Illustrative IFRS consolidated financial statements 2022

Investment property

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December 2022

Contents

Introduction

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

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

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2022.

We have made a number of minor improvements to existing disclosures. Readers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2022 could affect their own accounting policies and disclosures. For the purpose of this publication, we have assumed that IP Group is not materially affected by any new pronouncements that are effective for periods beginning on 1 January 2022.

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

We have attempted to create a realistic set of consolidated financial statements for an investment property group with emphasis on real estate (IAS 40, Investment Property, and IAS 2, Inventories). Certain types of transactions have been excluded, as they are not relevant to the IP Group's operations. The illustrated IP Group does not have associates, joint arrangements, non-controlling interests, government grants, defined benefit plans, treasury shares, preferred shares, convertible debt or share options, nor is the IP Group exploring mineral resources. There were no disposals of subsidiaries and no issue of shares in the two years presented. Please refer to PwC's Illustrative IFRS consolidated financial statements for 2022 year-ends and IFRS disclosure checklist 2022 for disclosures relating to these items. Illustrative IFRS financial statements 2022 – Investment funds and Illustrative IFRS financial statements 2022 – Private equity may also be relevant to some real estate entities.

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

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

PwC commentary has been provided, in grey boxes, to explain the detail behind the presentation of a number of challenging areas. These commentary boxes relate to the presentation in the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the summary of significant accounting policies.

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

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

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

Disclosing the impact of climate change

The impact of climate change on the financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence that the entity has incorporated ESG matters and in particular climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with IFRS.

To help preparers and auditors identify where additional disclosures may be required, we have included a new Appendix IV which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. The appendix further outlines what entities should consider when making estimates and judgements and drafting the relevant disclosures to satisfy the current IFRS requirements. We have also provided signposts with hyperlinks throughout the main publication as reminders for readers to refer to this guidance where necessary.

Structure

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

Format

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

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

Abbreviations

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

(All amounts in € thousands unless otherwise stated)

IP Group's consolidated financial statements for the year ended 31 December 2022

Consolidated statement of financial position

			31 December	
		Note	2022	2021
1p10(a), 1p54, 1p38, 1p68, 1p113	**Assets**			
1p60, 1p66	**Non-current assets**			
1p54(b)	Investment property	7	617,568	600,387
1p54(a)	Property, plant and equipment	8	139,632	110,136
IFRS15p105, p110(c)	Other assets		1,070	690
IFRS7p8(h)	Financial assets at fair value through other comprehensive income	9	256	-
IFRS7p8(a)	Financial assets at fair value through profit or loss	9	767	1,041
1p55	Goodwill	10	1,599	496
1p54(o), 1p56	Deferred income tax assets	11	933	750
			761,825	**713,500**
1p60, 1p66	**Current assets**			
1p54(g)	Inventories	12	15,917	-
1p54(h)	Trade and other receivables	13	2,175	3,979
IFRS15p105	Contract assets	6	1,567	1,876
IFRS7p8(a)	Financial assets at fair value through profit or loss	9	1,578	478
1p54(d), IFRS7p8(a)	Derivative financial instruments	14	1,464	1,196
1p54(i), IFRS7p8	Cash and cash equivalents		749	35,152
			23,450	**42,681**
IFRS5p38, 1p54(j)	Non-current assets classified as held for sale	15	989	5,421
			24,439	**48,102**
	Total assets		**786,264**	**761,602**

(All amounts in € thousands unless otherwise stated)

		Note	31 December 2022	31 December 2021
	Equity			
1p54(r), 1p78(e)	**Equity attributable to equity holders of the company** Share capital	16	62,720	62,720
1p78(e)	Other reserves		10,684	4,785
	Retained earnings		495,633	490,608
	Total equity		**569,037**	**558,113**
	Liabilities			
1p60, 1p69	**Non-current liabilities**			
1p54(m), IFRS7p8(f), IFRS16p52	Borrowings	17	108,185	102,804
1p55	Tenant deposits		1,978	2,247
1p54(o), 1p56	Deferred income tax liabilities	11	52,670	49,245
			162,833	**154,296**
1p60, 1p69	**Current liabilities**			
1p54(k)	Trade and other payables	18	42,617	35,094
IFRS15p105	Contract liabilities	6	2,945	989
1p54(m), IFRS7p8(f), IFRS16p52	Borrowings	17	2,194	2,588
1p55	Tenant deposits		590	608
1p54(m), IFRS7p8(e)	Derivative financial instruments	14	595	747
1p54(n)	Current income tax liabilities	11	4,735	4,392
1p54(l)	Provisions	19	550	1,601
			54,226	**46,019**
IFRS5p38, 1p54(p)	Liabilities directly associated with non-current assets classified as held for sale	15	168	3,174
	Total liabilities		**217,227**	**203,489**
	Total equity and liabilities		**786,264**	**761,602**

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

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of financial position

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

1p10	1. IAS 1 refers to the balance sheet as the statement of financial position. However, this title is not mandatory; it is therefore admissible to retain the title of balance sheet.
1p54, 55	2. Paragraph 54 of IAS 1 sets out the line items that are, as a minimum, required to be presented in the consolidated statement of financial position. Additional line items, headings and subtotals are presented in the consolidated statement of financial position when such presentation is relevant to an understanding of the entity's financial position. Real estate entities with significant investment properties under construction may disclose in the consolidated statement of financial position the investment property under construction, providing this presentation is relevant to an understanding of the entity's financial position. In such instances, the total carrying amount of all investment properties should also be presented in the consolidated statement of financial position.
1p77, 78	3. An entity discloses, either in the consolidated statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the IFRS requirements and on the size, nature and function of the amounts involved.
	Current/non-current distinction
1p60	4. IP Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its consolidated statement of financial position.
1p66-70	5. Current assets include assets (such as inventories and trade and other receivables) that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities, even if they are due to be settled more than 12 months after the reporting period. Derivative financial instruments are classified as current even though they might be used for the purpose of the economic hedge of the interest-rate risk of the borrowings. If hedge accounting is applied in accordance with IFRS 9, Financial Instruments, the classification of derivatives as current/non-current follows the classification of the hedged items they belong to. Current and deferred tax assets and liabilities are presented separately from each other and deferred tax assets and liabilities are presented separately from other non-current assets.
	Consistency
1p45	6. The presentation and classification of items in the consolidated financial statements is retained from one period to the next unless: a. it is apparent, following a significant change in the nature of the entity's operations or a review of its consolidated financial statements, that another presentation or classification would be more appropriate according to the criteria for selecting and applying accounting policies in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors; or b. IFRS requires a change in presentation.
	Materiality and aggregation
1p29	7. Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
	Offsetting
1p32	8. Management should not offset assets and liabilities unless required or permitted to do so by an IFRS (for example, current or deferred tax assets and liabilities in accordance to IAS12p71). Measuring assets net of valuation allowances – for example expected credit losses on receivables – is not offsetting.

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of financial position

	Three consolidated statements of financial position required in certain circumstances
1p40A-40D	9. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its consolidated financial statements, it provides a third consolidated statement of financial position as at the beginning of the preceding period presented (an opening statement of financial position), where that retrospective change has a material effect on the information in the opening statement of financial position. However, where the retrospective change in policy or the restatement has no material effect on this earliest consolidated statement of financial position, it would be sufficient for the entity to disclose that fact.
	Separate line items for financial assets/liabilities and contract assets/liabilities
IFRS7p8	10. Paragraph 8 of IFRS 7 requires disclosure, either in the consolidated statement of financial position or in the notes, of the carrying amounts of financial assets and liabilities by the following categories: a. financial assets measured at fair value through profit or loss (FVPL), showing separately those mandatorily classified and those designated upon initial recognition; b. financial liabilities measured at FVPL, showing those that meet the definition of held for trading and those designated on initial recognition; c. financial assets measured at amortised cost; d. financial liabilities measured at amortised cost; e. financial assets measured at fair value through other comprehensive income (FVOCI), showing separately debt and equity instruments.
	11. IP Group has chosen to disclose the financial assets by major category but is providing some of the more detailed information in the notes. However, depending on the materiality of these items and the nature of the entity's business, it may also be appropriate to choose different categories for the consolidated statement of financial position and provide the above information in the notes.
IFRS15p105	12. Similarly, IFRS 15, Revenue from Contracts with Customers, requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets. IP Group has therefore presented these as separate line items in the consolidated statement of financial position. However, receivables, contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the consolidated statement of financial position, as long as the entity provides sufficient information so users of the consolidated financial statements can distinguish them from other items.
IFRS16p47	13. Right-of-use assets (other than those meeting the definition of investment property) and lease liabilities do not need to be presented as a separate line item in the balance sheet as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the balance sheet include those right-of-use assets.
IFRS16p48	14. Right-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property.
	Primary consolidated financial statements should be read in conjunction with the accompanying notes
	15. IP Group reminds readers by way of a footnote that the primary consolidated financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

(All amounts in € thousands unless otherwise stated)

Consolidated statement of comprehensive income

		Note	2022	2021
1p10(b), 1p10A, 1p113				
1p82(a)	Revenue from contracts with customers	6	42,354	40,088
40p76(d)	Net gain from fair value adjustment on investment property	7	7,658	5,048
40p75(f)	Repair and maintenance costs		(7,656)	(2,801)
1p85	Other direct property operating expenses		(2,898)	(2,803)
1p85	Employee benefits expense	20	(1,448)	(1,400)
1p85	Amortisation of capitalised letting fees	7	(237)	(212)
1p85	Depreciation of property, plant and equipment	8	(5,353)	(2,910)
1p85, IFRS7p20(a)(i)	Net change in fair value of financial instrument at fair value through profit or loss	9,14	1,328	522
1p85	Other expenses		(1,067)	(1,339)
	Operating profit		**32,681**	**34,193**
1p85	Finance income	21	1,178	1,042
1p82(b), IFRS16p53	Finance costs	21	(8,073)	(11,640)
	Finance costs – net		**(6,895)**	**(10,598)**
1p85	**Profit before income taxes**		**25,786**	**23,595**
12p77, 1p82(d)	Income tax expense	11	(6,056)	(6,359)
1p81A(a)	**Profit for the year**		**19,730**	**17,236**
1p82A(a)(ii)	**Other comprehensive income – items that may be subsequently reclassified to profit or loss**			
21p52	Currency translation differences		5,799	1,247
1p82A, 1p7(da)	Net change in value of debt instruments at fair value through other comprehensive income	9	100	-
1p81A(b)	**Other comprehensive income for the year**		**5,899**	**1,247**
1p81A(c)	**Total comprehensive income for the year**		**25,629**	**18,483**
1p81B(a)	**Profit attributable to:**			
	– Equity holders of IP Group		19,730	17,236
	– Non-controlling interest		-	-
1p81B(b)	**Total comprehensive income attributable to:**			
	– Equity holders of IP Group		25,629	18,483
	– Non-controlling interest		-	-
33p66	**Basic and diluted earnings per share for profit attributable to the equity holders of IP Group during the year (expressed in € per share)**	22	0.49	0.43

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

Commentary – Consolidated statement of comprehensive income

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

1p10A

1. Entities have a choice of presenting a consolidated statement of profit or loss and other comprehensive income:
   a. an entity may present a single consolidated statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section; or
   b. an entity may present the profit or loss section in a separate consolidated statement of profit or loss. If so, the separate consolidated statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.

   The main difference between these two options is that in option (a), profit for the year is shown as a subtotal rather than the bottom line, and the statement continues down to total.

1p81A

2. The consolidated statement of profit and loss and other comprehensive income shall include:
   a. profit or loss;
   b. total other comprehensive income; and
   c. comprehensive income for the period, which is the total of (a) and (b).

1p81B

3. The following items are disclosed as allocations for the period:
   a. profit or loss attributable to:
      i. non-controlling interests; and
      ii. owners of the parent;
   b. total comprehensive income for the period attributable to:
      i. non-controlling interests; and
      ii. owners of the parent;

IFRS5p33(d)

   c. the amount of income attributable to owners of the parent from:
      i. continuing operations; and
      ii. discontinued operations.

1p82

4. The profit or loss section or the consolidated statement of profit or loss includes, as a minimum, the following line items:
   a. revenue;
   b. gains and losses from the derecognition of financial assets measured at amortised cost;
   c. finance costs;
   d. share of the profit or loss of associates and joint ventures accounted for using the equity method;
   e. certain gains or losses associated with the reclassification of financial assets;
   f. tax expense; and
   g. single amount for the total of discontinued operations.

*In these illustrative financial statements the impairment losses determined in accordance with IFRS 9 are not material and have been aggregated within other expenses on the face of the consolidated statement of comprehensive income

1p82A

5. The other comprehensive income section shall present items classified by nature (including the share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped in those that (in accordance with other IFRS):
   a. will not be reclassified subsequently to profit or loss; and
   b. will be reclassified subsequently to profit or loss when specific conditions are met.

Commentary – Consolidated statement of comprehensive income

1p85

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

1p85A

7. Additional subtotals must:
   a. be comprised of items that are recognised and measured in accordance with IFRS;
   b. be presented and labelled such that they are clear and understandable;
   c. be consistent from period to period; and
   d. not be displayed with more prominence than the mandatory subtotals and totals. In addition, we recommend that entities consider the following principles:
      i. the subtotals should not introduce bias or overcrowd the consolidated statement of profit or loss;
      ii. it is generally not permissible to mix natural and functional classifications of expenses where these categories of expenses overlap (see paragraph 30 below);
      iii. additional line items or columns should only contain revenue or expenses of the entity itself;
      iv. additional line items, columns and subtotals should only be presented when they are used internally to manage the business; and
      v. the overall message of the consolidated statement of profit or loss should not be distorted or confused.
8. Earnings before interest and tax (EBIT) may be an appropriate subheading to show in the income statement. This line item usually distinguishes between the pre-tax profits arising from operating activities and those arising from financing activities.
9. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included as a subtotal where the entity presents its expenses by nature and provided the subtotal does not detract from the GAAP numbers either by implying that EBITDA is the real profit or by overcrowding the income statement so that the reader cannot determine easily the entity's GAAP performance. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information in a box, in a footnote, in the notes or in the review of operations.

Material items of income and expense

1p97

10. When items of income and expense are material, their nature and amount is disclosed separately either in the income statement or in the notes. Some entities provide this information in the income statement in the form of additional analysis boxes or columns. Further discussion is available in PwC's IFRS Manual of Accounting.

1p85, 97

11. IAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of exceptional, significant or unusual items either in the income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year.

Analysis of expenses by nature or function

12. Where an entity classifies its expenses by nature, it must ensure each class of expense includes all items related to that class. Material restructuring costs may, for example, include redundancy payments (employee benefit cost), inventory writedowns (changes in inventory) and impairments in property, plant and equipment. It is not normally acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.

13. Entities that classify their expenses by function include the material items within the function to which they relate. In this case, material items can be disclosed as footnotes or in the notes to the consolidated financial statements.

