Real Assets

AXA CoRE Europe Fund S.C.S., SICAV-SIF

An open-ended variable capital investment fund (société d'investissement à capital variable-fonds d'investissement spécialisé) incorporated as a common limited partnership (société en commandite simple) under the laws of the Grand Duchy of Luxembourg

Unaudited consolidated statement of financial position &
Unaudited consolidated statement of comprehensive income &
Unaudited consolidated statement of cash flows

for the period from 1 January to 30 September 2022

R.C.S. Luxembourg B 202 722
2 - 4, rue Eugène Ruppert
L - 2453 Luxembourg
Grand Duchy of Luxembourg

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Report on Review of Interim Consolidated Financial Statements

To the Partners of
AXA CoRE Europe Fund S.C.S., SICAV-SIF

We have reviewed the accompanying interim consolidated financial statements of AXA CoRE Europe Fund S.C.S., SICAV-SIF (the "Fund"), which comprise the unaudited consolidated statement of financial position as at 30 September 2022, the unaudited consolidated statement of comprehensive income, the unaudited consolidated statement of cash flow for the 9 month period ended 30 September 2022, and a summary of significant accounting policies.

General Partner's responsibility for the financial statements

The Fund's General Partner is responsible for the preparation of these interim consolidated financial statements in accordance with the accounting policies as set out in Note 2 of the interim consolidated financial statements, and for such internal control as the Fund's General Partner determines is necessary to enable the preparation of interim consolidated financial statements 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 these interim consolidated financial statements 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 interim consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the accounting policies as set out in Note 2 of the interim consolidated financial statements.

A review of interim consolidated financial statements 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 these interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of AXA CoRE Europe Fund S.C.S., SICAV-SIF as of 30 September 2022, taken as a whole are not prepared in all material respects in accordance with the accounting policies as set out in Note 2 of the interim consolidated financial statements.

Restriction on Distribution and Use

This report, including the conclusion, has been prepared for and only for the Partners 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.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 25 November 2022

Electronically signed by:
Amaury Evrard

Amaury Evrard

Unaudited consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	30 September 2022	31 December 2021
	€ (Unaudited)	€ (Audited)
Assets		
Non-current assets		
Investment property	3,303,696,677	3,337,506,334
Investments in associates and joint ventures	1,279,418,443	1,168,052,352
Loans to associates and joint ventures	1,285,561,551	1,171,828,116
Financial assets at fair value through profit or loss	6,895,450	12,335,578
Investment held at amortised cost	5,000,000	5,000,000
Deferred tax assets	341,027	356,100
Other receivables and prepayments	20,017,950	10,401,960
Total non-current assets	**5,900,931,098**	**5,705,480,440**
Current assets		
Interest receivable	26,803,055	17,006,482
Other receivables and prepayments	65,384,101	59,603,966
Derivatives at fair value through profit or loss	98,661,778	16,508,402
Cash and cash equivalents	356,256,462	305,141,930
Total current assets	**547,105,396**	**398,260,780**
Total assets	**6,448,036,494**	**6,103,741,220**
Liabilities		
Current liabilities		
Derivatives at fair value through profit or loss	-	14,155,217
Deferred income	11,808,448	13,686,521
Taxation payable	20,979,701	27,865,180
Subscriptions received in advance	-	336,177,139
Trade and other payables	115,817,462	80,141,165
Total current liabilities	**148,605,611**	**472,025,222**
Non-current liabilities		
Borrowings	1,661,709,123	1,711,031,395
Deferred tax liabilities	71,254,394	50,202,807
Trade and other payables	2,421,394	2,371,369
Non-controlling interests (equity)	**286,643,575**	**247,910,954**
Net assets attributable to the partners	**4,277,402,397**	**3,620,199,473**
Total liabilities	**6,448,036,494**	**6,103,741,220**
Adjustments from net assets attributable to the partners to subscription net asset value	326,628,542	92,839,187
Subscription Net Asset Value	**4,604,030,939**	**3,713,038,660**

