



Financial statements¹

1. The annual financial reports, the Board of Directors' reports and the statutory auditor's reports related to financial years 2012/2013, 2013/2014, 2014/2015 and 2015/2016 and the experts' reports, interim statements and semi-annual reports (including the statutory auditor's reports) are available on the website of the Company (www.aedifica.be) or on request at the headquarters of the Company.

TABLE OF CONTENTS

1. CONSOLIDATED FINANCIAL STATEMENTS 2016/2017	151		
1.1 Consolidated income statement	151		
1.2 Consolidated statement of comprehensive income	152		
1.3 Consolidated balance sheet	152		
1.4 Consolidated cash flow statement	154		
1.5 Consolidated statement of changes in equity	155		
1.6 Notes to the consolidated financial statements	157		
Note 1: General information	157	Note 31: Other tangible assets	177
Note 2: Accounting policies	157	Note 32: Non-current financial assets and other non-current financial liabilities	178
Note 3: Operating segments	164	Note 33: Hedges	179
Note 4: Rental income	167	Note 34: Trade receivables	182
Note 5: Rental-related charges	167	Note 35: Tax receivables and other current assets	182
Note 6: Recovery of property charges	167	Note 36: Cash and cash equivalents	182
Note 7: Recovery of rental charges and taxes normally paid by tenants on let properties	168	Note 37: Deferred charges and accrued income	183
Note 8: Costs payable by the tenant and borne by the landlord on rental damage and repair of lease	168	Note 38: Equity	183
Note 9: Rental charges and taxes normally paid by tenants on let properties	168	Note 39: Provisions	184
Note 10: Other rental-related income and charges	168	Note 40: Borrowings	185
Note 11: Technical costs	168	Note 41: Trade payables and other current debts	186
Note 12: Commercial costs	169	Note 42: Accrued charges and deferred income	186
Note 13: Charges and taxes on unlet properties	169	Note 43: Employee benefits expense	186
Note 14: Property management costs	169	Note 44: Financial risk management	187
Note 15: Other property charges	169	Note 45: Contingencies and commitments	189
Note 16: Overheads	170	Note 46: Acquisitions and disposals of investment properties	192
Note 17: Other operating income and charges	170	Note 47: Changes in fair value of financial assets and liabilities	193
Note 18: Gains and losses on disposals of investment properties	170	Note 48: Related party transactions	193
Note 19: Gains and losses on disposals of other non-financial assets	170	Note 49: Subsequent events	193
Note 20: Changes in fair value of investment properties	170	Note 50: Corrected profit as defined in the Royal Decree of 13 July 2014	195
Note 21: Financial income	171	Note 51: List of subsidiaries, associates and joint ventures	195
Note 22: Net interest charges	171	Note 52: Belgian RREC status	196
Note 23: Other financial charges	171	Note 53: Audit fees	196
Note 24: Corporate tax	172	Note 54: Deferred taxes	197
Note 25: Exit tax	172	Note 55: Fair value	197
Note 26: Earnings per share	173	Note 56: Put options granted to non-controlling shareholders	197
Note 27: Goodwill	174	Note 57: Alternative Performance Measures (APM)	198
Note 28: Intangible assets	174		
Note 29: Investment properties	175		
Note 30: Development projects	177		
		1.7 Auditor's report	200
		2. ABRIDGED STATUTORY FINANCIAL STATEMENTS 2016/2017	205
		Abridged statutory income statement	205
		Abridged statutory statement of comprehensive income	206
		Abridged statutory balance sheet	206
		Abridged statutory statement of changes in equity	208
		Abridged statutory appropriation account	210

