(d)
<b>Profit/(loss) on inventory property</b>		<b>4,000</b>	<b>(250)</b>	IAS 1.85
Administrative expenses	<a href="#">10</a>	(4,876)	(4,276)	IAS 1.99, IAS 1.103
Profit on disposal of investment property	<a href="#">17</a>	2,000	-	IAS 40.69
Valuation gains from completed investment property	<a href="#">17, 19</a>	14,980	9,480	IAS 40.76(d)
Valuation gains from investment property under development	<a href="#">18, 19</a>	3,920	2,005	IAS 40.76(d)
<b>Net gains on investment property</b>		<b>20,900</b>	<b>11,485</b>	
<b>Operating profit</b>		<b>40,306</b>	<b>28,086</b>	IAS 1.85, IAS 1.85-56
Interest revenue calculated using the effective interest method	<a href="#">11</a>	8,765	7,457	IAS 1.82(a)
Other finance income	<a href="#">11</a>	430	102	IAS 1.85
Finance costs	<a href="#">12</a>	(22,040)	(18,869)	IAS 1.82(b), IFRS 7.20
Share of profit of joint ventures	<a href="#">21</a>	3,250	1,300	IAS 1.82(c)
<b>Profit before tax</b>		<b>30,711</b>	<b>18,076</b>	IAS 1.103, IAS 1.85
Income tax expense	<a href="#">14</a>	(7,298)	(3,597)	IAS 1.82(d), IAS 12.77
<b>Profit for the year</b>		<b>23,413</b>	<b>14,479</b>	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)
		<b>23,413</b>	<b>14,479</b>	
Earnings per share:				
Basic and diluted earnings	<a href="#">15</a>	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(c) 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 presented 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.

IFRS 16.49 requires a lessee to present in the statement of profit or loss, the interest expense on lease liabilities separately from the depreciation charge for the right-of-use asset. The interest expense on the lease liabilities is a component of finance costs, which IAS 1.82(b) requires to be presented separately in the statement of profit or loss. Consistent with this requirement, the Group presented interest expense on lease liabilities under 'finance costs' and the depreciation charge on the right-of-use asset under 'administrative expenses'. The depreciation charge relates solely to leased office space, since the Group's investment properties held under lease are not depreciated, but measured at fair value subsequent to initial recognition.

# Consolidated statement of comprehensive income

for the year ended 31 December 2019

	2019	2018	
Notes	€000	€000	IAS 1.49 IAS 1.81A IAS 1.10(b) IAS 1.51
		<b>Restated (Note 3)</b>	
<b>Profit for the year</b>	<b>23,413</b>	<b>14,479</b>	IAS 1.90 IAS 12.61A IAS 1.81A(a) IAS 1.82A
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Net gains/(losses) on cash flow hedges arising during the year	33 13,589	(2,632)	IFRS 7.24C(b)(i)
Amounts reclassified to profit or loss in respect of cash flow hedges	33 (1,275)	680	IAS 1.92 IFRS 7.24C(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)	
<b>Other comprehensive income/(loss), net of tax, that may be reclassified to profit or loss in subsequent periods</b>	<b>6,900</b>	<b>(3,036)</b>	IAS 1.82A(b)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
<b>Other comprehensive income, net of tax, that will not be reclassified to profit or loss in subsequent periods</b>	—	—	IAS 1.82A(a)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>6,900</b>	<b>(3,036)</b>	IAS 1.81A(b)
<b>Total comprehensive income for the year, net of tax</b>	<b>30,313</b>	<b>11,443</b>	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)
	<b>30,313</b>	<b>11,443</b>	

## 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.

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 1.90 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 2019

		2019	2018	As at 1 January 2018	
	Notes	€000	€000	€000	
			Restated (Note 3)	Restated (Note 3)	
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	<a href="#">7, 20</a>	3,000	–	–	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
Completed investment property	<a href="#">17, 19</a>	452,991	388,620	302,240	IAS 1.60 IAS 1.54(c)
Investment property under development	<a href="#">18, 19</a>	30,146	30,896	9,540	IAS 1.54(b)
Right-of-use assets	<a href="#">29</a>	1,128	1,045	1,219	IAS 1.54(b)
Investments in joint ventures	<a href="#">21</a>	103,250	2,300	1,000	IFRS 16.47
Deferred tax assets	<a href="#">14</a>	–	2,992	3,752	IAS 1.54(e) IAS 1.54(o), IAS 1.56
		<b>590,515</b>	<b>425,853</b>	<b>317,751</b>	
<b>Current assets</b>					
Inventory property	<a href="#">22</a>	6,533	9,580	19,000	IAS 1.60, IAS 1.66
Contract cost assets	<a href="#">23</a>	144	166	121	IAS 1.54(g)
Rent and other trade receivables	<a href="#">24</a>	11,640	21,450	16,310	IAS 1.55
Contract assets	<a href="#">24</a>	2,920	1,410	2,543	IAS 1.54(h), IFRS 15.105
Prepayments		9,950	12,513	13,744	IFRS 15.105,
Cash and short-term deposits	<a href="#">25</a>	78,038	34,618	33,165	IAS 1.55
		<b>109,225</b>	<b>79,737</b>	<b>84,883</b>	IAS 1.54(i)
Investment property held for sale	<a href="#">17, 19, 37</a>	<b>10,560</b>	–	–	IAS 1.54(j), IFRS 5.38
<b>Total assets</b>		<b>710,300</b>	<b>505,590</b>	<b>402,634</b>	
<b>Equity and liabilities</b>					
Issued share capital	<a href="#">26</a>	227,700	193,700	193,700	IAS 1.54(r), IAS 1.78(e)
Share premium	<a href="#">26</a>	5,996	–	–	
Cash flow hedge reserve		(419)	(9,019)	(7,637)	
Foreign currency translation reserve		(4,398)	(2,698)	(1,044)	
Retained earnings		56,621	35,490	21,580	
<b>Equity attributable to equity holders of the parent</b>		<b>285,500</b>	<b>217,473</b>	<b>206,599</b>	
Non-controlling interests		18,202	1,803	845	IAS 1.54(q)
<b>Total equity</b>		<b>303,702</b>	<b>219,276</b>	<b>207,444</b>	
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	<a href="#">27</a>	379,624	255,831	168,763	IAS 1.60 IAS 1.54(m)
Rent deposits from tenants		3,593	2,142	1,906	IAS 1.55
Provisions	<a href="#">28</a>	41	48	39	IAS 1.54(l)
Lease liabilities, non-current portion	<a href="#">29</a>	2,558	2,516	1,135	IAS 1.54(m), IAS 1.55
Deferred tax liability	<a href="#">14</a>	11,314	–	–	IAS 1.54(o), IAS 1.56
Derivative financial instruments	<a href="#">33</a>	425	12,804	10,904	IAS 1.54(m), IFRS 7.8
		<b>397,555</b>	<b>273,341</b>	<b>182,747</b>	
<b>Current liabilities</b>					
Trade and other payables	<a href="#">28</a>	6,064	10,019	10,120	IAS 1.60, IAS 1.69
Contract liabilities	<a href="#">28</a>	472	306	204	IAS 1.54(k)
Income tax payable	<a href="#">14</a>	2,146	2,275	1,958	IFRS 15.105
Lease liabilities, current portion	<a href="#">29</a>	361	373	161	IAS 1.54(n)
		<b>9,043</b>	<b>12,973</b>	<b>12,443</b>	IAS 1.54(m), IAS 1.55
<b>Total liabilities</b>		<b>406,598</b>	<b>286,314</b>	<b>195,190</b>	
<b>Total equity and liabilities</b>		<b>710,300</b>	<b>505,590</b>	<b>402,634</b>	

## 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 2018. 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).

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.

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.

IFRS 16.47 requires a lessee to either present in the statement of financial position, or disclose in the notes, the right-of-use assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present right-of-use assets separately in the statement of financial position, it is required to include right-of-use assets within the same line item in which the corresponding underlying assets would be presented if they were owned (e.g., under property, plant and equipment) and it is required to disclose which line items in the statement of financial position include those right-of-use assets. Similarly, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee is required to disclose the line items in the statement of financial position which include those liabilities.

Under IFRS 16.48, right-of-use assets that meet the definition of investment property are presented in the statement of financial position as investment property. The Group presented its 'Right-of-use assets' not meeting the definition of investment property separately in the statement of financial position. The related lease liabilities were presented in the line item 'Lease liabilities'.

The Group elected, as an accounting policy choice, to determine the current portion of the lease liabilities by reference to the principal portion that is due to be settled in the next 12 months.

The Group presented 'contract assets' and 'contract liabilities' in the statement of financial position using the terminology from IFRS 15. IFRS 15.109 allows an entity to use alternative descriptions. However, it must disclose sufficient information so that users of the financial statements can clearly distinguish between unconditional rights to receive consideration (receivables) and conditional rights to receive consideration (contract assets).

# Consolidated statement of changes in equity

for the year ended 31 December 2019

	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	
	€000	€000	€000	€000	€000	€000	€000	€000	
<b>At 1 January 2018 (as previously reported)</b>	193,700	–	(7,637)	(1,044)	21,666	206,685	845	207,530	IAS 1.10 (c) IAS 1.49 IAS 1.51(c) IAS 1.106(d) IAS 1.51(dXe)
Effect of adoption of IFRS 16, net of tax (Note 3)	–	–	–	–	(86)	(86)	–	(86)	IAS 1.106(b)
<b>At 1 January 2018 (restated)</b>	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 (dXi)
Other comprehensive income	–	–	(1,382)	(1,654)	–	(3,036)	–	(3,036)	IAS 1.106 (dXii)
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
<b>At 31 December 2018 (restated)</b>	193,700	–	(9,019)	(2,698)	35,490	217,473	1,803	219,276	
Profit for the year	–	–	–	–	20,824	20,824	2,589	23,413	IAS 1.106 (dXi)
Other comprehensive income	–	–	8,600	(1,700)	–	6,900	–	6,900	IAS 1.106 (dXii)
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 (dXiii)
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(dXiii)
<b>At 31 December 2019</b>	<b>227,700</b>	<b>5,996</b>	<b>(419)</b>	<b>(4,398)</b>	<b>56,621</b>	<b>285,500</b>	<b>18,202</b>	<b>303,702</b>	

### **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 2019

	Notes	2019 €000	2018 €000 Restated (Note 3)	
<b>Operating activities</b>				IAS 1.49 IAS 1.51(c) IAS 1.10(d) IAS 1.51(dXe)
Profit before tax		30,711	18,076	IAS 7.10, IAS 7.18(b)
Adjustments to reconcile profit before tax to net cash flows				IAS 7.20(b)
Valuation gains on investment property	<a href="#">17,18,19</a>	(18,900)	(11,485)	
Gain on disposal of investment property	<a href="#">17</a>	(2,000)	–	
Depreciation of right-of-use assets	<a href="#">29</a>	202	174	
Share of profit in joint ventures	<a href="#">21</a>	(3,250)	(1,300)	
Share based payments	<a href="#">30</a>	307	389	
Finance income	<a href="#">11</a>	(9,195)	(7,559)	IAS 7.20 (c)
Finance cost	<a href="#">12</a>	22,040	18,869	IAS 7.20 (c)
		(10,796)	(912)	
Working capital adjustments				IAS 7.20(a)
Decrease/(increase) in rent and other trade receivables	<a href="#">24</a>	6,178	(6,262)	
Decrease in prepayments		2,475	1,491	
Decrease in inventory property	<a href="#">22</a>	2,000	9,420	
Decrease/(increase) contract cost assets		22	(45)	
(Decrease)/increase in trade, other payables and contract liabilities	<a href="#">28</a>	(2,189)	1,975	
(Decrease)/increase in provisions	<a href="#">28</a>	(18)	21	
(Decrease)/increase in tenants' rental deposits		1,407	126	
		9,875	6,726	
Income tax paid		(3,050)	(2,093)	IAS 7.35
<b>Net cash flows from operating activities</b>		<b>26,740</b>	<b>21,797</b>	
<b>Investing activities</b>				IAS 7.10, IAS 7.21
Acquisition of businesses, net of cash acquired	<a href="#">7</a>	(57,023)	–	IAS 7.39
Investments in joint ventures		(97,700)	–	IAS 7.16(c)
Purchase of investment property	<a href="#">17</a>	–	(70,925)	IAS 7.16(a)
Capital expenditure on completed investment property	<a href="#">17</a>	(504)	(5,475)	IAS 7.16(a)
Expenditure on investment property under development	<a href="#">18</a>	(5,150)	(18,141)	IAS 7.16(a)
Proceeds from disposal of investment property	<a href="#">17</a>	28,670	–	IAS 7.16(b)
Interest received		8,209	6,710	IAS 7.31, IAS 7.33
<b>Net cash flows from investing activities</b>		<b>(123,498)</b>	<b>(87,831)</b>	
<b>Financing activities</b>				IAS 7.10, IAS 7.21
Proceeds from borrowings		123,593	87,183	IAS 7.17(c)
Proceeds from issue of share capital	<a href="#">26</a>	40,180	–	IAS 7.17(a)
Transaction costs on issue of shares	<a href="#">26</a>	(184)	–	IAS 7.17(a)
Repayment of principal portion of lease liabilities		(232)	(292)	IAS 7.17(e)
Interest paid		(23,179)	(19,404)	IAS 7.31, IAS 7.33
<b>Net cash flows from financing activities</b>		<b>140,178</b>	<b>67,487</b>	
Net increase in cash and cash equivalents		43,420	1,453	
Cash and cash equivalents at 1 January	<a href="#">25</a>	34,618	33,165	
<b>Cash and cash equivalents at 31 December</b>	<a href="#">25</a>	<b>78,038</b>	<b>34,618</b>	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 on lease liabilities and 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 2019 and 2018.

IFRS 16.50 requires that in the statement of cash flows, a lessee classifies: cash payments for the principal portion of the lease liability within financing activities; cash payments for the interest portion of the lease liability applying the requirements in IAS 7 for interest paid (i.e., IAS 7.31-33); and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Non-cash activity (e.g., the initial recognition of the lease at commencement) is required to be disclosed as a supplemental non-cash item in accordance with IAS 7.43 (see Note [29](#)).

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# Notes to the consolidated financial statements

## 1. Corporate information

The consolidated financial statements of Good Real Estate Group (International) Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 29 January 2020. 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.

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 principal activities of the Group are described in Note 13. Information on the Group's structure and on other related party relationships is provided in Note 31.

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 2018 is presented in these consolidated financial statements due to the retrospective application of accounting policies as a result of the adoption of IFRS 16 Leases. 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 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IAS 8.28

There were several other new and amendments to standards and interpretations which are applicable for the first time in 2019, 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 standard, interpretation or amendment that has been issued but is not yet effective. See Note 6.

In June 2019, the IFRS Interpretations Committee (IFRS IC) discussed the accounting for a transaction in which an entity, as part of its ordinary activities, enters into a contract with a customer to sell real estate by selling its equity interest in a subsidiary. The entity had established the subsidiary some time before it enters into the contract with the customer; the subsidiary has one asset – real estate inventory – and a related tax asset or liability. The entity has applied IFRS 10 in consolidating the subsidiary before it loses control of the subsidiary as a result of the transaction with the customer.

In October 2019, the IASB discussed the issue and decided to assess the feasibility of narrow-scope standard-setting to address this question. The Group's accounting policy is to account for the loss of control of the subsidiary as a result of the disposal of the corresponding equity interest in that subsidiary in accordance with IFRS 10. The Group is monitoring the issue and will evaluate if the existing accounting policies should be revised considering the outcome of the standard setter's assessment.

# Notes to the consolidated financial statements

## 3. Changes in accounting policies and disclosures *continued*

### Commentary

While agenda decisions do not have the authority of IFRS standards and, therefore, do not provide mandatory requirements, they are important as they are seen as helpful, informative and persuasive. Many regulators require entities to follow the IFRS IC's agenda decisions and to the extent that it is necessary, entities need to change their accounting policies accordingly. In addition, the discussion of an accounting issue by the IFRS IC may trigger standard-setting activities. Therefore, entities need to monitor the IFRS IC's discussion on various accounting issues. The best practice is to provide transparent disclosures on accounting issues which may be subject to change in the future.

### 3.1. IFRS 16 Leases

IFRS 16 supersedes 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

IFRS 16.1

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.

Lessor accounting under IFRS 16 is, however, substantially unchanged from present accounting under IAS 17. Lessors 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 does not have an impact on the Group's classification of the subleases. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

IFRS 16.62

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

#### 3.1.1. Transition to IFRS 16

The Group adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

### Commentary

A lessee is required to apply IFRS 16 to its leases either retrospectively to each prior reporting period, by applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the full retrospective method), or retrospectively with the cumulative effect recognised at the date of initial application (the modified retrospective method). An entity applies the elected transition method consistently to all leases for which it is a lessee (IFRS 16.C5-C6). The Group elected to apply the full retrospective method in adopting the standard.

