Investment Managers

Real Assets

Asticus, United Kingdom, office asset
Photo for illustrative purpose only

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

Interim consolidated financial statements for the period from 1 January 2025 to 31 March 2025

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 General Partner 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 consolidated statement of financial position as at 31 March 2025, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the three-month period then ended, and a summary of material accounting policies.

General Partner’s responsibility for the interim consolidated financial statements

The 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 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 Company, 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 31 March 2025, taken as a whole, has not been prepared, in all material respects, in accordance with the accounting policies as set out in Note 2 of the interim consolidated financial statements.

Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the interim consolidated financial statements, which describes the basis for accounting. The interim consolidated financial statements are prepared to report on the quarterly financial information. As a result, the interim consolidated financial statements 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, 27 May 2025

Signed by:

7CD2CFA1AAA14FB...

Aurélie Batrel

Interim consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	31 March 2025	31 December 2024
	€ (Unaudited)	€ (Audited)
Assets		
Non-current assets		
Investment property	3,575,337,341	3,563,159,988
Investments in associates and joint ventures	988,777,050	972,874,965
Loans to associates and joint ventures	1,091,147,684	1,079,073,437
Financial assets at fair value through profit or loss	30,796,550	29,239,091
Deferred tax assets	1,260	1,260
Trade and other receivables	19,813,697	20,036,339
Prepayments	11,081,679	12,799,544
Derivatives at fair value through profit or loss	26,746,599	32,960,317
Total non-current assets	**5,743,701,860**	**5,710,144,941**
Current assets		
Interest receivable from financial assets	304,315	222,021
Interest receivable from associates and joint ventures	11,971,889	14,989,362
Trade and other receivables	77,483,015	70,890,854
Derivatives at fair value through profit or loss	1,081,158	4,309,439
Cash and cash equivalents	290,314,672	315,856,821
Total current assets	**381,155,049**	**406,268,497**
Total assets	**6,124,856,909**	**6,116,413,438**
Liabilities		
Non-current liabilities		
Borrowings	1,823,612,135	1,828,306,230
Deferred tax liabilities	40,073,133	36,394,686
Trade and other payables	1,361,172	1,359,191
Derivatives at fair value through profit or loss	1,466,518	2,154,948
Total non-current liabilities	**1,866,512,958**	**1,868,215,055**
Current liabilities		
Borrowings	20,786,218	17,643,184
Derivatives at fair value through profit or loss	13,814,989	10,398,497
Deferred income	13,151,176	14,911,971
Taxation payable	10,744,643	10,218,627
Subscriptions received in advance	7,901,707	14,187,962
Trade and other payables	95,559,625	104,198,429
Total current liabilities	**161,958,358**	**171,558,670**
Net assets attributable to the partners	**3,824,172,989**	**3,802,492,206**
Total liabilities	**5,852,644,305**	**5,842,265,931**
Non-controlling interests	**272,212,604**	**274,147,507**
Adjustments from net assets attributable to the partners to subscription net asset value	139,021,031	136,712,353
Subscription Net Asset Value*	**3,963,194,020**	**3,939,204,559**

*Calculated in accordance with Note 2.25

The accompanying notes form an integral part of the interim consolidated financial statements

Interim consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2025 TO 31 MARCH 2025