1. Consolidated Financial Statements

1.1 Consolidated Income Statement

Year ending on 30 June (x €1,000)	Notes	2017	2016
I. Rental income	4	78,983	59,822
II. Writeback of lease payments sold and discounted		0	0
III. Rental-related charges	5	-48	-35
Net rental income		78,935	59,787
IV. Recovery of property charges	6	40	25
V. Recovery of rental charges and taxes normally paid by tenants on let properties	7	2,588	2,064
VI. Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	8	0	0
VII. Rental charges and taxes normally paid by tenants on let properties	9	-2,588	-2,064
VIII. Other rental-related income and charges	10	-917	-1,454
Property result		78,058	58,358
IX. Technical costs	11	-1,247	-1,119
X. Commercial costs	12	-567	-584
XI. Charges and taxes on unlet properties	13	-165	-119
XII. Property management costs	14	-998	-1,037
XIII. Other property charges	15	-1,026	-1,252
Property charges		-4,003	-4,111
Property operating result		74,055	54,247
XIV. Overheads	16	-8,544	-6,694
XV. Other operating income and charges	17	266	61
Operating result before result on portfolio		65,777	47,614
XVI. Gains and losses on disposals of investment properties	18	1,459	731
XVII. Gains and losses on disposals of other non-financial assets	19	0	0
XVIII. Changes in fair value of investment properties	20	10,357	10,775
XIX. Other result on portfolio		0	0
Operating result		77,593	59,120
XX. Financial income	21	155	283
XXI. Net interest charges	22	-15,365	-11,904
XXII. Other financial charges	23	-1,328	-1,087
XXIII. Changes in fair value of financial assets and liabilities	47	5,119	-5,685
Net finance costs		-11,419	-18,393
XXIV. Share in the profit or loss of associates and joint ventures accounted for using the equity method		0	0
Profit before tax (loss)		66,174	40,727
XXV. Corporate tax	24	-2,816	-461
XXVI. Exit tax	25	0	0
Tax expense		-2,816	-461
Profit (loss)		63,358	40,266
Attributable to:			
Non-controlling interests		0	0
Owners of the parent		63,358	40,266
Basic earnings per share (€)	26	4.16	2.85
Diluted earnings per share (€)	26	4.16	2.85

1.2 Consolidated Statement of Comprehensive Income

Year ending on 30 June (x €1,000)	2017	2016
I. Profit (loss)	63,358	40,266
II. Other comprehensive income recyclable under the income statement		
A. Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties	0	0
B. Changes in the effective part of the fair value of authorised cash flow hedge instruments as defined under IFRS	7,276	-3,893
H. Other comprehensive income, net of taxes	0	0
Comprehensive income	70,634	36,373
Attributable to:		
Non-controlling interests	0	0
Owners of the parent	70,634	36,373

1.3 Consolidated Balance Sheet

ASSETS	Notes	2017	2016
Year ending on 30 June (x €1,000)			
I. Non-current assets			
A. Goodwill	27	1,856	1,856
B. Intangible assets	28	221	119
C. Investment properties	29	1,540,409	1,152,213
D. Other tangible assets	31	1,611	1,624
E. Non-current financial assets	32	2,959	794
F. Finance lease receivables		0	0
G. Trade receivables and other non-current assets		0	0
H. Deferred tax assets	54	1,208	676
I. Equity-accounted investments		0	0
Total non-current assets		1,548,264	1,157,282
II. Current assets			
A. Assets classified as held for sale	29	4,440	4,621
B. Current financial assets		0	0
C. Finance lease receivables		0	0
D. Trade receivables and other non-current assets	34	6,718	3,880
E. Tax receivables and other current assets	35	1,679	1,374
F. Cash and cash equivalents	36	8,135	4,947
G. Deferred charges and accrued income	37	886	1,058
Total current assets		21,858	15,880
TOTAL ASSETS		1,570,122	1,173,162