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of comprehensive income

	Operating profit
1BC56	14. An entity may elect to include a subtotal for its results from operating activities. This is permitted, but management should ensure the amount disclosed is representative of activities that would normally be considered to be operating. Items that are clearly of an operating nature (for example, inventory writedowns, restructuring and relocation expenses) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after other expenses – that is, excluding finance costs and the share of profits of equity accounted investments – although in some circumstances it may be appropriate for the share of profits of equity accounted investments to be included in operating profit.
	Reordering of line items
1p86	15. The line items and descriptions of those items are reordered where this is necessary to explain the elements of performance. However, entities are required to make a fair presentation and should not make any changes unless there is a good reason to do so.
IFRS7p20	16. Finance income cannot be netted against finance costs; it is included in revenue or other income or shown separately in the income statement. Where finance income is an incidental benefit, it is acceptable to present finance income immediately before finance costs and include a subtotal of net finance costs in the income statement. Where earning interest income is one of the entity's main lines of business, it is presented separately in the consolidated statement of comprehensive income as revenue.
	Earnings per share
33p66	17. IAS 33, Earnings Per Share, requires an entity to present, in the consolidated statement of comprehensive income, basic and diluted earnings per share (EPS) for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS are disclosed with equal prominence for all periods presented.
33p67A	18. If an entity presents a separate income statement, basic and diluted earnings per share are presented at the end of that statement.
33p73	19. Earnings per share based on alternative measures of earnings may also be given if considered necessary but should be presented in the notes to the consolidated financial statements only. The basis on which the numerator has been determined and whether its amounts per share are before or after tax should be given.
33p67	20. If diluted EPS is reported for at least one period, it should be reported for all periods presented, even if it equals basic EPS. If basic and diluted EPS are equal, dual presentation can be accomplished in one line in the statement of comprehensive income as done by the IP Group.
33p68	21. An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the continued operation either in the consolidated statement of comprehensive income or in the notes to the consolidated financial statements.
33p69, 41, 43	22. Basic and diluted EPS are disclosed even if the amounts are negative (that is, a loss per share). However, potential ordinary shares are only dilutive if their conversion would increase the loss per share. If the loss decreases, the shares are anti-dilutive.
33p4	23. When an entity presents both consolidated financial statements and separate financial statements the disclosures required by IAS 33 need to be presented only on the basis of the consolidated information. An entity that chooses to disclose EPS based on its separate financial statements presents such EPS information only in its separate statement of comprehensive income.
	Components of other comprehensive income

1p7	24. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. They include: changes in the revaluation surplus relating to property, plant and equipment or intangible assets; remeasurements of post-employment defined benefit obligations; gains and losses arising from translating the financial statements of a foreign operation; gains and losses on remeasuring fair value through other comprehensive income (FVOCI) financial assets; and the effective portion of gains and losses on hedging instruments in a cash flow hedge. For IP Group, they include gains and losses arising from translating the financial statements of a foreign operation and fair value gains and losses on debt instruments classified as FVOCI.
1p91, 90	25. Entities may present components of other comprehensive income either net of related tax effects or before related tax effects. If an entity chooses to present the items net of tax, the amount of income tax relating to each component of OCI, including reclassification adjustments, is disclosed in the notes. IP Group has chosen to present the items net of tax.
1p92, 94	26. An entity discloses separately any reclassification adjustments relating to components of other comprehensive income either in the consolidated statement of comprehensive income or in the notes.
1p7, 95	27. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition or certain reclassifications of FVOCI debt instruments and when a hedged forecast transaction affects profit or loss.
1p82A, 91	28. IAS 1 requires items of OCI classified by nature (including the share of other comprehensive income of associates and joint ventures accounted for using the equity method) to be grouped into those that will be reclassified subsequently to profit or loss, when specific conditions are met, and those that will not be reclassified to profit or loss. Entities that present items of OCI before related tax effects with the aggregate tax shown separately to allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified.
	Consistency
1p45	29. The presentation and classification of items in the consolidated financial statements is retained from one period to the next unless: a. it is apparent, following a significant change in the nature of the entity's operations or a review of its consolidated financial statements, that another presentation or classification would be more appropriate, addressing the criteria for the selection and application of accounting policies in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors; or b. IFRS requires a change in presentation.
	Materiality and aggregation
1p29	30. Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
	Offsetting
1p32	31. Assets and liabilities, and income and expenses, are not offset unless required or permitted by an IFRS. Examples of income and expenses that are required or permitted to be offset are as follows:
1p34	a. gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; b. expenditure related to a provision that is recognised in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement; and
1p35	c. gains and losses arising from a group of similar transactions are reported on a net basis (for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading). However, such gains and losses are reported separately if they are material.

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

Summary of requirements for OCI

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

Item	Reference	Requirement in
Each component of other comprehensive income recognised during the period, classified by nature grouped into those that: ● will not be reclassified subsequently to profit or loss; and ● will be reclassified subsequently to profit or loss.	1p82A	Consolidated statement of comprehensive income
Reclassification adjustments during the period relating to components of other comprehensive income.	1p92	Consolidated statement of comprehensive income or notes
Tax relating to each component of other comprehensive income, including reclassification adjustments.	1p90	Consolidated statement of comprehensive income or notes
Reconciliation for each component of equity, showing separately: ● profit/loss; ● other comprehensive income; ● transactions with owners.	1p106(d)	Consolidated statement of changes in equity
For each component of equity, an analysis of other comprehensive income by item.	1p106A	Consolidated statement of changes in equity and notes

(All amounts in € thousands unless otherwise stated)

Consolidated statement of changes in equity

Attributable to equity holders of the Company

		Note	Share capital	Other reserves	Retained earnings	Total equity
1p10(c), 1p106, 1p107, 1p113	**Balance at 1 January 2021 Comprehensive income**		**62,720**	**3,538**	**484,751**	**551,009**
1p106(d)(i)	Profit for the year		-	-	17,236	17,236
1p106(d)(ii)	Other comprehensive income		-	1,247	-	1,247
1p106(d)	**Total comprehensive income for 2021**		**-**	**1,247**	**17,236**	**18,483**
	Transactions with owners					
1p107	Dividends paid	23	-	-	(11,379)	(11,379)
1p106	**Balance at 31 December 2021**		**62,720**	**4,785**	**490,608**	**558,113**
	Comprehensive income					
1p106(d)(i)	Profit for the year		-	-	19,730	19,730
1p106(d)(ii)	Other comprehensive income		-	5,899	-	5,899
1p106(d)	**Total comprehensive income for 2022**	**-**		**5,899**	**19,730**	**25,629**
	Transactions with owners					
1p107	Dividends paid	23	**-**	-	(14,705)	(14,705)
1p106	**Balance at 31 December 2022**		**62,720**	**10,684**	**495,633**	**569,037**

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

Commentary – Consolidated statement of changes in equity

The commentary that follows explains some of the key requirements in IAS 1, Presentation of Financial Statements, and other aspects that impact the consolidated statement of changes in equity.

Dividends

1p107

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

Other information

1p106

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

(All amounts in € thousands unless otherwise stated)

Consolidated statement of cash flows

		Note	2022	2021
1p10(d), 7p10	**Cash flows from operating activities**			
7p18(b), 7p20	Profit before income tax		25,786	23,595
	Adjustments for:			
	Depreciation of property, plant and equipment	8	5,353	2,910
	Amortisation of capitalised letting fees	7	237	212
	Net gain from fair value adjustment on investment property	7	(7,658)	(5,048)
	Net change in fair value of financial instruments at FVPL	9, 14	(1,328)	(522)
	Finance costs – net	21	6,895	10,598
	Increase in impairment loss allowance	13	82	113
	Provisions for legal claims	19	302	200
	Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
	– (Increase)/decrease in trade and other receivables		4,273	(863)
	– Decrease in contract assets		309	21
	– Increase in inventories	12	(1,460)	-
	– Increase in trade and other payables		10,400	20,959
	– Increase in contract liabilities		1,956	190
	Cash generated from operations		**45,147**	**52,365**
7p31	Interest paid		(12,180)	(12,032)
	Payments on legal claims		(1,412)	(762)
7p35	Income taxes paid		(3,772)	(6,945)
	Letting fees paid		(2,362)	(1,092)
	Proceeds from rental guarantees	9	54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		**24,599**	**19,806**

(All amounts in € thousands unless otherwise stated)

		Note	2022	2021
7p21	**Cash flows from investing activities**			
7p16(a)	Purchases of investment property	7	(2,799)	(220)
7p16(a)	Subsequent expenditure on investment property	7	(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property	7	15,690	750
7p16(a)	Purchases of property, plant and equipment	8	(10,322)	(13,246)
7p40	Acquisition of subsidiaries, net of cash acquired	24	(14,691)	(3,130)
7p16(f)	Proceeds from settlement of finance lease receivables		316	80
7p16(c)	Purchase of listed bonds	9	(156)	-
7p31	Interest received		560	1,024
	Net cash used in investing activities		**(39,615)**	**(17,224)**
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings	17	10,763	18,234
7p17(d)	Repayments of borrowings	17	(17,543)	(8,966)
7p31	Dividends paid to the Company's shareholders	23	(14,705)	(11,379)
	Net cash used in financing activities		**(21,485)**	**(2,111)**
	Net (decrease) increase in cash and cash equivalents		**(36,501)**	**471**
	Cash and cash equivalents at the beginning of the year		35,152	34,621
7p28	**Exchange gains on cash and cash equivalents**		**2,098**	**60**
	Cash and cash equivalents at the end of the year		**749**	**35,152**

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

(All amounts in € thousands unless otherwise stated)

Commentary – Consolidated statement of cash flows

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

	Reporting cash flows
7p18	**Cash flows from operating activities** Cash flows from operating activities are reported using either: a. the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or b. b. the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
7p20	IP Group uses the indirect method. For an illustration of a consolidated statement of cash flows presented using the direct method, refer to Appendix II.
7p21	**Cash flows from investing and financing activities** Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS 7 are reported on a net basis. The acquisitions of investment properties are disclosed as cash flows from investing activities as these are the expenditures that result in a recognised asset in the consolidated statement of financial position, and this most appropriately reflects IP Group's business activities.
7p31	**Interest and dividends** Cash flows from interest received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as either operating, investing or financing activities. The standard permits entities to show interest paid in operating or financing activities whereas interest received might be shown in operating or investing activities.
7p34	Dividends paid may be classified as financing cash flows because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.
7p35	**Income taxes** Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.
7p28	**Effects of exchange rate changes** Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the consolidated statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.
	Leases
IFRS16(50)	Cash flows relating to leases for a lessee must be presented as follows: a. cash payments for the principal portion of the lease liabilities as cash flows from financing activities; b. cash payments for the interest portion consistent with presentation of interest payments chosen by the Group; and c. short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Commentary – Consolidated statement of cash flows

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

(All amounts in € thousands unless otherwise stated)

Notes to the consolidated financial statements

1. General information

1p138(b), 1p51(a)(b)	IP (the Company; the Parent) and its subsidiaries (together the IP Group or the Group) hold a major portfolio of investment properties in the UK, Germany and Hong Kong. The Group is also involved in the development of investment properties and construction of office buildings for sale in the ordinary course of business.
1p138(a)	The Company is a limited liability company incorporated and domiciled in Euravia. The address of its registered office is 5 Skyscraper Road, 5050, Propertyville. The Company has its primary listing on the Euravia stock exchange.
10p17	These consolidated financial statements have been approved for issue by the Board of Directors (the Board) on 13 March 2022. The shareholders have the power to amend the consolidated financial statements after issue.

2. Summary of significant accounting policies

PwC commentary

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

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

2.1 Basis of preparation

1p16	**Statement of compliance** The consolidated financial statements of IP Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC).
10p17	**Income and cash flow statements** IP Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by nature.
7p31	The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

1p117(a)

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of investment property at fair value, financial assets classified as fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value.

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

Changes in accounting policies and disclosures

IAS1(10)(e)

Notes to the consolidated financial statements

IAS8p28

There were no standards or amendments that were applied by the Group for the first time for the financial year beginning on 1 January 2022. Two IFRIC Agenda Decisions that had a potentially significant effect on the Real Estate entities were issued during 2022:

• Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (April 2022) did not have a material effect on the Group, as funds separately retained to meet tenant deposit obligations were previously, and continue to be classified as cash on the statement of financial position and in the cash flow statement.

• Lessor Forgiveness of Lease Payments did not have a material effect on the group because no material rent concessions have been issued to tenants. [See Appendix III for illustrative disclosures that apply the interpretation in the Agenda Decision].

Significant changes in the current reporting period

The financial position and performance of the group was affected by the acquisition of GHI GmbH in September 2022 (see note 24).

[Other significant changes that could be discussed in this section include an economy becoming hyperinflationary or ceasing to be hyperinflationary. Viewpoint provides regular updates on economies that are identified as hyperinflationary.]

PwC commentary - Accounting implications of Russia's war on Ukraine

ESMA public statement 13 May 2022

At the time of writing, Russia's war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to reflect these developments because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and provide required IFRS disclosures in a manner that is appropriately tailored to their individual circumstances. For guidance see our In Depth Accounting implications of the Russian invasion of Ukraine on Viewpoint.

PwC commentary – Significant changes in the current reporting period

There is no requirement to disclose a summary of significant events and transactions that have affected the company's financial position and performance during the period under review. We believe that information such as this would help readers understand the entity's performance and any changes to the entity's financial position during the year and make it easier to find the relevant information. However, information such as this could also be provided in the (unaudited) operating and financial review rather than the (audited) notes to the financial statements.

Disclosures not illustrated – going concern disclosures

IAS1(25)

Consider impact of climate change – see Appendix IV

1. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. Where the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

2. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, e.g. in a note such as this.

3. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:
   a. adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern (ISA570(19)(a))
   b. explain management's plans to deal with these events or conditions, and (ISA570(19)(b))
   c. state clearly that:
      i. there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and
      ii. the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. IASB Going concern – a focus on disclosure

IASB Going concern – a focus on disclosure

4. The IASB has issued educational material which explains what entities need to consider when providing the going concern disclosures required by IAS 1 Presentation of Financial Statements. While the material does not provide any new guidance, it supports entities preparing financial statements in a stressed economic environment such as the one arising from the COVID-19 pandemic and reminds entities of the requirements in IAS 1, including the relevance of the overarching disclosure requirements that interact with the specific going concern disclosures.

1p119

2.2 Consolidation

IFRS10p7
IFRS10p20

a. Subsidiaries

IFRS10p25
IFRS10p19
IFRS10pB92
IFRS10pB86

Control

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

IFRS3p5, p37
IFRS3p39, p18
IFRS3p19
IFRS3pB7B

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

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

Accounting for business combinations

The Group may elect to apply the optional concentration test in IFRS 3 to assess whether an acquisition must be accounted for as a business combination. When substantially all of the fair value of the gross assets acquired is concentrated in a single asset (or a group of similar assets), the transaction is accounted for as an asset acquisition. The consideration paid is allocated to the identifiable assets and liabilities acquired on the basis of their relative fair values at the acquisition date. Where an acquisition does not satisfy the concentration test and the acquired set of activities meets the definition of a business, the Group applies the acquisition method of accounting.

The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

IFRS3p53

Acquisition related costs are expensed as incurred.

IFRS3p42

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

IFRS3p42

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

IFRS3p32
IFRS3B63(a)
36p80

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total amount of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

IFRS3p4

Accounting for asset acquisitions

For acquisition of a subsidiary not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values as at the date of acquisition. Such transactions or events do not give rise to goodwill.

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

IFRS10p23
IFRS10pB94-96

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

c. Disposal of subsidiaries

IFRS10p25
IFRS10pB97-99

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

(All amounts in € thousands unless otherwise stated)

1p119	**2.3 Operating segments**
IFRS8p5(b)	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company.
1p119	**2.4. Foreign currency translation** **a. Functional and presentation currency**
21p17 21p9, 18 1p51(d)	Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Company's functional currency and the Group's presentation currency.
1p119	**b. Transactions and balances**
21p21, 28 21p32	Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss for the year. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalised as explained in note 2.17 (Borrowing costs). All other foreign exchange gains and losses are presented net in the consolidated statement of comprehensive income.
1p119	**c. Group companies**
21p39 21p39(a) 21p39(b)	The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position; ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). The Group is using monthly average exchange rates due to the increased volatility in exchange rates; and iii. all resulting exchange differences are recognised in the statement of comprehensive income.
21p48, 48A, 48B, 48C	On disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.
21p47	Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.
1p119	**2.5. Investment property**
40p5 40p8(e)	Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property[1] also includes property that is being constructed or developed for future use as investment property.

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

(All amounts in € thousands unless otherwise stated)

IFRS16p48 IFRS16p34	All leases that meet the definition of investment property are classified as investment property and measured at fair value.
40p20	Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs (see note 2.14)[2].
	Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
40p75(e)	After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others: ● the provisions of the construction contract; ● the stage of completion; ● whether the project/property is standard (typical for the market) or non-standard; ● the level of reliability of cash inflows after completion; ● the development risk specific to the property; ● past experience with similar construction; and ● the status of construction permits. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.
40p40	The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.
40p16, 68	Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property and the fair value is reassessed.
40p50(d)	If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back, to arrive at the carrying value of the investment property for accounting purposes.
40p35, 69	Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed of.

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

(All amounts in € thousands unless otherwise stated)

40p60	Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.
40p61, 62	If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes.
40p58, 60	If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item as at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increased directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the income statement.
IFRS16p83	Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use. See note 2.7(b) for details of the treatment of letting fees capitalised within the carrying amount of the related investment property.
1p119	**2.6. Property, plant and equipment**
16p73(a)	All property, plant and equipment (PPE) are stated at historical cost[3] less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs (see note 2.14). Cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an item of PPE.
16p12, 16p13	Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
16p43, 5073(b), 73(c)	Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows: ● land and property under construction: nil; ● buildings: 25–40 years; ● fixtures and fittings: 5–15 years; and ● right of use assets: over the lease term.
16p51	The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.
36p59	An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount
16p68, 71	Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the income statement[4]

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

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

1p119

2.7. Leases

a. Group is the lessee

(i) At initial recognition

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

IFRS16p47

Right of use assets held by the Group related to land held under ground leases that meet the definition of investment properties are included within investment property on the statement of financial position (see note 7). Right of use assets related to leases of land and buildings and fixtures and fittings are included within property, plant and equipment (see note 8).