Unaudited consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

	Period ended 30 September 2022	Period ended 30 September 2021
	€ (Unaudited)	€ (Unaudited)
Revenue		
Rental income	113,520,312	110,352,476
Dividend income	433,131	654,510
Net unrealised gain from fair value adjustment on investment property	52,292,852	55,754,363
Realised (loss)/gain on disposal of investment property	-	2,378,849
Realised loss on disposal of subsidiary	(7,491,505)	-
Net unrealised (loss)/gain on investments in associates and joint ventures held at fair value	(2,425,576)	2,501,333
Share of net profit of associates and joint ventures accounted for using the equity method	59,054,530	97,571,787
Impairment of loans to associates and joint venture	(3,357,723)	-
Net unrealised (loss)/gain on financial assets held at fair value	(5,440,129)	1,505,373
Reversal of impairment of loans to associates and joint ventures	-	17,802,821
Operating expenses	(53,105,876)	(57,849,309)
Operating profit	**153,480,016**	**230,672,203**
Finance income	136,482,832	27,968,914
Finance expense	(61,989,102)	(57,555,496)
Finance result	**74,493,730**	**(29,586,582)**
Profit before tax and distributions to the partners	**227,973,746**	**201,085,621**
Taxation expense	(11,713,883)	(4,467,407)
Deferred taxation	(19,964,886)	(17,472,221)
Total tax	**(31,678,769)**	**(21,939,628)**
Distribution to the partners	**(55,851,122)**	**(56,837,875)**
Profit for the period after tax	**140,443,855**	**122,308,118**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation reserve	(13,916,082)	13,093,620
Total comprehensive income for the period	**126,527,773**	**135,401,738**
Profit for the period attributable to:		
Partners	91,886,046	109,982,052
Non-controlling interests	48,557,809	12,326,066
Total comprehensive income for the period attributable to:		
Partners	77,969,964	123,075,672
Non-controlling interests	48,557,809	12,326,066
Net increase in net assets for the period	**91,886,046**	**109,982,052**
Adjustments from net assets attributable to the partners to subscription net asset value	233,789,355	9,930,695
Transactions with non-controlling interests recognised within equity	-	-
Net increase in subscription net asset value	**311,759,319**	**133,006,367**

Consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

	Period ended 30 September 2022	Period ended 30 September 2021
	€ (Unaudited)	€ (Unaudited)
Cash flow from operating activities		
Profit before tax and distributions to the partners	227,973,746	201,085,621
Adjustments		
Net unrealised (gain) from fair value adjustment on investment property	(52,292,852)	(55,754,363)
Net unrealised loss/(gain) on investments in associates and joint ventures held at fair value	2,425,576	(2,501,333)
Realised loss on disposal of subsidiary	7,491,505	-
Share of net (profit) of associates and joint ventures accounted for using the equity method	(59,054,530)	(97,571,787)
Net unrealised loss/(gain) on financial assets held at fair value	5,440,129	(1,505,373)
Finance result	(74,493,730)	29,586,582
Impairment of loans to associates and joint ventures	3,357,723	-
Reversal of impairment of loans to associates and joint ventures	-	(17,802,821)
Increase/decrease in operating assets (excluding effect of acquisitions and disposals)		
(Increase)/Decrease in other receivables and prepayments	(15,622,194)	75,001,269
(Decrease)/increase in deferred income	(659,207)	778,574
Increase in trade and other payables	36,668,098	24,581,952
Cash generated from operations	**81,234,264**	**155,898,321**
Taxation paid	(11,927,409)	(3,171,676)
Interest received	14,205,343	7,144,499
Interest and bank charges paid	(25,207,260)	(20,129,437)
Net cash generated from operating activities	**58,304,938**	**139,741,707**
Cash flow from investing activities		
Purchases of investment property	(120,056,775)	(200,325,457)
Disposal of investment property	-	15,750,000
Disposal of subsidiary	169,381,374	-
Capital expenditure on investment property	(31,128,420)	(20,832,248)
Investments in associates and joint ventures	(58,507,224)	(128,598,325)
Return on and of capital on investments in associates and joint ventures	15,615,573	11,321,029
Loans to associates and joint ventures issued	(134,632,376)	(109,433,785)
Loans to associates and joint ventures repaid	-	12,564,408
Net cash used in investing activities	**(159,327,848)**	**(419,554,378)**

Consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022 (CONTINUED)