EQUITY AND LIABILITIES	Notes	2017	2016
Year ending on 30 June (x €1,000)			
EQUITY	38		
I. Issued capital and reserves attributable to owners of the parent			
A. Capital		459,231	364,467
B. Share premium account		287,194	155,509
C. Reserves		78,256	60,507
a. Legal reserve		0	0
b. Reserve for the balance of changes in fair value of investment properties		131,253	115,366
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties		-29,397	-25,015
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS		-16,418	-23,560
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS		-23,712	-18,256
h. Reserve for treasury shares		0	0
k. Reserve for deferred taxes on investment properties located abroad		230	110
m. Other reserves		0	0
n. Result brought forward from previous years		16,300	11,862
D. Profit (loss) of the year		63,358	40,266
Equity attributable to owners of the parent		888,039	620,749
II. Non-controlling interests		0	0
TOTAL EQUITY		888,039	620,749
LIABILITIES			
I. Non-current liabilities			
A. Provisions	39	0	0
B. Non-current financial debts			
a. Borrowings	40	579,438	447,721
C. Other non-current financial liabilities	32	37,933	47,382
a. Authorised hedges		33,787	46,055
b. Other		4,146	1,327
D. Trade debts and other non-current debts		0	0
E. Other non-current liabilities		0	0
F. Deferred taxes liabilities	54	4,306	2,881
Non-current liabilities		621,677	497,984
II. Current liabilities			
A. Provisions	39	0	0
B. Current financial debts			
a. Borrowings	40	34,524	31,027
C. Other current financial liabilities		0	0
D. Trade debts and other current debts			
a. Exit tax	41	717	4,505
b. Other	41	20,252	14,216
E. Other current liabilities		0	0
F. Accrued charges and deferred income	42	4,913	4,681
Total current liabilities		60,406	54,429
TOTAL LIABILITIES		682,083	552,413
TOTAL EQUITY AND LIABILITIES		1,570,122	1,173,162

1.4 Consolidated Cash Flow Statement

Year ending on 30 June (x €1,000)	Notes	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss)		63,358	40,266
Non-controlling interests		0	0
Tax expense	24	2,816	461
Amortisation and depreciation		678	701
Write-downs	5	28	15
Change in fair value of investment properties (+/-)	20	-10,357	-10,775
Gains and losses on disposals of investment properties	18	-1,459	-731
Net finance costs		11,419	18,393
Changes in trade receivables (+/-)		-2,866	457
Changes in tax receivables and other current assets (+/-)		18	321
Changes in deferred charges and accrued income (+/-)		173	-148
Changes in trade payables and other current debts (excl. exit tax) (+/-)		5,694	1,135
Changes in accrued charges and deferred income (+/-)		233	366
Cash generated from operations		69,735	50,461
Taxes paid		-581	-376
Net cash from operating activities		69,154	50,085
CASH FLOW RESULTING FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-177	-67
Purchase of real estate companies and marketable investment properties		-247,585	-56,166
Purchase of tangible assets		-592	-441
Purchase of development projects		-42,343	-20,604
Disposals of investment properties		11,044	2,656
Net changes in non-current receivables		46	51
Net investments in other assets		0	0
Net cash from investing activities		-279,607	-74,571
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase, net of costs ^o		214,438	0
Disposals of treasury shares		0	0
Dividend for previous fiscal year		-22,108	-21,887
Net changes in borrowings		95,127	108,583
Net changes in other loans		0	0
Net finance costs paid		-17,666	-13,634
Repayment of financial debts of acquired or merged companies		0	-2,150
Repayment of working capital of acquired or merged companies		-56,150	-45,077
Net cash from financing activities		213,641	25,835
TOTAL CASH FLOW FOR THE PERIOD			
Total cash flow for the period		3,188	1,349
RECONCILIATION WITH BALANCE SHEET			
Cash and cash equivalents at beginning of period		4,947	3,598
Total cash flow for the period		3,188	1,349
Cash and cash equivalents at end of period	36	8,135	4,947

^o Some types of capital increases (contributions in kind, partial demergers) do not result in any cash flow.

1.5 Consolidated Statement of Changes in Equity

Year ending on 30 June (x €1,000)	2015	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	2016
Capital	360,633	1	3,833	0	0	0	0	364,467
Share premium account	151,388	0	4,121	0	0	0	0	155,509
Reserves	41,084	0	0	0	-3,893	23,315	1	60,507
a. Legal reserve	0	0	0	0	0	0	0	0
b. Reserve for the balance of changes in fair value of investment properties	95,679	0	0	0	0	19,686	1	115,366
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	-25,015	0	0	0	0	0	0	-25,015
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-19,667	0	0	0	-3,893	0	0	-23,560
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-18,717	0	0	0	0	461	0	-18,256
h. Reserve for treasury shares	0	0	0	0	0	0	0	0
k. Reserve for deferred taxes on investment properties located abroad	244	0	0	0	0	-134	0	110
m. Other reserves	0	0	0	0	0	0	0	0
n. Result brought forward from previous years	8,560	0	0	0	0	3,302	0	11,862
Profit (loss)	45,165	0	0	0	40,266	-45,165	0	40,266
Equity attributable to owners of the parent	598,270	1	7,954	0	36,373	-21,850	1	620,749
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	598,270	1	7,954	0	36,373	-21,850	1	620,749