IFRS16p23

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

IFRS16p26

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

IFRS16p27

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

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

IFRS16p18, 59(b)(ii)

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

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

IFRS16p34

(ii) Subsequent measurement

IFRS16p36

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

IFRS16p38

The lease liability is measured as follows:

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

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

(All amounts in € thousands unless otherwise stated)

IFRS16p36, 37	Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
	b. Group is the lessor
IFRS16p83	Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term (note 2.18). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet in accordance with their nature.
IFRS16p81	The Group elected to recognise lease income for variable payments that depends on an index or a rate on a straight-line basis[5]. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and are amortised over the lease term.
1p119	**2.8. Goodwill**
IFRS3p32 IFRS3pB64(a)	Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business acquired, in case of a bargain purchase, the difference is recognised directly in the income statement.
36p80	For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.
36p10(b), 38p108	Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.
1p119	**2.9. Impairment of non-financial assets**
36p80 36p6, 68 36p9, 36p10	Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

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

1p119

2.10. Inventories

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

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

1p119

2.11. Financial instruments

a. Investments and other financial assets

IFRS9p4.1.1

(i) Classification

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

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

IFRS9p4.1.4, p5.7.1
IFRS9p4.4.1

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

IFRS7p21, pB5(c)
IFRS9p3.1.1, p3.2.2, pB3.1.3-3.1.6

(ii) Recognition and derecognition

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

IFRS9p5.1.1

(iii) Measurement

IFRS9p4.3.2, p4.3.3

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

IFRS9p5.1.1

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

IFRS9p4.1.2

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

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

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

IFRS9p4.1.1, p4.1.4

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

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

(iv) Impairment

1p117
IFRS7p21
IFRS9p5.5.15

For debt investments carried at FVOCI the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

For trade receivables (including lease receivables) and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IFRS7p35G

The expected loss rates are based on the payment profiles of rents and sales over a period of 36 months before 31 December 2022 or 31 December 2021 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include:

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

(All amounts in € thousands unless otherwise stated)

IFRS7p35F(e)	Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.
IFRS735F(a)(i)	The Group considers that a default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.
1p117 IFRS9p5.5.2	**b. Trade and other receivables** Trade and other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, a provision for expected credit losses. The Group holds the trade and other receivables with the objective to collect the contractual cash flows.
IFRS9p4.2.1	**c. Rental guarantees** Rental guarantees provided for by the seller of an investment property are recognised as a financial asset when the Group becomes a party to the contractual provisions of the guarantee. Rental guarantees are classified as financial assets and are measured at fair value at each reporting date. The Group has elected to recognise fair value movements in profit or loss.
	d. Cash and cash equivalents Cash and cash equivalents include cash on hand, demand deposits held at financial institutions, including funds held to meet tenant deposit obligations, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.
1p119, IFRS9p5.7.1	**e. Derivatives** The Group does not apply hedge accounting in accordance with IFRS 9. Derivative financial assets and liabilities are classified as financial assets or liabilities at FVPL. Derivative financial assets and liabilities comprise mainly interest rate swap and forward foreign exchange contracts for hedging purposes (economic hedge). Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit or loss in net change in fair value of financial instruments at FVPL.
IFRS9p4.2	**f. Financial liabilities** The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All loans and borrowings are initially recognised initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see note 2.14 for the accounting policy on borrowings). Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

(All amounts in € thousands unless otherwise stated)

IFRS7p21, IFRS9p3.1.1	**Trade and other payables**
IFRS9p5.1.1	Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted. Certain Group companies obtain deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition. The Group treats such deposits as financial liabilities in accordance with IFRS 9, and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to note 2.18 for the recognition of rental income). The deposit is subsequently measured at amortised cost.
IFRS7p21 IFRS9p5.1.1, p4.2.1	**Borrowings** Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance cost (note 2.20) over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.
IFRS9p3.3.1, p3.3.3	Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.
IFRS9p5.4.3	For modified borrowings, IFRS 9 requires that a gain or loss be calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.
1p119	**2.12. Prepayments**
	Prepayments are carried at cost less any accumulated impairment losses. See note 2.7 for the separate accounting policy for lease prepayments.
1p119	**2.13. Share capital**
IFRS7p21, 32p37	Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.
1p119	**2.14. Borrowing costs**
23p8	General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. IP Group capitalises borrowing costs on qualifying inventories and investment property under construction.

(All amounts in € thousands unless otherwise stated)

1p119	**2.15. Current and deferred income taxes**
12p58, 61A	The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity – in which case the tax is also recognised in other comprehensive income or equity.
12p46	The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
12p47, 24 12p15	Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
12p24, 34	Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.
12p51C	The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated statement of financial position regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.
12p39, 44	Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
12p74	Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.
1p119	**2.16. Employee benefits**
	The Group operates various post-employment schemes, including both defined contribution pension plans and post-employment medical plans.
19p26-28	A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
19p51	For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
1p119	**2.17. Provisions**
37p14	Provisions for legal claims are recognised when: ● the Group has a present legal or constructive obligation as a result of past events; ● it is probable that an outflow of resources will be required to settle the obligation; and ● the amount can be reliably estimated.

(All amounts in € thousands unless otherwise stated)

37p45	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost. Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.
1p119	**2.18. Revenue recognition**
IFRS15p110	Revenue includes rental income, service charges and property management charges and sale of redeveloped units.
IFRS16p81	Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.
	Revenue on sale of redeveloped units is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time when the customer has taken possession of the unit.
IFRS15p119(a), p123(a)	Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.
IFRS15 p119(a), (c), p123, p125, p126	Some property management contracts may include multiple elements of service, which are provided to tenants. The Group assesses whether individual elements of service in contract are separate performance obligations. Where the contracts include multiple performance obligations and/or lease and non-lease components, the transaction price will be allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. Where these selling prices are not directly observable, they are estimated based on an expected cost plus margin. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by IP Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
IFRS15p125	Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers that are not for distinct services. This consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing. A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.
IFRS15p127b	The Group pays sales commissions in order to secure certain contracts; these sales commissions are assessed to be an incremental cost of obtaining a contract. For sales commissions paid in relation to revenue contracts that are for a period greater than one year, the sales commissions are capitalised as other non-current assets and are amortised over the period of the revenue contract to which it relates.
1p119	**2.19. Dividend distribution**
10p12, 32p35	Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

IFRS7 AppxB5(e) 23p2 1p110 23p4

2.20. Interest income and expense

Interest income and expense are recognised within finance income and finance costs in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

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

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2.21. Other expenses

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

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2.22. Non-current assets (or disposal groups) held for sale

IFRS5p5,15

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell unless the assets are investment properties measured at fair value or financial assets in the scope of IFRS 9 in which case they are measured in accordance with those standards.

Commentary – Summary of significant accounting policies

Statement of compliance with IFRS

1p16

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

   It clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of significant accounting policies

3. A summary of significant accounting policies includes:

1p117(a) 1p117(b)

   a. the measurement basis (or bases) used in preparing the consolidated financial statements; and
   b. the other accounting policies used that are relevant to an understanding of the consolidated financial statements.

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4. The summary may be presented as a separate component of the consolidated financial statements.

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5. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Some IFRS specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow.

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

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Changes in accounting policies

Initial application of IFRS

6. When initial application of an IFRS:
   a. has an effect on the current period or any prior period;
   b. would have such an effect except that it is impracticable to determine the amount of the adjustment; or
   c. might have an effect on future periods

   An entity discloses:
   a. the title of the IFRS;
   b. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
   c. the nature of the change in accounting policy;
   d. when applicable, a description of the transitional provisions;
   e. when applicable, the transitional provisions that might have an effect on future periods;
   f. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
      - for each consolidated financial statement line item affected;
      - if IAS 33, Earnings Per Share, applies to the entity, for basic and diluted earnings per share,
   g. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
   h. if retrospective application is required by paragraph 19(a) or (b) of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, is impracticable for a particular prior period or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

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

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Voluntary change in accounting policy

7. When a voluntary change in an accounting policy:
   a. has an effect on the current period or any prior period;
   b. would have an effect on that period except that it is impracticable to determine the amount of the adjustment; or
   c. might have an effect on future periods

   An entity discloses:
   d. the nature of the change in accounting policy;
   e. the reasons why applying the new accounting policy provides reliable and more relevant information;
   f. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
      - for each consolidated financial statement line item affected; and
      - if IAS 33 applies to the entity, for basic and diluted earnings per share,
   g. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
   h. if retrospective application is impracticable for a particular prior period or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

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

1p112(c)

Change during interim periods

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

IFRS issued but not yet effective

8p30

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

8p31

10. An entity considers disclosing:
    a. the title of the new IFRS;
    b. the nature of the impending change or changes in accounting policy;
    c. the date as at which it plans to apply it initially; and
    d. either:
        i. a discussion of the impact that initial application of the IFRS is expected to have on the entity's consolidated financial statements; or
        ii. if that impact is not known or reasonably estimable, a statement to that effect.

11. Our view is that disclosures in the paragraph above are not necessary in respect of standards and interpretations that are clearly not applicable to the entity or that are not expected to have a material effect on the entity. Instead, disclosure should be given in respect of the developments that are, or could be, significant to the entity. Management will need to apply judgement in determining whether a standard is expected to have a material effect. The assessment of materiality should consider the impact both on previous transactions and financial position and on reasonably foreseeable future transactions. For pronouncements where there is an option that could have an impact on the entity, management's expectation on whether the entity will use the option should be disclosed.

3. Financial risk management[6]

3.1 Financial risk factors[7]

IFRS7p31	The Group manages financial risks through its risk management function. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and then ensure that exposure to risks stays within these limits.
IFRS7p33(a)	The Board is ultimately responsible for the development and oversight of the Group's risk management policies and overall framework. The Board has set up a risk management function that is responsible for setting, assessing and monitoring the Group's risk management policies. Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies and evaluates financial risks in close cooperation with the Group's operating units and reports to the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.
	Key financial risk management reports are produced monthly on a Group level and are provided to the key management personnel of the Group. **a. Market risk** Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a monthly basis (see details below). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.
IFRS7p33(a)	Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.
IFRS7p22	**i. Foreign exchange risk** The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the UK pound and HK dollar. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective Group entity. The Group's policy is to enter into currency hedging transactions with forward foreign exchange contracts; however, it does not opt to use hedge accounting in accordance with the requirements of IFRS 9. The Group has various financial assets such as derivative financial assets and liabilities, trade and other receivables and cash and short-term deposits that arise directly from its operations. Rental guarantees provided by the seller of an investment property are accounted for as financial assets measured at fair value through profit or loss. The Group's principal financial liabilities, besides derivative financial liabilities, comprise bank loans and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The derivative transactions the Group enters into are primarily interest rate swaps and forward foreign exchange contracts. The purpose is to manage the interest rate risks and currency risks arising from the Group's operations and its sources of finance (economic hedges). The tables below summarise the reports provided to key management personnel and are used to monitor the Group's exposure to foreign currency risk arising from financial instruments as at 31 December before hedging. The Group's financial assets and liabilities are included in the table categorised by currency at their carrying amount.

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

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

(All amounts in € thousands unless otherwise stated)

IFRS7p31, 34(c)
IFRS7p8

As at 31 December 2022	Note	€	£	HK$	Other	Total
Financial assets – loans and receivables						
Trade and other receivables:	13, 6					
– Rent receivables from lessees, and contract assets, net of impairment		1,265	535	518	644	2,962
– Other financial assets		412	139	135	94	780
Cash and cash equivalents		365	138	102	144	749
Debt investments		256	-	-	-	256
Rental guarantees	7, 9	1,879	320	146	-	2,345
Derivatives	14	1,032	346	86	-	1,464
Assets of disposal groups classified as held for sale:	15					
– Trade and other receivables		-	40	-	-	40
– Cash and cash equivalents		-	140	-	-	140
Total financial assets		**5,209**	**1,658**	**987**	**882**	**8,736**
Financial liabilities measured at amortised cost						
Non-current borrowings:	17					
– Bank borrowings		60,434	11,758	13,572	-	85,764
– Debentures and other loans		10,326	2,009	2,319	-	14,654
– Lease liabilities		5,757	933	1,077	-	7,767
Tenant deposits – non-current		1,187	396	170	225	1,978
Trade and other payables:	18					
– Trade payables		27,668	1,498	2,976	303	32,445
– Other financial liabilities		4,327	608	584	85	5,604
– Accruals		648	-	-	-	648
Tenant deposits – current		590	-	-	-	590
Derivatives	14	420	130	45	-	595
Current borrowings – lease liabilities	17	1,245	**-**	**857**	92	**2,194**
Liabilities of disposal groups classified as held for sale	15					
– Trade and other payables		-	41	-	-	41
Total financial liabilities		**112,602**	**17,373**	**21,600**	**705**	**152,280**

IFRS7p8

(All amounts in € thousands unless otherwise stated)

IFRS7p8

As at 31 December 2021	Note	€	£	HK$	Other	Total
Financial assets – loans and receivables						
Trade and other receivables:	13, 6					
– Rent receivables from lessees and contract assets, net of impairment		3,569	588	594	764	5,515
– Other financial assets		223	31	37	49	340
Cash and cash equivalents		31,003	3,183	423	543	35,152
Rental guarantees	7, 9	1,205	212	102	-	1,519
Derivatives	14	837	287	72	-	1,196
Assets of disposal groups classified as held for sale:	15					
– Trade and other receivables		361	40	-	-	401
– Cash and cash equivalents		477	140	-	-	617
Total financial assets		**37,675**	**4,481**	**1,228**	**1,356**	**44,740**
Financial liabilities measured at amortised cost						
Non-current borrowings:	17					
– Bank borrowings		63,708	11,886	12,060	-	87,654
– Debentures and other loans		5,190	968	982	-	7,140
– Lease liabilities		5,822	1,086	1,102	-	8,010
Tenant deposits – non-current		1,348	450	234	215	2,247
Trade and other payables:	18					
– Trade payables		23,879	1,683	2,751	315	28,628
– Other financial liabilities		2,211	275	450	52	2,988
– Accruals		703	-	-	-	703
Tenant deposits – current		608	-	-	-	608
Derivatives	14	540	9	77	121	747
Current borrowings – lease liabilities	17	1,500	121	967	-	2,588
Liabilities of disposal groups classified as held for sale:	15					
– Trade and other payables		2,063	41	324	-	2,428
Total financial liabilities		**107,572**	**16,519**	**18,947**	**703**	**143,741**

(All amounts in € thousands unless otherwise stated)

IFRS7p33

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

Nevertheless, the Group does not apply hedge accounting in accordance with IFRS 9. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as rental revenue) are denominated. This is generally achieved by obtaining loan financing in the relevant currency and by entering into forward foreign exchange contracts.

IFRS7p40(a)-(c)

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

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective Group entities, with all other variables, such as interest rates held constant. The sensitivity analysis adjusts the translation of net assets at the period end for a 25% (2021: 25%) change in the value of the euro against the relevant currencies.

	Profit or loss		Other components of equity	
Effect in €	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 December 2022				
HK$ increase/decrease 25%	(730)	730	-	-
GBP increase/decrease 25%	(702)	702	-	-
31 December 2021				
HK$ increase/decrease 25%	(678)	678	-	-
GBP increase/decrease 25%	(643)	643	-	-

The higher foreign currency exchange rate sensitivity in profit and equity in 2022 compared with 2021 is attributable to an increase in foreign currency denominated debt.

ii. Price risk

IFRS7p33(a)

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.
The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk. See note 4.

iii. Cash flow and fair value interest rate risk

IFRS7p33(a)

As the Group's interest bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income. The Group is exposed to fair value interest rate risk on listed bonds classified as fair value through other comprehensive income and rental guarantees classified as fair value through profit or loss. Any change in the market rates might impact the fair value gain or loss recognised in other comprehensive income and profit or loss respectively. The impact of such changes is not expected to be significant to the Group.

(All amounts in € thousands unless otherwise stated)

IFRS7p33(a), (b), p22(c)

The Group's interest rate risk principally arises from long-term borrowings (note 16). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. However, the Group's policy is to fix the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed on notional principal amount. As at 31 December 2022, as in the previous year, after taking into account the effect of interest rate swaps and caps, nearly 100% of the Group's borrowings are at a fixed rate of interest, mitigating cash flow interest rate risk but resulting in fair value interest rate risk as the value of the interest rate swaps changes in response to changes in the market interest rates. However, the Group does not opt to use hedge accounting in accordance with the requirements of IFRS 9 Trade and other receivables and trade and other payables are interest-free and with a term of less than one year. The Group has determined there is no interest rate risk associated with these financial assets and liabilities.

IFRS7p33(b)

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

IFRS7p40(a)

As at 31 December 2022, if interest rates had been 100 basis points (2021: 100 basis points) higher with all other variables held constant, post-tax profit for the year would have been €1,052 (2021: €1,267) lower. If interest rates had been 100 basis points (2021: 100 basis points) lower with all other variables held constant, post-tax profit for the year would have been €1,052 (2021: €1,267) higher.