An entity electing to adopt the standard using the full retrospective method must apply the requirements of IFRS 16 to each period presented in the financial statements, subject to specific transition requirements for sale and leaseback transactions entered into and amounts previously recognised in respect of business combinations before the date of initial application (IFRS 16.C16-C19). The transition requirements relating to sale and leaseback transactions and business combinations had no impact on the consolidated financial statements of the Group.

If the modified retrospective method of adoption is applied, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. This approach also includes a number of practical expedients not available under the full retrospective method. Refer to Appendix 2 which illustrates the application of the modified retrospective method.

# Notes to the consolidated financial statements

## 3. Changes in accounting policies and disclosures continued

### 3.1 IFRS 16 Leases continued

#### 3.1.1 Transition to IFRS 16 continued

Refer to our publication, [Applying IFRS - Presentation and disclosure requirements of IFRS 16 Leases](#) for a summary and illustrative examples of the presentation and disclosure requirements under IFRS 16.

As a transition practical expedient, an entity is permitted to make an election not to reassess whether existing contracts are, or contain, leases, as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. If an entity elects this practical expedient, contracts that do not contain a lease under IAS 17 and IFRIC 4 (e.g., service arrangements) are not reassessed either. If an entity chooses to apply the practical expedient, it must be applied to all contracts that are ongoing at the date of initial application (i.e., an entity is not permitted to apply the option on a lease-by-lease basis) and that fact must be disclosed.

IAS 8.28(f)

The effect of adopting IFRS 16 is, as follows:

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

	31 December 2019	31 December 2018	1 January 2018
	€000	€000	€000
<b>Assets</b>			
Right-of-use assets	1,128	1,045	1,219
Investment property	131	135	118
Prepayments	(176)	(187)	(182)
Deferred tax assets	–	35	37
<b>Total assets</b>	<b>1,083</b>	<b>1,028</b>	<b>1,192</b>
<b>Equity</b>			
Retained earnings	(71)	(94)	(86)
<b>Total equity</b>	<b>(71)</b>	<b>(83)</b>	<b>(86)</b>
<b>Liabilities</b>			
Lease liabilities	1,206	1,135	1,296
Deferred tax liabilities	(31)	–	–
Trade and other payables	(21)	(13)	(18)
<b>Total liabilities</b>	<b>1,154</b>	<b>1,122</b>	<b>1,278</b>

#### Impact on the consolidated statement of profit or loss (increase/(decrease)):

	2019	2018
	€000	€000
Operating lease expense (included in other property operating expenses)	(20)	
Depreciation expense (included in administrative expenses)	199	174
Operating lease expense (included in administrative expenses)	(230)	(220)
<b>Operating profit</b>	<b>51</b>	<b>46</b>
Finance costs	59	58
Income tax expense	(3)	(4)
<b>Profit for the period</b>	<b>(11)</b>	<b>(8)</b>

#### Commentary

The Group has right-of-use assets that it classifies as investment property. However, as the Group measures investment property at fair value, no depreciation expense was recognised in the line 'other property operating expenses' of the statement of profit or loss.

# Notes to the consolidated financial statements

## 3. Changes in accounting policies and disclosures *continued*

### 3.1. IFRS 16 Leases *continued*

#### 3.1.1. Transition to IFRS 16 *continued*

Due to the adoption of IFRS 16, the Group's operating profit improved, while its interest expense increased. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. As the Group has elected to apply the recognition exemptions for short-term leases and leases of low-value assets, the accounting for the related lease payments has not been adjusted.

*Impact on consolidated statement of cash flows (increase/(decrease)):*

	<b>2019</b>	<b>2018</b>
	<b>€000</b>	<b>€000</b>
Operating lease payments	(250)	(220)
<b>Net cash flows from operating activities</b>	<b>(250)</b>	<b>(220)</b>
Payment of principal portion of lease liabilities	191	162
Interest paid	59	58
<b>Net cash flows from financing activities</b>	<b>250</b>	<b>220</b>

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

#### **Commentary**

IAS 8.28(f) requires disclosures, for the current period and each period presented, of the amount of the adjustment for each financial statement line item affected and for basic and diluted earnings per share. There is no practical expedient available for this disclosure requirement if an entity uses the full retrospective method of adoption.

Determining the amount of the adjustment for the current period effectively requires an entity to keep two sets of accounting records in the year of adoption. The application of the modified retrospective method of adoption provides exemption from this disclosure requirement (IFRS 16.C12). Refer to Appendix 2, which illustrates the application of the modified retrospective method.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

IFRS 16.C5(a)

As at 1 January 2018, 31 December 2018 and 31 December 2019:

- ▶ 'Right-of-use assets' were recognised and presented separately in the statement of financial position.
- ▶ Right-of-use assets of which the underlying asset meets the definition of investment property under IAS 40 *Investment Property* were recognised and presented separately in the statement of financial position. These leases were previously classified as operating leases and the Group did not classify and account for any property held under an operating lease as investment property. Leased assets that were recognised previously under finance leases, but which also met the definition of, and were included in, investment property, are not affected
- ▶ Additional lease liabilities were recognised and included under 'Lease liabilities'
- ▶ 'Prepayments' and 'Trade and other payables' related to previous operating leases were derecognised
- ▶ 'Deferred tax liabilities' decreased because of the deferred tax impact of the changes in recognised lease related assets and liabilities
- ▶ 'Retained earnings' decreased due to the net impact of these adjustments

#### **Commentary**

As a consequence of the IASB issuing IFRS 16, IAS 40 *Investment Property* was amended. Previously, property interest that was held by a lessee under an operating lease might be classified and accounted for as investment property under the fair value model if, and only if, the property would otherwise meet the definition of an investment property and the lessee used the fair value model for the asset recognised. This classification alternative was available on a property-by-property basis.

In accordance with IFRS 16.34, the lessee is required to apply the fair value model to right-of-use assets that meet the definition of investment property in IAS 40 if a lessee applies the fair value model in IAS 40 to its investment property. A lessee can no longer elect to apply the fair value model on a property-by-property basis.



# Notes to the consolidated financial statements

## 3. Changes in accounting policies and disclosures *continued*

### 3.1. IFRS 16 Leases *continued*

#### 3.1.1. Transition to IFRS 16 *continued*

For the year ended 31 December 2019:

- ▶ Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets). This resulted in increase in 'Administrative expenses' of €199,000 (2018: €174,000).
- ▶ Rent expense included in 'Administrative expenses', relating to previous operating leases, decreased by €250,000 (2018: €220,000). As the Group elected to apply the recognition exemptions for short-term leases, leases of low-value assets, the accounting for the related lease payments has not been adjusted
- ▶ 'Finance costs' increased by €59,000 (2018: €58,000) relating to the interest expense on additional lease liabilities recognised
- ▶ 'Income tax expense' decreased by €3,000 (2018: €4,000) relating to the tax effect of these changes in expenses
- ▶ Cash outflows from operating activities decreased by €250,000 (2018: €220,000) and cash outflows from financing activities increased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities

The adoption of IFRS 16 did not have an effect on the accounting for leased properties accounted for as investment property using the fair value model in IAS 40. The Group continued its current accounting.

*IFRS 16.C9(b)*

### 3.2. 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

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

# Notes to the consolidated financial statements

## 3. Changes in accounting policies and disclosures *continued*

### 3.2. IFRIC Interpretation 23 Uncertainty over Income Tax Treatments *continued*

#### Commentary

For illustrative purposes, the Group has listed only the disclosures of new and amended standards and interpretations that are effective from 1 January 2019 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 2019 regardless of whether these have any impact on the Group's financial statements.

Refer to [Good Group \(International\) Limited 2019](#), Note 2.4, for a comprehensive list of the disclosures of amended standards that are effective from 1 January 2019. The list includes:

- ▶ Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
- ▶ Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
- ▶ Amendments to IAS 28: *Long-term interests in associates and joint ventures*
- ▶ Annual Improvements 2015-2017 Cycle:
  - ▶ Amendments to IFRS 3 *Business Combinations - Previously held Interests in a joint operation*
  - ▶ Amendments to IFRS 11 *Joint Arrangements - Previously held Interests in a joint operation*
  - ▶ Amendments to IAS 12 *Income Taxes - Income tax consequences of payments on financial instruments classified as equity*
  - ▶ Amendments to IAS 23 *Borrowing Costs - Borrowing costs eligible for capitalisation*

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 differ 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.

# Notes to the consolidated financial statements

## 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](#)

IAS 1.122

### 4.1. Judgements

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:

#### 4.1.1. Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts:

##### ▶ *Determination of the lease term*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

IFRS 16.18  
IFRS 16.19

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 (supported by the advice of the independent valuation expert) 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.

As a lessee, the Group has a lease contract for the use of office space that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

##### ▶ *Property lease classification - the Group as lessor*

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 substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

# Notes to the consolidated financial statements

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

### 4.1. Judgements *continued*

#### 4.1.2. 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  
IFRS 15.22

▶ *Determination of performance obligations*

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 of 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.

▶ *Principal versus agent considerations - services to tenants*

IFRS 15.B34

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.

IFRS 15.B34A  
IFRS 15.B37

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)

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.

IFRS 15.124

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 contracts either for property sold to one customer for the entire land and building or for a multi-unit property. However, in certain jurisdictions, the Group has considered the factors contained in the contracts for the sale of property in those jurisdictions and concluded that the control of a 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), and 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.

# Notes to the consolidated financial statements

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

### 4.1. Judgements *continued*

#### 4.1.2. Revenue from contracts with customers *continued*

- ▶ The Group's performance does not create an asset with alternative use. 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.

- ▶ *Consideration of significant financing component in a contract*

IFRS 15.123(b)

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)

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.

IFRS 15.126(d)

#### 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 must be disclosed under 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 (IFRS 15.126) to:
  - ▶ 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

# Notes to the consolidated financial statements

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

### 4.1. Judgements *continued*

#### 4.1.2. Revenue from contracts with customers *continued*

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.

#### 4.1.3. 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) 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.

#### 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 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.



# Notes to the consolidated financial statements

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

### 4.1. Judgements *continued*

#### 4.1.4. 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.

#### 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](http://ey.com/ifrs).

### 4.2. 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.

#### 4.2.1. 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](#), Note [18](#), Note [19](#).

IAS 40.75(e)  
IFRS 13.62

# Notes to the consolidated financial statements

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

### 4.2. Estimates and assumptions *continued*

#### 4.2.2. 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.

#### 4.2.3. Measurement of progress when revenue is recognised over time

IFRS 15.124

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.

#### 4.2.4. 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 12.811

Further details on taxes are disclosed in Note [14](#).

#### 4.2.5. Provision for expected credit losses of trade receivables and contract assets

IFRS 7.35G

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 7.(c)

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](#).

# Notes to the consolidated financial statements

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

### 4.2. Estimates and assumptions *continued*

#### 4.2.5. Provision for expected credit losses of trade receivables and contract assets *continued*

##### **Commentary**

Under IFRS 7.35G(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.

#### 4.2.6. Revenue recognition - Estimating variable consideration

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.

IFRS 15.126

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.

#### 4.2.7. Leases - Estimating the incremental borrowing rate

IFRS 16.26

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### **Commentary**

IAS 1 requires an entity to disclose significant judgements applied in preparing the financial statements (IAS 1.122) and significant estimates that involve a high degree of estimation uncertainty (IAS 1.125). The disclosure requirements go beyond the requirements that 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.

It is important that entities carefully assess which judgements and estimates are most significant as required by IAS 1 and make the disclosures accordingly, to allow the users of the financial statements to appreciate the impact of the judgements and estimation uncertainties. Disclosure of judgements and estimation 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 key judgements and estimation 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.

# Notes to the consolidated 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 accounting policies. 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.

IFRS 10.7

### 5.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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

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.B80  
IFRS 10.B86  
IFRS 10.B89

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.B94  
IFRS 10.B87  
IFRS 10.B86

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

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

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.

IFRS 3.2(b)

### 5.2. Property acquisitions and business combinations

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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.3. 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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.4. 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.

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 28.10  
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

### 5.5. 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

IAS 1.66

- ▶ Expected to be realised or intended to be sold or consumed in the normal operating cycle
- ▶ 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.



# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.5. Current versus non-current classification *continued*

IAS 1.69

A liability is current when:

- ▶ 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

IAS 1.56

### 5.6. Foreign currencies

IAS 1.51(d)  
IAS 21.9

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.

#### 5.6.1. 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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.7. 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

### 5.8. Borrowing costs

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.

IAS 23.8  
IAS 23.5

#### 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 *Borrowing Costs* 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.

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 23.12  
IAS 23.14

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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.9. Investment property

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 40.7
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.	IAS 40.75(c)
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 of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) 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. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.	IAS 40.66 IAS 40.69 IAS 40.70
Refer to the section “Non-current assets held for sale” on the accounting for investment property classified by held for sale.	

#### 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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.10. 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.

IAS 40.75(c)

Cost incurred in bringing each property to its present location and condition includes:

IAS 2.10

- ▶ Freehold and leasehold rights for land
- ▶ Amounts paid to contractors for development
- ▶ 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

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

### 5.11. 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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.12. Impairment of non-financial assets

#### Commentary

Under IFRS 16.33, right-of-use assets are subject to the impairment requirements of IAS 36 *Impairment of Assets*.

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 the asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods or services. 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. The Group does not incur any costs to fulfil a contract that are eligible for capitalisation.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

IAS 36.6  
IAS 36.9  
IAS 36.66

IAS 36.59

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

IAS 36.30  
IAS 36.55  
IAS 36.6

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

IAS 36.33  
IAS 36.35

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

IAS 36.60  
IAS 36.61

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

IAS 36.110  
IAS 36.114  
IAS 36.117  
IAS 36.119

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

IAS 36.10(b)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

IAS 36.104  
IAS 36.124

For contract cost assets, the Group assesses whether the remaining amount of consideration that it expects to receive in exchange for the goods or services to which the asset relates exceeds the sum of the costs that relate directly to providing those goods or services and that have not been recognised as expenses; and the carrying amount of the contract cost assets. If this is not the case, the Group recognises an impairment loss in profit or loss to reduce the carrying amount of the contract cost assets until the situation has been resolved.

IAS 36.101

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies continued

### 5.12. Impairment of non-financial assets *continued*

#### Commentary

IAS 36.96 permits the annual impairment test for a CGU to which goodwill has been allocated to be performed at any time during the year, provided it is at the same time each year. Different CGUs and intangible assets may be tested at different times.

### 5.13. Financial instruments - initial recognition and subsequent measurement

IAS 32.11

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.

#### 5.13.1. Financial Assets

##### *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 7.21  
IFRS 9.4.1.1  
IFRS 9.4.1.1  
IFRS 15.108

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 or for which the Group has applied the practical expedient, they are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenues from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

IFRS 9.B4.1.1

##### *Subsequent measurement*

IFRS 9.5.2.1

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 at amortised cost (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 are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which are further described in Note [5.14](#).

IFRS 9.4.1.4

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.13. Financial instruments – initial recognition and subsequent measurement *continued*

#### 5.13.1. Financial Assets *continued*

##### *Financial assets at amortised cost*

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:

IFRS 9.4.1.2(a)

- ▶ 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(b)

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

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



# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.13. Financial instruments – initial recognition and subsequent measurement *continued*

#### 5.13.1. Financial Assets *continued*

##### **Impairment**

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 debt instrument except those held at fair value through profit or loss. 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 IFRS 16. 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 7.35F(b)  
IFRS 9.5.5.9  
IFRS 9.B5.5.37

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.13. Financial instruments - initial recognition and subsequent measurement *continued*

#### 5.13.2. Financial Liabilities

##### *Initial recognition and measurement*

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

IFRS 7.6  
IFRS 7.21

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 leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

IFRS 9.5.1.1

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial instruments, net of directly attributable transaction costs.

##### *Subsequent measurement*

For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) 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.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Refer also to the accounting policy in Note [5.14](#).

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

#### 5.13.3. 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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.14. Derivative financial instruments and hedge accounting

#### *Initial recognition and subsequent measurement*

IFRS 9.5.1.1  
IFRS 7.21

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.

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

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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.15. 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 highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and 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

### 5.16. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16.9

#### 5.16.1. Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

IFRS 16.23  
IFRS 16.24  
IFRS 16.30  
IFRS 16.32

- ▶ Office space 8 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

IFRS 16.33

The right-of-use assets are also subject to impairment. Refer to accounting policies on impairment on non-financial assets in this note.

#### Commentary

Under IFRS 16, the cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period (IFRS 16. 24(d)).

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

- ▶ Investment properties held under lease

**The Group leases properties that meet the definition of investment property. These right-of-use assets are presented as part of the line item 'Completed investment property' in the statement of financial position.**

#### Commentary

IFRS 16.48 requires that right-of-use assets that meet the definition of investment property are presented in the statement of financial position as investment property.

##### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

IFRS 16.26  
IFRS 16.27

IFRS 16.38(b)

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.16. Leases *continued*

#### 5.16.1 Group as a lessee *continued*

##### ii) Lease liabilities *continued*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

IFRS 16.36

IFRS 16.39

##### iii) Short-term leases and leases of low-value assets

IFRS 16.5

IFRS 16.6

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 5.16.2. Group as a lessor

Refer to accounting policies on rental income in this note.

### 5.17. 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.

### 5.18. 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 on financial liabilities in this note.

### 5.19. Revenue recognition

The Group's key sources of income include:

- ▶ Rental income
- ▶ Revenue from contracts with customers:
  - ▶ Services to tenants including management charges and other expenses recoverable from tenants
  - ▶ Sale of inventory property - completed property and property under development

The accounting for each of these elements is discussed below.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.19. Revenue recognition *continued*

#### Commentary

IFRS 15 requires an entity to provide more descriptive information about its performance obligations. IFRS 15.119 requires an entity to include a description of all of the following:

- ▶ When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement
- ▶ The significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the amount of consideration is variable and whether the estimate of variable consideration is typically constrained in accordance with IFRS15.56-58)
- ▶ The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)
- ▶ Obligations for returns, refunds and other similar obligations
- ▶ Types of warranties and related obligations

The Group provided the required information as part of its disclosure of significant accounting policies. This is one way that entities can comply with the disclosure requirement of IFRS 15.119. Entities may also decide to disclose these required information in a separate note. Refer to EY's *Good Group (International) Limited 2019* which illustrates such alternative.

#### 5.19.1. Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. In addition, the Group subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Group's subleases are classified as operating leases.

IFRS 16.61  
IFRS 16.62  
IFRS 16.B58

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.

IFRS 16.81  
IFRS 16.83

#### Commentary

An important change in lessor accounting resulting from the adoption of IFRS 16 relates to the classification of subleases. Real estate entities often enter into arrangements to sublease a leased asset to a third party while the original lease is in effect. In these arrangements the real estate entity acts as both the lessee and the lessor of the same underlying asset.

IFRS 16 clarified that in classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

- (a) if the head lease is a short-term lease that the entity, as a lessee, is required to account for applying paragraph 6, the sublease shall be classified as an operating lease.
- (b) otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, the item of property, plant, or equipment that is the subject of the lease).

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, 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.

IFRS 16  
Appendix A IFRS  
16.81

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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.19. Revenue recognition *continued*

#### 5.19.2. 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 IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services). 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. These services are specified in the lease agreements and separately invoiced.

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](#).

IFRS 15.B34  
IFRS 15.B36

#### 5.19.3. Revenues from the sale of inventory property

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

##### i) Completed inventory property

The sale of completed property constitutes a single performance obligation and the Group has determined that this 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.

IFRS 15.31  
IFRS 15.38

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

##### ii) 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)



# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.19. Revenue recognition *continued*

#### 5.19.3. Revenues from the sale of inventory property *continued*

##### ii) Inventory property under development *continued*

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*

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*

##### iii) Other consideration related to the sale of inventory 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 on the related significant accounting judgements, estimates and assumptions.

*IFRS 15.50*  
*IFRS 15.56*  
*IFRS 15.59*

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.

*IFRS 15.60*  
*IFRS 15.62*

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.

*IFRS 15.63*  
*IFRS 15.64*

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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.19. Revenue recognition *continued*

#### 5.19.3 Revenues from the sale of inventory property *continued*

##### Commentary

IFRS 15.48 requires that an entity considers the effects of: variable consideration; constraining estimates of variable consideration; the existence of a significant financing component in the contract; non-cash consideration; and consideration payable to a customer in determining the transaction price.

The Group did not incur any consideration payable to a customer. 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 this in their accounting policy disclosures if significant.

### 5.20. Contract cost assets

IFRS 15.8

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 15.91  
IFRS 15.94

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.

IFRS 15.127

##### 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. If elected, IFRS 15.129 requires an entity to disclose the use of the practical expedient to immediately expense incremental costs of obtaining a contract when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. This is not applicable to the Group.

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.

Considering the nature of costs to obtain a contract and the lack of guidance in IFRS, an entity may present these costs in the statement of financial position as either a separate class of asset similar in nature to work in progress or 'inventory', (with the amortisation within cost of goods sold, changes in contract costs or similar), or a separate class of intangible asset (with the amortisation in the same line item as amortisation of intangible assets within the scope of IAS 38 *Intangible Assets*). The presentation as a separate class of intangible assets would only be appropriate if the asset capitalised is similar in nature to an intangible asset.

An entity will need to consider the requirements in IAS 7 (e.g., 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 investing 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.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.20. Contract cost assets *continued*

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 (i.e., operating).

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.

IFRS 15.105

### 5.21. Contract balances

#### 5.21.1. Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

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. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

IFRS 15.106

Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period 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 contract liabilities, please refer to Note [28](#).

Refer also to the accounting policies on financial assets in this note for more information.

#### 5.21.2. 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. Refer also 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](#).

### 5.22. 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. The estimate of such provision is revised annually.

IAS 37.85

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.22. Warranties *continued*

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.

#### Commentary

If the customer has the option to purchase the warranty separately or if the warranty provides a service to the customer, beyond fixing defects that existed at the time of sale, IFRS 15.B29 states that the entity is providing a service-type warranty that is a separate performance obligation. Otherwise, it is an assurance-type warranty, which provides the customer with assurance that the product complies with agreed-upon specifications. In some cases, it may be difficult to determine whether a warranty provides a customer with a service in addition to the assurance that the delivered product is as specified in the contract. To help entities make that assessment, IFRS 15.B31-33 provides relevant application guidance.

### 5.23. Taxes

#### 5.23.1. Current income tax

IAS 12.46

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 in the countries where the Group operates and generates taxable income.

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

#### 5.23.2. 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
- ▶ 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 12.15  
IAS 12.22(c)

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

- ▶ 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.
- ▶ 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 12.24

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

## Notes to the consolidated financial statements

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*

In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition, are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.23. Taxes *continued*

#### 5.23.2. *Deferred tax continued*

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

### 5.24. Share-based payments

IFRS 2.44

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).

#### 5.24.1. *Equity-settled transactions*

IFRS 2.7  
IFRS 2.10

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.

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

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

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

# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies *continued*

### 5.24.2. 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

### 5.25. 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

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



# Notes to the consolidated financial statements

## 5. Summary of significant accounting policies continued

### 5.25 Fair value measurements *continued*

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 <a href="#">5</a>  |
| ▶ Disclosures for valuation methods, significant estimates and assumptions                   | Notes <a href="#">4</a> , <a href="#">5</a> , <a href="#">7</a> , <a href="#">19</a> and <a href="#">32</a> |
| ▶ Contingent consideration   | Note <a href="#">7</a>  |
| ▶ Investment property  | Note <a href="#">19</a>   |
| ▶ Quantitative disclosures of fair value measurement hierarchy                               | Note <a href="#">32</a>   |
| ▶ Derivatives and other financial instruments<br>(including those carried at amortised cost) | Note <a href="#">32</a>   |

#### **Commentary**

The Group has not elected to apply the portfolio exception in IFRS 13.48. If an entity makes an accounting policy decision to use the exception, this fact is required to be disclosed, as per IFRS 13.96.

# Notes to the consolidated financial statements

## 6. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below, if they are expected to have an impact on the Group's financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 8.30  
IAS 8.31

### Amendments to IFRS 3 - Definition of a Business

In October 2018, 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 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.

### 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, presentation 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 EY's *Good Group (International) Limited 2019*.

# Notes to the consolidated financial statements

## 7. Business combinations

### 7.1. Acquisitions in 2019

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 2019, 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.

#### 7.1.1. 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:

	<b>Fair value recognised on acquisition</b>	
	<b>€000</b>	
<b>Assets</b>		
Investment property	75,000	
Right-of-use assets	285	
Rent and other trade receivables	315	
Cash and cash equivalents	375	IAS 7.40 (c)
	<b>75,975</b>	
<b>Liabilities</b>		
Trade payables	(313)	
Lease liabilities	(262)	
Deferred tax liabilities	(6,350)	
	<b>(6,925)</b>	
<b>Total identifiable net assets at fair value</b>	<b>69,050</b>	
Non-controlling interest	(13,810)	IFRS 3.B64(o)(i)
Goodwill arising on acquisition	3,000	IFRS 3.32
<b>Purchase consideration transferred</b>	<b>58,240</b>	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 €478,000. The gross amount of trade receivables is €488,000. 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 measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms. IFRS 3.28B

#### Commentary

IFRS 3.28B requires the lease liability to be measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. That is, the acquirer applies IFRS 16's initial measurement provisions using the present value of the remaining lease payments at the acquisition date. The right-of-use asset is measured at an amount equal to the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms. Because the off-market nature of the lease is captured in the right-of-use asset, the acquirer does not separately recognise an intangible asset or liability for favourable or unfavourable lease terms relative to market.

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)

# Notes to the consolidated financial statements

## 7. Business combinations continued

### 7.1. Acquisitions in 2019 continued

#### 7.1.1 Assets acquired and liabilities assumed continued

##### 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(qXi)  
IFRS  
3.B64(qXii)

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)

#### 7.1.2. Contingent consideration

As part of the purchase agreement with the previous owner of Property Business Ltd, a contingent consideration payable by 1 April 2022 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(gXii)  
IFRS  
3.B64(gXiii)

- ▶ €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 2021
- ▶ €1,000,000, if the entity generates €10,000,000 or more net rental income from the acquisition date to 31 December 2021.

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 2019.

IFRS 3.B64(gXi)  
IFRS 13.93(a)  
IFRS 13.93(b)

The fair value as at 31 December 2019 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 a decrease (increase) of the fair value of the liability by €23,000 and €3,000, respectively.

IFRS 13.93(hXi)

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

	<b>2019</b>	
	<b>€000</b>	
Opening balance as at 1 January	–	
Liability arising on business combination (Note 28)	842	IFRS 13.93(e)
Unrealised fair value changes recognised in profit or loss	–	IFRS 13.93(f)
Closing balance as at 31 December	<b>842</b>	

# Notes to the consolidated financial statements

## 7. Business combinations *continued*

### 7.1. Acquisitions in 2019 *continued*

#### 7.1.1 *Assets acquired and liabilities assumed 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 a separate transaction. 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.

# Notes to the consolidated financial statements

## 8. Rental income and revenue from contracts with customers

Rental income and revenue from contracts with customers are, as follows:

	2019	2018 (restated)	
	€000	€000	
Rental income (excluding straight-lining of lease incentives)	22,750	24,688	IFRS 16.90(b)
Straight-lining of lease incentives	(280)	(355)	
<b>Rental income</b>	<b>22,470</b>	<b>24,333</b>	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	
<b>Revenue from contracts with customers</b>	<b>13,584</b>	<b>18,947</b>	IFRS 15.113(a)
<b>Total rental income and revenue from contracts with customers</b>	<b>36,054</b>	<b>43,280</b>	

### 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 (2018: €1,375,000) and sublease income of €180,000 (2018: €176,000). See also information in Note 9. IFRS 16.90(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:

	2019	2018 (restated)
	€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)
<b>Net amount of lease incentives not fully amortised</b>	<b>2,240</b>	<b>2,520</b>

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

### 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 contains further disaggregation of the Group's revenue from contracts with customers based on segment and geography. Note 4.1.2 provides information on the timing of revenue recognition on the sale of property.

### Commentary

The Group disclosed the disaggregated revenue based on the type of goods or services provided to customers and the geographical region within the segment reporting disclosures (Note 13). Information on the timing of transfer of goods and services is provided within the significant judgement disclosures (Note 4.1.2). 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 provided a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment within the segment reporting disclosures (Note 13). As an alternative, entities may find it appropriate to provide such reconciliation separately from the segment reporting disclosures. Refer to EY's *Good Group (International) Limited 2019* which illustrates such alternative.

# Notes to the consolidated financial statements

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

Set out below is the amount of revenue recognised from:

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
Amounts included in contract liabilities at the beginning of the year (Note 28)	306	204	<i>IFRS 15.116(b)</i>
Performance obligations satisfied in previous years	25	54	<i>IFRS 15.116(c)</i>

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*

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
Within 1 year	16,405	12,705	<i>IFRS 15.120(b)(i)</i>
After 1 year, but not more than 5 years	8,519	6,436	
	<b>24,564</b>	<b>19,141</b>	

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 for further information on variable consideration. *IFRS 15.120(b)(ii)*

### 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 disclose that fact. *IFRS 15.122*

The Group used a quantitative approach to disclose information about remaining performance obligations and did not use this practical expedient.



# Notes to the consolidated financial statements

## 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.

IFRS 16.90  
IFRS 16.91  
IFRS 16.92

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

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	IFRS 16.97
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	
	<b>213,601</b>	<b>208,250</b>	

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

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	IAS 1.104
<b>Expense from services to tenants</b>			
Repairs, maintenance and utilities	1,453	1,256	
Property insurance costs	546	538	
Other	655	460	
	<b>2,654</b>	<b>2,254</b>	
<b>Other property operating expenses</b>			
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	
	<b>2,118</b>	<b>3,149</b>	
<b>Total property operating expenses</b>	<b>4,772</b>	<b>5,403</b>	
	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
Property expenses arising from investment property that generate rental income	4,105	4,510	IAS 40.75(t)(ii)
Property expenses arising from investment property that did not generate rental income	667	893	IAS 40.75(t)(iii)
<b>Total property operating expenses</b>	<b>4,772</b>	<b>5,403</b>	

# Notes to the consolidated financial statements

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

	2019	2018 (restated)	IAS 1.104
	€000	€000	
<b>Administrative expenses</b>			
Short-term employee benefits	1,910	1,884	
Other long-term benefits	198	165	
Termination benefits (Note 31)	32	–	
Share-based payment transactions (Note 30)	412	583	
<b>Total employee benefits expense</b>	<b>2,552</b>	<b>2,632</b>	
Acquisition costs (Note 7)	1,750	–	
Depreciation of right-of-use assets (Note 29)	199	174	
Expense relating to leases of low-value assets (Note 29)	15	14	
Expense relating to short-term leases (Note 29)	3	3	
Variable lease payments (Note 29)	45	42	
Other administrative expenses	312	1,411	
<b>Total administrative expense</b>	<b>4,876</b>	<b>4,276</b>	

### Commentary

IAS 1 does not require an entity to present the results of operating activities as a line item in the income statement. If an entity elects to do so, it must ensure that the amount presented is representative of activities that would normally be regarded as 'operating' (IAS 1.BC56). As IAS 1 does not provide any further guidance on operating profits, an entity needs to apply judgement in developing its own accounting policy under IAS 8.10.

## 11. Finance income

	2019	2018	
	€000	€000	
Interest revenue calculated using the effective interest method	8,765	7,457	
Other finance income	430	102	
<b>Total finance income</b>	<b>9,195</b>	<b>7,559</b>	IFRS 7.20(b)

## 12. Finance cost

	2019	2018 (restated)	
	€000	€000	
Interest on bank loans	21,984	19,866	
Less: amounts capitalised	(360)	(1,730)	
<b>Total interest expense</b>	<b>21,624</b>	<b>18,136</b>	
Interest on lease liabilities	180	166	
Net foreign exchange loss	236	567	
<b>Total finance cost</b>	<b>22,040</b>	<b>18,869</b>	IFRS 7.20(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 income statement. The Group did not incur interest expense on contract liabilities nor generate interest income on contract assets (unbilled receivables).

# Notes to the consolidated financial statements

## 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.

IFRS 8.28(c)

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(d)

Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the Board on a segmental basis.

### Commentary

Paragraph 22(a) of IFRS 8 *Operating Segments* 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.