Year ending on 30 June (x €1,000)	2016	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	2017
Capital	364,467	90,002	4,762	0	0	0	0	459,231
Share premium account	155,509	124,437	7,248	0	0	0	0	287,194
Reserves	60,507	0	0	0	7,276	10,473	0	78,256
<i>a. Legal reserve</i>	0	0	0	0	0	0	0	0
<i>b. Reserve for the balance of changes in fair value of investment properties</i>	115,366	0	0	0	0	15,888	-1	131,253
<i>c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties</i>	-25,015	0	0	0	0	-4,382	0	-29,397
<i>d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS</i>	-23,560	0	0	0	7,276	-135	1	-16,418
<i>e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS</i>	-18,256	0	0	0	0	-5,456	0	-23,712
<i>h. Reserve for treasury shares</i>	0	0	0	0	0	0	0	0
<i>k. Reserve for deferred taxes on investment properties located abroad</i>	110	0	0	0	0	120	0	230
<i>m. Other reserves</i>	0	0	0	0	0	0	0	0
<i>n. Result brought forward from previous years</i>	11,862	0	0	0	0	4,438	0	16,300
Profit (loss)	40,266	0	0	0	63,358	-40,266	0	63,358
Equity attributable to owners of the parent	620,749	214,439	12,010	0	70,634	-29,793	0	888,039
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	620,749	214,439	12,010	0	70,634	-29,793	0	888,039

1.6 Notes to the Consolidated Financial Statements

Note 1: General information

Aedifica SA (referred to in the financial statements as “the Company”, “the Parent” or “the Group”) is a limited liability company having opted for public Regulated Real Estate Company (RREC) status under Belgian law. Its primary shareholders are listed in Note 38. The address of its registered office is the following:

Avenue Louise 331-333, B-1050 Brussels (telephone: +32 (0)2 626 07 70)

The Aedifica Group (referred to in the financial statements as “the Group”) is composed of the parent-company and its subsidiaries.

Aedifica aims to position itself as a market leader among listed Belgian healthcare real estate companies, in particular in terms of senior housing. Its strategy is focused on the underlying demographic trend toward population ageing in Europe and the specific needs this trend implies in terms of care and housing. The Company aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains.

The Group mainly concentrates its activity in the senior housing segment, but is also active in apartment buildings and hotels and other building types.

The Company's shares are listed on the Euronext Brussels (continuous market), as they have been since October 2006.

Publication of the Consolidated Financial Statements was approved by the Board of Directors on 4 September 2017. The Company's shareholders have the power to amend the Consolidated Financial Statements after issue at the Annual General Meeting, to be held on 27 October 2017.

Note 2: Accounting policies

Note 2.1: Basis of preparation

The Consolidated Financial Statements cover the 12-month period ending 30 June 2017. They have been prepared in conformity with “International Financial Reporting Standards” (“IFRS”) and the interpretations of the “International Financial Reporting Interpretations Committee” (“IFRIC”), issued as of 30 June 2017 and approved by the European Union (“EU”).

These are fully in line with the standards and interpretations published by the “International Accounting Standards Board” (“IASB”) applicable as of 30 June 2017. Elements of IAS 39 that were rejected by the EU are not applicable for the Aedifica group. The Consolidated Financial Statements have also been prepared in accordance with the spirit and provisions of the Royal Decree of 13 July 2014 on Regulated Real Estate Companies.

The Consolidated Financial Statements are prepared in Euros, and presented in thousands of Euros.

The Consolidated Financial Statements have been prepared with application of the historical cost convention, except for the following assets and liabilities, which are measured at fair value: investment properties, investment properties held for sale, financial assets and liabilities held for hedging or held for trading (mainly derivatives), and put options granted to non-controlling shareholders.