IFRS7p31

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

	2022			2021		
	€	HK$	£	€	HK$	£
Cash and cash equivalents	0.50%	1.50%	1.20%	0.40%	1.20%	1.20%
Bank borrowings	7.00%	6.30%	6.90%	6.80%	6.20%	6.60%
Debentures and other loans	7.20%	6.50%	6.30%	7.10%	6.30%	6.50%
Lease liabilities	5.00%	4.80%	5.20%	4.80%	5.10%	5.20%
Rental guarantees	5.90%	5.30%	5.60%	5.40%	5.00%	5.30%
Tenant deposits	6.80%	6.00%	6.20%	6.70%	6.10%	6.90%
Financial assets carried at FVOCI	6.90%	6.10%	6.30%	6.80%	6.20%	7.00%

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

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

[Entities with loans that are referenced to a benchmark interest rate subject to IBOR reform may need to provide additional IBOR reform disclosures.]

(All amounts in € thousands unless otherwise stated)

b. Credit risk

IFRS7p33(a), (b)
IFRS7p36(c)

Credit risk is the risk that a counterparty will default on its contractual obligation and will cause a financial loss for the other party by failing to discharge an obligation, and principally arises from the Group's receivables from customers. The Group has no significant concentrations of credit risk as the Group has a diverse customer base, with no one customer accounting for more than 1% of rental income.

Credit risk arises from cash and cash equivalents held at banks, trade and other receivables, including rental receivables from lessees, contract assets, rental guarantees, contractual cash flows of debt investments carried at FVOCI and favourable derivative financial instruments and deposits with banks and financial institutions. Credit risk is managed on a group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review.

The Group has a credit department which has set out policies and procedures for managing exposure to credit. Some of the processes and policies include:

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

Cash balances are held and derivatives are agreed only with financial institutions with a Moody's credit rating of A or better. The Group has policies that limit the amount of credit exposure to any financial institution. Limits on the level of credit risk by category and territory are approved quarterly by the Board. The utilisation of credit limits is regularly monitored.

IFRS9p5.5.15

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade and other receivables (including lease receivables);
- contract assets; and
- debt investments carried at FVOCI.

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

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

IFRS7p36(a)

	2022	2021
Trade and other receivables, net of provision for impairment (note 13) and contract assets (note 6):		
– Rent receivables from lessees	1,395	3,639
– Contract assets	1,567	1,876
– Other financial assets	780	340
Cash and cash equivalents	749	35,152

(All amounts in € thousands unless otherwise stated)

IFRS7p38(b)

Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The fair value of cash and cash equivalents as at 31 December 2022 and 31 December 2021 approximates the carrying value. Analysis by credit quality of financial assets is as follows:

	2022	2021
Trade receivables – gross (note 13):	1,467	3,879
Contract assets (note 6):	1,567	1,876
Less: Impairment provision	(322)	(240)
Trade receivables – net of impairment loss allowance and contract assets	**2,712**	**5,515**

Trade receivables were less than 1% of total assets at 31 December 2022 and at 31 December 2021.

The expected loss rates are based on the payment profiles of tenants over a period of 36 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. On that basis, the impairment provision as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables and contract assets[8]:

IFRS7p35M
IFRS7p35K(a), (b)

31 December 2022	Current	30 to 90 days overdue	91 to 180 days overdue	Total
Expected loss rate	2.2%	24%	55%	
Gross carrying amount – trade receivables and contract assets	2,200	600	234	3,034
Impairment provision	**49**	**144**	**129**	**322**

IFRS7p35M
IFRS7p35K(a), (b)

31 December 2021	Current	30 to 90 days overdue	91 to 180 days overdue	Total
Expected loss rate	2.0%	16%	25%	
Gross carrying amount – trade receivables and contract assets	5,050	426	279	5,755
Impairment provision	**101**	**68**	**71**	**240**

The following table explains the changes in the credit loss allowance for trade receivables under the simplified ECL model. Impairment provision for trade receivables as at 31 December 2022 reconciles to the opening impairment provisions as follows:

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

(All amounts in € thousands unless otherwise stated)

IFRS7p42P

	2022	2021
Opening impairment provision as at 1 January	**240**	**127**
Impairment charge recognised in profit or loss during the year	82	113
31 December closing impairment provision	**322**	**240**

At 31 December 2022, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	2022	2021
UK	674	619
Europe	1,047	3,652
Hong Kong	653	631
Others	338	613
Total as at 31 December	**2,712**	**5,515**

At 31 December 2022, the exposure to credit risk for trade receivables and contract assets by counterparty was as follows:

	2022	2021
Commercial	1,458	2,989
Retail	1,254	2,526
Total as at 31 December	**2,712**	**5,515**

IFRS7p38

Collateral held for trade and other receivables

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

IFRS7(B8G)

	2022		2021	
	Trade receivables	Contract assets	Trade receivables	Contract assets
Receivables collateralised by				
Sold inventory	548	-	438	-
Tenant deposits	2,577	-	1,124	-
Total collateralised receivables at 31 December	**3,125**	**-**	**3,293**	**-**

(All amounts in € thousands unless otherwise stated)

The disclosure above represents the lower of the carrying value of the receivable or collateral taken. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the carrying value of the asset ('over-collateralised assets') and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (under-collateralised assets).
The effect of collateral at 31 December 2022:

2022	Over collateralised assets		Under collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Receivables collateralised by				
Sold inventory	289	341	345	198
Tenant deposits	188	257	-	-

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

	Trade and other receivables, contract assets and lease receivables[9]
Significant increase in credit risk	• Not applicable as simplified approach is followed.
Default definition	• More than 90 days past due.
Grouping for assessment	• Based on same characteristics and past due. • Contract assets have same characteristics as trade and other receivables and tested on the same basis. • Loss rates based on profile of payments for 24 months to determine historical loss rates that would represent current period. • These rates are adjusted for macro factors impacting the ability for customer to pay.
Credit impaired	• Financial instrument is in default. • Counterparty is in liquidation.
Write off policy	• Determined on an individual basis but all more than 480 days are written off.
Modifications	• Depending on the renegotiated terms with receivables may be considered extinguished.

For the purposes of the Group's monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of €5,000 (2021: €5,500).

	2022	2021
AA rated	278	24,560
A rated	471	10,592
Total cash and equivalent	**749**	**35,152**

For the purposes of the Group's monitoring of credit quality, large companies or groups are those that, based on information available to management at the point of initially contracting with the entity, have annual turnover in excess of €5,000 (2021: €5,500).

[9] These disclosures should be provided by each material class of financial assets as per IFRS7p35M.

(All amounts in € thousands unless otherwise stated)

IFRS7p34(c)	There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a large number of financial institutions, internationally dispersed.
IFRS7p35F(a)(i)	All of the entity's debt investments at FVOCI are considered to have low credit risk, and the impairment charge recognised during the period was therefore limited to 12 months' expected losses. Management considers low credit risk for listed bonds to be an investment grade credit rating with at least one major rating agency.
IFRS9p5.5.2	Debt investments FVOCI include listed debt securities.

c. Liquidity risk

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

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

The maturity analysis of financial liabilities as at 31 December 2022 is as follows:

		Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
IFRS7 p39(a)	Bank borrowings	643	1,286	5,787	87,330	-	-	95,046
IFRS7 p39(a)	Debentures and other loans	-	-	-	5,241	14,154	-	19,395
IFRS7 p39(a)	Lease liabilities	229	451	2,119	1,618	4,874	5,213	14,504
	Derivative financial instruments	-	-	595	-	-	-	595
IFRS7 p39(a)	Tenant deposits	49	154	387	781	1,206	-	2,577
	Trade and other payables:							
IFRS7 p39(a)	Trade payables	25,382	10,983	-	-	-	-	36,365
IFRS7 p39(a)	Other financial liabilities	4,672	932	-	-	-	-	5,604
IFRS7 p39(a)	Accruals	550	98	-	-	-	-	648
		31,525	**13,904**	**8,888**	**94,970**	**20,234**	**5,213**	**174,734**

(All amounts in € thousands unless otherwise stated)

The maturity analysis of financial liabilities as at 31 December 2021 is as follows:

		Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 to 5 years	Later than 5 years	Total
IFRS7p39(a)	Bank borrowings	-	-	-	23,743	44,068	27,331	95,142
IFRS7p39(a)	Debentures and other loans	-	-	-	4,276	3,687	-	7,963
IFRS7p39(a)	Lease liabilities	267	515	2,421	1,916	5,244	2,891	13,254
	Derivative financial instruments	-	-	747	-	-	-	747
IFRS7p39(a)	Tenant deposits	55	160	393	647	885	715	2,855
	Trade and other payables:							
IFRS7p39(a)	Trade payables	26,193	5,210	-	-	-	-	31,403
IFRS7p39(a)	Other financial liabilities	2,802	186	-	-	-	-	2,988
IFRS7p39(a)	Accruals	615	88	-	-	-	-	703
		29,932	**6,159**	**3,561**	**30,582**	**53,884**	**30,937**	**155,055**

As the amount of contractual undiscounted cash flows related to bank borrowings and debentures and other loans is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date – that is, the actual spot interest rates effective as at 31 December 2022 and 31 December 2021 are used for determining the related undiscounted cash flows.

(All amounts in € thousands unless otherwise stated)

3.2 Capital management

1p134
1IG10
1p135(a)

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

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

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

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio within 10% to 18% and a BB credit rating. The Group's Moody's credit rating was BB throughout 2022 and 2021. The gearing ratios as at 31 December 2022 and at 31 December 2021 were as follows:

	2022	2021
Total borrowings	110,379	105,392
Less: Cash and cash equivalents	(749)	(35,152)
Net debt	109,630	70,240
Total equity	569,037	558,113
Total capital	678,667	628,353
Gearing ratio	16%	11%

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

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

The Group has complied with all covenants throughout 2022 and 2021.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio within 10% to 18% and a BB credit rating. The Group's Moody's credit rating was BB throughout 2022 and 2021.

Liabilities arising from the Group's financing activities can be found in note 17.

3.3 Fair value estimation

a. Assets and liabilities carried at fair value

IFRS13p73

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels are defined as follows:

IFRS13p76

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

IFRS13p81

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

IFRS13p86

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(All amounts in € thousands unless otherwise stated)

The Group's financial assets and liabilities as at 31 December 2022 were classified as follows:

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

The Group's financial assets and liabilities as at 31 December 2021 were classified as follows:

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

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

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

Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value as at 31 December 2022 but for which fair value is disclosed.[10]

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

(All amounts in € thousands unless otherwise stated)

IFRS13p97

	Level 1	Level 2	Level 3	Total
Liabilities				
Borrowings	-	110,379	-	110,379
Total	**-**	**110,379**	**-**	**110,379**

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value as at 31 December 2021 but for which fair value is disclosed.

IFRS13p97

	Level 1	Level 2	Level 3	Total
Liabilities				
Borrowings	-	105,392	-	105,392
Total	**-**	**105,392**	**-**	**105,392**

Cash and cash equivalents, trade and other receivables, trade and other payables, and tenant deposits are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

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

1p122, 1p125

4. Critical accounting estimates and judgements

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

4.1. Critical accounting estimates and assumptions

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

IFRS13p91

a. Investment properties

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

b. Income taxes

IFRIC23

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

The deferred tax assets recognised as at 31 December 2022 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

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

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

IFRS13p91

c. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various rental guarantees that are not traded in active markets. See further disclosure in Note 14.

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

a. Property under construction

1p122
40p53

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

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

40p10

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

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

c. Revenue

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

i. Property development and resale:

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

ii. Determining the transaction price:

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

d. Determining the lease term

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

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

For leases of offices, where the Group is the lessee, the following factors are normally the most relevant:

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

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

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

5. Operating segments

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

IFRS8p22(a)

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

(All amounts in € thousands unless otherwise stated)

IFRS8p22(a)

The CEO considers the business based on the following operating segments[11]:

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

Hong Kong – retail.

IFRS8p22(b)
IFRS8p16

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

IFRS15p114

The segment information provided to the CEO for the operating segments (which also represent the reportable segments) for the year ended 31 December 2022 is as follows:

		UK		Germany		Hong Kong		
	Assets	**Commercial**	**Retail**	**Commercial**	**Retail**	**Commercial**	**Retail**	**Total**
IFRS8p23, p33(a), IFRS 15p115	Total segment revenue: Revenue from external customers	9,412	7,490	7,184	5,591	6,718	5,959	42,354
IFRS8p23	Operating profit Included in operating profit:	7,387	5,720	5,757	4,404	4,988	4,425	32,681
IFRS8p23(e)	Depreciation and amortisation	(1,245)	(991)	(950)	(527)	(993)	(647)	(5,353)
IFRS8p23(i)	Net gain from fair value adjustment on investment property	1,672	1,504	1,275	1,006	1,218	983	7,658
	Net change in fair value of financial instruments at FVPL	-	159	345	253	-	-	757
	Not included in operating profit:							
IFRS8p23(c)	Interest income	426	180	-	-	304	268	1,178
IFRS8p23(d)	Interest expense	(1,783)	(1,419)	(1,409)	(1,059)	(1,273)	(1,130)	(8,073)
IFRS8p23(h)	Income tax expense	(1,349)	(1,073)	(1,030)	(787)	(963)	(854)	(6,056)
IFRS8p23	**Total assets**	**174,307**	**138,712**	**134,928**	**103,543**	**124,415**	**110,359**	**786,264**
	Total assets include:							
	Additions to non-current assets (other than financial instruments and deferred tax assets)	11,502	8,917	7,300	5,581	6,826	6,055	46,181
IFRS8p23	**Total liabilities[12]**	**(49,621)**	**(37,889)**	**(37,305)**	**(28,283)**	**(33,984)**	**(30,145)**	**(217,227)**

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

[12] The measurement of liabilities has been disclosed for each reportable segment, as it is regularly provided to the CEO.

(All amounts in € thousands unless otherwise stated)

The segment information for the year ended 31 December 2021 is as follows:

		UK		Germany		Hong Kong		
	Assets	Commercial	Retail	Commercial	Retail	Commercial	Retail	Total
IFRS8p23	Total segment revenue:							
p33(a), IFRS15p115)	Revenue from external	9,144	7,290	7,002	5,250	6,270	5,132	40,088
IFRS8p23	Customers operating profit	8,408	6,074	4,374	5,836	5,224	4,277	34,193
	Included in operating profit							
IFRS8p23(e)	Depreciation and amortisation	(513)	(569)	(546)	(404)	(489)	(285)	(2,806)
IFRS8p23(i)	Net gain from fair value	1,102	990	842	663	803	648	5,048
	Not included in operating profit:							
IFRS8p23(c)	Interest income	238	189	182	136	163	134	1,042
IFRS8p23(d)	Interest expense	(2,655)	(2,117)	(2,033)	(1,524)	(1,821)	(1,490)	(11,640)
IFRS8p23(h)	Income tax expense	(1,406)	(1,121)	(1,283)	(796)	(964)	(789)	(6,359)
IFRS8p23	**Total assets**	**173,569**	**138,377**	**133,570**	**99,655**	**119,016**	**97,415**	**761,602**
	Total assets include:							
	Additions to non-current assets (other than financial instruments and deferred tax assets)	**4,481**	**3,572**	**3,431**	**2,537**	**3,073**	**2,516**	**19,610**
IFRS8p23	**Total liabilities**	**(48,126)**	**(36,601)**	**(35,155)**	**(26,360)**	**(31,480)**	**(25,767)**	**(203,489)**

IFRS8p27(a)	During 2022 and 2021, there were no transactions between the Group's operating segments.
IFRS8p27(b) IFRS8p28(b)	The CEO assesses the performance of the operating segments based on a measure of operating profit. The operating profit and profit or loss of the Group's operating segments reported to the CEO are measured in a manner consistent with that in profit or loss. A reconciliation of operating profit to profit before tax is therefore not presented separately.
IFRS8p27(c) IFRS8p27(d)	The amounts provided to the CEO in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the operating (reportable) segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.
IFRS8p33(b)	None of the Group's non-current assets are domiciled in Euravia. The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in other countries is €759,869 (2021: €711,709).

(All amounts in € thousands unless otherwise stated)

6. Revenue from contracts with customers

The breakdown of revenue is as follows:

Analysis of revenue by category	2022	2021
Warehouse property	6,917	6,887
Office property	14,285	14,728
Retail property	18,942	16,600
Total rental income	**40,144**	**38,215**
Service charges to tenants*	1,527	1,448
Property management fees*	683	425
Total revenue	**42,354**	**40,088**

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

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

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

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

PwC commentary

IFRS16p53(f) Income from subleasing right-of-use assets is required to be disclosed. This disclosure may be required when a property held under a ground lease is leased to a single tenant. Conversely, when the land is used for a multi-tenant building, entities will need to assess whether there is a sub-lease of all or part of the specific asset identified in the ground lease or whether the tenant does not have a right to use the leased asset.

