AXA Logistics Europe Master S.C.A.

An open-ended corporate partnership limited by shares (*société en commandite par actions*) under the laws of the Grand Duchy of Luxembourg

Unaudited consolidated interim financial information
for the period from 1 January 2022 to 30 June 2022

R.C.S. Luxembourg B 235 921
2 - 4, rue Eugène Ruppert
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Grand Duchy of Luxembourg

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Report on Review of consolidated interim financial information

To the General Partner of
AXA Logistics Europe Master S.C.A.

We have reviewed the accompanying consolidated interim financial information of AXA Logistics Europe Master S.C.A. (the “Fund”), which comprise the unaudited consolidated statement of financial position as at 30 June 2022, the unaudited consolidated statement of comprehensive income and the unaudited consolidated statement of cash flows for the 6-month period then ended, and the notes to the consolidated interim financial information, which include a summary of significant accounting policies.

General Partner’s responsibility for the consolidated interim financial information

The Fund’s General Partner is responsible for the preparation of this consolidated interim financial information in accordance with the accounting policies as set out in Note 2 of the consolidated interim financial information, and for such internal control as the Fund’s General Partner determines is necessary to enable the preparation of consolidated interim financial information that are free from material misstatement, whether due to fraud or error.

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express a conclusion on this consolidated interim financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410) as adopted for Luxembourg by the “Institut des Réviseurs d’Entreprises”. This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of consolidated interim financial information in accordance with ISRE 2410 is a limited assurance engagement. The “Réviseur d’entreprises agréé” performs procedures, primarily consisting of making inquiries of management and others within the Fund, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this consolidated interim financial information.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information of AXA Logistics Europe Master S.C.A. as at 30 June 2022 has not been prepared, in all material respects, in accordance with the accounting policies as set out in Note 2 of the consolidated interim financial information.

Basis of accounting and restriction on Distribution and Use

We draw attention to Note 2 to the consolidated interim financial information, which describes the basis for accounting. The consolidated interim financial information is prepared to assist the Fund to comply with financial reporting requirement of the General Partner. As a result, the consolidated interim financial information may not be suitable for another purpose. This report, including the conclusion, has been prepared for and only for the General Partner in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 24 October 2022

Electronically signed by:
Amaury Evrard

Amaury Evrard

AXA Logistics Europe Master S.C.A.
Unaudited consolidated statement of financial position as at 30 June 2022

	30 June 2022	31 December 2021
	€	€
Assets		
Non-current assets		
Investment property	5,155,350,894	4,101,320,507
Derivatives at fair value through profit or loss	-	3,672,071
Total non-current assets	**5,155,350,894**	**4,104,992,578**
Current assets		
Other receivables and prepayments	164,958,960	118,749,439
Derivatives at fair value through profit or loss	14,555,167	-
Cash and cash equivalents	385,188,475	302,383,901
Total current assets	**564,702,602**	**421,133,340**
Non-current assets classified as held for sale	188,712,761	151,300,660
Total assets	**5,908,766,257**	**4,677,426,578**
Liabilities		
Current liabilities		
Deferred income	10,938,025	13,562,185
Taxation payable	2,502,790	1,141,372
Borrowings	145,415,000	277,779,727
Provisions	1,665,485	1,665,485
Trade and other payables	221,446,363	212,351,418
Derivatives at fair value through profit or loss	1,159,871	1,522,394
Total current liabilities	**383,127,534**	**508,022,581**
Non-current liabilities		
Borrowings	3,024,431,969	2,381,829,029
Deferred tax liabilities	226,824,386	169,378,968
Total non-current liabilities	**3,251,256,355**	**2,551,207,997**
Liabilities associated with non-current assets classified as held for sale	9,369,748	4,902,419
Non-controlling interests (equity)	**589,875,025**	**497,453,605**
Net assets attributable to the Partners	**1,675,137,595**	**1,115,839,976**
Total equity and liabilities	**5,908,766,257**	**4,677,426,578**
Adjustments from net assets attributable to the Partners to adjusted subscription net asset value	128,581,539	14,127,081
Adjusted Subscription Net Asset Value	**1,803,719,134**	**1,129,967,057**