The Consolidated Financial Statements have been prepared in accordance with accrual accounting principles on a going concern basis.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires significant judgment in the application of accounting policies (including the classification of lease contracts, identification of business combinations, and calculation of deferred taxes) and the use of certain accounting estimates (such as impairment tests involving goodwill). Underlying assumptions are based on prior experience, input from third parties (notably real estate experts), and on other relevant factors. Actual results may vary on the basis of these estimations. Consequently, the assumptions and estimates are regularly revisited and modified as necessary.

The new and amended standards and interpretations listed below are obligatory and have been applied by the Group since 1 July 2016 and have no impact on the Consolidated Financial Statements presented for the 2016/2017 financial year:

- IAS 1 (amended) – Disclosure Initiative;
- IAS 16 and IAS 38 (amended) – Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 16 et IAS 41 (amended) – Bearer Plants;
- IAS 27 (amended) – Equity Method in Separate Financial Statements;
- IFRS 10, IFRS 12 and IAS 28 (amended) – Investment Entities: Applying the Consolidation Exception;
- IFRS 11 (amended) – Accounting for Acquisitions of Interests in Joint Operations;
- Annual Improvements to IFRS 2012-2014 Cycle issued in September 2014.

Several new standards, as well as amendments and interpretations related to existing standards have been issued and will become mandatory for application in financial years beginning on or after 1 July 2017. These changes, which the Aedifica group has not adopted anticipatively, include the following (as of 13 July 2017):

- IFRS 9 (new) – Financial Instruments (effective 1 July 2018);
- IFRS 14 (new) – Regulatory Deferral Accounts (the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard);
- IFRS 15 (new) – Revenue from Contracts with Customers (effective 1 July 2018);
- IFRS 16 (new) – Leases (effective 1 July 2019, pending EU approval);
- IFRS 17 (new) – Insurance Contracts (effective 1 July 2021, pending EU approval);
- IAS 7 (amended) – Disclosure Initiative (effective 1 July 2017, pending EU approval);
- IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 July 2017, pending EU approval);
- IAS 40 (amended) – Transfers of Investment Property (effective 1 July 2018, pending EU approval);
- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (effective 1 July 2018, pending EU approval);
- IFRS 4 (amended) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 July 2018, pending EU approval);
- IFRS 15 (clarification) – Revenue from Contracts with Customers (effective 1 July 2018, pending EU approval);
- Annual Improvements to IFRS Standards 2014-2016 Cycle issued in December 2016 (partially effective 1 July 2017 and 1 July 2018, pending EU approval);
- IFRIC 22 (new) – Foreign Currency Transactions and Advance Consideration (effective 1 July 2018, pending EU approval);
- IFRIC 23 (new) – Uncertainty over Income Tax Treatments (effective 1 July 2019, pending EU approval).

The Group is currently evaluating the impacts of the above-listed changes. Among them, the most relevant elements for the Company are the following:

- IFRS 9 – Financial Instruments (effective 1 July 2018):

IFRS 9 was finalised and published by IASB in July 2014 and endorsed by the EU in November 2016. IFRS 9 contains the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets, and the general hedge accounting. IFRS 9 will replace most parts of IAS 39 – Financial Instruments: Recognition and Measurement.

Based on an analysis of Aedifica's situation as at 30 June 2017, IFRS 9 is not expected to have a material impact on the statutory or consolidated financial statements. With respect to the impairment of financial assets measured at amortised cost, including trade receivables, the initial application of the expected credit loss model under IFRS 9 will result in earlier recognition of credit losses compared to the incurred loss model currently applied under IAS 39. Considering the relatively limited amount of trade receivables combined with the low associated credit risk, Aedifica does not anticipate a material impact on the statutory or consolidated financial statements.

— IFRS 15 – Revenue from Contracts with Customers (effective 1 July 2018):

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Upon its effective date IFRS 15 will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts and the related interpretations.