IFRS16p92 **Leasing arrangements**

IFRS16p42A Investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

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

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

(All amounts in € thousands unless otherwise stated)

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

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

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

1p77 Assets and liabilities related to contracts with customers

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

		31 December 2022	31 December 2021
IFRS15p116(a)	Current contract assets relating to service contracts	1,567	1,876
	Non-current assets recognised for costs incurred to obtain a contract	820	690
IFRS15p116(a)	Contract liabilities relating to service contracts	2,945	989

IFRS15p118

Significant changes in contract assets and liabilities

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

Revenue recognised in relation to contract liabilities

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

		31 December 2022	31 December 2021
IFRS15p116(b)	Revenue recognised that was included in the contract liability balance at the beginning of the period service contract	989	799

Unsatisfied contracts

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

		31 December 2022	31 December 2021
IFRS15p120(a)	Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	345	-

IFRS15p120(b), p122 Management expects that 50% of the transaction price allocated to the unsatisfied contracts as at 31 December 2022 will be recognised as revenue during the next reporting period (€173). The remaining 50% (€172) will be recognised in the 2022 financial year. The amount disclosed above does not include variable consideration, which is constrained.

IFRS15p121, p122 All other service contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets recognised from costs to obtain a contract

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

(All amounts in € thousands unless otherwise stated)

		31 December 2022	31 December 2021
IFRS15p97	Asset recognised from costs incurred to obtain a contract as at 31 December	820	690
IFRS15p128(b)	Amortisation[13] recognised as cost of providing services during the period	125	85

IFRS15p118, p127

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

Variable rents recognised as income were €1,234 in 2022 (2021: €1,115).

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

		2022	2021
IFRS16p97	No later than 1 year	32,534	30,971
	Later than 1 year and no later than 2 years	26,523	23,567
	Later than 2 years and no later than 3 years	8,674	10,244
	Later than 3 years and no later than 4 years	5,789	5,723
	Later than 4 years and no later than 5 years	5,003	4,245
	Later than 5 years	3,198	3,045
	Total	**81,721**	**77,795**

7. Investment properties[14]

IFRS13p94

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

[13] If costs to obtain a contract or fulfilment costs were impaired in the period, this disclosure would also include any impairment losses recognised.I will check

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

(All amounts in € thousands unless otherwise stated)

Country segment		Note	UK office	UK office	UK shopping malls	Germany office	Germany residential (under development)	Germany shopping malls	Hong Kong office	Hong Kong shopping malls	2022 Total
IFRS13p93(b)	Fair value hierarchy		2	3	3	3	3	3	3	3	
	Fair value at 1 January		**-**	**84,400**	**145,670**	**75,678**	**-**	**96,049**	**55,790**	**142,800**	**600,387**
IFRS13p93(I)(iv)	Transfer to (from) Level 3		9,302	(9,302)	-	-	-	-	-	-	-
IFRS13p93(e)(i)	**Additions:**		-	-	-	-	-	-	-	-	-
40p76(a)	Direct acquisitions		989	-	-	1,810	-	-	-	-	2,799
IFRS13(e)(iii)	Acquisitions through business	24	-	-	-	-	17,570	-	-	-	17,570
40p96(a)	Acquisitions through subsidiaries other than business combinations	24	-	-	3,316	-	-	6,416	-	-	9,732
40p96(a)	Subsequent expenditures		200	4,931	3,313	2,013	1,400	(547)	1,620	15,283	28,213
IFRS16p83	Capitalised letting fees		-	-	-	-	-	2,362	-	-	2,362
IFRS16p83	Amortisation of capitalised letting fees		-	-	-	-	-	(237)	-	-	(237)
23p8	Capitalised borrowing costs	21	-	-	-	-	4,568	-	-	-	4,568
40p96(f)	Transfer to property, plant and equipment – at fair value[15]	8	-	(25,456)	-	-	-	-	-	-	(25,456)
40p96(f)	Transfer to inventories – at fair value[16]	12	-	-	-	(14,234)	-	-	-	-	(14,234)

[15] A warehouse in the UK, previously leased out under an operating lease, has been used for administration purposes from April 2021. It was reclassified from investment property to property, plant and equipment (IAS40p57(a)).

[16] An office building located in Germany was redeveloped in 2022. It was reclassified from investment property to inventories (IAS40p57(b), 10p21).

(All amounts in € thousands unless otherwise stated)

Country segment		Note	UK office	UK office	UK shopping malls	Germany office	Germany residential (under development)	Germany shopping malls	Hong Kong office	Hong Kong shopping malls	2022 Total
40p57	Transfer from/to disposal groups held for sale	16	-	-	1,594	-	-	2,000	-	-	3,594
IFRS13p93(e)(i) 40p76(c)	Disposals		-	-	-	-	-	-	-	(15,690)	(15,690)
IFRS13p93(e)(i), (f)	Net gain (loss) from fair value adjustment on investment properties		29	2,394	(1,991)	(10.469)	(770)	(2,144)	4,987	15,622	7,658
	Currency translation difference in OCI		-	(1,500)	(7,037)	-	-	-	(20)	(65)	(8,622)
	Market value per external valuation report		**10,520**	**55,467**	**144,865**	**54,798**	**22,768**	**103,899**	**62,377**	**157,950**	**612,644**
	Lease liabilities on ground leases[17]		-	3,953	-	3,566	-	-	-	-	7,519
	Rental guarantee		-	-	-	-	-	-	-	(2,345)	(2,345)
40p50(c)	Lease incentive receivables (note 13)		-	(250)	-	-	-	-	-	-	(250)
	Fair value as at 31 December		**10,520**	**59,170**	**144,865**	**58,364**	**22,758**	**103,899**	**62,377**	**155,605**	**617,568**

[17] On 15 January 2022, the Group entered into a new ground lease agreement. At inception, the right of use asset and lease liability related to that lease were equal and amounted to €965.

(All amounts in € thousands unless otherwise stated)

Country segment		Note	UK office	UK shopping malls	Germany office	Germany shopping malls	Hong Kong office	Hong Kong shopping malls	2021 Total
IFRS13p93(b)	Fair value hierarchy		3	3	3	3	3	3	
	Fair value at 1 January		86,817	145,670	75,678	96,049	55,790	142,800	602,804
IFRS13p93(e)(i)	**Additions:**		-	-	-	-	-	-	-
40p76(a)	Direct acquisitions		-	-	220	-	-	-	220
40p96(a)	Acquisitions through subsidiaries other than business combinations	25	-	4,199	-	-	-	-	4,199
40p96(a)	Subsequent expenditures		1,000	1,200	282	-	-	-	2,482
IFRS16p83	Capitalised letting fees		-	-	-	942	-	-	942
IFRS16p83	Amortisation of capitalised letting fees		-	-	-	(212)	-	-	(212)
23p8	Capitalised borrowing costs	22	-	-	450	-	-	-	450
40p76(c)	Transfer from/to disposal groups held for sale	16	-	(2,403)	-	(2,000)	-	-	(4,403)
IFRS13p93(e)(i) 40p76(c)	Disposals		-	-	-	-	-	(7,241)	(7,241)
IFRS13p93(e)(i), (f)	Net gain from fair value adjustments on investment property		(6,417)	4,041	(4,012)	820	1,206	9,410	5,048
	Currency translation difference in OCI		(1,500)	(7,037)	-	-	(1,206)	(650)	(10,393)
	Market value per external valuation report		**79,900**	**145,670**	**72,618**	**95,599**	**55,790**	**144,319**	**593,896**
	Lease liabilities on ground leases		4,500	-	3,510	-	-	-	8,010
	Rental guarantee		-	-	-	-	-	(1,519)	(1,519)
40p50(c)	Lease incentive receivables (note 13)		-	-	-	-	-	-	-
	Fair value as at 31 December		**84,400**	**145,670**	**76,128**	**95,599**	**55,790**	**142,800**	**600,387**

(All amounts in € thousands unless otherwise stated)

IFRS13p93(e)(iv)	The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. The Group completed the redevelopment of an office building in the UK during the year. During the redevelopment, the valuation technique used significant unobservable inputs such that the fair value measurement was classified as Level 3. On completion of the redevelopment, this property is now valued using the sales comparison approach, which uses significant observable inputs. The fair value measurement has therefore been reclassified to Level 2.
40p75(h)	As at 31 December 2022, the Group had unprovided contractual obligations for future repairs and maintenance of €3,765 (2021: €3,796).
40p75(f)	Direct operating expenses recognised in the income statement include €456 (2021: €412) relating to investment property that was unlet. Right of use assets held by the Group related to land held under ground leases that meet the definition of investment properties amounted to €8,010.
40p75(g)	On 15 January 2022, the Group entered into a ground lease agreement further to the acquisition of one of its office buildings in Germany. The annual rent payment is €50 and the term of the lease is 70 years. The total carrying value of lease liabilities on ground leases amounted to €7,519 at year-end.
IFRS7p14	Borrowings are secured on investment property to the value of €100,418 (2021: €94,794) (note 17).
	Valuation processes
40p75(e) IFRS13p93(i) IFRS13p93(g)	The Group's investment properties were valued as at 31 December 2022 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and the independent valuers at least once every quarter, in line with the Group's quarterly reporting dates. At each financial year-end the finance department: ● verifies all major inputs to the independent valuation report; ● assesses property valuation movements when compared to the prior year valuation report; and ● holds discussions with the independent valuer. Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(All amounts in € thousands unless otherwise stated)

Information about fair value measurements using significant unobservable inputs (Level 3) for 2022

Level 3 – Range of unobservable inputs (probability-weighted average) and sensitivities on management's estimates[18]

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate				
UK	Office	10,520	Sales comparison					Sales price per square metre +/- 10%	1,052	1,052					
		59,170	Discounted cash flows	2.500 3.500 (3.100)	5-6.25 (5.75)	5-5.5 (5.25)							Change in discount rate		
													-0.5%	0%	0.5%
											Change	-0.5%	66,507	64,507	61,722
											In Cap	0%	60,519	59,170	56,274
											Rate	0.5%	56,129	54,148	52,278
UK	Shopping malls	144,865	Discounted cash flows	8.000 10.000 9.000	6-7 (6.25)	5.5-6 (6.5)							Change in discount rate		
													-0.5%	0%	0.5%
											Change	-0.5%	162,142	156,171	150,477
											In Cap	0%	147,545	149,865	137,194
											Rate	0.5%	136,841	132,037	127,453
Germany	Office	58,364	Discounted cash flows	2.200 2.600 (2.500)	5-6 (5.5)	4.75-5.25 (5)							Change in discount rate		
													-0.5%	0%	0.5%
											Change	-0.5%	64,247	61,881	59,625
											In Cap	0%	68,463	58,364	54,361
											Rate	0.5%	54,221	52,318	50,502

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

(All amounts in € thousands unless otherwise stated)

Country	Segment	Valuation	Valuation technique	Rental value	Discount rate (%)	Capitalisation rate for terminal value (%)	Cost to completions	Estimate	Impact lower	Impact higher	Sensitivities in discount and cap rate				
Germany	Residential (under development)	18,200	Discounted cash flows with estimated costs to complete	1.400-1.800 (1.600)	5.5-7.5 (6.5)	5-7 (6)	1,500-3,000 (2,300)	Completion range 3 months to 2 years +50% estimate	€5,324 delay in Revenue				**Change in discount rate**		
													-0.5%	**0%**	**0.5%**
											Change	-0.5%	20,371	19,620	18,905
											In Cap	0%	18,537	18,200	17,236
											Rate	0.5%	17,192	16,588	16,012
Germany	Shopping malls	108,467	Discounted cash flows	5.000 7.000 (6.000)	6-7.5 (6.5)	5.5-6 (5.75)							**Change in discount rate**		
													-0.5%	**0%**	**0.5%**
											Change	-0.5%	121,403	108,467	102,723
											In Cap	0%	110,474	108,467	102,723
											Rate	0.5%	102,459	98,862	95,430
Hong Kong	Office	62,377	Discounted cash flows	3.500 4.500 (4.000)	5.25-6.25 (5.75)	5-5.5 (5.25)							**Change in discount rate**		
													-0.5%	**0%**	**0.5%**
											Change	-0.5%	69,186	67,245	64,793
											In Cap	0%	63,531	62,377	59,074
											Rate	0.5%	58,922	56,854	54,880
Hong Kong	Shopping malls	155,605	Discounted cash flows	5.000 7.000 (6.000)	6.25-7.25 (6.75)	4-4.5 (4.25)							**Change in discount rate**		
													-0.5%	**0%**	**0.5%**
											Change	-0.5%	174,163	167,749	161,633
											In Cap	0%	158,484	155,605	147,365
											Rate	0.5%	146,986	141,826	136,902
		617,568													

(All amounts in € thousands unless otherwise stated)

	Valuation processes (continued)
IFRS8p34	Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's revenues.
IFRS13p93(h)(i)	There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.
	Valuation techniques underlying management's estimation of fair value
IFRS13p93(d)	For all shopping malls and office properties in Germany, Hong Kong and non-prime UK locations with a total carrying amount of €607,298 (2021: €600,387), the valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These inputs include: **Future rental cash inflows** based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties; **Discount rates** reflecting current market assessments of the uncertainty in the amount and timing of cash flows; **Estimated vacancy rates** based on current and expected future market conditions after expiry of any current lease; **Maintenance costs** including necessary investments to maintain functionality of the property for its expected useful life; **Capitalisation rates** based on actual location, size and quality of the properties and taking into account market data at the valuation date; and **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents. For UK office properties with a total carrying amount of €10,520 (2021: €nil), the valuation was determined using the sales comparison approach. Properties valued using the sales comparison approach take into account comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre. For residential properties under development in Germany with a total carrying amount of €18,200 (2021: €nil), the valuation was based on a DCF model taking into account the following estimates (in addition to the inputs noted above): **Costs to complete** these are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin; **Completion dates of properties** under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group. There were no changes to the valuation techniques during the year.

(All amounts in € thousands unless otherwise stated)

8. Property, plant and equipment

1p78(a)		Land & Building	Fixture & fittings	Total
	As at 1 January 2021			
IFRS16p97	Cost	101,758	13,890	115,648
	Accumulated depreciation	(15,889)	(6,810)	(22,699)
	Net book amount	**85,869**	**7,080**	**92,949**
16p73(e)	**Year ended 31 December 2021**			
	Opening net book amount	85,869	7,080	92,949
	Additions	19,548	770	20,318
	Depreciation charge	(2,068)	(842)	(2,910)
	Effect of translation to presentation currency	(331)	110	(221)
	Closing net book amount	**103,018**	**7,118**	**110,136**
	As at 31 December 2021			
	Cost	120,871	14,770	135,641
	Accumulated depreciation	(17,853)	(7,652)	(25,505)
	Net book amount	**103,018**	**7,118**	**110,136**
16p73(e)	**Year ended 31 December 2022**			
	Opening net book amount	103,018	7,118	110,136
	Additions	5,125	5,197	10,322
	Transfer from investment property (note 7)	25,456	-	25,456
	Depreciation charge	(3,778)	(1,575)	(5,353)
	Effect of translation to presentation currency	(653)	(276)	(929)
	Closing net book amount	**129,168**	**10,464**	**139,632**
16p73(d)	As at 31 December 2022			
	Cost	154,111	19,691	173,802
	Accumulated depreciation	(24,943)	(9,227)	(34,170)
	Net book amount	**129,168**	**10,464**	**139,632**

23p26	In 2022 and 2021, no borrowing costs were capitalised for PPE.
IFRS16p47(a)(i) IFRS16p53(a), (j).	Land and buildings include right of use assets in relation to the lease of owner occupied land in Hong Kong of €6,736 (2021: €6,840). The depreciation charge amounted to €104 (2021: €104). There is no corresponding lease liability as lease prepayments of €10,260 were made in January 1986. The term of the lease is 99 years.
IFRS16p53(a), (j).	Fixture & fittings include right of use assets in relation to equipment lease agreements for a net book amount of €1,689 (2021: €1,865). The depreciation charge amounted to € 176 (2021: 176). The carrying value of the corresponding lease liability is €2,442 (2021: €2,588).

Investment property

(All amounts in € thousands unless otherwise stated)

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

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

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

	2022	2021
Non-current assets		-
Listed bonds	256	-

IFRS7p21
IFRS9pB5.71

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

Net change in value of debt instruments at FVOCI amounted €100 (2021: €nil).

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

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

The rental guarantees held by the Group are as follows:

		2022	2021
	Fair value as at 1 January	1,519	1,499
IFRS13p93(e)(iii)	Additions	-	6
IFRS13p93(e)(iv)	Accrued interest	133	12
IFRS13p93(e)(v)	Fair value changes (including changes in estimated cash flows)	747	2
	Payment received	(54)	-
	Fair value as at 31 December	**2,345**	**1,519**

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

In line with the Group's quarterly reporting dates the Group's finance department calculates the fair value of the rental guarantee in line with the accounting policy 2.11.1(c).

In determining the fair value of the financial asset rental guarantee, the Group applies a valuation model that takes into account the expected future cash flows discounted at the market interest rate (2022: 6.75%; 2021: 6.50%). The expected cash flows are supported by third party contracts.