AXA Logistics Europe Master S.C.A.
Unaudited consolidated statement of comprehensive income
for the period from 1 January 2022 to 30 June 2022

	Period ended 30 June 2022 €	Year ended 31 December 2021 €
Rental income	95,130,248	142,800,836
Other income	2,338,294	6,858,865
Net gain from fair value adjustment on investment property	273,055,663	546,130,951
Gain on disposal of investment property	-	1,969,303
Operating expenses	(29,405,917)	(46,666,336)
Operating profit	**341,118,288**	**651,093,619**
Finance income	24,806,787	7,063,895
Finance expense	(45,959,385)	(51,197,921)
Finance result	**(21,152,598)**	**(44,134,026)**
Profit before tax	**319,965,690**	**606,959,593**
Taxation expense	(3,310,720)	(15,936,590)
Deferred taxation	(55,998,700)	(115,114,421)
Total tax	**(59,309,420)**	**(131,051,011)**
Profit for the period/year after tax	**260,656,270**	**475,908,582**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation reserve	(4,889,877)	(4,336,787)
Total comprehensive income for the period/year	**255,766,393**	**471,571,795**
Profit for the period/year is attributable to:		
Partners	192,010,716	366,698,862
Non-controlling interests	68,645,554	109,209,720
Total comprehensive income for the period/year is attributable to:		
Partners	187,120,839	362,362,075
Non-controlling interests	68,645,554	109,209,720
Net increase in net assets attributable to the Partners for the period/year	**187,120,839**	**362,362,075**
Adjustments from net assets attributable to the Partners to adjusted subscription net asset value	114,454,458	6,661,858
Net increase in subscription net asset value	**301,575,297**	**369,023,933**

AXA Logistics Europe Master S.C.A.
Unaudited consolidated statement of cash flows
for the period from 1 January 2022 to 30 June 2022

	Period ended 30 June 2022 €	Year ended 31 December 2021 €
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	319,965,690	606,959,593
Adjustments		
Net realised and unrealised gain on investment property	(273,055,663)	(548,100,254)
Finance result	21,152,598	44,134,026
Increase/decrease in operating assets		
Increase in other receivables and prepayments (excluding interest and taxation)	(37,435,432)	(65,036,301)
(Decrease) / increase in deferred income	(855,777)	7,837,426
Increase in provisions	-	765,485
Increase/(decrease) in trade and other payables (excluding interest and taxation)	12,192,237	143,326,501
Cash generated from operations	41,963,653	189,886,476
Taxation paid	(1,373,160)	(22,903,483)
Interest received	231,096	264,594
Interest and bank charges paid	(17,210,814)	(37,631,507)
Net cash generated from operating activities	23,610,775	129,616,080
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	(639,675,572)	(359,784,748)
Purchase of investment property (including acquisition costs)	(117,371,533)	(574,185,524)
Capital expenditure on investment property	(76,956,401)	(40,675,910)
Capitalised lease incentives	4,589,326	118,602
Sale of investment property	-	33,000,000
Net cash used in investing activities	**(829,414,180)**	**(941,527,580)**
CASH FLOW FROM FINANCING ACTIVITIES		
Distribution to the partners	(8,644,685)	(37,500,000)
Drawdown on borrowings	963,195,966	1,695,163,711
Repayment of borrowings	(72,296,180)	(916,047,900)
Net proceeds from non-controlling interests	23,775,866	146,335,291
Net payment on hedging	(12,525,396)	(8,372,275)
Net cash provided by financing activities	**893,505,571**	**879,578,827**
Net increase in cash and cash equivalents	**87,702,166**	**67,667,327**
Cash and cash equivalents at beginning of the period/year	302,383,901	234,875,273
Net currency translation differences	(4,897,592)	(158,699)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	**385,188,475**	**302,383,901**

Note 1 - General

AXA Logistics Europe Master S.C.A., (the "Fund") is a corporate partnership limited by shares *(société en commandite par actions ("S.C.A.")* domiciled and incorporated in the Grand Duchy of Luxembourg on 27 June 2019 for an unlimited duration. The subscription, sale and holding of shares of the Fund are restricted to Institutional Investors.