IFRS 15 is not expected to have a material impact on the statutory or consolidated financial statements of Aedifica as lease contracts are excluded from the scope of the standard and represent the main source of income for Aedifica. The principles of IFRS 15 are still applicable to the non-lease components that may be contained in lease contracts or in separate agreements, such as maintenance related services charged to the lessee. Considering however that such non-lease components are relatively limited in amount and mostly represent services recognised over time under both IFRS 15 and IAS 18, Aedifica does not anticipate a material impact in that respect.

— IFRS 16 – Leases (effective 1 July 2019):

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17 – Leases and related interpretations upon its effective date. IFRS 16 has not yet been endorsed at the EU level.

Significant changes to lessee accounting are introduced by IFRS 16, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As Aedifica is almost exclusively acting as lessor, IFRS 16 is not expected to have a material impact on its consolidated financial statements. In the limited cases where Aedifica is the lessee in contracts classified as operating leases under IAS 17 and not subject to the IFRS 16 exemptions (e.g. lease of cars, property used by the Group, etc.), a right-of-use asset and related liability will be recognised on the consolidated balance sheet.

Note 2.2: Summary of significant accounting policies

The main significant accounting policies applied during the preparation of the Consolidated Financial Statements are presented below. These methods were applied consistently to all previous financial years.

The numbering of the paragraphs below refers to the lines presented on the balance sheet and income statement.

Consolidation principles – Subsidiaries

All entities for which Aedifica directly or indirectly holds more than half of the voting rights or has the power to control operations are considered subsidiaries and included in the scope of consolidation. In accordance with IFRS 10, subsidiaries are fully consolidated as from the date on which control is transferred to the Group; they are de-consolidated as from the date that control ceases. All intercompany transactions, balances, and unrealised gains and losses on transactions between the Group's companies are eliminated.

I.A. Goodwill

Business combinations are recognized using the purchase method in accordance with IFRS 3. The excess of the acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition is recognized as goodwill (an asset). In the event that this value is negative, it is recognized immediately in profit. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

I.B. Intangible Assets

Intangible assets are capitalised as assets at their acquisition cost and are amortised using the straight-line method at annual rates between 25 % and 33 %.

I.C. Investment Properties

1. Initial recognition

1.1. Acquisition value

If the acquisition of a building takes place by cash payment, through the acquisition of shares of a real estate company, through the non-monetary contribution of a building against the issuance of new shares, by merger through takeover of a property, or by a partial de-merger, the deed costs, audit and consultancy costs, reinvestment bank fees, costs of lifting security on the financing of the absorbed company, and other costs relating to the merger are also considered part of the acquisition cost and capitalised in the asset accounts on the balance sheet.

1.2. Fair value

Properties in the Group's portfolio or which enter into its portfolio, either with payment in cash or in kind, are valued by independent experts at their fair value.

The fair value of investment properties located in Belgium is calculated as follows:

- Buildings with an investment value greater than €2.5 million: Fair value = investment value / (1 + the average transaction cost defined by BEAMA);
- Buildings with an investment value less than €2.5 million:
 - 1) Where the expert considers that the building can be divided and sold in separate units (notably individual apartments), the fair value is defined as the lower of the separated investment value / (1 + % transfer tax levied in the region where the building is located) and the investment value / (1 + the average transaction cost defined by BEAMA);
 - 2) Where the expert considers that the building cannot be divided and sold in separate units, the fair value is the investment value / (1 + % transfer tax levied in the region where the building is located).

The average transaction cost defined by BEAMA is revised annually and adjusted as necessary in increments of 0.5 %. Experts attest to the percentage deducted and retained in regular reports to shareholders; it currently amounts to 2.5 %.

The fair value of investment properties located abroad take into account locally applicable legal costs.

1.3. Treatment of differences at the time of acquisition

This rule changed effective 1 July 2015.

If, for acquisitions such as those defined in section IC 1.1 ("Acquisition value") above, the fair value determined by the independent expert is different than the acquisition value defined in section I.C.1.1, the difference (after subtracting the exit tax) is booked in the income statement under line "XVIII. Changes in fair value of investment properties".