IFRS13p93(d)

Once the fair valuation is ascertained, the finance team reports to, and discusses the result with, the CFO. As part of these discussions, the team presents a report that explains the reasons for the fair value movements.

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

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

(All amounts in € thousands unless otherwise stated)

10. Goodwill

		2022	2021
IFRS3p61	Cost and carrying amount at 1 January	496	489
IFRS3p61	Acquisition of subsidiary (note 24)	1,090	-
IFRS3p61	Effect of translation of presentation currency	13	7
	Cost and carrying amount as at 31 December	**1,599**	**496**

36p68	Goodwill is allocated to the Group's CGUs, which in all cases were determined to be individual properties owned by subsidiaries acquired by the Group. €307 (2021: €387) of the goodwill relates to offices in Germany, €202 (2021: €109) to retail properties in the UK, and €1,090 (2021: €nil) to the acquisition disclosed in note 24.
36p130	No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs were based on their fair value less costs of disposal. The fair values of the buildings were assessed based on reports by external valuers. The external valuations are determined using discounted cash flow (DCF) projections based on significant unobservable inputs. For more information on the unobservable input used in the external valuation, reference is made to note 7. The most relevant assumption is the yield. If the yield for the Germany offices changes by 25 bps, and UK retail properties changes by 50 bps, the recoverable amount is equal to the carrying amount.

PwC commentary

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

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

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

11. Income taxes

		2022	2021
12p79	Current tax	4,115	4,548
12p79	Deferred tax	1,941	1,811
	Total	**6,056**	**6,359**

(All amounts in € thousands unless otherwise stated)

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

	2022	2021
Profit before income taxes	25,786	23,595
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,361	6,871
Tax effect on:		
Income not subject to tax: Tax free profit from disposal of IP	(3,038)	(1,438)
Expenses not deductible for tax purposes: Sponsorship and charitable donations	733	926
Tax charge	**6,056**	**6,359**

12p81(d) The weighted average applicable tax rate was 32% (2021: 29%). The increase was caused by a change in the profitability of the Group's subsidiaries in the respective countries. The gross movement on the deferred income tax account is as follows:

	2022	2021
Beginning of the year	48,495	46,515
Effect of translation to presentation currency	202	169
Income statement charge	1,941	1,811
Effect of business combinations (note 24)	1,306	-
Other	(207)	-
End of the year	**51,737**	**48,495**

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

[19] In accordance with IAS12p74, deferred tax assets and liabilities are offset in the statement of financial position, (a) if there is a legally enforceable right to set off current tax assets against current tax liabilities and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity or (ii) different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(All amounts in € thousands unless otherwise stated)

	Deferred tax assets	Impairment loss allowance	Other	Total
	As at 1 January 2021	**(422)**	**(120)**	**(542)**
12p81(g)(ii)	Credited to the income statement	(156)	(202)	(358)
	Effect of translation to presentation currency	(10)	(23)	(33)
12p81(g)(i)	**As at 31 December 2021**	**(588)**	**(345)**	**(933)**
12p81(g)(ii)	Credited to the income statement	(45)	(98)	(143)
	Effect of translation to presentation currency	108	218	326
12p81(g)(i)	**As at 31 December 2022**	**(525)**	**(225)**	**(750)**

	Deferred tax liabilities	Accelerated tax depreciation	Increases in fair value of investment properties	Total
	As at 1 January 2021	**392**	**46,665**	**47,057**
12p81(g)(ii)	Charged to the income statement	131	1,680	1,811
	Effect of translation to presentation currency	29	348	377
12p81(g)(i)	**As at 31 December 2021**	**552**	**48,693**	**49,245**
12p81(g)(ii)	Deferred tax liabilities recognised following business combinations (note 24)	-	1,306	1,306
	Charged to the income statement	313	1,628	1,941
	Effect of translation to presentation currency	17	161	178
12p81(g)(i)	**As at 31 December 2022**	**882**	**51,788**	**52,670**

12p81(f) Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as the Group is able to control the timing of the reversal of the differences and it is probable the differences will not reverse in the foreseeable future. The temporary differences associated with unremitted earnings totalled €30,671 as at 31 December 2022 (2021: €23,294).

Investment property

(All amounts in € thousands unless otherwise stated)

12p81(e)-(f)	There are no other significant unrecognised deferred tax assets and liabilities. The Group has not recognised a cumulative deferred tax liability in the amount of €5,602 (2021: €2,972) relating to acquisitions of subsidiaries, which were accounted for as acquisitions of groups of assets. As the acquisitions are not accounted for as business combinations, and affected neither accounting nor taxable profit at the point of acquisition, the initial recognition exemption in IAS 12 applies. The Group does not recognise deferred taxes that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition (see note 24).
IFRIC23(A5)	The tax legislation in relation to expenditures incurred in association with the establishment of the retail division is unclear. The Group considers it probable that a tax deduction of €1,933 will be available and has calculated the current tax expense on this basis. However, the Group has applied for a private ruling to confirm its interpretation. If the ruling is not favourable, this would increase the Group's current tax payable and current tax expense by €876 respectively. The Group expects to get a response, and therefore certainty about the tax position, before the next interim reporting date.

12. Inventories

		2022	2021
40p57(b)	Transfer from investment property (note 7)	14,234	-
	Redevelopment expenditures	1,460	-
	Capitalised borrowing costs (note 21)	223	-
		15,917	-

2p8, 10p21	In July 2022, the Group commenced redevelopment of an office building in Germany, which was previously classified as investment property (note 7). On commencement of the redevelopment, the Group started its marketing for the consolidated sale of exclusive individual office units. This building is part of a new business line of the Group. The Group intends to develop other office buildings for resale.

13. Trade and other receivables

		2022	2021
1p78(b)	Trade and other receivables:		
IFRS7p6	Rent receivables from lessees	1,467	3,879
	Other financial assets	780	340
	Less: Impairment loss allowance	(322)	(240)
	Lease incentive receivables	250	-
	Trade and other receivables, net of provision for impairment	**2,175**	**3,979**

(All amounts in € thousands unless otherwise stated)

IFRS7p25

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

IFRS7p34(c)

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

IFRS7p37(b)

The Group has recognised a loss of €82 relating to the impairment of its trade and other receivables (2021: €113). The loss has been included in other expenses in the income statement.

IFRS7p37(b)

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

	2022	2021
Accumulated impairment losses as at 1 January	240	132
Additional impairment losses recognised during the year, net	82	113
Amounts written off during the year as uncollectible	(20)	(10)
Effect of translation to presentation currency	20	5
Accumulated impairment losses as at 31 December	322	240

14. Derivative financial instrument

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	408	147	269	132
Forward foreign exchange	1,056	448	927	615
Total	**1,464**	**595**	**1,196**	**747**

1p66

The Group does not apply hedge accounting in accordance with IFRS 9. Nevertheless, interest rate swaps and forward exchange contracts are part of economic hedge relationships. Interest rate swaps are used to fix the interest payments of variable debt instruments. Forward exchange contracts are used to hedge forecast transactions and foreign currency borrowings against foreign currency risks.

IFRS7p31

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2022 were €92,370 (2021: €89,689). The notional principal amounts of the outstanding interest rate swap contracts as at 31 December 2022 were €4,314 (2021: €3,839). The fair value gains on derivative financial instruments amount to €571 (2021: €520).

15. Non-current assets classified as held for sale

IFRS5p41(a)-(d)

The assets and liabilities related to the Group Companies Warehouse GmbH (part of the Germany commercial operating segment) and Retail Limited (part of the UK retail operating segment) were presented as held for sale as at 31 December 2021 following the decision of the Group's management on 1 December 2021 to sell the companies and the Group's active marketing for sale since that date. The completion date for the transactions was originally expected by July 2022.

IFRS5p9

The Group did not dispose of the companies during 2022, as the buyers originally identified withdrew from the transactions. As at 31 December 2022, negotiations with a potential buyer for Retail Limited were at an advanced stage. The transaction is expected to be completed by March 2023, and the assets and liabilities of the Company therefore remain classified as a disposal group.

IFRS5p26

Warehouse GmbH is no longer actively marketed for sale. From 1 April 2022, the Company's assets and liabilities were reclassified from disposal groups to the respective asset and liability accounts in the consolidated statement of financial position.

IFRS5p41(c)

The assets and liabilities of the disposal groups are presented at their carrying amount. The Group did not recognise any impairment loss for a writedown of the disposal groups to fair value less costs to sell.

IFRS5p38

a. Assets of disposal groups classified as held for sale

	2022	2021
Investment property	809	4,403
Trade and other receivables	40	401
Cash and cash equivalents	140	617
Total	**989**	**5,421**

IFRS5p38

b. Liabilities of disposal groups classified as held for sale

	2022	2021
Current income tax liabilities	127	746
Trade and other payables	41	2,428
Total	**168**	**3,174**

IFRS5p38

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

	2022	2021
Foreign exchange translation adjustments (debited) credited to translation reserve	(185)	326
Total	**(185)**	**326**

16. Share capital

1p79(a)

	Number of shares (thousands)	Ordinary shares	Share premium	Total
As at 31 December 2021 and 2022	**40,000**	**40,000**	**22,720**	**62,720**

1p79(a)

The total authorised number of ordinary shares is 40 million (2021: 40 million) with a par value of €1 per share (2021: €1 per share). All issued shares are fully paid (2021: all fully paid).

(All amounts in € thousands unless otherwise stated)

17. Borrowings

IFRS7p7
IFRS7p8(f)

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

Non-current	2022	2021
Bank borrowings	85,764	87,654
Debentures and other loans	14,654	7,140
Lease liabilities	7,767	8,010
Current	**108,185**	**102,804**
Lease liabilities	2,194	2,588
Total borrowings	**110,379**	**105,392**

40p75(g)

The borrowings include amounts secured on investment property to the value of €100,418 (2021: €94,794) (note 7).

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

IFRS7p29(a)
IFRS7p27(c)

The fair value of borrowings approximated their carrying value at the date of the consolidated statement of financial position.

IFRS7p31

Bank borrowings mature in May 2022 and bear average coupons of 7.5% annually (2021: 7.4% annually).

IFRS7p31

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

	2022	2021
6 months or less	11,056	14,586
6-12 months	12,531	15,232
After 12 months	86,792	75,574
Total	**110,379**	**105,392**

IFRS7p31, 34(c)

The carrying amounts of the Group's borrowings denominated in foreign currencies are disclosed in note 3.1

DV, 7p50(a)

The Group has the following undrawn floating rate borrowing facilities:

	2022	2021
Expiring within one year	16,300	10,500
Expiring beyond one year	22,600	14,500
Total	**38,900**	**25,000**

The facilities expiring within one year are annual facilities subject to review at various dates during 2022. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe. See note 27 for details of borrowing arrangements entered into after the date of the consolidated statement of financial position.

Investment property

(All amounts in € thousands unless otherwise stated)

7Rp44A-44E

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2022:

	Bank borrowings	Debentures and other loans	Lease liabilities	Total
As at 1 January 2021	**88,520**	**9,393**	**12,021**	**109,934**
Proceeds from borrowings	18,234	-	-	18,234
Repayments of borrowings	(5,290)	(2,253)	(1,423)	(8,966)
Borrowings assumed	-	-	-	-
Foreign exchange on borrowings	(13,810))	-	-	(13,810))
As at 31 December 2021	**87,654**	**7,140**	**10,598**	**105,392**
Proceeds from borrowings	2,109	8,654	-	10,763
Repayments of borrowings	(14,803)	(1,140)	(1,600)	(17,543)
Borrowings assumed	9,246	-	963	10,209
Foreign exchange on borrowings	1,558	-	-	1,558
As at 31 December 2022	**85,764**	**14,654**	**9,961**	**110,379**

18. Trade and other payables

	2022	2021
Financial liabilities		
Trade payables	32,445	28,628
Other financial liabilities	5,604	2,988
Accruals	648	703
Non-financial liabilities		
Social security and other taxes	3,920	2,775
Total	**42,617**	**35,094**

IFRS7p25

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

IFRS7p31, 34(c)

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

(All amounts in € thousands unless otherwise stated)

19. Provisions

DV	As at 1 January 2021	2,103
DV	Effect of translation to presentation currency	60
DV	Additional provisions – charged to income statement	200
DV	Utilised during the year	(762)
37p84(a)	**As at 31 December 2021**	**1,601**
	Effect of translation to presentation currency	59
37p84(b)	Additional provisions – charged to income statement	302
37p84(c)	Utilised during the year	(1,412)
37p84(a)	**As at 31 December 2022**	**550**

37p85(a) The amounts shown are for certain legal claims relating to disputes over service and maintenance charges brought against the Group by certain tenants in Jersey, Channel Islands. The balance as at 31 December 2022 is expected to be utilised in the first half of 2022. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2022.

20. Employee benefits expenses

		2022	2021
	Wages and salaries	1,064	1,008
	Social security costs	104	96
19p46	Pension costs – defined contribution plans	280	296
	Total	**1,448**	**1,400**

21. Finance income and costs

		2022	2021
	Interest expense on bank borrowings	11,225	10,529
IFRS7p20(b)	Interest on tenant deposits	18	21
	Interest expense on lease liabilities	937	936
21p52(a)	Net foreign exchange losses on borrowings	684	604
	Total finance costs	**12,864**	**12,090**
23p8	Less: Finance costs capitalised within investment property (note 7)	(4,568)	(450)
23p8	Less: Finance costs capitalised within inventories (note 12)	(223)	–
	Finance costs	**8,073**	**11,640**
	Interest income on short-term deposits[20]	1,163	1,024
	Interest income on financial assets at FVPL	15	12
	Adjustment due to change in estimated cash flows on financial assets at FVPL	–	6
	Finance income	**1,178**	**1,042**
	Finance costs – net	**6,895**	**10,598**

21p52(a)
23p6(e)

The total foreign losses recognised in income statement during the year 2022 amounted to €490 (2021: €410).

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.5% (2021: 7.4%).

22. Earnings per share

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

		2022	2021
33p70(a)	Net profit attributable to shareholders	19,730	17,236
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	40,000	40,000
33p66	Basic earnings per share (€ per share)	0.49	0.44

[20] Finance income should not be netted against finance costs. It is included in other revenue/other income or shown separately in the consolidated statement of comprehensive income. Where finance income is just an incidental benefit, it is acceptable to present finance income immediately before finance costs and include a subtotal of net finance costs in the income statement. However, where earning interest income is one of the entity's main lines of business, it is presented as revenue.

(All amounts in € thousands unless otherwise stated)

33p30 The Company has no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

23. Dividends per share

33p30 The dividends paid in 2022 and 2021 were €14,705 (or €0.37 per share) and €11,379 (or €0.28 per share) respectively. A dividend in respect of 2022 of €0.31 per share, amounting to a total dividend of €12,400, is to be proposed at the Annual General Meeting on 13 March 2022. These consolidated financial statements do not reflect this dividend payable.

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

IFRS3p59(a), IFRS3B64(a)-(c)

a. Business combinations

On 10 September 2022, the Group acquired 100% of the share capital of GHI GmbH, a company incorporated in Germany, which is engaged in the construction of a residential complex in Munich, Germany. GHI GmbH will not generate revenue until the completion of the development however, at the date of acquisition, it was actively engaged in the construction, development and marketing of the complex. As a result, management determined that the acquired entity should be accounted for as a business in accordance with IFRS 3.

The subsidiary contributed a loss of €1,843 to the Group for the period from the date of acquisition to 31 December 2022. If the acquisition had occurred on 1 January 2022 with all other variables held constant, Group revenue for 2022 would have been unchanged, and profit for 2022 would have been €16,934.

IFRS3p59(a) Details of the assets and liabilities acquired and the goodwill arising are as follows:[21]

IFRS3B64(i)-(j)

	Attributed fair value
Investment property (note 7)	17,570
Cash and cash equivalents	4,527
Borrowings	(8,702)
Deferred tax liability	(1,306)
Trade and other payables	(2,864)
Fair value of acquired interest in net assets of subsidiary	9,225
Goodwill (note 10)	1,090
Total purchase consideration	**10,315**
Less: cash and cash equivalents of subsidiary acquired	(4,527)
Net outflow of cash and cash equivalents on acquisition	**5,788**

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

IFRS3p61

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

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

b. Asset acquisitions

On 28 September 2022, the Group acquired 100% of the share capital of ABC Limited, a company incorporated in the UK, which owns a land plot near Reading, UK. Total purchase consideration amounted to cash of €3,415. Following the acquisition, the Group intends to use the site to construct an out-of-town retail centre on the land plot with development commencing in 2022.

On 3 January 2022, the Group acquired 100% of the share capital of XYZ Limited, a company incorporated in Germany which holds land on long-term lease in central Berlin, Germany. Total purchase consideration amounted to cash of €5,905. Following the acquisition, the Group commenced construction of an office building.