The Fund is registered with the Luxembourg Trade and Companies Register under number B 235 921.

The registered office is established at 2-4 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

The Fund is an alternative investment fund ("AIF") in accordance with the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers ("AIFM Directive"). For these purposes, the General Partner has appointed AXA Real Estate Investment Managers SGP, as the legal person responsible for performing the portfolio and risk management of the Fund, has been identified as the Alternative Investment Fund Manager ("AIFM") of the Fund, as disclosed in the Investment and Shareholders Agreement ("ISA").

These unaudited consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows present the consolidated financial position of the Fund and the Fund's subsidiaries (the "Group").

The Group's investment activities are managed by its General Partner, AXA Logistics Europe GP S.à r.l. (the "General Partner"), a private limited liability company incorporated under the law of Grand Duchy of Luxembourg with registration number B 235 839. The administration of the Group is managed by The Bank of New York Mellon SA/NV Luxembourg Branch.

The Group's accounts are prepared in Euro ("EUR" or "€").

The investment objective of the Fund will be to seek current income combined with long-term capital appreciation through investment directly or indirectly via its subsidiaries in a diversified portfolio of European Real Estate Assets exposed to logistics with a limited exposure to investments in cash in accordance with its investment objective and the investment guidelines.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of unaudited consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Financial assets and financial liabilities

Financial assets
Financial assets are measured at fair value at initial recognition, and are subsequently classified and measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost:
Financial assets held at amortised cost are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Assets with maturities of less than 12 months after the statement of financial position date are included in current assets and those assets exceeding 12 months are included in non-current assets.

The Group includes short-term financial assets including other receivables in this category.

Note 2 - Summary of significant accounting policies (continued)

2.1 Financial assets and financial liabilities (continued)

Financial assets measured at fair value through profit or loss:

A financial asset is measured at fair value through profit or loss if:

a. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
b. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
c. At initial recognition, an equity instrument is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and loss on them different bases.

Due to the cash flow characteristics and the business model for managing the assets, the Group has classified the below as financial assets measured at fair value through profit or loss:

The Group has included derivatives in this category unless they are designated as hedges. The Group does not apply hedge accounting.

The Group has not classified any financial assets at fair value through other comprehensive income.

Financial liabilities
Financial liabilities measured at fair value through profit or loss:
A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Group includes in this category, derivative contracts in a liability position.

Financial liabilities measured at amortised cost:
This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category, borrowings (see Note 2.14 for the accounting policy on borrowings), redeemable shares and trade and other payables.

Recognition and Measurement
The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Regular purchases of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value minus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Consolidated Statement of Comprehensive Income. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets that are carried at amortised cost include other receivables. Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are recognised initially at fair value and subsequently carried at amortised cost.

Transfers between levels of the fair value hierarchy
Transfers between levels of the fair value hierarchy, if applicable, are deemed to have occurred at the end of the reporting period.

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

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

Note 2 - Summary of significant accounting policies (continued)

2.1 Financial assets and financial liabilities (continued)

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Impairment of financial assets
For trade receivables the Group applies AXA REAL ASSETS bad and doubtful debt policy that is based on the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The methodology considers the historic actual default rate, the current actual default rate with a forward-looking assessment of whether the current default rate is adequate given specific macro-economic and sector specific factors which may apply.

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

Expected credit loss allowances are recognised in the consolidated statement of comprehensive income.

The impact of COVID-19 on the recoverability of receivables from rental income has been considered. While the methodologies and assumptions applied in the expected credit losses (ECL) calculation remains significantly unchanged from the prior financial year, the Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic to rental income receivables. Whilst no material recoverability issues have been identified, there is a risk that the economic impact of COVID-19 could results in higher credit losses than those modelled under the Group's impairment provisioning model.

Offsetting
The Group only offsets financial assets and liabilities at fair value through profit or loss if the Group has a legally enforceable right to set off the recognised amounts and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.2 Foreign currency translation

Functional and presentation currency
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 Group transacts predominantly in €. The consolidated financial statements are presented in €, which is the Group functional currency and Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Group companies
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 in the consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
ii) income and expenses in the consolidated 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); and
iii) all resulting exchange differences are recognised in other comprehensive income.