2. Accounting for works projects (subsequent expenditures)

Costs incurred by Aedifica for works carried out on investment properties are accounted for using one of two distinct methods, depending on the nature of the costs. The cost of repairs and maintenance, which neither add new functionality nor constitute a significant enhancement or upgrade to the building, are recognised as expenses as incurred and, thus, deducted from profit for the year. Subsequent expenditures related to two types of works projects are capitalised as assets on the Company's balance sheet:

- a) Major renovations and extensions: these usually take place every 25 to 35 years and represent an almost complete renovation of the building, often reusing parts of the original building and applying the most up-to-date building techniques. Upon completion of these major renovation projects, the buildings are considered as new and are presented as such in the real estate portfolio.
- b) Upgrades: these consist of occasional works that add new functionality, increase capacity, or significantly enhance or upgrade the building, making it possible to raise rents, and thus increasing the building's estimated rental income.

The appreciation in building values as a result of these projects is generally recognised by experts, which validates the probability that future benefits will flow to the Group as a result of the investment. Thus, all costs directly attributable to these types of works projects are capitalised in assets on the balance sheet. Attributable costs include but are not limited to: direct materials, contractor fees, technical studies, and architectural fees (up to 30 June 2006, only the cost of external architects were deemed eligible; since that time, the cost of both internal and external architects is included). Any excess of these costs over fair value is recognised as an expense in the income statement.

Borrowing costs are capitalised for all qualifying works projects with duration of more than one year.

3. Recurring remeasurement and remeasurement in the event of share transactions

3.1. Depreciation

In accordance with IAS 40, Aedifica applies the fair value model and does not recognise depreciation on its properties, the rights in rem on properties, or on properties rented to the Company under finance leases.

3.2. Share transactions

Real estate properties held by Aedifica and by the subsidiaries under its control are valued by experts each time the Company proceeds to issue new shares, list shares on the stock exchange, or repurchase shares other than through the stock exchange. While Aedifica is not bound by this valuation, any issue or repurchase price set below this level must be justified (in the form of a special report).

A new valuation is not required when a share issuance falls within four months of the last valuation of the property concerned, so long as the experts confirm that neither the economic situation nor the physical state of the property make a new valuation necessary.

3.3. Quarterly revaluations

Real estate experts perform a calculation of fair value at the end of the first three quarters of the financial year based on the conditions of the properties and on fluctuations observed in the real estate market. This valuation is carried out on a building-by-building basis and covers Aedifica's entire real estate portfolio, including properties held by its subsidiaries.

3.4. Annual revaluation

At the end of each financial year, an expert conducts a precise valuation of the following items:

- Real estate properties, properties by destination, and property rights in rem held by Aedifica and by its subsidiaries;
- Options on properties held by Aedifica and its subsidiaries, as well as the properties to which these options relate;
- Rights arising from contracts through which one or multiple properties are held by Aedifica (or its subsidiaries) under finance lease, as well as the underlying properties.

These valuations are binding for Aedifica and must be reflected in the accounts. Thus, the carrying amount of the properties in the accounts corresponds to the fair value at which they are assessed by Aedifica's independent experts.

3.5. Accounting for changes in fair value

Changes in the fair value of real estate properties, as determined by independent experts, arise each time the value is assessed. They are accounted for in the income statement.

4. Asset disposals

Upon disposal of an investment property, the gain or loss on disposal is recognised in the income statement, in line "XVI. Gains and losses on disposals of investment properties".

5. Owner-occupied investment property

Any investment property occupied by Aedifica is transferred to the line "other tangible assets" of the balance sheet. Its fair value at the time of the transfer becomes its deemed acquisition cost. If the Company only occupies a small part of the building, the whole building is recognised as "investment property" in the balance sheet and continues to be carried at fair value.

6. Development projects

Buildings under construction, renovation, or extension, which are considered development projects are recognised on the balance sheet at historical cost, including transfer taxes, non-recoverable VAT and indirect expenses (capitalised interest, insurance, legal fees, architectural fees, consulting fees, etc.). If the historical cost deviates from the fair value appraised by the independent expert, the deviation is recognised in the income statement in order to bring the carrying amount in line with the fair value. Costs incurred in the preliminary phase of development projects are recognised at their historical value.