The Group has applied the concentration test in IFRS 3 to the acquisitions of ABC Limited and XYZ Limited and concluded that they constitute acquisitions of assets as substantially all of the fair value is concentrated in a single asset.

On 26 January 2021, the Group acquired 100% of the share capital of SRT GmbH, a company incorporated in Germany, which owns a land plot near Stuttgart, Germany. Total purchase consideration amounted to cash of €4,125. In November 2022, the Group completed the development of an office complex on the site.

In the case of SRT GmbH, management considered the acquisition constituted an asset acquisition rather than a business combination as defined in IFRS 3 as, on acquisition no operations or plans were in place to use the land and there were no other significant assets, liabilities or activities acquired with SRT GmbH.

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

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

The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions during 2022 were:

(All amounts in € thousands unless otherwise stated)

		Asset acquisition ABC	Asset acquisition XYZ	Total asset acquisitions	Total asset acquisitions & business
7p4(d)	Investment property (note 7)	3,316	6,416	9,732	27,302
7p4(c)	Cash and cash equivalents	316	101	417	4,944
7p40(d)	Borrowings	–	(544)	(544)	(9,246)
7p40(d)	Deferred tax liability (note 11)	–	–	–	(1,306)
7p40(d)	Trade and other payables	(217)	(68)	(285)	(3,149)
	Goodwill	–	–	–	1,090
7p40(a)-(b)	**Total purchase consideration, settled in cash**	**3,415**	**5,905**	**9,320**	**19,635**
7p40(c)	Less: Cash and cash equivalents of subsidiary acquired	(316)	(101)	(417)	(4,944)
	Net outflow of cash and cash equivalents on acquisition	**3,099**	**5,804**	**8,903**	**14,691**

The assets and liabilities recognised in the consolidated statement of financial position on the date of the acquisition of SRT GmbH during 2021 were:

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

25. Contingencies and commitments

37p86 The Group has no significant contingent liabilities

16p74(c) The Group has capital commitments of €460 (2021: €10,667) in respect of capital expenditures contracted for at the date of the consolidated statement of financial position.

(All amounts in € thousands unless otherwise stated)

26. Related party transactions

1p138(c)
24p13

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

24p18, 22

There were no other transactions carried out or balances outstanding with related parties except for dividend distributions (note 23) and the following:

	2022	2021
Key management compensation		
Salaries and other short-term employee benefits	106	100
Termination benefits	150	-
Post-employment benefits	28	30
Total	**284**	**130**

27. Events after the date of the consolidated statement of financial position[22]

10p21

The Group obtained a €150,000 loan facility from a large German bank in January 2022, repayable in 2023. The loan will be used to meet the Group's short-term funding requirements and support future investment in ongoing developments and future projects.

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

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

(All amounts in € thousands unless otherwise stated)

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

This appendix is an example of one alternative format that might be adopted. As an alternative to presentation of costs by nature shown in the above illustrative investment property consolidated financial statements, the Group is permitted to present the analysis of costs using the function of expenditure format (IAS1p103)[23]. The following disclosures would be made in the income statement.

			Year ended 31 December	
		Note	2022	2021
1p10(b), 1p10(A), 1p103	Rental income [24]	6	40,144	38,215
	Service and property management charges	6	2,210	1,873
	Operating expenses relating to investment properties		(18,712)	(10,809)
	Net rental income		**23,642**	**29,279**
	Net gain from fair value adjustment on investment property	7	7,658	5,048
40p76(d)	Selling and marketing costs		(788)	(939)
1p103	Administrative expenses		(1,287)	(1,224)
1p103	Net change in fair value of financial instruments at fair value through profit or loss	9, 14	1,328	522
	Other income		2,210	1,873
1p85	Other expenses		(82)	(366)
	Operating profit[25]		**32,681**	**34,193**
	Finance income	21	1,178	1,042
1p82(b)	Finance costs	21	(8,073)	(11,640)
1p85	**Profit before income taxes**		**25,786**	**23,595**
12p77, 1p82(d)	Income tax expense		(6,056)	(6,359)
1p81A(a)	**Profit for the year**		**19,730**	**17,236**
1p8A	**Other comprehensive income**			

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

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

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

(All amounts in € thousands unless otherwise stated)

			Year ended 31 December	
		Note	**2022**	**2021**
21p52, IFRS7p20(a)(ii)	**Items that may be subsequently reclassified to profit or loss**			
	Exchange difference on translating foreign operations		5,799	1,247
	Net change in value of debt instruments at fair value through other comprehensive income	8	100	-
	Other comprehensive income for the year		**5,899**	**1,247**
	Total comprehensive income for the year		**25,629**	**18,483**
1p81B	**Profit attributable to:**			
	Owner of the parent		19,730	17,236
	Non-controlling interests		-	-
	Total comprehensive income attributable to Owner of the parent		**25,629**	**18,483**
	Non-controlling interests		-	-
33p66	**Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)**	23	**0.49**	**0.44**

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

(All amounts in € thousands unless otherwise stated)

Appendix II – Consolidated cash flow statement – direct method

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

		Note	2022	2021
7p10, 18(a)	**Cash flows from operating activities**			
	Cash receipts from tenants and customers		61,558	57,478
	Cash paid to suppliers and employees		(16,411)	(5,113)
	Cash generated from operations		**45,147**	**52,365**
7p31	Interest paid		(12,180)	(12,032)
	Payments on legal claims		(1,412)	(762)
7p35	Income tax paid		(3,772)	(6,945)
	Letting fees paid		(2,362)	(1,092)
	Proceeds from rental guarantees	9	54	-
	Tenant deposits received		-	2,945
	Tenant deposits repaid		(876)	(14,673)
	Net cash generated from operating activities		**24,599**	**19,806**
7p21	**Cash flows from investing activities**			
7p16(a)	Purchases of investment property	7	(2,799)	(220)
7p16(a)	Subsequent expenditure on investment property	7	(28,213)	(2,482)
7p16(b)	Proceeds from sale of investment property	7	15,690	750
7p16(a)	Purchases of property, plant and equipment	8	(10,322)	(13,246)
7p40	Acquisition of subsidiaries, net of cash acquired	24	(14,691)	(3,130)
7p16(f)	Proceeds from settlement of finance lease receivables		316	80
7p16(c)	Purchase of listed bonds	9	(156)	-
7p31	Interest received		560	1,024
	Net cash used in investing activities		**(39,615)**	**(17,224)**
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings		10,763	18,234
7p17(d)	Repayments of borrowings		(17,543)	(8,966)
7p31	Dividends paid to the Company's shareholders	23	(14,705)	(11,379)
	Net cash used in financing activities		**(21,485)**	**(2,111)**
	Net (decrease) increase in cash and cash equivalents		**(36,501)**	**471**
	Cash and cash equivalents at beginning of the year		35,152	34,621
7p28	Exchange losses on cash and cash equivalents		2,098	60
7p43	**Cash and cash equivalents at the end of the year**		**749**	**35,152**

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

(All amounts in € thousands unless otherwise stated)

Appendix III – Rent concessions

Concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2021, the IASB issued an amendment to IFRS 16 which provided lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. However, the amendments do not apply to lessors. In October 2022, the IFRS Interpretations Committee issued an Agenda Decision that clarified the accounting for rent concessions by lessors. Lessors must apply IFRS 9 to a rent concession, or a part of a rent concession, that is a forgiveness of rent payments that are recognised as an operating lease receivable on the balance sheet. This includes applying the expected credit loss model to the operating lease receivables in periods prior to the forgiveness, considering expectations around any forgiveness of these amounts. Lessors must apply IFRS 16 lease modification accounting to a rent concession, or a part of a rent concession, that forgives lease payments not yet recognized as an operating lease receivable. This appendix provides illustrative disclosures for lessors in an operating lease for two scenarios:

Example 1: Rent concessions – operating lease modification

Example 2: Rent concessions – forgiveness of past due rent

Example 1: Rent concessions – operating lease modification

Extracts of significant accounting policies

1p119	**2.7. Leases**
	b. Group is the lessor
16AppA	Any changes in the scope or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, rent concessions given which were not contemplated as part of the original terms and conditions of the lease and which forgive lease payments not yet contractually due, are accounted for as lease modifications.
16p87, 81	The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments, including any amounts recorded as prepaid or accrued lease payments at the time of the modification, as income on a straight-line basis over the remaining lease term.

Extracts of notes to the financial statements

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

Investment property

(All amounts in € thousands unless otherwise stated)

Example 1: Rent concessions – operating lease modification

Country segment		Note	UK office	UK office	UK shopping malls	Germany office	Germany residential (under development)	Germany shopping malls	Hong Kong office	Hong Kong shopping malls	2022 Total
	Refer to main section										
IFRS16p83	Capitalised letting fees		-	-	-	-	-	2,362	-	-	2,362
IFRS16p83	Amortisation of capitalised letting fees		-	-	-	-	-	(237)	-	-	(237)
23p8	Capitalised borrowing costs	22	-	-	-	-	4,568	-	-	-	4,568
40p96(f)	Transfer to property, plant and equipment – at fair value	8	-	(25,456)	-	-	-	-	-	-	(25,456)
40p96(f)	Transfer to inventories – at fair value	12	-	-	-	(14,234)	-	-	-	-	(14,234)
40p57	Transfer from/to disposal groups held for sale	16	-	-	1,594	-	-	2,000	-	-	3,594
IFRS13p93(e)(i), 40p76(c)	Disposals		-	-	-	-	-	-	-	(15,690)	(15,690)

(All amounts in € thousands unless otherwise stated)

Example 1: Rent concessions – operating lease modification

Country segment		Note	UK office	UK office	UK shopping malls	Germany office	Germany residential (under development)	Germany shopping malls	Hong Kong office	Hong Kong shopping malls	2022 Total
(i), (f)	Net gain (loss) from fair value adjustment on investment properties	29		2,394	(1,991)	(10.469)	(770)	(2,144)	4,987	5,192	7,658
	Currency translation difference in OCI		-	(1,500)	(7,037)	-	-	-	(20)	(65)	(8,622)
	Market value per external valuation report		10,520	55,467	144,865	54,798	22,768	103,899	62,377	157,950	612,644
	Lease liabilities on ground leases		-	3,953	-	3,566	-	-	-	-	7,519
	Rental guarantee		-	-	-	-	-	-	-	(2,345)	(2,345)
40p50(c)	Lease incentive receivables (note 13)		-	(250)	(1,731)	-	-	(708)	-	(1,289)	(3,978)
	Fair value as at 31 December		10,520	59,170	143,134	58,364	22,768	103,899	62,377	154,316	613,840

Lease incentive receivables includes €250 related to lease incentives previously granted and €3,728 related to waivers of rental amounts not yet due during the year ended 31 December 2022 to assist certain tenants whose operations were adversely impacted by localised disruptive economic conditions. These amounts were waived before the relevant payments were contractually due.

(All amounts in € thousands unless otherwise stated)

Extracts of notes to the financial statements

13. Trade and other receivables

		2022	2021
1p78(b)	Trade and other receivables:		
IFRS7p6	Rent receivables from lessees	1,467	3,879
	Other financial assets	780	340
	Less: Impairment loss allowance	(322)	(240)
	Lease incentive receivables	3,978	-
	Trade and other receivables, net of provision for impairment	**5,903**	**3,979**

During the year, the Group agreed to waivers of rental amounts not yet due totalling €4,165 to assist certain tenants whose operations were adversely impacted by localised disruptive economic conditions. These amounts were waived before the relevant payments were contractually due. The remaining balance of €3,728 related to these waivers is included in lease incentive receivables.

(All amounts in € thousands unless otherwise stated)

Example 2: Rent concessions – forgiveness of past due rent

Extracts of significant accounting policies

1p119	**2.7. Leases**
	b. Group is the lessor
IFRS9p2.1(b)(i), p3.2.3(a)	In certain circumstances, the Group agrees to forgive some or all of the amount of lease payments that have been recognised as operating lease receivables (for example, if a lessee is in financial difficulty). In such cases, the Group treats the reduction as a partial or full extinguishment of the lease receivable. The amounts forgiven are recognised as a loss in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

Extracts of Consolidated statement of comprehensive income

		Note	2022	2021
1p10(b), 1p10A, 1p113				
1p82(a)	Revenue	6	42,354	40,088
40p76(d)	Net gain from fair value adjustment on investment property	7	7,658	5,048
40p75(f)	Repair and maintenance costs		(7,656)	(2,801)
1p85	Other direct property operating expenses		(2,898)	(2,803)
1p85	Employee benefits expense	20	(1,448)	(1,400)
				[1]
1p85	Amortisation of capitalised letting fees	7	(237)	(212)
1p85	Depreciation of property, plant and equipment	8	(5,353)	(2,910)
1p85, IFRS7p20(a)(i)	Net change in fair value of financial instrument at fair value through profit or loss	10,14	1,328	522
1p82(aa), IFRS7p20A	Loss on derecognition of financial assets	28	(2,387)	-
1p85	Other expenses		(1,067)	(1,339)
	Operating profit		30,294	34,193

Appendix IV Impact of climate change on financial statements

1. The impact of climate change on the financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence of how the entity has incorporated ESG matters and in particular climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

IAS1(112)(c)

2. The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with IFRS.

3. This appendix discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. It also outlines some of the relevant considerations when making estimates and judgements and drafting the relevant disclosures to satisfy the current IFRS requirements. We have provided signposts throughout the main publication as reminders for readers to refer to this guidance where necessary.

4. For further information see our In Depth Impact of ESG matters on IFRS financial statements.

IASB guidance and possible future developments

Effects of climate-related matters on financial statements

5. In 2020, the IFRS Foundation issued educational material which contains a non-exhaustive list of examples regarding how climate risk might affect the measurement and disclosure requirements of various standards and the various paragraphs of those standards that might be referenced in determining how to incorporate such risks. The material also discusses materiality and, while it does not add or change the requirements in the standards, it is useful guidance that users and preparers might benefit from when preparing and assessing IFRS financial statements.

IASB Update April 2022

6. The IASB has also decided to add a project on climate-related risks to its agenda. Feedback received in response to the IASB's Third Agenda Consultation raised concerns about deficiencies in the reporting of climate-related risks relating to:
   (a) the inconsistent application of requirements in Accounting Standards, and
   (b) insufficient information disclosed about climate-related risks.

7. The IASB's Third Agenda Consultation considered various areas that might be improved including:
   (a) considering lowering the threshold for disclosing information uncertainty required by IAS 1 Presentation of Financial Statements
   (b) broadening requirements for value in use when testing assets for impairment, and
   (c) developing additional guidance on the accounting for pollutant pricing mechanisms.

8. In April 2022, the IASB staff recommended that the IASB add a maintenance and consistent application project to its work plan. This project aims to further investigate the concerns raised by respondents and the underlying causes of those matters and to consider what narrow-scope actions may be needed. Until the project is completed, the IASB's Educational Material is the primary source of guidance under IFRS for considering climate-related risks. However, preparers should continue to monitor developments in this area.

United States SEC proposals

The Enhancement and Standardization of Climate-Related Disclosures for Investors

9. In March 2022, the Securities and Exchange Commission (SEC) proposed sweeping new rules which would significantly increase the required disclosures about climate-related risks that are reasonably likely to have a material impact on a company's business or consolidated financial statements.

10. The proposals include various non-financial reporting requirements including disclosure of greenhouse gas emissions. Large accelerated and accelerated filers would also be required to obtain assurance over their Scope 1 and Scope 2 disclosures, with the level of assurance phased in over time. The proposals would further specifically require disclosures in financial statements that would apply to registrants reporting under both US GAAP and IFRS.

11. In particular, registrants (including foreign private issuers applying IFRS) would be required to include certain climate-related financial statement metrics and related disclosures in a note to the audited financial statements. The disclosures would include the financial impacts of severe weather events and other natural conditions as well as transition activities and identified climate-related risks on individual financial statement line items. Disclosure is required if the aggregated impact (calculated as the absolute value of positive and negative impacts) is greater than 1% of the total financial statement line item for the relevant fiscal year.

12. These proposals could be applicable as early as 2023 for calendar year-end reporting companies. SEC registrants should carefully monitor developments in this area. Non-SEC registrants may also be interested in understanding the types of disclosures that would be required in financial statements under this regime, as some may decide to provide such additional disclosures voluntarily.

ISSB exposure drafts

13. Also in March 2022, the International Sustainability Standards Board (ISSB) released their first two exposure drafts (EDs). The two EDs that have been released are:

ISSB ED/2022/S1

(a) Proposed IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements ED), and

ISSB ED/2022/S2

(b) Proposed IFRS S2 *Climate-related Disclosures* (Climate ED).

14. It is not clear when the requirements proposed in the EDs will apply, because the effective date will only be determined when the standards are issued and adopted by jurisdictional authorities. However, the EDs propose permitting early adoption and also provide relief from disclosing comparative information in the year of adoption.