# Notes to the consolidated financial statements

## 13. Segment information *continued*

Year ended	Residential						IFRS 8.28
31 December 2019	Retail	Office	Industrial	development	Adjustments*	Total	IFRS 8.23
	€000	€000	€000	€000	€000	€000	
<b>Revenue</b>							
<b>Rental income</b>	4,906	1,930	17,436	–	(1,802)	22,470	IFRS 8.23(a)
<b>Revenue from contracts with customers</b>							IFRS 15.114-115
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)
	<b>358</b>	<b>221</b>	<b>2,005</b>	<b>11,000</b>	<b>–</b>	<b>13,584</b>	
	<b>5,264</b>	<b>2,151</b>	<b>19,441</b>	<b>11,000</b>	<b>(1,802)</b>	<b>36,054</b>	IFRS 8.23
<b>Cost and others</b>							
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	
<b>Segment profit</b>	<b>11,320</b>	<b>6,514</b>	<b>28,400</b>	<b>4,000</b>	<b>(1,802)</b>	<b>48,432</b>	IFRS 8.23
Administrative expenses						(4,876)	IFRS 8.25
Finance costs						(22,040)	
Finance revenue						9,195	
<b>Profit before tax</b>						<b>30,711</b>	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 IFRS 16. 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)

# Notes to the consolidated financial statements

## 13. Segment information *continued*

<b>31 December 2019</b>	<b>Retail</b>	<b>Office</b>	<b>Industrial</b>	<b>Residential development</b>	<b>Total</b>	<i>IFRS 8.28</i>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	
<b>Assets</b>						
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	<i>IFRS 8.24(a)</i>
<b>Segment assets</b>	<b>193,397</b>	<b>72,144</b>	<b>331,406</b>	<b>6,533</b>	<b>603,480</b>	<i>IFRS 8.23</i> <i>IFRS 8.28</i>
Goodwill					3,000	
Right-of-use assets					1,128	
Current assets (excluding inventory property)					102,692	
<b>Total assets</b>					<b>710,300</b>	
<b>Segment liabilities</b>						
Loans and borrowings	129,414	65,200	185,010	–	379,624	<i>IFRS 8.23</i>
Other non-current liabilities					17,931	
Other current liabilities					9,043	
<b>Total liabilities</b>					<b>406,598</b>	<i>IFRS 8.23</i> <i>IFRS 8.28</i>
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)*

As stated in Note [29](#), the right-of-use assets that are not included in the segment assets relate to office space.

# Notes to the consolidated financial statements

## 13. Segment information *continued*

Year ended 31 December 2018 (restated)	Retail	Office	Industrial	Residential development	Adjustments*	Total	IFRS 8.28
	€000	€000	€000	€000	€000	€000	
<b>Revenue</b>							
<b>Rental income</b>	4,866	2,575	18,502	–	(1,610)	24,333	IFRS 8.23(a)
<b>Revenue from contracts with customers</b>							IFRS 15.114-115
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
<b>Costs and others</b>							
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	
<b>Segment profit</b>	7,965	5,557	22,000	(250)	(1,610)	33,662	IFRS 8.23 IFRS 8.25
Administrative expenses						(4,276)	
Finance costs						(18,869)	
Finance revenue						7,559	
<b>Profit before tax</b>						18,076	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 IFRS 16. 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)

# Notes to the consolidated financial statements

## 13. Segment information *continued*

31 December 2018 (restated)	Residential development				Total	IFRS 8.28
	Retail	Office	Industrial	development		
	€000	€000	€000	€000	€000	
<b>Assets</b>						
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)
<b>Segment assets</b>	<b>59,756</b>	<b>49,610</b>	<b>312,450</b>	<b>9,580</b>	<b>431,396</b>	IFRS 8.23
Deferred tax					2,992	
Right-of-use assets					1,045	
Current assets (excl. Inventory property)					69,856	
<b>Total assets</b>					<b>505,289</b>	
<b>Segment liabilities</b>						
Loans and borrowings	22,132	44,721	188,978	–	255,831	IFRS 8.23
Other non-current liabilities	–	–	–	–	17,510	
Other current liabilities	–	–	–	–	12,973	
<b>Total liabilities</b>	<b>22,132</b>	<b>44,721</b>	<b>188,978</b>	<b>–</b>	<b>286,314</b>	IFRS 8.23
Additions to non-current assets	<b>10,102</b>	<b>26,832</b>	<b>58,107</b>	<b>–</b>	<b>95,041</b>	

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.

### 13.1. Geographical information

Revenues from external customers	2019	2018	IFRS 8.33(a)
	€000	€000	
Estateland	15,331	12,664	
Germany	4,651	558	
Luxembourg	3,306	15,623	
Denmark	1,754	1,065	
France	11,012	13,370	
<b>Total</b>	<b>36,054</b>	<b>43,280</b>	



# Notes to the consolidated financial statements

## 13. Segment information *continued*

### 13.1. Geographical information *continued*

IFRS 8.34

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.

	31 December 2019	31 December 2018 (restated)	
	€000	€000	IFRS 8.33(b)
<b>Carrying amount of investment property (including under development and held for sale), goodwill and investment in joint ventures</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	
<b>Total</b>	<b>599,947</b>	<b>421,816</b>	

### Commentary

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.

IFRS 8.23(f) requires an entity to disclose material items of income and expense disclosed in accordance with IAS 1.97. IAS 1.97 requires an entity to disclose separately the nature and amount of material items of income or expense. In order to fulfil requirements of IFRS 8.23(f), the Group disclosed for each reportable segment the following items of income or expenses that are included in the measure of the segment profit or loss reviewed by CODM: cost of inventories recognised as an expense; property operating expenses; net change in carrying value of investment property; and profit on disposal of investment property. Additional disclosure may be required if the CODM regularly reviews certain other items recorded in the statement of profit or loss, e.g., share of profit in joint ventures.

## 14. Income tax

The major components of income tax expense are:

	2019	2018 (restated)	
	€000	€000	IAS 12.79
<b>Statement of profit or loss</b>			
<i>Current income tax:</i>			
Current income tax charge	3,056	2,267	IAS 12.80(a)
<i>Deferred income tax:</i>			
Relating to origination and reversal of temporary differences	4,242	1,330	IAS 12.80(c)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>7,298</b>	<b>3,597</b>	
	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
<b>Statement of OCI</b>			
<i>Deferred income tax related to items recognised in OCI during the year:</i>			IAS 12.81(a)
Net losses/(gains) on revaluation of cash flow hedges	3,714	(570)	
<b>Deferred income tax reported in OCI</b>	<b>3,714</b>	<b>(570)</b>	

# Notes to the consolidated financial statements

## 14. Income tax continued

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

	2019	2018 (restated)	
	€000	€000	IAS 12.81(c)(i)
<b>Accounting profit before income tax</b>	<b>30,646</b>	<b>18,024</b>	
At Estateland's statutory tax rate of 30% (2018: 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)	
<b>Income tax expense reported in the statement of profit or loss</b>	<b>7,298</b>	<b>3,597</b>	

### 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		
	2019	2018 (restated)	2019	2018 (restated)	
	€000	€000	€000	€000	IAS 12.81(g)(i) IAS 12.81(g)(ii)
<b>Deferred income tax liability</b>					
Revaluations of investment property to fair value	14,944	4,559	4,116	1,801	
Lease payments	448	406	(42)	179	
	<b>15,466</b>	<b>5,042</b>	<b>4,074</b>	<b>1,980</b>	
<b>Deferred income tax assets</b>					
Revaluation of an interest rate swap (cash flow hedge) to fair value	123	3,837	–	–	
Losses available for offsetting against future taxable income	4,471	3,672	130	(469)	
Lease payments	479	441	38	(181)	
	<b>4,152</b>	<b>8,034</b>	<b>4,242</b>	<b>1,330</b>	
<b>Deferred income tax expense</b>			<b>4,242</b>	<b>1,330</b>	
<b>Deferred tax liabilities/(assets) net</b>	<b>11,314</b>	<b>(2,992)</b>			
Reflected in the statement of financial position as follows:					
Deferred tax assets	–	(2,992)			
Deferred tax liabilities	11,314	–			
<b>Deferred tax liabilities/(assets) net</b>	<b>11,314</b>	<b>(2,992)</b>			

# Notes to the consolidated financial statements

## 14. Income tax continued

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 Esteland of €12,204,000 (2018: €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.

At initial recognition, a temporary difference of €35,100,000 (2018: €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. Therefore, the Group did not provide disclosures of the expected recovery and settlement of its deferred tax assets.

## 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:

	2019	2018 (restated)	
	€000	€000	
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<u>20,824</u>	<u>13,521</u>	IAS 33.70(a)
	2019	2018	
	Thousands	Thousands	
<b>Weighted average number of ordinary shares for basic EPS</b>	<u>213,700</u>	<u>193,700</u>	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.

## Notes to the consolidated financial statements

### 16. Net asset value per share (NAV)

The NAV per share at 31 December 2019 is 1.25 (31 December 2018: 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:

	<b>2019</b>	<b>2018</b>
		<b>(restated)</b>
	<b>€000</b>	<b>€000</b>
<b>NAV attributable to ordinary equity holders of the parent at year end</b>	285,500	217,473
	<b>2019</b>	<b>2018</b>
	<b>Thousands</b>	<b>Thousands</b>
<b>Number of ordinary shares at year end</b>	227,700	193,700

# Notes to the consolidated financial statements

## 17. Investment property

### 31 December 2019

Country Class	Estateland		Germany		Luxembourg		France		Total 2019	IFRS 13.93(e)
	Retail Level 3*	Office Level 3*	Industrial Level 3*	Office Level 3*	Retail Level 3*	Office Level 3*	Industrial Level 3*	Office Level 3*		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	
<b>At 1 January</b>	<b>56,195</b>	<b>18,714</b>	<b>70,950</b>	<b>–</b>	<b>1,261</b>	<b>70,286</b>	<b>171,214</b>	<b>–</b>	<b>388,620</b>	
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)
<b>Total completed investment property</b>	<b>79,767</b>	<b>6,444</b>	<b>55,586</b>	<b>25,484</b>	<b>10,380</b>	<b>65,020</b>	<b>210,800</b>	<b>10,070</b>	<b>463,551</b>	
Less: classified as held for sale (Note 37)	(10,560)	–	–	–	–	–	–	–	(10,560)	IAS 40.76(c) IFRS 5.41
<b>At 31 December</b>	<b>69,207</b>	<b>6,444</b>	<b>55,586</b>	<b>25,484</b>	<b>10,380</b>	<b>65,020</b>	<b>210,800</b>	<b>10,070</b>	<b>452,991</b>	

### 31 December 2018

Country Class	Estateland		Germany		Luxembourg		France		Total 2018	IFRS 13.93(e)
	Retail Level 3*	Office Level 3*	Industrial Level 3*	Office Level 3*	Retail Level 3*	Office Level 3*	Industrial Level 3*	Office Level 3*		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	
<b>At 1 January</b>	<b>47,307</b>	<b>19,401</b>	<b>76,619</b>	<b>2,262</b>	<b>72,501</b>	<b>84,150</b>	<b>302,240</b>			
Acquisitions of owned property	4,300	–	–	–	–	65,325	69,625			IAS 40.76(a)
Additions of properties held under lease	1,800	–	–	–	–	–	1,800			
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			
<b>Total completed investment property at 31 December</b>	<b>56,195</b>	<b>18,714</b>	<b>70,950</b>	<b>1,261</b>	<b>70,286</b>	<b>171,214</b>	<b>388,620</b>			

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

# Notes to the consolidated financial statements

## 17. Investment property *continued*

### Commentary

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

IFRS 13.99 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

	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>€000</b>	<b>€000</b>	
<b>Market value as estimated by the external valuer</b>	<b>464,078</b>	<b>389,385</b>	<i>IAS 40.77</i>
Add: lease liabilities recognised separately (Note 29)	1,713	1,755	<i>IAS 40.50(d)</i>
Less: lease incentive balance included in prepayments	(2,240)	(2,520)	
<b>Fair value for financial reporting purposes</b>	<b>463,551</b>	<b>388,620</b>	

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

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

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.

# Notes to the consolidated financial statements

## 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.
- ▶ 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).

IFRS13.93(h)(i)

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 €2,000,000 (2017: €1,800,000) is held under lease agreements. Future lease payments are presented in Note [29](#).

IAS 40.75(b)

### 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.

### 17.1.1. 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 2019, 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.



# Notes to the consolidated financial statements

## 18. Investment property under development

<b>France - Office (under development)</b>	<b>2019</b>	<b>2018</b>	<i>IFRS 13.93(e)</i>
<b>Level 3</b>	<b>€000</b>	<b>€000</b>	
<b>At 1 January</b>	<b>30,896</b>	<b>9,540</b>	<i>IAS 40.76</i>
Capital expenditure	5,150	18,141	<i>IAS 40.76(a)</i>
Interest capitalised	250	1,210	<i>IAS 23.26(a)</i>
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	
<b>At 31 December</b>	<b>30,146</b>	<b>30,896</b>	<i>IAS 40.76</i>

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 2019, one property under development in France is carried at cost of €10,070,000 (2018: €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.

# Notes to the consolidated financial statements

## 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.

### 19.1. 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.

# Notes to the consolidated financial statements

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

### 19.2. 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.

#### 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.

### 19.3. 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):

31 December 2019	Fair value measurement using				Total gain or (loss) in the period in the statement of profit or loss €000
	Quoted prices in active markets (Level 1) €000	Significant observable inputs (Level 2) €000	Significant unobservable inputs (Level 3) €000	Total €000	
	Estateland - Retail	–	–	69,207	
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
<b>Total (Notes 17, 18)</b>	<b>–</b>	<b>–</b>	<b>473,067</b>	<b>473,067</b>	<b>18,900</b>

IAS 40.75(f)(iv)

\* Office in France completed during 2019 (under development in 2018), is measured at cost of €10,070,000 and is not included in the above (Note 18).

There were no transfers between Levels 1, 2 or 3 during 2019.

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)

# Notes to the consolidated financial statements

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

### 19.3. Fair value hierarchy *continued*

31 December 2018	Fair value measurement using				Total gain or (loss) in the period in the statement of profit or loss €000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	
	€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
<b>Total (Notes 17, 18)</b>	<b>–</b>	<b>–</b>	<b>411,016</b>	<b>411,016</b>	<b>11,485</b>

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 2018.

IFRS 13.93(c)

### 19.4. 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) 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.

# Notes to the consolidated financial statements

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

### 19.4. Valuation techniques used to derive Level 2 and Level 3 fair values *continued*

Class of Property	Fair Value	Fair Value	Valuation technique	Key unobservable inputs	Range		IFRS 13.93(d)
	2019 €000	2018 €000			(Weighted avg) 2019	(Weighted avg) 2018	
Estateland - Retail Level 3	69,207	56,195	DCF	▶ ERV	▶ €140- €180 (€160)	▶ €145- €175 (€150)	
				▶ Rental growth p.a.	▶ 1.7%-2.5% (1.9%)	▶ 1.7%-2.5% (1.8%)	
				▶ Long term vacancy rate	▶ 4%-6% (5%)	▶ 4%-6.5% (5.25%)	
				▶ Discount rate	▶ 6.0%-8.2% (6.5%)	▶ 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	▶ €50- €100 (€65)	▶ €55- €110 (€75)	
				▶ Rental growth p.a.	▶ 1.0%-1.5% (1.25%)	▶ 1.0%-1.6% (1.35%)	
				▶ Long term vacancy rate	▶ 1%-3% (2%)	▶ 1.5%-3.5% (1.75%)	
				▶ Discount rate	▶ 3.0%-4.2% (3.6%)	▶ 2.5%-4.0% (3%)	
Germany - Office Level 3	25,484	-	Income capitalization method	▶ ERV	▶ €200 -€300 (€250)	▶ N/A	
				▶ Rental growth p.a.	▶ 1.5%-2.5% (2.0%)		
				▶ Long term vacancy rate	▶ 3%.5% (4%)		
				▶ Discount rate	▶ 4.0%-4.2% (4.1%)		
Germany - Retail Level 3	10,380	1,261	DCF	▶ ERV	▶ €100- €250 (€200)	▶ €100- €200 (€150)	
				▶ Rental growth p.a.	▶ 1.0% - 2.0% (1.5%)	▶ 1.0% - 2.0% (1.25%)	
				▶ Long term vacancy rate	▶ 1%-3% (2%)	▶ 1%-2% (1.5%)	
				▶ Discount rate	▶ 6.0%-8.0% (7.0%)	▶ 6.0%-8.5% (7.5%)	
Lux - Office Level 3	65,020	70,286	DCF	▶ ERV	▶ €90- €120 (€100)	▶ €90- €125 (€110)	
				▶ Rent growth p.a.	▶ 1.0%-1.5% (1.2%)	▶ 1.0%-1.5% (1.3%)	
				▶ Long term vacancy rate	▶ 5%-9% (8%)	▶ 5%-8% (7%)	
				▶ Discount rate	▶ 4.0%-4.9% (4.3%)	▶ 3.75%-4.9% (4%)	
France - Industrial Level 3	210,800	171,214	DCF	▶ ERV	▶ €50- €90 (€58)	▶ €40- €80 (€50)	
				▶ Rental growth p.a.	▶ 1.0%-1.585% (1.52%)	▶ 1.0%-1.5% (1.2%)	
				▶ Long term vacancy rate	▶ (1.52%)	▶ 1%-5% (3.8%)	
				▶ Discount rate	▶ 1%-5% (4%)	▶ 5.0%-5.8% (5.4%)	
France - Office Investment property under development Level 3	30,146	22,396	DCF	▶ ERV	▶ €275- €310 (€290)	▶ €275- €300 (€285)	
				▶ Rental growth p.a.	▶ 1.0%-1.5% (1.25%)	▶ 1.0%-1.4% (1.3%)	
				▶ Long term vacancy rate	▶ 2%-4% (3%)	▶ 2%-4% (3%)	
				▶ Discount rate	▶ 5.0%-5.6% (5.3%)	▶ 5.0%-5.5% (5.25%)	
				▶ Construction cost	▶ €1,000 per sqm	▶ €950 per sqm	
				▶ Construction period	▶ 36 months	▶ 48 months	
				▶ Development profit	▶ 20%	▶ 20%	
	<b>483,627</b>	<b>411,016</b>					

# Notes to the consolidated financial statements

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

### 19.4. Valuation techniques used to derive Level 2 and Level 3 fair values *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 estimated rental value (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.