	Period ended 31 March 2025	Period ended 31 March 2024
	€ (Unaudited)	€ (Unaudited)
Rental income	38,774,881	35,127,993
Service charge income	7,258,808	9,978,536
Gross rental income	**46,033,689**	**45,106,529**
Service charge expense	(7,145,886)	(9,829,739)
Non recoverable property expenses	(12,089,834)	(9,647,468)
Property operating expenses	**(19,235,720)**	**(19,477,207)**
Net rental income	**26,797,969**	**25,629,322**
Administrative expenses	(7,415,691)	(9,410,526)
Net unrealised gain from fair value adjustment on investment property	10,777,772	27,169,563
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	1,557,459	(8,934)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	26,300,248	(9,441,116)
Impairment on loans to associates and joint ventures	(2,765,676)	(7,428,583)
Interest income from associates and joint ventures	9,019,527	8,784,796
Other income	689,527	5,410,746
Other operating expenses	174,616	(2,717,854)
Operational result	**65,135,751**	**37,987,414**
Finance income	9,034,840	18,774,863
Finance expense	(24,956,859)	(31,825,950)
Distribution to the partners	(34,166,518)	-
Net finance result	**(50,088,537)**	**(13,051,087)**
Profit before tax	**15,047,214**	**24,936,327**
Taxation expense	(1,277,437)	(1,048,528)
Deferred taxation	(3,742,718)	(366,140)
Total tax	**(5,020,155)**	**(1,414,668)**
Profit for the period after tax	**10,027,059**	**23,521,659**
Other comprehensive income, net of tax:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation reserve	(1,651,205)	2,869,179
Total comprehensive profit for the period	**8,375,854**	**26,390,838**
Profit for the period attributable to:		
Partners	9,144,026	9,807,933
Non-controlling interests	883,033	13,713,726
Total comprehensive profit for the period is attributable to:		
Partners	10,310,757	9,881,487
Non-controlling interests	(1,934,903)	16,509,351
Net increase in net assets for the period	**9,144,026**	**9,807,933**
Adjustments from net assets attributable to the partners to subscription net asset value	2,308,678	(24,699,244)
Net increase/(decrease) in subscription net asset value	**9,801,499**	**(12,022,132)**

Interim consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2025 TO 31 MARCH 2025

	Period ended 31 March 2025	Period ended 31 March 2024
	€ (Unaudited)	€ (Unaudited)
Cash flow from operating activities		
Profit before tax and distributions to the partners	49,213,732	24,936,327
Adjustments		
Interest income from financial assets	(82,295)	(83,914)
Interest income from associates and joint ventures	(9,019,527)	(8,635,302)
Net unrealised gain from fair value adjustment on investment property	(10,777,772)	(27,169,563)
Share of net (profit)/loss of associates and joint ventures accounted for using the equity method	(26,300,248)	9,441,116
Net unrealised(loss)/gain on financial assets at fair value through profit or loss	(1,557,459)	8,934
Finance result	15,922,019	13,051,087
Impairment of loans to associates and joint ventures	2,765,676	7,428,583
Increase/decrease in operating assets (excluding effect of acquisitions)		
(Increase)/decrease in trade and other receivables	(4,383,501)	20,968,944
Decrease/(increase) in prepayments	1,717,865	(2,725,843)
(Decrease)/increase in deferred income	(1,760,795)	2,600,714
Decrease in trade and other payables	(8,454,690)	(2,359,498)
Cash generated from operations	**7,283,005**	**37,461,585**
Taxation paid	(815,692)	(2,715,774)
Interest received	16,673,736	14,028,931
Interest paid	(8,063,223)	(8,040,358)
Net cash generated from operating activities	**15,077,826**	**40,734,384**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	6,850,145
Capital expenditure on investment property	(13,766,412)	(42,254,855)
Investments in associates and joint ventures	-	(4,706,757)
Return of capital on investments in associates and joint ventures	10,398,163	2,070,928
Loans to associates and joint ventures issued	(25,650,171)	(7,708,407)
Loans to associates and joint ventures repaid	10,810,248	12,427,715
Net cash used in investing activities	**(18,208,172)**	**(33,321,231)**

Interim consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2025 TO 31 MARCH 2025 (CONTINUED)

	Period ended 31 March 2025	Period ended 31 March 2024
	€ (Unaudited)	€ (Unaudited)
Cash flow from financing activities		
Subscriptions received*	-	4,861,613
Redemptions paid	-	(3,580,728)
Bank and other borrowings - loans repaid	-	(70,176,819)
Non-controlling interests borrowings received	-	42,496,218
Distribution to the partners**	(26,473,093)	-
Net receipt on hedging	365,984	(10,069,084)
Net cash used in financing activities	**(26,107,109)**	**(36,468,800)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,237,455)**	**(29,055,647)**
Cash and cash equivalents at beginning of the period	**315,856,821**	**326,269,423**
Net currency translation differences	3,695,306	(13,052,800)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**290,314,672**	**284,160,976**

* Amount excludes €14,184,962 contributions received in advance as at 31 December 2024, which were converted to share capital during the period ended 31 March 2025, as these are considered non-cash transactions.