	Period ended 30 September 2022	Period ended 30 September 2021
	€ (Unaudited)	€ (Unaudited)
Cash flow from financing activities		
Subscriptions received	224,473,960	207,847,152
Redemptions paid	(3,103,372)	
Bank and other borrowings - loans received	16,296,305	66,822,960
Bank and other borrowings - loans repaid	(50,289,546)	(504,741,918)
Bank financing - bond issuance	-	496,820,000
Non-controlling interests borrowings received	-	13,024,746
Distribution to the partners	(34,239,454)	(30,529,837)
Net payment on hedging	3,561,619	(41,288,874)
Net cash provided by financing activities	**156,699,512**	**207,954,229**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**55,676,602**	**(71,858,442)**
Cash and cash equivalents at beginning of the period	**305,141,930**	**235,645,924**
Net currency translation differences	(4,562,070)	(20,629,313)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**356,256,462**	**143,158,169**

Notes to the unaudited interim consolidated financial statements

FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

1 General

AXA CoRE Europe Fund S.C.S., SICAV-SIF (the "Fund") is an open-ended variable capital investment fund *(société d'investissement à capital variable-fonds d'investissement spécialisé)* domiciled and incorporated in Grand Duchy of Luxembourg on 17 December 2015. The Fund is established in the form of a common limited partnership *(société en commandite simple - SCS)* in accordance with the provisions of the Law of l0 August 1915 on commercial companies, as amended, and the Law on Specialised Investment Funds dated l3 February 2007, as amended. The subscription, sale and holding of shares of the Fund are restricted to Institutional Investors.

The Fund has been incorporated for an unlimited duration. It is registered with the Trade Register under number B 202 722. 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, 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 Offering Memorandum.

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

2 Summary of significant accounting policies

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

(a) Changes to comparative presentation and classification

The presentation and classification of items in the financial statements from the prior financial period might be changed to be in line with the disclosures for the current period unaudited interim consolidated financial statements if it gives a more accurate presentation (Consolidated statement of financial position).

2.1 Financial assets and financial liabilities

Financial assets and financial liabilities are classified and measured in accordance with IFRS 9 – Financial instruments ("IFRS 9").

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:
Loans to associates are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets, except for maturities less than 12 months after the statement of financial position date. These are classified as current assets.

Loans to associates and joint ventures and investment in receivable instruments 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.

The Group also includes short-term non-financing receivables including interest receivable, prepayments and other receivables in this category.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.1 Financial assets and financial liabilities (continued)

Financial assets (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 gain and loss on them on a different basis.

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

Equity instruments: included within equity instruments are investments in entities where the Group does not have significant control or influence.

Debt instruments: included within debt instruments are receivable instruments which are not held at amortised cost based on SPPI test.

Instruments held for trading: This category includes financial instruments, which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives in this category are classified as current assets. The Group does not apply hedge accounting.

The Group has not classified any financial assets as 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, 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. Loans and receivables are carried at amortised cost using the effective interest method. 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.

Transfer 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.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.1 Financial assets and financial liabilities (continued)

Financial liabilities (continued)

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.

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

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

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The different stages for these financial instruments are as follows:

- Stage 1 - No significant increase in credit risk since acquisition
- Stage 2 - Existence of a significant increase in credit risk compared to original expectations but no losses yet incurred
- Stage 3 - Expected losses to be recognised due to asset being credit impaired

The Group assesses on a forward-looking basis the ECLs associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk..

Stage 1
The expected credit loss is measured over the next twelve months and interest is still computed on the gross carrying amount

Stage 2 and stage 3
The expected credit loss is computed over the remaining lifetime of the instrument and interest is computed on the net carrying amount after deduction of the expected credit loss.

Significant financial difficulties of the borrower, probability that the borrower will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

A significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due or when the probability of default with the counterparty is increased as per balance sheet date in comparison of the loan origination.

The Group considers a financial instrument to be in default or credit impaired, when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held) or the financial asset is more than 90 days past due.

A debt instrument carried at amortised cost is written off when there is no reasonable expectation of recovering the contractual cash flows.

For each stages, the Group compute expected credit loss in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All the loans granted by the Group are granted to associates and joint ventures and form long-term interests in associates or joint ventures. Long-term interests are interests that, in substance, form part of the net investment but are not accounted for using equity accounting.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.1 Financial assets and financial liabilities (continued)

Financial liabilities (continued)

The Group applies IFRS 9 expected credit loss requirements to long-term interests before applying the loss allocation and impairment requirements of IAS 28; and the Group does not take into account any adjustments to the carrying amount of long- term interests that result from the application of IAS 28, when applying the IFRS 9 requirements.

Management expects that a default or impairment on these loans would approximate to an excess of net losses of a joint venture or an associate to the amount originally invested.