A quantitative sensitivity analysis is, as shown below:

	Sensitivity used	Effect on fair value	
		Completed investment property	Investment property under development
		€000	€000
<b>2019</b>			
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	<b>10%</b>	–	<b>(3,000)</b>

	Sensitivity used	Effect on fair value	
		Completed investment property	Investment property under development
		€000	€000
<b>2018</b>			
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	<b>10%</b>	–	<b>(3,050)</b>

#### 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.

# Notes to the consolidated financial statements

## 20. Goodwill

	2019	2018	
	€000	€000	IAS 36.134(a)
Opening balance at 1 January	–	–	
Acquisition of Property Business Ltd (Note 7)	3,000	–	
<b>Closing balance at 31 December</b>	<b>3,000</b>	<b>–</b>	

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)  
IAS 36.130(e)  
IAS 36.134  
(d)(iii)  
IAS 36.134  
(d)(iv)  
IAS 36.134  
(d)(v)  
IAS 36.126(a)

The Group performed its annual impairment test in December 2019 (2018: not applicable). The recoverable amount of the Property Business Ltd group of CGUs of €73,213,000, as at 31 December 2019, has been determined based on a value-in-use (VIU) calculation using cash flow projections from financial budgets approved 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 (2018: 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.

### 20.1. 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:

- ▶ Rental income growth
- ▶ Discount rates
- ▶ Growth rates used to extrapolate cash flows beyond the forecast period

IAS 36.134(d)(i)  
IAS 36.134  
(d)(iii)  
IAS 36.134(f)  
IAS 36.134(f)(i)  
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.

### 20.2. 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.



# Notes to the consolidated financial statements

## 20. Goodwill *continued*

### 20.2. Sensitivity to changes in assumptions *continued*

#### Commentary

The Group has determined the recoverable amount of its CGUs based on 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. While the disclosures above have been provided for illustrative purposes, entities 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 on 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](#)

# Notes to the consolidated financial statements

## 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 2019, the Group 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)

<b>31 December 2019</b>	<b>Eastmeadow NV</b>	<b>Westmeadow NV</b>	<b>Total</b>	
	<b>€000</b>	<b>€000</b>	<b>€000</b>	
Current assets, including cash & cash equivalents of €700,000 and €100,000 for Eastmeadow and Westmeadow, respectively	4,200	1,000	5,200	IFRS 12.B12 IFRS 12.B13
Non-current assets - investment property	203,447	6,553	210,000	
	<u>207,647</u>	<u>7,553</u>	<u>215,200</u>	
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)	
	<u>(6,700)</u>	<u>(2,000)</u>	<u>(8,700)</u>	
Equity	200,947	5,553	206,500	
Proportion of the Group's interest	50%	50%	50%	
<b>Group's carrying amount of the investment at 31 December 2019</b>	<b><u>100,473</u></b>	<b><u>2,727</u></b>	<b><u>103,250</u></b>	IFRS 12.B14(b)
<b>Period ending at 31 December 2019</b>				
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)	
<b>Profit before income tax</b>	<b>6,028</b>	<b>3,000</b>	<b>9,028</b>	
Income tax expense	(1,634)	(894)	(2,528)	IFRS 12.B13
Profit for the year	4,394	2,106	6,500	
<b>Group's share of profit for 2019</b>	<b><u>2,197</u></b>	<b><u>1,053</u></b>	<b><u>3,250</u></b>	

# Notes to the consolidated financial statements

## 21. Interest in joint ventures *continued*

<b>31 December 2018 (restated)</b>		<i>IFRS 12.B12</i>
(only Westmeadow NV)	<b>€000</b>	<i>IFRS 12.B13</i>
Current assets, including cash & cash equivalents of €350,000	1,040	
Non-current assets - investment property	5,300	
	<u>6,340</u>	
Current liabilities including tax payable of €100,000	(540)	
Non-current liabilities including long term borrowings of €1,000,000	(1,200)	
	<u>(1,740)</u>	
Equity	4,600	
Proportion of the Group's ownership	50%	
<b>Carrying amount of the investment at 31 December 2018</b>	<b><u>2,300</u></b>	<i>IFRS 12.B14(b)</i>
<b>Period ending at 31 December 2018</b>		
Rental income	6,868	<i>IFRS 12.B13</i>
Property expenses	(1,516)	<i>IFRS 12.B13</i>
Other expenses, including depreciation of €300,000 and finance expense of €100,000	(802)	<i>IFRS 12.B13</i>
Loss on valuation of investment property	(938)	
<b>Profit before income tax</b>	<b>3,612</b>	
Income tax expense	(1,012)	<i>IFRS 12.B13</i>
Profit for the year	<u>2,600</u>	
<b>Group's share of profit for 2018</b>	<b><u>1,300</u></b>	

The Group has not incurred any contingent liabilities as at 31 December 2019 and 2018, respectively, 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*

### Commentary

IFRS 12.B14 requires separate presentation of goodwill and other adjustments to the investments in joint ventures and associates in the above reconciliation. The Group does not have goodwill or other adjustments.

IFRS 12.21(a) requires the separate disclosure of information for joint operations, as it relates to all types of joint arrangements. The Group does not have any joint operations.

The Group has presented the summarised financial information of the joint venture based on its IFRS financial statements. IFRS 12.B15 allows this information to be provided using alternative bases, if the entity measures its interest in the joint venture or associate at fair value, and if the joint venture or associate does not prepare IFRS financial statements and preparation on that basis would be impracticable or cause undue cost. Applying both the impracticable and undue cost thresholds involves significant judgement and must be carefully considered in the context of the specific facts and circumstances. In either case, the entity is required to disclose the basis on which the information is provided.

IFRS 12.21(c) and IFRS 12.B16 require disclosure of the aggregated information of associates and joint ventures that are accounted for using the equity method and are not individually material. The Group did not have any immaterial associates or joint ventures.

IFRS 12.22(b) requires additional disclosures when the financial statements of the joint venture or associate used in applying the equity method are as of a different date or for a different period from that of the entity. This is not applicable to the Group.

IFRS 12.22(c) requires disclosure of unrecognised share of losses of a joint venture and associate. This is not applicable to the Group.

# Notes to the consolidated financial statements

## 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:

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
<b>At 1 January</b>	<b>9,580</b>	<b>19,000</b>	
Development costs incurred	890	5,060	
Interest capitalised	110	520	IAS 23.26(a)
Transfer to completed investment property (Note <a href="#">17</a> )	(1,047)	–	IAS 40.57
Disposals (recognised in cost of sales)	(3,000)	(15,000)	IAS 2.36(d)
<b>At 31 December</b>	<b>6,533</b>	<b>9,580</b>	IAS 2.36(b)

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

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
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)
	<b>6,481</b>	<b>16,471</b>	
Amortisation of contract cost assets (see Note <a href="#">23</a> )	455	453	
Warranty provision (Note <a href="#">28</a> )	64	76	
	<b>7,000</b>	<b>17,000</b>	

## 23. Contract cost assets

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
<b>Costs to obtain contracts with customers</b>			IFRS 15.128
<b>At 1 January</b>	<b>166</b>	<b>121</b>	
Additions	433	498	
Amortisation for the year	(455)	(453)	
<b>At 31 December</b>	<b>144</b>	<b>166</b>	

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.

# Notes to the consolidated financial statements

## 24. Rent and other trade receivables and contract assets

	31 December 2019	31 December 2018	IFRS 15.116(a)
	€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	
<b>Total rent and other trade receivables</b>	<b>11,640</b>	<b>21,450</b>	IFRS 7.6

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 2019 (Note 7). Receivables in respect of property under development are non-interest bearing and are generally on terms of 30 to 90 days.

IFRS 7.34(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 2019	31 December 2018	1 January 2018	IFRS 15.116(a)
	€000	€000	€000	
Contract assets	2,920	1,410	2,543	

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 2019 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 2018 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 2019, a provision for impairment of €793,000 (2018: €510,000) was recognised in relation to rent receivables, €49,000 (2018: €41,000) in relation to other trade receivables and €93,000 (2018: €79,000) in relation to contract assets. The main cause of the impairment allowances is the increased credit risk from local independent customers.

IFRS 15.118

# Notes to the consolidated financial statements

## 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
<b>At 1 January 2018</b>	<b>186</b>	<b>49</b>	<b>64</b>	<b>299</b>
Charge for the year (Note <a href="#">10</a> )	338	3	23	364
Utilised	(14)	(11)	(8)	(33)
<b>At 31 December 2018</b>	<b>510</b>	<b>41</b>	<b>79</b>	<b>630</b>
Charge for the year (Note <a href="#">10</a> )	293	12	18	319
Utilised	(10)	(4)	(4)	(14)
<b>At 31 December 2019</b>	<b>793</b>	<b>49</b>	<b>93</b>	<b>935</b>

IFRS  
15.113(b)

IFRS 7.16

The increase in the expected credit losses in 2019 was mainly caused by the increase in receivables from private tenants with no credit ratings.

### Commentary

IFRS 7.35B 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 7.35H 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 7.35I 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 7.35F(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 2019, 60% (2018: 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 2019 (2018: €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 7.35F(e)  
IFRS 7.35K

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.

# Notes to the consolidated financial statements

## 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 7.35M  
IFRS 7.35N

### 31 December 2019

	Rent and other trade receivables and contract assets							Total €000
	Contract assets €000	Current €000	Days past due					
			<30 days €000	30-60 days €000	61-90 days €000	91-120 days €000	> 120 days €000	
Expected credit loss rate	3.1%	1.5%	3.5%	6.9%	11.6%	26.7%	36.8%	
Carrying amount	3,013	7,434	1,032	1,427	1,052	906	631	15,495
Expected credit loss	93	112	36	98	122	242	232	935
<b>Net amount</b>	<b>2,920</b>	<b>7,322</b>	<b>996</b>	<b>1,329</b>	<b>930</b>	<b>664</b>	<b>399</b>	<b>14,560</b>

### 31 December 2018

	Rent and other trade receivables and contract assets							Total €000
	Contract assets €000	Current €000	Days past due					
			<30 days €000	30-60 days €000	61-90 days €000	91-120 days €000	> 120 days €000	
Expected credit loss rate	5.3%	1.2%	3.1%	6.2%	11.2%	21.7%	32.5%	
Carrying amount	1,587	18,708	1,260	602	518	461	395	23,531
Expected credit loss	84	224	39	37	58	100	128	671
<b>Net amount</b>	<b>1,503</b>	<b>18,483</b>	<b>1,221</b>	<b>565</b>	<b>460</b>	<b>361</b>	<b>266</b>	<b>22,860</b>

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 2019 €000	31 December 2018 €000
International A credit rated	2,041	9,290
Domestic B credit rated	3,223	7,782
Local independent	6,376	4,378
	<b>11,640</b>	<b>21,450</b>

#### Contract assets

	31 December 2019 €000	31 December 2018 €000
International A credit rated	1,265	611
Domestic B credit rated	1,059	512
Local independent	596	288
	<b>2,920</b>	<b>1,410</b>

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 7.36(c)



# Notes to the consolidated financial statements

## 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 [Good Bank - Illustrative Financial Statements](#) publication for the illustrative disclosures on the general approach of measuring ECLs.

## 25. Cash and short-term deposits

	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>€000</b>	<b>€000</b>	
Cash at bank and on hand	35,135	23,576	
Short-term deposits	42,903	11,042	
	<b>78,038</b>	<b>34,618</b>	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.

	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>€000</b>	<b>€000</b>	
Banks with a credit rating of A or above	78,038	34,618	IFRS 7.35M

## 26. Issued capital

	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>Thousands</b>	<b>Thousands</b>	
<i>Authorised shares</i>			IAS 1.79(a)(i)
Ordinary share of €1 each (issued and fully paid)	227,700	193,700	IAS 1.79(a)(iii)
	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>€000</b>	<b>€000</b>	
<i>Ordinary shares issued and fully paid</i>			IAS 1.79(a)(iv)
At 1 January	193,700	193,700	
Issued in the year	34,000	–	
<b>At 31 December</b>	<b>227,700</b>	<b>193,700</b>	

# Notes to the consolidated financial statements

## 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.

	<b>31 December 2019</b>	<b>31 December 2018</b>	
	<b>€000</b>	<b>€000</b>	<i>IAS 1.78(e)</i>
<b>Share premium</b>			
At 1 January	–	–	
Issued in the year	6,180	–	
Transaction costs for issued share capital	(184)	–	
<b>At 31 December</b>	<b>5,996</b>	<b>–</b>	

## 27. Interest-bearing loans and borrowings

	<b>Effective interest rate (EIR)</b>	<b>Maturity</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	
<b>Non-current</b>	<b>%</b>		<b>€000</b>	<b>€000</b>	<i>IFRS 7.7</i>
€150,500,000 bank loan	*EURIBOR +0.45	1 November 2022	149,547	149,777	
€85,500,000 bank loan	*EURIBOR +0.55	1 April 2022	84,340	84,274	
€147,500,000 bank loan	*EURIBOR +0.55	1 March 2023	140,637	16,880	
£4,000,000 bank loan	LIBOR +2.5	30 April 2022	5,100	4,900	
			<b>379,624</b>	<b>255,831</b>	

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 2023.

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>€000</b>	<b>€000</b>
Trade payables	4,620	9,412
Cash settled share-based payments (Note <a href="#">30</a> )	299	194
Unpaid contingent consideration (Note <a href="#">7</a> )	842	–
Provisions (see below)	60	71
Accruals	243	342
	<b>6,064</b>	<b>10,019</b>

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

*IFRS 7.39*

# Notes to the consolidated financial statements

## 28. Trade and other payables *continued*

IFRS 7.39(c)

For explanations on the Group's liquidity risk management processes, refer to Note 32.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>€000</b>	<b>€000</b>
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 (2018: €183,000; 1 January 2018: €204,000) relating to the remaining portion of services to tenants and management fees billed three-months in advance.

The significant increase in contract liabilities in 2019 was mainly due to the 10% deposits received from the sale of €2,570,000 residential units upon conditional exchange of contracts in November 2019 (2018: €Nil). In 2018, €123,000 represents advance payments received in January 2018 for a sale of property which completed in May 2019. There were no customer deposits or advance payments received as at 1 January 2018.

### 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's contract liabilities as at 1 January 2018 are included in the narrative disclosure to comply with this requirement.

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 to be most appropriate, which would include a combination of tabular and narrative information.

### 28.1. Provisions for assurance-type warranties

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

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
<b>At 1 January</b>	119	98	IAS 37.84(a)
Arising during the year	64	76	IAS 37.84(b)
Utilised	(82)	(55)	IAS 37.84(c)
<b>At 31 December</b>	<b>101</b>	<b>119</b>	
Current	<b>60</b>	<b>71</b>	
Non-current	<b>41</b>	<b>48</b>	

### Commentary

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

# Notes to the consolidated financial statements

## 29. Leases

### Group as a lessor

The Group has entered into leases on its property portfolio. Refer to Notes 8 and 9 for further information.

### Group as a lessee

The Group has a lease contract for the use of office space, with a lease term of ten years. The Group has the option to lease the asset for an additional term of five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group's leases also include restrictions on assigning and subleasing the leased assets and they require the Group to meet minimum values for certain financial ratios.

IFRS 16.59(a)  
IFRS 16.59(c)

The Group has lease contracts with lease terms of 12 months or less and has certain leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

IFRS 16.60

During 2018, the Group acquired certain leasehold property that it classifies as investment property. These leases typically have lease terms between 20 and 100 years. As at 31 December 2019, €1,713,000 of the lease liabilities related to right-of-use assets accounted for as investment property (2018: €1,755,000).