** Excludes amount of distributions re-invested into the Fund during the period of €7,901,707, as these are considered non-cash transactions.

Notes to the interim consolidated financial statements

FOR THE PERIOD FROM 1 JANUARY 2025 TO 31 MARCH 2025

1 General information

AXA CoRE Europe Fund S.C.S., SICAV-SIF (the "Fund") is an open-ended variable capital investment fund (*société 'investissement à capital variable-fonds d'investissement spécialisé*) domiciled and incorporated in Grand Duchy of Luxembourg on 17 December 2015 with an initial capital commitment drawdown on 29 February 2016. 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 10 August 1915 on commercial companies, as amended, and the Law on Specialised Investment Funds dated 13 February 2007, as amended. The subscription, sale and holding of shares of the Fund are restricted to Institutional Investors with an initial capital commitment drawdown on 29 February 2016.

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 interim consolidated financial statements present the consolidated financial position of the Fund and the Fund's subsidiaries (the "Group") as at 31 March 2025.

The financial year of the Fund starts on 1 January and ends on 31 December. The Group's accounts are prepared in Euro ("EUR" or "€").

The Investment Objective of the Group is to seek current income combined with long-term capital appreciation through investment in a diversified portfolio of primarily European Real Estate Assets and also, to a lesser extent, cash and securities in accordance with its Investment Policy and the Investment Guidelines, as defined in the Offering Memorandum (the "Offering Memorandum").

The Investment Policy of the Group (as defined in the Offering Memorandum) is to invest directly, or indirectly via subsidiaries, in a diversified portfolio of European Core Real Estate Assets across the office, retail, residential, logistics and hotels real estate sectors (for example as part of an operating company or a property company structure).

The Group's investment activities are managed by its General Partner, AXA CoRE Europe GP S.à r.l. (the "General Partner"), a limited liability company incorporated under the law of Grand Duchy of Luxembourg (R.C.S. Luxembourg B 202 828) and a subsidiary of AXA Real Estate Investment Managers SGP, incorporated in France. The administration of the Group is managed by The Bank of New York Mellon SA/NV, Luxembourg Branch.

The most recent Offering Memorandum for the Fund was issued in August 2023.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of the interim 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 Critical accounting estimates and judgements

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

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.1 Critical accounting estimates and judgments (continued)

Critical accounting estimates and assumptions

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

(a) Financial instruments at fair value through profit or loss

Where the fair value of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation methods and if the valuation method does not fairly represent the fair value, adjustments to the valuation are made by the Group to obtain the best estimate of fair value, using other methods it considers appropriate. Observable market data are used where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and other associated market risks. Changes in assumption about these factors could affect the reported fair value of financial instruments.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Investment property

The fair value of the investment property held is based on a valuation as performed by an independent valuer. Independent valuations may be indicative and not executable or binding.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audits based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions. The deferred taxes recognised as at 31 March 2025 are mainly deriving from temporary differences linked to investment properties.

(e) Joint arrangements and investments in associates

Under IFRS 11 - *Joint Arrangements* (“IFRS 11”), investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

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

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

In considering whether significant influence over an investee exists, the Group considers the voting rights held in the investee, representation on the Board of Directors over the investee, participation in the investee’s policy making process and other relevant facts and circumstances.

The Group currently holds 16.67% of the share capital of SCI Backin, and management consider the Group to have significant influence in this associate due to the terms included in the Joint Venture Agreement entered between all parties.

IAS 28 allows exemption from the equity method of accounting where an investment in an associate or joint venture is a mutual fund and can be accounted for at fair value in accordance with IFRS 9.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.1 Critical accounting estimates and judgments (continued)

(e) Joint arrangements and investments in associates (continued)

The exemption from equity accounting in IAS 28 also applies to mutual funds, unit trusts and similar entities including investment-linked insurance funds. Unit trusts, mutual funds and similar funds typically pay a return on their liabilities that is contractually linked to changes in the fair value of an asset or a pool of assets. The application of the exemption avoids a mismatch between the measurement of the assets and liabilities.