For trade receivables the Group applies AXA REAL Assets bad and doubtful debt policy that is based on the simplified approach permitted by IFRS 9, 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.

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 operates with the following currencies: British Pound ("GBP" or "£"), Danish Krone ("DKK"), and Euro ("EUR"). The consolidated financial statements are presented in Euro, which is the parent company's functional currency and the Group's presentational currency.

Transactions and balances
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 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 as a separate component of net assets attributable to partners.

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 equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

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 Expenses

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

2.6 Interest income and expense

Interest income and expense are recognised within "interest 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.

2.7 Group formation expenses

The Group's formation expenses are recognised as an expense when incurred.

2.8 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 obligations; 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.

2.9 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. They are deconsolidated from the date that control ceases.

All the Group 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 for impairment.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.9 Consolidation (continued)

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 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.

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 the acquiree's identifiable net assets.

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 the acquisition of a subsidiary that does not meet 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.

Associates
Associated companies are those companies in which the Group generally has between 20% and 50% of the voting rights, or over which the Group exercises significant influence, but which it does not control. Investments in associated companies are accounted for under the equity method or the fair value method where certain criteria are met under IAS 28.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.9 Consolidation (continued)

Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement rather than the legal structure of the joint arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation and
- its expenses, including its share of any expenses incurred jointly.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated statement of financial position.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

Distributions received or receivable from associates and joint ventures can take the form of a return on capital (dividend) or a return of capital (repayment of contributed capital). These distributions are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.10 Investment property

Investment properties are properties 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 properties 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.

2.11 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.

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.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

(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.

2.12 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.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.12 Revenue recognition (continued)

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 the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

2.13 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.

2.14 Taxation

Under the current legislation, the Group is not subject to any Luxembourg taxes on profits, income or capital gains. However, the Group is liable to subscription tax in Luxembourg at a rate of 0.01% per annum based on the net asset value ("NAV") of the Group at the end of each quarter

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 entities of the Group are subject to taxation in the countries in which they operate.

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 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.

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.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.14 Taxation (continued)

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 r eversal 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.

2.15 Redeemable units

Redeemable units 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.

2.16 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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.

Non-controlling interests comply with the "equity" classification criteria of IAS 32 para 11 and are classified as equity.

2.18 Employee costs

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current other payables in the balance sheet.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.19 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.

2.20 Goodwill

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.

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. 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.

2.21 Dividend distribution

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

2.22 Trade 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 in accordance with IFRS 9, and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Notes to the unaudited interim consolidated financial statements

2 Summary of significant accounting policies (continued)

2.23 Loan commitments

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below- market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. For loan commitments the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.24 Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

2.25 Adjustments from net assets attributable to the partners to subscription net asset value

The subscription NAV is calculated as set out in clause 5.4.5 of the Offering Memorandum by performing adjustments compared to the IFRS NAV, including:

(i) The acquisition costs should be amortised over 10 years whereas these costs are fully expensed under IFRS.

(ii) The formation expenses should be amortised over a period of 10 years whereas these expenses are fully expensed under IFRS.

(iii) Revaluation to fair value of savings of purchaser's costs such as transfer taxes for some investments. Based on market practices in some jurisdictions, the characteristics of the intended method of disposal may result in a reduction of the transfer taxes and purchaser's costs for the benefit of the seller. This deduction is mainly applied for properties and structures held in France, Netherlands, and Germany under certain conditions.

(iv) Revaluation to fair value of deferred taxes (DTL). This adjustment represents the impact on the NAV of the difference between the carrying value of deferred tax calculated in accordance with IFRS and the estimate of deferred tax (DTL) under the settlement consideration. In some jurisdictions sale of shares in a property-owning vehicle may lead to a saving rate up to 50%. The amount of saving rate depends on the current tax legislation. The deduction is mainly applied for entities and structures held in Germany, Portugal, Netherlands, in certain conditions.

(v) The debt issuance cost adjustment relates to debt issuance costs associated with subsidiaries acquired which have been fully expensed in IFRS NAV. Such debt issue costs were adjusted to be amortised throughout the duration of the loan.

(vi) Other adjustments mainly relate to:

1. 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.

2. Revaluation to fair value of indirect investments not consolidated: Indirect investments in real estate, such as investments in associates and joint ventures are accounted under equity method. The adjustment represents the impact on NAV of the revaluation of Associates investment in Portugal to fair value.