IFRS 16.59(a)

### Commentary

IFRS 16.52 requires lessees to disclose information in a single note or a separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. The Group provided most of the required disclosures by IFRS 16 in this section of the financial statements. Cross-references are provided for certain required information outside of this section.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

IFRS 16.54

	<b>Office space</b>	
	<b>€000</b>	
<b>As at 1 January 2018 (restated)</b>	<b>1,219</b>	
Depreciation expense	<b>(174)</b>	IFRS 16.53(a)
<b>As at 31 December 2018 (restated)</b>	<b>1,045</b>	IFRS 16.53(j)
Acquisitions arising from business combinations (Note 7)	<b>285</b>	IFRS 16.53(h)
Depreciation expense	<b>(202)</b>	IFRS 16.53(a)
As at 31 December 2019	<b>1,128</b>	IFRS 16.53(j)

### Commentary

The Group presented right-of-use assets separately. The right-of-use assets that meet the definition of investment property were included in investment property. If a lessee does not present right-of-use assets separately in the statement of financial position, IFRS 16.47 requires the right-of-use assets to be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

IFRS 16.54

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
		<b>Restated</b>	
<b>As at 1 January</b>	2,890	1,296	
Acquisitions arising from business combinations (Note 7)	262	–	
Additions of properties held under lease	–	1,778	
Accretion of interest	180	166	IFRS 16.53(b)
Payments	(413)	(350)	IFRS 16.53(g)
<b>As at 31 December</b>	<b>2,919</b>	<b>2,890</b>	
Current	361	373	
Non-current	2,558	2,516	

# Notes to the consolidated financial statements

## 29. Leases continued

The maturity analysis of lease liabilities are disclosed in Note [32.5](#).

IFRS 16.58

The reconciliation of the changes in liabilities arising from financing activities is provided in Note [36](#).

The following are the amounts recognised in profit or loss:

IFRS 16.54

	<b>2019</b>	<b>2018</b>	
	<b>€000</b>	<b>€000</b>	
		<b>Restated</b>	
Depreciation expense of right-of-use assets	199	174	IFRS 16.53(a)
Interest expense on lease liabilities	180	166	IFRS 16.53(b)
Expense relating to leases of low-value assets (included in administrative expenses)	15	14	IFRS 16.53(d)
Expense relating to short-term leases (included in administrative expenses)	3	3	
Variable lease payments (included in administrative expenses)	45	42	IFRS 16.53(e)
<b>Total amount recognised in profit or loss</b>	<b>442</b>	<b>399</b>	

The Group had total cash outflows for leases of €330,000 in 2019 (€367,000 in 2018). The Group also had non-cash additions to right-of-use assets and lease liabilities of €nil in 2019 (€1,778,000 in 2018). The future cash outflows relating to leases that have not yet commenced are disclosed in Note [35](#).

IFRS 16.53(g)  
IFRS 16.59(b)(iv)  
IAS 7.43

### Commentary

IFRS 16.53 requires disclosure of the following information, which users of the financial statements have identified as being most useful to their analysis:

- ▶ Depreciation charge for right-of-use assets, split by class of underlying asset
- ▶ Interest expense on lease liabilities
- ▶ Short-term lease expense for such leases with a lease term greater than one month
- ▶ Low-value asset lease expense (except for portions related to short-term leases)
- ▶ Variable lease expense (i.e., for variable lease payments not included in the lease liability)
- ▶ Income from subleasing right-of-use assets
- ▶ Total cash outflow for leases
- ▶ Additions to right-of-use assets
- ▶ Gains and losses arising from sale and leaseback transactions
- ▶ Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period (IFRS 16.54).

The standard requires disclosure of the total cash outflow for leases. The Group also included the cash outflow related to leases of low-value assets and short-term leases in the disclosure of the total cash outflow.

IFRS 16.55 requires disclosure of the amount of lease commitments for short-term leases when short-term lease commitments at the end of the reporting period are dissimilar to the same period's short-term lease expense (that is otherwise required to be disclosed). This disclosure requirement is not applicable to the Group.

IFRS 16.56 requires that, if right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in IAS 40. In that case, a lessee is not required to provide the disclosures in paragraph IFRS16.53(a), (f), (h) or (j) for those right-of-use assets.

IFRS 16.59 requires additional qualitative and quantitative information about a lessee's leasing activities necessary to meet the disclosure objective of the standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

- ▶ The nature of the lessee's leasing activities
- ▶ Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  - ▶ Variable lease payments
  - ▶ Extension options and termination options
  - ▶ Residual value guarantees
  - ▶ Leases not yet commenced to which the lessee is committed
- ▶ Restrictions or covenants imposed by leases
- ▶ Sale and leaseback transactions

# Notes to the consolidated financial statements

## 29. Leases *continued*

The Group has lease contracts for the use of office space that contain variable payments calculated by reference to sales performance. The variable lease payments are presented in the line item 'Administrative expenses'.

IFRS 16.59(b)(i)  
IFRS 16.B49

### Commentary

Disclosures of additional information relating to variable lease payments could include (IFRS 16.B49):

- ▶ The lessee's reasons for using variable lease payments and the prevalence of those payments
- ▶ The relative magnitude of variable lease payments to fixed payments
- ▶ Key variables upon which variable lease payments depend on how payments are expected to vary in response to changes in those key variables
- ▶ Other operational and financial effects of variable lease payments

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e., to provide a basis for users to assess the effect of leases on the financial position, financial performance, and cash flows of the lessee).

The Group has certain lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

For right-of-use assets that are classified as investment property, the Group expects to make use of the full lease terms which typically vary between 20 and 100 years. For rents of office space, the undiscounted potential future rental payments relating to the five-year period following the exercise date of extension that are not included in the lease term is €1,300,000 (2018: €1,100,000).

IFRS 16.59(b)(ii)  
IFRS 16.B50

### Commentary

Disclosures of additional information relating to extension and termination options could include (IFRS 16.B50):

- ▶ The lessee's reasons for using extension options or termination options and the prevalence of those options
- ▶ The relative magnitude of optional lease payments to lease payments
- ▶ The prevalence of the exercise of options that were not included in the measurement of lease liabilities
- ▶ Other operational and financial effects of those options

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e., to provide a basis for users to assess the effect of leases on the financial position, financial performance, and cash flows of the lessee).

# Notes to the consolidated financial statements

## 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. 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.

IFRS 2.47(a)(iii)

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. 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.

IFRS 2.45(a)

IFRS 2.46

The carrying amount of the liability relating to the SARs at 31 December 2019 is €299,000 (2018: €194,000). No SARs were granted or forfeited during the current or previous reporting period. No SARs have vested at 31 December 2019 and 31 December 2018, respectively.

IFRS 2.51(b)

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

	<b>2019</b>	<b>2018</b>
	<b>€000</b>	<b>€000</b>
Expense arising from equity-settled share-based payment transactions	307	389
Expense arising from cash-settled share-based payment transactions	105	194
<b>Total expense arising from share-based payment transactions</b>	<b>412</b>	<b>583</b>

IFRS 2.51(a)

There were no cancellations or modifications to the awards in 2019 or 2018.



# Notes to the consolidated financial statements

## 30. Share-based payments *continued*

### 30.1. 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):

	2019	2019 WAEP	2018	2018 WAEP
<b>Outstanding at 1 January</b>	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
<b>Outstanding at 31 December</b>	<b>865,000</b>	<b>€3.95</b>	<b>640,000</b>	<b>€4.02</b> 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 2019 is 2.94 years (2018: 2.60 years). IFRS 2.45(d)

The weighted average fair value of options granted during the year was €1.32 (2018: €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 (2018: €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 2019 and 31 December 2018: IFRS 2.47(a)(i)

	2019 SEP	2019 GESP	2019 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

  

	2018 SEP	2018 GESP	2018 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)

# Notes to the consolidated financial statements

## 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

Subsidiary	Country of incorporation	% equity interest	
		2019	2018
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
<b>Joint venture</b> (see Note 21 for more information)			
Westmeadow NV	The Netherlands	50	50
Eastmeadow NV	The Netherlands	50	–

IAS 24.14

There were no dividends paid to non-controlling interests in the year. The non-controlling interests in Townhouse Trading GmbH and in Single Asset Entity 1 GmbH through to Single Asset Entity 6 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 2019 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 2019 (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 (i.e., the Group). In the comparative period, the Group did not have a subsidiary with a material non-controlling interest. However, in 2019, 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 IFRS 12.12(a)-(f) for the current year only. The Group did not disclose information required by IFRS 12.12(g), but it included a reference to Note 7, where information on the business combination is disclosed because the acquisition occurred during the current year. 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 2019*, 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.

# Notes to the consolidated financial statements

## 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 €000	Due from joint ventures at year end €000	Due to joint ventures at year end €000
2019	750	50	–
2018	750	50	–

### 31.1. 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.

### 31.2. 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, but IAS 24.23 does not require such a disclosure. The Group was able to substantiate the terms and therefore provides the disclosure.

### 31.3. Compensation of key management personnel of the Group

	2019 €000	2018 €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)
<b>Total compensation paid to key management personnel</b>	<b>950</b>	<b>850</b>	

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. There were no other transactions with 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	2019		2018		IAS 24.17(e)
			Number outstanding	Number outstanding	Number outstanding	Number outstanding	
2018	2023	€2.33	10,000	10,000			
2018	2023	€3.13	83,000	83,000			
2019	2024	€3.85	27,000	–			
<b>Total</b>			<b>120,000</b>	<b>93,000</b>			

No share options have been granted to the non-executive members of the Board of Directors under this scheme. Refer to Note 30 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.

# Notes to the consolidated financial statements

## 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 7.33

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.

### 32.1. 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 7.33

The sensitivity analyses in the following sections relate to the position as at 31 December in 2019 and 2018.

IFRS 7.40

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 2019 and 2018.

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 2019 and 2018 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 2019 for the effects of the assumed changes of the underlying risk.

### 32.2. 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 7.21A(a)  
IFRS 7.22A

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 2019, after taking into account the effect of interest rate swaps, 100% of the Group's borrowings are hedged (2018: 100%).

IFRS 7.22B

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.

# Notes to the consolidated financial statements

## 32. Financial instruments risk management objectives and policies *continued*

### 32.2. Interest rate risk *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.

	Increase/(decrease) in basis points	Effect on equity	Effect on profit before tax	IFRS 7.40 (a)
	€000	€000	€000	
<b>2019</b>				
EURIBOR	+15	(786)	–	
EURIBOR	-15	875	–	
<b>2018</b>				
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.

### 32.3. 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 7.21A(a)  
IFRS 7.22A

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).

### 32.4. 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 7.33  
IFRS 7.35B

#### 32.4.1. 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 7.34(c)  
IFRS 7.B8

#### 32.4.2. 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.

#### 32.4.3. 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 2019 and 31 December 2018, respectively, is the carrying amounts of each class of financial instruments.

IFRS 7.33  
IFRS 7.36  
IFRS 7.B8  
IFRS 7.B10

# Notes to the consolidated financial statements

## 32. Financial instruments risk management objectives and policies *continued*

### 32.4. Credit risk

#### 32.4.3. Financial instruments and cash deposits *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 [Good Bank - Illustrative Financial Statements](#) publication for the illustrative disclosures on the general approach of measuring ECLs.

### 32.5. Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. Its policy is that not more than 25% of borrowings should mature in the next 12-month period. None of the Group's debt will mature in less than one year at 31 December 2019 (2018: none). The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and any debt maturing within 12 months can be rolled over with existing lenders.

IFRS 7.33  
IFRS 7.39(c)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>31 December 2019</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Interest-bearing loans and borrowings	-	-	-	403,799	-	403,799
Deposits from tenants	-	-	-	4,036	-	4,036
Lease liabilities	-	106	318	1,695	1,236	3,355
Financial derivatives	23	269	22	111	-	425
Trade and other payables	771	4,767	167	-	-	5,705
	<b>794</b>	<b>5,663</b>	<b>3,089</b>	<b>406,538</b>	<b>1,236</b>	<b>417,320</b>
		<b>Less</b>				
<b>31 December 2018 (restated)</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Interest-bearing loans and borrowings	-	-	-	323,667	-	323,667
Deposits from tenants	-	-	-	2,392	-	2,392
Lease liabilities	-	119	356	1,710	1,450	3,635
Financial derivatives	697	7,781	348	3,978	-	12,804
Trade and other payables	1,265	7,427	756	-	-	9,448
	<b>1,962</b>	<b>17,510</b>	<b>8,010</b>	<b>323,014</b>	<b>1,450</b>	<b>351,946</b>

IFRS 7.39(a)(b)

The disclosed amounts for financial derivatives in the above table are the net undiscounted cash flows.

##### Commentary

IFRS 16.58 requires disclosure of the maturity analysis of lease liabilities applying IFRS 7.39 and IFRS 7.B11 separately from the maturity analysis of other financial liabilities. As such, the Group presented a separate line item for lease liabilities in the maturity analysis of its financial liabilities.

# Notes to the consolidated financial statements

## 32. Financial instruments risk management objectives and policies *continued*

### 32.6. 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 7.25  
IFRS 7.26  
IFRS 7.29

	Carrying amount		Fair value	
	2019	2018	2019	2018
	€000	€000	€000	€000
<b>Financial liabilities for which fair values are disclosed:</b>				
Interest-bearing loans and borrowings	379,624	255,831	377,876	258,761
Deposits from tenants	3,593	2,142	3,650	2,285
<b>Financial liabilities measured at fair value:</b>				
Derivatives	425	12,804	425	12,804

#### Commentary

IFRS 7.29 provides that disclosure of the fair values of financial instruments is not required:

- ▶ When the carrying amount is a reasonable approximation of fair value (e.g., short-term trade receivables and payables)
- ▶ For a contract containing a discretionary participating feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably
- Or
- ▶ For lease liabilities

### 32.7. 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 2019:

IFRS 13.91(a)  
IFRS 13.93(a)  
IFRS 13.93(b)  
IFRS 13.97  
IFRS 7.29

31 December 2019	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
<b>Financial liabilities for which fair values are disclosed:</b>				
Interest-bearing loans and borrowings	–	377,876	–	377,876
Deposits from tenants	–	3,650	–	3,650
<b>Financial liabilities measured at fair value:</b>				
Derivatives	–	425	–	425
<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	€000	€000	€000	€000
<b>Financial liabilities for which fair values are disclosed:</b>				
Interest-bearing loans and borrowings	–	258,761	–	258,761
Deposits from tenants	–	2,285	–	2,285
<b>Financial liabilities measured at fair value:</b>				
Derivatives	–	12,804	–	12,804



# Notes to the consolidated financial statements

## 32. Financial instruments risk management objectives and policies *continued*

### 32.7. Fair value hierarchy *continued*

There were no transfers between Level 1 and 2 during 2019 or 2018.

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:

*IFRS 13.92  
IFRS  
13.93(b)(d)  
IFRS 13.97*

- ▶ 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 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- ▶ The fair value of 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 2019.

#### **Commentary**

IFRS 13.94 requires appropriate determination of 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 within which the fair value measurement is categorised

The Group has applied the factors and disclosed the quantitative information under IFRS 13 based on the classes of assets and liabilities determined as per IFRS 13.94. As judgement is required to determine the classes of properties, other criteria and aggregation levels for classes of assets may also be appropriate, provided they are based on the risk profile of the assets (e.g., the risk profile of properties in an emerging market may differ from that of properties in a mature market).

Inputs used in a valuation technique may fall into different levels of the fair value hierarchy. However, for disclosure purposes, the fair value measurement must be categorised in its entirety (i.e., depending on the unit of account) within the hierarchy. However, that categorisation may not be so obvious when there are multiple inputs used. IFRS 13.73 clarifies that the hierarchy categorisation of a fair value measurement, in its entirety, is determined based on the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement and consideration of factors specific to the asset or liability (or group of assets and/or liabilities) being measured and any adjustments made to the significant inputs in arriving at the fair value. These considerations have a follow-on impact on the disclosures of valuation techniques, processes and significant inputs and entities should tailor their disclosures to the specific facts and circumstances.

For assets and liabilities held at the end of the reporting period measured at fair value on a recurring basis, IFRS 13.93(c) requires disclosure of the amounts of transfers between Level 1 and Level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when the transfers are deemed to have occurred. Transfers into each level must be disclosed and discussed separately from transfers out of each level.

The IFRS 13 measurement and disclosure requirements do not apply to leasing transactions accounted for under IFRS 16. Further, IFRS 16 consequentially amended IFRS 7, such that the fair value of lease liabilities no longer needs to be disclosed. However, the same disclosure for lease receivables may be required.

*IFRS 7.25,  
29(d)*

# Notes to the consolidated financial statements

## 32. Financial instruments risk management objectives and policies *continued*

### 32.7. Fair value hierarchy *continued*

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](#).

# Notes to the consolidated financial statements

## 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 7.21A

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 7.21A-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 7.22A-22C)
- ▶ How the risk management activities may affect the amount, timing and uncertainty of future cash flows (IFRS 7.23A-23F)
- ▶ The effect hedge accounting had on the statement of financial position, the statement of comprehensive income and the statement of changes in equity (IFRS 7.24A-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 (2018: €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 7.23A

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 note for more information.

IFRS 7.22B

IFRS 7.22C

### 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.

As a result of interest rate benchmark reform, there may be uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty as to whether a forecast transaction is highly probable and whether, prospectively, the hedging relationship is expected to be highly effective.