The exemption might be applied by these types of entity where changes in the returns on the trust's or fund's liabilities are contractually linked to the fair value of associate investments or a pool of assets that includes the associate investments.

(f) Investment entity

The Board of Managers of the General Partner has determined that the Group does not qualify as an investment entity under IFRS 10 – *Consolidated Financial Statements* ("IFRS 10") and is required to prepare consolidated financial statements.

The Fund has several investors that are related parties.

In addition to that, the Fund does not evaluate the performance solely on a fair value basis. Although the Fund reports its investment properties (or indirectly through the equity accounting of investments in joint ventures and associates) at fair value in accordance with IAS 40, fair value is not the primary measurement attribute used to evaluate the performance of its investments. The Fund and its investors use other measures, including information about expected cashflows, rental revenues and expenses to assess performance and to make the investment decisions. Similarly, the exit strategy is not only driven by the fair value of the investment properties. It is impacted by macro-economic factors as well as legal and tax regulations changes in specific jurisdictions.

Fair value is only a part of a group of equally relevant key performance indicators.

(g) Impairment of trade receivables and loans to associates and joint ventures

The Group applies the expected credit losses methodology to estimate the recoverability of trade receivables. No material recoverability issues have been identified as at 31 March 2025.

The Group performs the analysis on recoverability of loans to associates and joint ventures when it expects the recoverability issues based on the net asset value of the associates and joint ventures. No major recoverability issues were identified as at 31 March 2025.

The Group did not make any other material critical accounting judgements for the period ended 31 March 2025.

2.2 Financial assets and financial liabilities

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

i) Classification of financial instruments

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; and
- 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 interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.2 Financial assets and financial liabilities (continued)

i) Classification of financial instruments (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 (see Note 2.14 for the accounting policy on borrowings), and trade and other payables.

ii) Recognition and measurement of financial assets and liabilities

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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.2 Financial assets and financial liabilities (continued)

iii) 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.

iv) Derecognition of financial assets and liabilities

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 profit or loss.

v) 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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.2 Financial assets and financial liabilities (continued)

v) Impairment of financial assets (continued)

For each stage, 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.

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.

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.

Details on estimates and assumptions used are given in Note 2.1 “Critical accounting estimates and assumptions”.

vi) 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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.3 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"), Norwegian Krone ("NOK"), Swedish Krona ("SEK") 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalised as explained in Note 2.14. All other foreign exchange gains and losses are presented net 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.

2.4 Deferred income

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

2.5 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.

2.6 Expenses

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

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.7 Interest income and 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 when incurred.

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 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.

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

All the Group companies have 31 December as their year-end. However, for the purpose of the interim consolidated financial statements they are prepared with the closing of 31 March 2025. 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 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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.10 Consolidation (continued)

a. Subsidiaries (continued)

Accounting for business combinations (continued)

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 investment at fair value through profit or loss under IFRS 9 where certain criteria are met under IAS 28.

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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.10 Consolidation (continued)

a. Subsidiaries (continued)

Equity method (continued)

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.

2.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. 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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

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.

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.

(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.

Notes to the interim consolidated financial statements

2 Summary of material 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.

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.

2.14 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

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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.15 Taxation (continued)

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.

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 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. Redeemable shares are classified as financial liabilities in accordance with IAS 32. The Offering Memorandum of the Fund permits quarterly redemptions.

2.17 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.

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

2.18 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.

2.19 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 consolidated statement of comprehensive 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 Distribution to the Partners

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

Notes to the interim consolidated financial statements

2 Summary of material accounting policies (continued)

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.

2.23 Loan commitments

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note 2.2). 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 computed in accordance with the principles of the European Association for Investors in Non-Listed Real Estate Vehicles (“INREV”) Guidelines with the exception of the real estate acquisition costs and the Fund formation costs that are amortised over 10 years, the “Adjusted INREV NAV”.

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 Austria, France, Netherlands, and Portugal 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 Finland, Germany, Netherlands, Norway, Portugal and Sweden 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. The notes issued were valued based on the closing price.
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.