15. The EDs require that:
    (a) the disclosures are prepared
        i. at the same time as annual financial statements
        ii. for the same reporting entity as financial statements, and
    (b) to the extent possible, assumptions used to prepare the reporting are on the same basis as the financial statements.

16. Currently many entities use voluntary frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and similar disclosure frameworks. However, regardless of the framework used, entities need to ensure consistency between financial and non-financial reporting on key assumptions where such consistency is necessary for compliance with IFRS. For example, where entities publicly discuss a best estimate about the impact of the Paris Agreement on the entity in a sustainability report and an IFRS standard requires a best estimate approach to be used in measurement, the entity should ensure consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting.

17. Where there are comments in the sustainability report that haven't been reflected in financial reporting (for example, because the entity is relying on market participants assumptions which differ) the entity should consider explaining why such items have been reflected on a different basis in their financial report.

ESRS exposure drafts

18. In April 2022, the European Financial Reporting Advisory Group (EFRAG) published EDs on 13 European Sustainability Reporting Standards (ESRS). The EDs set the overall architecture for future sustainability reporting under the Corporate Sustainability Reporting Directive and cover the full range of sustainability matters from the whole ESG universe (environment, social and governance). Sector specific proposals will be issued later.

19. The sustainability statements will be in a separate section of the management report. The assurance requirement is initially for limited assurance, with a planned transition to reasonable assurance over the coming years.

20. The ESRS are expected to impact nearly 50,000 EU companies (compared to 11,000 under the current Non-Financial Reporting Directive – NFRD), including EU subsidiaries of non-EU companies. They may apply to financial years starting on or after 1 January 2024 for undertakings that are already subject to reporting under the NFRD, but later for new joiners and listed SMEs, as this dependent on the size and type of entity.

Impact of climate-related risk on the financial statements

Note 2.1 – Going concern

IAS1(25)
ISA570(19)

21. IAS 1 requires management to assess an entity's ability to continue as a going concern when preparing financial statements. In assessing whether the going concern basis of preparation is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. If climate-related matters create material uncertainties related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern, an entity should disclose these uncertainties even if the financial statements continue to be prepared on a going concern basis. See the commentary to note 2.1 for further guidance on going concern disclosures.

IAS1(122)
IFRS7(39)

22. Where management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure, but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), IAS 1 requires disclosure of that judgement. Entities should also consider the interrelationship with the liquidity risk disclosures discussed in note 3.1(c).

Note 13 – Trade receivables and other loans and receivables

IFRS7(35B)

23. IFRS 7 Financial Instruments: Disclosures requires information which enables the users to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

IFRS9(5.5.17)(c)

24. Climate change might affect a lender's exposure to credit losses for its financial assets. The expected credit loss (ECL) model in IFRS 9 Financial Instruments requires the use of reasonable and supportable information that is available without undue cost or effort. Climate change might affect the assumptions that are made by lenders to estimate ECL. It could also affect the risk ratings for individual borrowers or groups of borrowers or their probability of default. In some cases, it could result in moving loans between stages.

IFRS7(35I)

25. IFRS 7 requires that entities provide qualitative and quantitative information about the changes in the amount of expected credit losses and the reason for those changes. To the extent that any changes in ECL are the result of changes made to the assumptions about the impact of climate change or other climate-related risks, that fact should be disclosed

Note 3.3 - Fair value estimation

IFRS13 (93)(d), (h)(i)-(ii)

26. IFRS 13 *Fair Value Measurement* requires disclosure of the inputs used in fair value measurements and, for recurring fair value measurements with significant unobservable inputs, a description of the sensitivity of those measurements to changes in unobservable inputs.

27. Fair value is a market-based measurement which maximises the use of observable inputs and uses assumptions that market participants would use when pricing the asset or liability. These might include assumptions about climate-related risks.

28. Fair value measurements using observable (that is, level 1) inputs will already reflect market participant views of climate change impacts. For example, the quoted equity price of an entity in the extractives or agriculture industries will reflect market participant expectations about potential climate risk scenarios.

29. However, valuation models for items that are not traded in an active market should be reviewed to ensure that they adequately represent market participant assumptions for the particular item being valued.

30. Inputs and assumptions which might be impacted by climate-related risk include, but are not limited to:
    (a) discount rates
    (b) the timing and amount of forecasted cash flows (For example, the fair value measurement for an investment property might need to be adjusted to reflect climate impacts on rental income, occupancy rates as well as insurance cost assumptions.)
    (c) the highest and best use for certain assets measured at fair value
    (d) inflation rates, and
    (e) other assumptions that a market participant would consider in the circumstances.

Notes 8 – Property, plant and equipment

31. Climate-related risk can have a significant impact on impairment of non-financial assets. Climate change could be an indicator of impairment and trigger the need for an impairment test. For example, a decline in demand for products that emit greenhouse gases could indicate that a manufacturing plant might be impaired.

32. Further, the inputs and assumptions used in both a value in use or fair value less costs of disposal model could be significantly impacted by climate-related risks.

IAS36(130)(f),(132),(134)
IAS1(125)

33. For these reasons, impairment disclosures might need to explain climate-related impacts. Where climate-related risks could have a significant impact on an entity's operations, information about how this has been factored into the recoverable amount calculations would be relevant for the users of the financial statements. In some cases, the conclusion not to adjust an impairment model for climate-related risk might be based on significant judgements or assumptions that entities should also explain in their disclosures.

34. Many companies discuss climate scenarios as part of their narrative reporting. These scenarios might stem from the Paris Agreement, from net zero targets or from the TCFD reporting requirements. Such scenario analyses are likely to interact with the disclosures required by IAS 1 or IAS 36 *Impairment of Assets*. However, the premise of the narrative

disclosures is not identical to what IAS 36 requires.

IAS36(134)(f)

35. For example, IAS 36 requires a sensitivity analysis if a reasonably possible change in assumptions would lead to an impairment. This might include a reasonably possible unfavourable change in an assumption relating to climate change. The TCFD, on the other hand, might require a scenario disclosure that is based on a 1.5 or 2.0° limitation on temperature rise, even though these might not be assumptions that are aligned with a company's best estimate or with market participant assumptions. Entities might consider explaining how the assumptions used for the impairment test under IAS 36 correspond to assumptions used in the narrative reporting on climate change scenarios to help financial statement users understand the linkage.

36. Management should consider whether other information, such as climate reporting included in the entity's annual report, is consistent with the audited financial statements. In addition to this, regulators in a number of territories have been clear that they expect entities to explain and reconcile any discrepancies in assumptions used.

Notes 8 – Property, plant and equipment– useful lives

37. In addition to impairment, entities may also need to reassess the useful lives and residual values of property, plant and equipment and intangible assets as a result of climate change. For example, climate impacts could result in earlier obsolescence of assets, or legal restrictions might be placed on the use of the assets or lead to inaccessibility of the assets. In the most extreme cases, if assets become inaccessible either as a result of natural climate events or government action, an entity could even lose control of assets permanently.

IAS16(56)
IAS38(90)
IAS1(125)

38. Entities must consider many factors in determining the useful life of assets, including obsolescence from changes in market demand and other economic factors. This estimation of the useful life of assets is a matter of judgement. Entities should consider disclosing if there are any estimation uncertainties related to the impacts of climate-related risk on the useful lives of assets. An example might be where there are multiple potential outcomes and some of them could significantly shorten the asset's life compared to the scenario with the highest probability used in determining useful life.

39. Entities may also have new forms of intangibles such as carbon emissions rights and should consider the appropriate disclosure of policies for such schemes (see discussion in paragraph 65 below).

Note 11 – Deferred tax assets

IAS12(24),(34)
IAS1(122),(125)

40. Entities should assess the impact of climate-related matters on the estimation of future taxable profits and whether they are sufficient to recover the deferred tax assets. The assumptions used in these estimations should be consistent with those used elsewhere in the financial statements. To the extent that these assumptions are material in understanding the estimates and judgements which have been made in the recognition of the deferred tax assets, these assumptions should be disclosed.

Note 12 – Inventory

IAS2(28)
IAS1(122),(125)

41. Inventories could become impaired if their cost is not recoverable and entities must write down such inventories to their net realisable value. Some sectors might experience increased volatility in the market prices of assets as a result of changes in demand patterns for certain commodities, which could expose those inventories to greater risk of impairment.

42. In other cases, certain assets might be discontinued from use or production, which could result in an impairment of the parts for those assets. For example, a certain model of combustion engine might be discontinued because it no longer meets emission standards, making the parts used to produce or service that engine obsolete. If the entity has made any significant estimates or judgements in this context, it should disclose them.

43. Entities may also have new forms of inventory such as carbon emissions rights and

should consider the appropriate disclosure of policies for such schemes (see discussion paragraph 65 below).

Note 19 – Provisions and contingent liabilities

IAS37(14)

44. Climate-related risks can have an impact on the disclosure of provisions and contingent liabilities. Actions taken or statements made by the entity could give rise to constructive obligations for which provisions must be recognised, even in the absence of legislation requiring the entity to act.

45. For example, an entity operates a plant that is heavily dependent on fossil fuels and for which it has recognised a decommissioning provision. The entity's sustainability strategy promises carbon neutrality by 2030. This can realistically only be achieved by substituting the plant with a newer hybrid model plant in the medium term – sooner than originally anticipated. As a result of this plan, the entity must bring forward the timing of the expected cash flows for decommissioning the plant.

IAS37(85)(b)

46. Entities must disclose an indication of the uncertainties relating to the amount or timing of any outflow as well as major assumptions made concerning future events. To the extent that climate- related risk impacts the assumptions or uncertainties, entities should explain this in their notes.

IAS37(87)

47. In addition, climate-related risks may also affect the aggregation of provisions or contingent liabilities for disclosure purposes. In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider the similarities and differences of these items. Climate- related risk may be incorporated differently into provisions which were previously aggregated. Entities should therefore consider whether further disaggregation of the classes is required as the impacts of climate-related risk evolve and become better understood.

Note 4 – Critical accounting estimates and judgements

IAS1(125)(a)-(b)

48. There is an overarching requirement to disclose sources of estimation uncertainty in IAS 1. If assumptions that an entity makes about the future have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, the entity is required to disclose information about those assumptions and the nature and carrying amount of those assets and liabilities. The information should help users of the financial statements to understand the judgement applied by management and what might be disclosed will depend on the specific facts and circumstances. If the accounting estimate is highly sensitive to one estimated input, it might be useful to disclose the estimated input and the sensitivity of the accounting estimate to changes of this input.

49. The entity may further need to explain the impact of various potential climate scenarios on significant estimates made in preparing the financial report. In addition, entities would typically explain changes made to past assumptions.

50. IAS 1 also has an overarching disclosure requirement to ensure that the financial statements capture all information that would be considered material and relevant to an understanding of them but is not presented elsewhere in the financial statements. This might be especially relevant for entities whose financial position or performance is particularly affected by climate-related matters.

Consistency is important

IAS1(112)

51. As noted above, the ISSB's proposals specifically require consistency of the disclosures and assumptions used in preparing the financial statements and sustainability disclosures. However, even before these proposals become mandatory, entities should ensure their disclosures of critical estimates and other relevant information in the financial statements are consistent with the non- financial information disclosed elsewhere (for example, in the company's sustainability report) in relation to:
(a) climate-related matters
(b) the impact and consideration of climate-related risk, and
(c) any material disclosure in relation to significant judgements and estimates of uncertainty arising as a result of climate-related risk.

52. Questions often arise about whether an entity's financial statements are 'Paris aligned'. This refers to whether they comply with the legally binding instrument that many nations have signed relating to limiting carbon emissions to a level designed to cap global temperature rises. Whether financial statements are 'Paris aligned' is not easy to determine because of the variety of measurement techniques required by IFRS depending on the item being considered in the statement of financial position. Therefore, it might be easier for the recognition and measurement of some items to be more closely aligned to Paris assumptions than others.

53. In addition to ensuring consistency of the disclosures about climate-related matters and their impact in both financial and non-financial information, entities also need to ensure consistency of the assumptions used in developing estimates for the financial statements, where possible.

54. For example, where an entity publicly discusses a best estimate about the impact of the Paris Agreement on the entity in a sustainability report and an IFRS standard requires a best estimate approach to be used in measurement (for example, for the purpose of impairment calculations), the entity would need to consider consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting.

55. Where there are comments in the sustainability report about estimates that haven't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ) the entity should consider explaining why such items have been reflected on a different basis in financial reporting.

IFRS 7 Appendix A

Note 3.1(a) – Financial risk management – market risk

56. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by:
(a) factors specific to the individual financial statement or its issuer, or
(b) factors affecting all similar financial instruments traded in a market.

IFRS7(40)

Entities must disclose a sensitivity analysis which shows how profit or loss and equity would have been affected by changes in risk variables.

IFRS7(40)-(41)

57. Climate risk could have a significant impact on market risk, for example, for investments in industries impacted both positively and negatively by climate-related risk. In some cases, it may be necessary to provide additional explanations and disclose a sensitivity analysis that reflects interdependencies between risk variables. For example, if an entity has an interest rate that is floating based on both meeting its climate initiatives and a market benchmark, the entity should consider disclosing how the impact of meeting the climate initiative was incorporated into the sensitivity analysis.

IFRS 7(34)(b),(B8)

Note 3.1(b) – Financial risk management – credit risk and concentrations of risk

58. IFRS 7 requires that entities disclose concentrations of risk including:
   (a) how management determines such concentrations
   (b) a description of the shared characteristic that identifies each concentration, and
   (c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

59. Entities might have to change the way in which they are approaching their risk concentration disclosures to take into account climate-related risk. For example, more precision in determining geographic concentration might be necessary to reflect heightened risk in particular areas (such as city versus provincial/state disclosures where a particular city is particularly impacted) or more precision in the industry sector (such as a more precise disaggregation of exposure to different industrial products sectors based on carbon intensity).

Note 3.1(c) – Financial risk management – liquidity risk

IFRS 7 Appendix A

60. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

IFRS 7(39)

61. Entities are required to disclose a maturity analysis for their financial instruments as well as a description of how they manage the liquidity risk inherent in the maturities.

IFRS 7(B11D)

62. Where the impacts of climate change could accelerate the timing or alter the amount of contractual maturities of financial liabilities, for example as a result of clauses in a sustainability linked loan, entities should disclose that information.

63. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed will be based on the index's level at the end of the period. In this case, entities should disclose the risk that the amount payable will increase depending on the index.

IAS1(135)(a)(ii)

64. As an entity's climate-related risk exposures become more significant, there could also be growing pressure on an entity's debt covenants. In this context, disclosures about key covenants might become increasingly material. Reduced access to funding from investors in carbon-intensive industries could also be a risk that entities need to address and disclose.

Note 2 – Significant accounting policies

IAS8(8)
IAS1(117)-(121)

65. In an effort to lower emissions and achieve carbon neutrality, many entities are entering into more complex transactions and arrangements for which the accounting continues to evolve. Examples of these include emissions trading schemes and virtual power purchase arrangements. In some cases, these transactions and arrangements are clearly within the scope of an IFRS and in other cases it is less clear.

IAS8(10)

66. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in relevant and reliable information.

IAS1(117)-(117B)

67. Entities shall disclose accounting policy information if it is material. Information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence user's decisions made on the basis of the financial statements. IAS 1 also notes that an accounting policy may be material because of the nature of the entity's operations even if amounts for current and prior periods are not material. Furthermore, accounting policies developed in accordance with IAS 8 are an example of policies that are expected to be material following the amendments made to IAS 1 effective 1 January 2023.

68. Entities should therefore not underestimate the importance of disclosing climate-related accounting policies in the notes to the financial statements.

Emissions trading schemes

69. There is no specific accounting standard that deals with accounting for emissions trading schemes. IFRIC 3 Emission Rights was intended to address the accounting in this area, but it was withdrawn in 2005.

IAS1(117)-(117B)

70. The withdrawal of IFRIC 3 means that there are a number of accounting models that entities can use under IAS 8 in accounting for the participation in these schemes. Entities should disclose the accounting policies adopted for:
(a) recognition
(b) initial measurement
(c) subsequent measurement, and
(d) presentation of the balances.
See the discussion about disclosure of accounting policies in paragraph 65 to 68.

71. Emissions credits granted by a government entity are generally accounted for under IAS 20 as the receipt of a non-monetary asset. However, IAS 20 allows for different accounting policy choices with respect to measurement on initial recognition and the presentation in both the balance sheet and the income statement. Disclosure of the accounting policy for these programs is key to understanding the impact of these programs on the financial statements.

72. To the extent that entities determine that aspects of their emissions trading schemes meet the definition of financial assets and qualify for derivative or hedge accounting they should further consider the disclosure requirements of IFRS 7 and IFRS 13.

73. For a detailed discussion on accounting for emissions trading schemes refer to our publication

    Emissions trading schemes: The opportunities ahead.

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