In September 2019, the IASB published *Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7*, which includes a number of reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

# Notes to the consolidated financial statements

## 33. Hedging activities and derivatives continued

Preparers should monitor closely the IASB project and the developments in this area (in particular, in relation to Phase 2 of the project) 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 152, September 2019 IBOR reform: publication of the phase one amendments and commencement of phase two*.

The interest swap contracts have the following maturity profile:

Year ended 31 December 2019	Maturity				Total €000
	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	
Interest rate swap contracts	-	-	403,799	-	403,799
Average rate of interest			5.53%		
Year ended 31 December 2018	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	Total €000
Interest rate swap contracts	-	-	323,667	-	323,667
Average rate of interest			5.75%		

IFRS  
7.23B

The impact of the hedging instruments on the statement of financial position is, as follows:

As at 31 December 2019	Notional amount €000	Carrying amount €000	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period €000
Interest rate swap contracts	403,799	425	Derivative financial instruments	(12,379)

The change in fair value for discontinued hedges in 2019 was € 0 (2018: € 0).

As at 31 December 2018	Notional amount €000	Carrying amount €000	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period €000
Interest rate swap contracts	323,667	12,804	Derivative financial instruments	(1,900)

IFRS 7.24A  
IFRS 7.24A(a)  
IFRS 7.24A(b)  
IFRS 7.24A(c)  
IFRS 7.24A(d)

The impact of hedged items on the statement of financial position is, as follows:

	31 December 2019		31 December 2018	
	Change in fair value used for measuring ineffectiveness €000	Cash flow hedge reserve €000	Change in fair value used for measuring ineffectiveness €000	Cash flow hedge reserve €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 2019	Total hedging gain/(loss) recognised in OCI €000	Ineffectiveness recognised in profit or loss €000	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss €000	Line item in the statement of profit or loss
Interest rate swap contracts	13,589	65	Finance cost	(1,275)	Finance cost

IFRS 7.24B(b)

# Notes to the consolidated financial statements

## 33. Hedging activities and derivatives *continued*

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
	€000	€000		€000
Interest rate swap contracts	(2,632)	52	Finance cost	680

### Impact of hedging on equity

IFRS 7.24C(b)

	Cash flow hedge reserve
	€000
<b>As at 1 January 2018</b>	<b>(7,637)</b>
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
<b>As at 1 January 2019</b>	<b>(9,019)</b>
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)
<b>As at 31 December 2019</b>	<b>(419)</b>

The loans and interest rate swaps have the same critical terms and are fully effective. Cash flows are expected to occur between November 2020 and March 2023 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 2019 or 2018.

## 34. Capital management

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 2019 and 31 December 2018.

IAS 1.134

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%.

# Notes to the consolidated financial statements

## 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 7.18

	<b>31 December 2019</b>	<b>31 December 2018</b>	IAS 1.135(b)
	<b>€000</b>	<b>€000</b>	
Carrying amount of interest-bearing loans and borrowings (Note 27)	379,624	255,831	
Unamortised borrowing costs	2,376	949	
<b>Principal amount of interest-bearing loans and borrowings</b>	<b>382,000</b>	<b>256,780</b>	
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	
<b>Total external valuation of investment property</b>	<b>483,137</b>	<b>419,516</b>	
Loan to value ratio	<b>79%</b>	<b>61%</b>	

### Commentary

IAS 1.134-135 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 7.18-19 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. The Group did not provide additional information on its debt covenants because the likelihood of the breach occurring is remote.

# Notes to the consolidated 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.

*IAS 40.75(h)*

The Group's share in the capital commitments of the joint ventures themselves is €5,200,000 (Note [21](#)).

The Group has a lease contract that has not yet commenced as at 31 December 2019. The future lease payments for this non-cancellable lease contract are €48,000 within one year, €195,000 within five years and €107,000 thereafter.

*IFRS  
16.59(b)(iv)*

### 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](#)).



# Notes to the consolidated financial statements

## 36. Changes in liabilities arising from financing activities

IAS 7.44A

IAS 7.44C

	1 January 2019	Cash flows	Foreign exchange movements	New leases (Note 29)	Other movements	Change in fair value	31 December 2019
	€000	€000	€000	€000	€000	€000	€000
Current portion of lease liabilities	373	(232)		-	220	-	361
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	255,831	123,593	200	-	-	-	379,624
Non-current portion of lease liabilities	2,516	-		262	(220)	-	2,558
Derivatives	12,804	-		-	1,210	(13,589)	425
<b>Total liabilities from financing activities</b>	<b>271,524</b>	<b>123,361</b>	<b>200</b>	<b>262</b>	<b>1,210</b>	<b>(13,589)</b>	<b>382,968</b>

IAS 7.44B  
IAS.44D

	1 January 2018 (restated)	Cash flows	Foreign exchange movements	New leases (Note 29)	Other movements	Change in fair value	31 December 2018 (restated)
	€000	€000	€000	€000	€000	€000	€000
Current portion of lease liabilities	161	(185)		-	397	-	373
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	168,763	87,183	(115)	-	-	-	255,831
Non-current portion of lease liabilities	1,135	-		1,778	(397)	-	2,516
Derivatives	10,904	-		-	(732)	2,632	12,804
<b>Total liabilities from financing activities</b>	<b>180,963</b>	<b>86,998</b>	<b>(115)</b>	<b>1,778</b>	<b>(732)</b>	<b>2,632</b>	<b>271,524</b>

IAS 1.38  
IAS 7.44B  
IAS.44D

The 'Other movements' column includes the effect of reclassification of the non-current portion of lease liabilities that will be due in the next reporting period.

### Commentary

IAS 7.44A requires an entity to provide disclosures that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group provided a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, which include the changes identified in IAS 7.44B as applicable. This reconciliation provides a link to the amounts recognised in the statement of cash flows (IAS 7.44D).

An entity may provide the disclosure required by IAS 7.44A in combination with disclosures of changes in other assets and liabilities. However, it is required to disclose the changes in liabilities arising from financing activities separately from the changes on those other assets and liabilities (IAS 7.44E).

# Notes to the consolidated financial statements

## 37. Events after the reporting period

### *Investment property held for sale*

As at 31 December 2019, 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 2019 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 2020 for €10,360,000, after taking into account attributable expenses, realising a loss on book value of €200,000.

IAS 10.21

### **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. Refer to EY's *Good Group (International) Limited 2019* which illustrates presentation and disclosures in respect of discontinued operations.

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.

In October 2019, EPRA published a new version of its Best Practices Recommendations Guidelines. These are effective for accounting periods starting on 1 January 2020. The Group will make the necessary adjustments to the metrics in accordance with the new recommendations when they becomes effective.

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 <a href="#">1</a> 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 <a href="#">1</a>
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 <a href="#">2</a> 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 crystallize 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 <a href="#">3</a> 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 <a href="#">3</a> 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 <a href="#">4</a> 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.

	<b>2019</b>	<b>2018</b>
	<b>€000</b>	<b>€000</b>
Completed Investment property - wholly owned	452,991	388,620
Completed Investment property - share of joint ventures	105,000	2,650
Inventory <i>at fair value</i> *	–	–
<b>Gross completed property portfolio valuation</b>	<b>557,991</b>	<b>391,270</b>
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)
<b>Annualised net rents</b>	<b>34,855</b>	<b>23,707</b>
Notional rent expiration of rent free periods	1,610	1,205
<b>Topped up net annualised rent</b>	<b>36,465</b>	<b>24,912</b>
	%	%
<b>EPRA NIY</b>	6.2	6.0
<b>EPRA Topped up NIY</b>	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.

	<b>2019</b>	<b>2018</b>
	<b>€000</b>	<b>€000</b>
<b>Earnings for basic EPS</b>	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
<b>Earnings for EPRA EPS</b>	<b>6,215</b>	<b>4,787</b>
	<b>€ per share</b>	<b>€ per share</b>
<b>EPRA EPS</b>	0.03	0.02

## Appendix 1 - EPRA Performance Measurements *continued*

### Note 3 EPRA Net Asset Value (NAV & NNAV)

#### 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.

	<u>2019</u>	<u>2018</u>
	<u>€000</u>	<u>€000</u>
<b>Basic NAV</b>	285,500	217,473
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)
<b>EPRA NAV</b>	<u><b>294,590</b></u>	<u><b>227,512</b></u>
	<b>€ per share</b>	<b>€ per share</b>
<b>EPRA NAV</b>	1.29	1.17

#### EPRA NNAV

Whilst EPRA NAV seeks to provide a consistent measure of the value of the Group on an ongoing basis, NNAV 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.

	<u>2019</u>	<u>2018</u>
	<u>€000</u>	<u>€000</u>
<b>EPRA NAV</b>	294,590	227,512
Fair value of financial instruments	(425)	(12,804)
Deferred taxation <i>at fair value</i>	4,500	–
<b>EPRA NNAV</b>	<u><b>298,578</b></u>	<u><b>214,617</b></u>
	<b>€ per share</b>	<b>€ per share</b>
<b>EPRA NNAV</b>	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.

	<u>2019</u>	<u>2018</u>
	<u>€000</u>	<u>€000</u>
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
<b>EPRA costs (including direct vacancy costs)</b>	<u><b>8,723</b></u>	<u><b>8,441</b></u>
Direct vacancy costs	248	250
<b>EPRA costs (excluding direct vacancy costs)</b>	<u><b>8,971</b></u>	<u><b>8,671</b></u>
Gross rental income	22,470	24,333
Share of joint venture gross rental income	7,178	3,434
<b>EPRA gross rental income</b>	<u><b>29,648</b></u>	<u><b>27,767</b></u>
	<u>%</u>	<u>%</u>
EPRA cost ratio (including direct vacancy costs)	29.4	30.4
EPRA cost ratio (excluding direct vacancy costs)	30.2	31.2

## Appendix 2 – Alternative method of adopting IFRS 16 Leases

### Commentary

This Appendix illustrates the key changes to the Group's consolidated financial statements had the Group elected to adopt IFRS 16 using the modified retrospective method.

An entity that elects the modified retrospective method would apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings (or other component of equity) at the date of initial application. In addition, the standard includes specific transition requirements as well as practical expedients not available under the full retrospective method (IFRS 16.C8-C11).

The following would be the key changes to the Group's consolidated financial statements had the Group elected to adopt IFRS 16 using the modified retrospective method. These changes are illustrated in this Appendix.

- ▶ The comparative information for each of the primary financial statements would not have been restated and would have been presented based on the requirements of previous standards (i.e., 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*). The Group would also not have needed to present a statement of financial position as at 1 January 2018 (i.e., no third balance sheet).
- ▶ The cumulative effect of initially applying the standard would have been recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) as at 1 January 2019 in the statement of changes in equity for the year ended 31 December 2019. The narrative in Note 3.1, describing the changes and impact of adopting IFRS 16, would have changed accordingly (i.e., the information required by IAS 8.28(f) would not be disclosed).
- ▶ In addition, the weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019, and an explanation of any difference between the discounted operating lease commitments as at 31 December 2018 and the lease liabilities as at 1 January 2019, as required by IFRS 16.C12, would have been disclosed.

While not illustrated in this Appendix, the following changes in the notes to the consolidated financial statements of the Group would also have been needed:

- ▶ The summary of significant accounting policies section in Note 5 and the significant judgements, estimates and assumptions section in Note 4 would have included the significant accounting policies, judgements, estimates and assumptions under the previous standard and interpretations. A description would have been provided to distinguish between the accounting policies, judgements, estimates and assumptions that applied before and those that applied after 1 January 2019.
- ▶ The disclosures for the comparative period in the notes to the consolidated financial statements would have followed the requirements of the previous standard and interpretations, while the disclosures required by IFRS 16 would not have included comparative information.

The modified retrospective method eliminates the need to restate comparative information on transition, thereby reducing the cost of implementation for entities. However, entities may wish to consider providing users with additional information that allows them to undertake trend analyses of the financial statements. For example, entities may provide voluntary disclosure of the amount by which each financial statement line item is affected in the current period as a result of the adoption of IFRS 16, or provide certain information outside the financial statements, such as in a management commentary or a risk report.

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

		2019	2018	
	Notes	€000	€000	
				IAS 1.51(c) IAS 1.10(b) IAS 1.10A IAS 1.81A IAS 1.51(d)(Xe)
Rental income	<a href="#">8</a>	22,470	24,333	IAS 40.75 (f)(i)
Revenue from services to tenants	<a href="#">8</a>	2,584	2,197	
Expense from services to tenants	<a href="#">10</a>	(2,654)	(2,254)	
Other property operating expenses	<a href="#">10</a>	(2,118)	(3,149)	IAS 40.75(f)(ii), (iii)
<b>Net rental income</b>		<b>20,282</b>	<b>21,127</b>	IAS 1.85
Revenue from the sale of completed inventory property	<a href="#">8</a>	5,000	13,750	
Revenue from the sale of inventory property under development	<a href="#">8</a>	6,000	3,000	
Cost of sales - inventory property	<a href="#">22</a>	(7,000)	(17,000)	IAS 1.99, IAS 1.103, IAS 2.36(d)
<b>Profit/(loss) on inventory property</b>		<b>4,000</b>	<b>(250)</b>	IAS 1.85
Administrative expenses	<a href="#">10</a>	(4,876)	(4,322)	IAS 1.99, IAS 1.103
Profit on disposal of investment property	<a href="#">17</a>	2,000	–	IAS 40.69
Valuation gains from completed investment property	<a href="#">17, 19</a>	14,980	9,480	IAS 40.76(d)
Valuation gains from investment property under development	<a href="#">18, 19</a>	3,920	2,005	IAS 40.76(d)
<b>Net gains on investment property</b>		<b>20,900</b>	<b>11,485</b>	
<b>Operating profit</b>		<b>40,306</b>	<b>28,040</b>	IAS 1.85, IAS 1.BC55-56
Interest revenue calculated using the effective interest method	<a href="#">11</a>	8,765	7,457	IAS 1.82(a)
Other finance income	<a href="#">11</a>	430	102	IAS 1.85
Finance costs	<a href="#">12</a>	(22,040)	(18,811)	IAS 1.82(b), IFRS 7.20
Share of profit of joint ventures	<a href="#">21</a>	3,250	1,300	IAS 1.82(c)
<b>Profit before tax</b>		<b>30,711</b>	<b>18,088</b>	IAS 1.103, IAS 1.85
Income tax expense	<a href="#">14</a>	(7,298)	(3,601)	IAS 1.82(d), IAS 12.77
<b>Profit for the year</b>		<b>23,413</b>	<b>14,487</b>	IAS 1.81A(a)
Attributable to:				
Equity holders of the parent		20,824	13,529	IAS 1.81B (a)(ii)
Non-controlling interests		2,589	958	IAS 1.81B (a)(i)
		<b>23,413</b>	<b>14,487</b>	
Earnings per share:				
Basic and diluted earnings	<a href="#">15</a>	0.10	0.07	IAS 33.66



## Appendix 2 - Alternative method of adopting IFRS 16 Leases

	2019	2018	
Notes	€000	€000	IAS 1.49 IAS 1.81A IAS 1.10(b) IAS 1.51
<b>Profit for the year</b>	<b>23,413</b>	<b>14,487</b>	IAS 1.90 IAS 12.61A IAS 1.81A(a) IAS 1.82A
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Net gains/(losses) on cash flow hedges arising during the year	33 13,589	(2,632)	IFRS 7.24C(b)(i)
Amounts reclassified to profit or loss in respect of cash flow hedges	33 (1,275)	680	IAS 1.92 IFRS 7.24C(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)	
<b>Other comprehensive income/(loss), net of tax, that may be reclassified to profit or loss in subsequent periods</b>	<b>6,900</b>	<b>(3,036)</b>	IAS 1.82A(b)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
<b>Other comprehensive income, net of tax, that will not be reclassified to profit or loss in subsequent periods</b>	—	—	IAS 1.82A(a)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>6,900</b>	<b>(3,036)</b>	IAS 1.81A(b)
<b>Total comprehensive income for the year, net of tax</b>	<b>30,313</b>	<b>11,451</b>	IAS 1.81A(c)
Attributable to:			
Equity holders of the parent	27,724	10,493	IAS 1.81B(b)(ii)
Non-controlling interests	2,589	958	IAS 1.81B(b)(i)
	<b>30,313</b>	<b>11,451</b>	