Note 2 - Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

Group companies (continued)
On the disposal of a foreign operation, (that is the 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 other comprehensive income in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

2.3 Deferred income

Deferred income represents rental income received in advance in respect of future periods.

2.4 Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position. All items included within cash and cash equivalents are highly liquid instruments that are subject to insignificant risk of changes in value.

2.5 Prepayments

Prepayments are carried at cost, less any accumulated impairment losses.

2.6 Expenses

All expenses, including management fees, are recognised in the consolidated statement of comprehensive income on an accruals basis.

2.7 Finance income and finance expense

Interest income and expense are recognised within "finance income" and "finance costs" in the consolidated statement of comprehensive income using the effective interest rate method. 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.

2.8 Group formation expenses

The Group's formation expenses are recognised as an expense on accrual basis.

2.9 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably measured. 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. Provisions are stated at their original amount if the effect of discounting is immaterial.

Note 2 - Summary of significant accounting policies (continued)

2.10 Consolidation

(a) Subsidiaries

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.

All the Group companies have 31 December as their period-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 for impairment.

Accounting for business combinations
The Group may elect to apply the optional concentration test 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 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 consolidated statement of comprehensive income.

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

Note 2 - Summary of significant accounting policies (continued)

2.10 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

2.11 Investment property

Investment property are property held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, or with a view to disposal, the property continues to be held as an investment property.

Leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment property under construction for which the fair value cannot be determined reliably but for which the Group expects that the fair value of the property will be reliably determinable when construction is complete , are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period in which the property is derecognised.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.12 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.

Note 2 - Summary of significant accounting policies (continued)

2.12 Leases (continued)

a. Group is the lessee (continued)

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.

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.

- 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.

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.

(ii) Subsequent measurement
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.

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.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. 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.

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

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.

Note 2 - Summary of significant accounting policies (continued)

2.13 Revenue recognition

Revenue includes rental income, and service charges and management charges from properties.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

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

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact 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.

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.

2.14 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 finance cost over the period of the borrowings using the effective interest method.

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

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.

2.15 Taxation

The entities of the Group are subject to taxation in the countries in which they operate. The Group may also incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the consolidated statement of comprehensive income.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group operates.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Note 2 - Summary of significant accounting policies (continued)

2.15 Taxation (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the 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.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Redeemable shares

Redeemable shares are carried at amortised cost, which correspond to the redemption amount that is payable at the consolidated statement of financial position date if the holder exercises the right to put the share back to the Fund.

2.17 Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s net assets therein. Non-controlling interests consist of the amount of those interests at the date of the acquisition and the non-controlling shareholder’s share of net assets since the date of the acquisition.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis.
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Non-controlling interests comply with the “equity” classification criteria of IAS 32 para 11 and are classified as equity.

2.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted. Certain Group companies obtain deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 24 months. The Group has elected to treat such deposits as financial liabilities and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Note 2 - Summary of significant accounting policies (continued)

2.19 Dividend distribution

Distributions to Partners are recognised in the consolidated statement of comprehensive income in the period in which the dividends are approved.

2.20 Non-current assets held for sale

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

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

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations: or
- is a subsidiary acquired exclusively with a view to resale.

2.21 Subscription Net Asset Value (Subscription NAV)

The Subscription NAV is calculated as set out in clause 17.1.2 of the ISA by performing adjustments compared to the net assets attributable to the Partners, including:

(i) The acquisition costs (including debt issuance costs) amortised over 10 years whereas these costs are fully expenses under the accounting policies.
(ii) The formation expenses amortised over a period of 10 years whereas the expenses are fully expensed under the accounting policies.
(iii) The tax adjustment that corresponds mainly to discounts on latent capital gains tax and revaluations in case of exit on a share deal basis.
(iv) The adjustment related to the revaluation to fair value of financial assets and financial liabilities excluding the tax effect of fair value uplift of those financial assets/financial liabilities.