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

		2019	2018	
	Notes	€000	€000	
				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
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	<a href="#">7, 20</a>	3,000	–	IAS 1.60 IAS 1.54(c)
Completed investment property	<a href="#">17, 19</a>	452,991	388,485	IAS 1.54(b)
Investment property under development	<a href="#">18, 19</a>	30,146	30,896	IAS 1.54(b)
Right-of-use assets	<a href="#">29</a>	1,128	–	IFRS 16.47
Investments in joint ventures	<a href="#">21</a>	103,250	2,300	IAS 1.54(e)
Deferred tax assets	<a href="#">14</a>	–	2,957	IAS 1.54(o), IAS 1.56
		<b>590,515</b>	<b>424,638</b>	
<b>Current assets</b>				
Inventory property	<a href="#">22</a>	6,533	9,580	IAS 1.60, IAS 1.66 IAS 1.54(g)
Contract cost assets	<a href="#">23</a>	144	166	IAS 1.55
Rent and other trade receivables	<a href="#">24</a>	11,640	21,450	IAS 1.54(h), IFRS 15.105
Contract assets	<a href="#">24</a>	2,920	1,410	IFRS 15.105,
Prepayments		9,950	12,700	IAS 1.55
Cash and short-term deposits	<a href="#">25</a>	78,038	34,618	IAS 1.54(i)
		<b>109,225</b>	<b>79,924</b>	
Investment property held for sale	<a href="#">17, 19, 37</a>	<b>10,560</b>	–	IAS 1.54(j), IFRS 5.38
<b>Total assets</b>		<b>710,300</b>	<b>504,562</b>	
<b>Equity and liabilities</b>				
Issued share capital	<a href="#">26</a>	227,700	193,700	IAS 1.54(r), IAS 1.78(e)
Share premium	<a href="#">26</a>	5,996	–	
Cash flow hedge reserve		(419)	(9,019)	
Foreign currency translation reserve		(4,398)	(2,698)	
Retained earnings		56,621	35,584	
<b>Equity attributable to equity holders of the parent</b>		<b>285,500</b>	<b>217,567</b>	
Non-controlling interests		18,202	1,803	IAS 1.54(q)
<b>Total equity</b>		<b>303,702</b>	<b>219,370</b>	
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	<a href="#">27</a>	379,624	255,831	IAS 1.60 IAS 1.54(m)
Rent deposits from tenants		3,593	2,142	IAS 1.55
Provisions	<a href="#">28</a>	41	48	IAS 1.54(l)
Lease liabilities, non-current portion	<a href="#">29</a>	2,558	1,550	IAS 1.54(m), IAS 1.55
Deferred tax liability	<a href="#">14</a>	11,314	–	IAS 1.54(o), IAS 1.56
Derivative financial instruments	<a href="#">33</a>	425	12,804	IAS 1.54(m), IFRS 7.8
		<b>397,555</b>	<b>272,375</b>	
<b>Current liabilities</b>				
Trade and other payables	<a href="#">28</a>	6,064	10,032	IAS 1.60, IAS 1.69 IAS 1.54(k)
Contract liabilities	<a href="#">28</a>	472	306	IFRS 15.105
Income tax payable	<a href="#">14</a>	2,146	2,275	IAS 1.54(n)
Lease liabilities, current portion	<a href="#">29</a>	361	204	IAS 1.54(m), IAS 1.55
		<b>9,043</b>	<b>12,828</b>	
<b>Total liabilities</b>		<b>406,598</b>	<b>285,203</b>	
<b>Total equity and liabilities</b>		<b>710,300</b>	<b>504,562</b>	

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

	Attributable to the equity holders of the parent							Total equity	IAS 1.10 (c) IAS 1.49 IAS 1.51(c) IAS 1.106(d) IAS 1.51(d)(e)
	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		
	€000	€000	€000	€000	€000	€000	€000	€000	
<b>At 1 January 2018</b>	<b>193,700</b>	–	<b>(7,637)</b>	<b>(1,044)</b>	<b>21,666</b>	<b>206,685</b>	<b>845</b>	<b>207,530</b>	
Profit for the year	–	–	–	–	13,529	13,529	958	14,487	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)	13,529	10,493	958	11,451	IAS 1.106 (a)
Share based payments (Note 30)	–	–	–	–	389	389	–	389	IFRS 2.50
<b>At 31 December 2018</b>	<b>193,700</b>	–	<b>(9,019)</b>	<b>(2,698)</b>	<b>35,584</b>	<b>217,567</b>	<b>1,803</b>	<b>219,370</b>	
Effect of adoption of IFRS 16, net of tax (Note 3)	–	–	–	–	(94)	(94)	–	(94)	IAS 1.106(b)
<b>At 1 January 2019 (restated)</b>	<b>193,700</b>	–	<b>(9,019)</b>	<b>(2,698)</b>	<b>35,490</b>	<b>217,473</b>	<b>1,803</b>	<b>219,276</b>	
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	–	–	<b>8,600</b>	(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)
<b>At 31 December 2019</b>	<b>227,700</b>	<b>5,996</b>	<b>(419)</b>	<b>(4,398)</b>	<b>56,621</b>	<b>285,500</b>	<b>18,202</b>	<b>303,702</b>	

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

		2019	2018	
	Notes	€000	€000	
				IAS 1.49 IAS 1.51(c) IAS 1.10(d) IAS 1.51(d)(e)
<b>Operating activities</b>				
Profit before tax		30,711	18,088	IAS 7.10, IAS 7.18(b)
Adjustments to reconcile profit before tax to net cash flows				IAS 7.20(b)
Valuation gains on investment property	<a href="#">17,18,19</a>	(18,900)	(11,485)	
Gain on disposal of investment property	<a href="#">17</a>	(2,000)	–	
Depreciation of right-of-use assets	<a href="#">29</a>	202		
Share of profit in joint ventures	<a href="#">21</a>	(3,250)	(1,300)	
Share based payments	<a href="#">30</a>	307	389	
Finance income	<a href="#">11</a>	(9,195)	(7,559)	IAS 7.20(c)
Finance cost	<a href="#">12</a>	22,040	18,927	IAS 7.20(c)
		(10,796)	(1,028)	
Working capital adjustments				IAS 7.20(a)
Decrease/(increase) in rent and other trade receivables	<a href="#">24</a>	6,178	(6,262)	
Decrease in prepayments		2,475	1,500	
Decrease in inventory property	<a href="#">22</a>	2,000	9,420	
Decrease/(increase) contract cost assets		22	(45)	
(Decrease)/increase in trade, other payables and contract liabilities	<a href="#">28</a>	(2,189)	1,850	
(Decrease) / increase in provisions	<a href="#">28</a>	(18)	21	
(Decrease)/increase in tenants' rental deposits		1,407	126	
		9,875	6,610	
Income tax paid		(3,050)	(2,093)	IAS 7.35
<b>Net cash flows from operating activities</b>		<b>26,740</b>	<b>21,577</b>	
<b>Investing activities</b>				
Acquisition of businesses, net of cash acquired	<a href="#">7</a>	(57,023)	–	IAS 7.10, IAS 7.21 IAS 7.39
Investments in joint ventures		(97,700)	–	IAS 7.16(c)
Purchase of investment property	<a href="#">17</a>	–	(70,925)	IAS 7.16(a)
Capital expenditure on completed investment property	<a href="#">17</a>	(504)	(5,475)	IAS 7.16(a)
Expenditure on investment property under development	<a href="#">18</a>	(5,150)	(18,141)	IAS 7.16(a)
Proceeds from disposal of investment property	<a href="#">17</a>	28,670	–	IAS 7.16(b)
Interest received		8,209	6,710	IAS 7.31, IAS 7.33
<b>Net cash flows from investing activities</b>		<b>(123,498)</b>	<b>(87,831)</b>	
<b>Financing activities</b>				
Proceeds from borrowings		123,593	87,183	IAS 7.10, IAS 7.21 IAS 7.17(c)
Proceeds from issue of share capital	<a href="#">26</a>	40,180	–	IAS 7.17(a)
Transaction costs on issue of shares	<a href="#">26</a>	(180)	–	IAS 7.17(a)
Repayment of principal portion of lease liabilities		(232)	(130)	IAS 7.17(e)
Interest paid		(23,183)	(19,346)	IAS 7.31, IAS 7.33
<b>Net cash flows from financing activities</b>		<b>140,178</b>	<b>67,707</b>	
Net increase in cash and cash equivalents		43,420	1,453	
Cash and cash equivalents at 1 January	<a href="#">25</a>	34,618	33,165	
<b>Cash and cash equivalents at 31 December</b>	<a href="#">25</a>	<b>78,038</b>	<b>34,618</b>	IAS 7.45

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

### 3 Changes in accounting policies and disclosures

#### 3.1 IFRS 16 Leases

IFRS 16 supersedes 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

IAS 8.28  
IFRS 16.C12  
IFRS 16.C21  
IFRS 16.1

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

IFRS 16.62

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient not to reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

IFRS 16.C5(b)  
IFRS 16.C3  
IFRS 16.5

#### Commentary

As a transition practical expedient, an entity is permitted to make an election not to reassess whether existing contracts contain a lease as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. If an entity elects this practical expedient, contracts that do not contain a lease under IAS 17 and IFRIC 4 (e.g., service arrangements) are not reassessed either. If an entity chooses to apply the practical expedient, it must be applied to all contracts that are ongoing at the date of initial application (i.e., an entity is not permitted to apply the option on a lease-by-lease basis) and that fact must be disclosed.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	<b>€000</b>
<b>Assets</b>	
Right-of-use assets	1,045
Investment property	135
Prepayments	(187)
Deferred tax assets	35
<b>Total assets</b>	<b>1,028</b>
<b>Equity</b>	
Retained earnings	(94)
<b>Total equity</b>	<b>(94)</b>
<b>Liabilities</b>	
Interest-bearing loans and borrowings	1,135
Trade and other payables	(13)
<b>Total liabilities</b>	<b>1,122</b>

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to [Note 5.16 Leases](#) for the accounting policy prior to 1 January 2019.

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

### 2.4 Changes in accounting policies and disclosures *continued*

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to [Note 5.16 Leases](#) for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

▶ *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

IFRS 16.C11

#### Commentary

Under IFRS 16.C11, for leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

▶ *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

IFRS 16.C8

The Group also applied the available practical expedients wherein it:

IFRS 16.C10  
IFRS 16.C13

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- ▶ Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

#### Commentary

Under IFRS 16.C8, for leases previously classified as operating leases under IAS 17, a lessee is required to:

- ▶ Recognise a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- ▶ Measure the right-of-use asset on a lease by lease basis, at either:
  - ▶ Its carrying amount as if IFRS 16 had always been applied since the commencement date, but using a discount rate based on the lessee's incremental borrowing rate at the date of initial application
  - Or
  - ▶ An amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments
- ▶ Apply IAS 36 *Impairment of Assets* to right-of-use assets at the date of initial application, unless it applies the practical expedient for onerous leases.

The Group applied these requirements, as set out in the standard. The requirements of IAS 36 were not applied at the date of initial application as the Group applied the practical expedient for onerous leases.

Despite the above requirements, under IFRS 16.C9, a lessee is not required to make adjustments on transition for leases of low-value assets. The Group has applied this transition requirement. A lessee is also not required to make adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40. However, it is required to measure the right-of-use asset at fair value at the date of initial application for leases previously accounted for as operating leases under IAS 17 and that will be accounted for as investment property using the fair value model in IAS 40 from the date of initial application. The Group previously accounted for its investment properties held under lease using the fair value model in IAS 40.

## Appendix 2 - Alternative method of adopting IFRS 16 Leases

### 2.4 Changes in accounting policies and disclosures *continued*

#### Commentary

In addition, under IFRS 16.C10, a lessee may use one or more of the following practical expedients to leases previously classified as operating leases when applying the standard using the modified retrospective method:

- ▶ Apply a single discount rate to a portfolio of leases with reasonably similar characteristics (e.g., leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- ▶ Rely on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.
- ▶ Elect to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.
- ▶ Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- ▶ Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group applied these available practical expedients. IFRS 16.C13 provides that if an entity uses any of these available practical expedients, it is required to disclose that fact.

Based on the above, as at 1 January 2019:

- ▶ Right-of-use assets of € 1,045,000 were recognised and presented separately in the statement of financial position
- ▶ Right-of-use assets for which the underlying asset meets the definition of investment property under IAS 40 *Investment Property* were recognised and presented separately in the statement of financial position. These leases were previously classified as operating leases and the Group did not classify and account for any property held under an operating lease as investment property. Leased assets that were recognised previously under finance leases, but which also met the definition of, and were included in, investment property, are not affected
- ▶ Additional lease liabilities of €1,135,000 (included in Interest bearing loans and borrowings) were recognised
- ▶ Prepayments of €52 and trade and other payables of €24 related to previous operating leases were derecognised
- ▶ Deferred tax liabilities decreased by €35,000 because of the deferred tax impact of the changes in assets and liabilities
- ▶ The net effect of these adjustments had been adjusted to retained earnings (€83,000)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

IFRS 16.C12

<b>Assets</b>	<b>€000</b>
Operating lease commitments as at 31 December 2018	<b>1,320</b>
Weighted average incremental borrowing rate as at 1 January 2019	4.5%
Discounted operating lease commitments as at 1 January 2019	<b>1,107</b>
Less:	
Commitments relating to short-term leases	(22)
Commitments relating to leases of low-value assets	(96)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	146
Previously recognised finance lease liabilities	1,754
Lease liabilities as at 1 January 2019	<b>2,889</b>



## Appendix 2 - Alternative method of adopting IFRS 16 Leases

### Commentary

Under IFRS 16.C12, a lessee that elected to apply the modified retrospective method is required to disclose the following:

- ▶ The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application
- ▶ An explanation of any difference between the result of discounting the operating lease commitments reported under IAS 17 at the end of the annual reporting period preceding the date of initial application and lease liabilities recognised on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application

The Group has provided the disclosure in the form of a table to reconcile the operating lease commitments reported under IAS 17 as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019. This is one way that entities can comply with the disclosure requirement under IFRS 16.C12 and represents the leading practice.

## Appendix 3 - 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 General Insurance *	Good Life Insurance *
<b>International Financial Reporting Standards (IFRS)</b>												
IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>			✓				✓				
IFRS 2	✓	✓	✓	✓		✓				✓		
IFRS 3	✓	✓	✓	✓		✓	✓	✓	✓	✓		
IFRS 4										✓		
IFRS 5	✓	✓	✓	✓		✓			✓			
IFRS 6							✓	✓				
IFRS 7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IFRS 9	✓	✓	✓		✓	✓	✓		✓		✓	✓
IFRS 10	✓	✓	✓			✓			✓	✓		
IFRS 11	✓	✓	✓			✓		✓				
IFRS 12	✓	✓				✓	✓	✓	✓	✓		
IFRS 13	✓	✓	✓			✓	✓	✓	✓	✓		
IFRS 14												
IFRS 15	✓	✓	✓		✓	✓	✓	✓	✓			
IFRS 16	✓		✓			✓						
IFRS 17											✓	✓
<b>International Accounting Standards (IAS)</b>												
IAS 1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 2	✓	✓	✓	✓		✓	✓	✓	✓	✓		
IAS 7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 8	✓	✓	✓	✓	✓	✓	✓	✓		✓		
IAS 10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 16	✓	✓		✓			✓	✓	✓	✓		
IAS 19	✓	✓	✓	✓			✓	✓	✓	✓		
IAS 20	✓	✓	✓	✓								
IAS 21	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 23	✓	✓	✓	✓		✓	✓	✓	✓	✓		
IAS 24	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
IAS 26												
IAS 27												
IAS 28	✓	✓	✓	✓		✓		✓	✓	✓		

## Appendix 3 - Information in other illustrative financial statements available

	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 General Insurance	Good Life Insurance
<b>International Accounting Standards (IAS)</b>												
<i>continued</i>												
IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>											
IAS 32	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 33	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 34			✓									
IAS 36	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 37	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 38	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 40	✓	✓	✓	✓		✓				✓		
IAS 41												
<b>Interpretations</b>												
IFRIC 1	✓	✓	✓	✓			✓	✓				
IFRIC 2												
IFRIC 5			✓				✓	✓				
IFRIC 6	✓	✓	✓	✓								
IFRIC 7												
IFRIC 9	✓	✓	✓						✓	✓		
IFRIC 10	✓	✓	✓									
IFRIC 12												
IFRIC 14												
IFRIC 16	✓	✓	✓	✓								
IFRIC 17				✓								
IFRIC 19												
IFRIC 20							✓					
IFRIC 21	✓	✓	✓						✓			
IFRIC 22	✓											
IFRIC 23	✓		✓									

## Appendix 3 - Information in other illustrative financial statements available

	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 General Insurance	Good Life Insurance
SIC 7	<i>Introduction of the Euro</i>											
SIC 10	<i>Government Assistance – No Specific Relation to Operating Activities</i>											
SIC 25	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>											
SIC 29	<i>Service Concession Arrangements: Disclosures</i>											
SIC 32	<i>Intangible Assets – Web Site Costs</i>											

✓

\*Good Life Insurance (International) Limited and Good General Insurance (International Limited) provide illustrative disclosures to meet the requirements of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*

✓ This standard or interpretation is incorporated into these illustrative financial statements.

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