I.D. Other tangible assets

Tangible assets with definite useful lives, which fall outside the scope of investment property, are initially recognised at their acquisition cost. The components approach is not applied (based on materiality criteria). Depreciation is charged on a linear basis using the pro rata temporis method. Thus, if the financial year does not cover 12 months (i.e. in case of a change in the Company's year-end), the depreciation charge is adjusted accordingly. As residual values are considered marginal, accumulated depreciation is expected to cover the total acquisition cost of each item included in other tangible assets.

The following depreciation rates are applied:

- Plant, machinery and equipment: 20 %;
- Furniture for furnished apartments: 10 % to 20 %;
- Other furniture and vehicles: 25 %;
- IT: 33 %.

I.E. Non-current financial assets

1. Hedging instruments

When a derivative provides cash flow hedges to cover a specific risk arising from a financial asset or a firm commitment or a highly probable transaction liability and meets the criteria for hedge accounting under IAS 39, the effective portion of the income or expense is recognised directly in equity (line "I.C.d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS"). The ineffective portion is recognised in the income statement.

When a derivative does not meet the criteria for hedge accounting under IAS 39, it is recognised on the balance sheet at its fair value, and changes in fair value are recognised in the income statement as they occur. The same treatment is applied for hedging instruments showing a negative fair value.

2. Other financial and non-current assets

Financial assets available for sale are valued at fair value (market value if available, otherwise acquisition value). Changes in fair value are recognised in equity (under "I.C.i. Reserve for the balance of changes in fair value of financial assets available for sale"). Receivables are valued at amortised cost.

I.H. Deferred tax assets

When a building is acquired outside of Belgium, the net income generated is subject to a foreign income tax. Deferred taxes are recognised on the balance sheet in relation to any unrealised gains (temporary difference between the fair value and the assessed value used for tax purposes of the building in question).

II.A. Assets held for sale

Properties that are considered non-strategic and which are intended to be sold are included in line II.A. They are recognised at fair value, in accordance with IFRS 5.

II.C/D/E. Receivables

Receivables are measured at amortised cost. Impairments are recognised when the insolvency of the debtor is confirmed.

II.G. Deferred charges and accrued income

Costs incurred during the year, which relate partially or in full to the following year, are recognised on a proportional basis as deferred charges. Revenues and portions of revenues earned over the course of one or several subsequent financial years, but which are also related to the current year, are recognised in income for the amount earned in the current year.

I.A. et II.A. Provisions

A provision is recognized on the balance sheet when the Group has an implicit or explicit legal obligation as a result of a past event, and for which it is probable the resources will be used to extinguish this obligation. Provisions are measured by calculating the present value of expected cash flows using a market interest rate. They are reflected as a liability on the balance sheet.

I.C.b. Other non-current financial liabilities – Other

The Company can commit itself to acquire the non-controlling shareholdings owned by third parties in subsidiaries, should these third parties wish to exercise their put options. The exercise price of such options granted to non-controlling interest is reflected on the balance sheet on line "I.C.b. Other non-current financial liabilities – Other".

I.H. Deferred tax liabilities

When a building is acquired outside of Belgium, the net income generated is subject to a foreign income tax. Deferred taxes are recognised on the balance sheet in relation to any unrealised gains (temporary difference between the fair value and the assessed value used for tax purposes of the building in question).

II.B/D/E. Current debts

Debts are recognized at amortised cost at the year-end date. Debts denominated in foreign currencies are converted into Euros using the spot rate on the year-end date.

II.F. Accrued charges and deferred income

Damages and interests paid by a lessee for breach of contract are recognised in the income statement at the time of receipt.

I. to XV. Operating result before result on portfolio

The objective of lines I through XV is to reflect the operating profit generated by the Company's rental property portfolio, including general operating costs.

All of Aedifica's leases are classified as operating leases for which Aedifica is the lessor. Lease income is recognised on a straight-line basis over the lease term, in accordance with IAS 17.

XVI. to XVIII. Operating result

The objective of lines XVI through XVIII is to reflect in the income statement all transactions and accounting adjustments related to the value of the Company's portfolio:

- Realised capital gains and losses: capital gains and losses are included in the line "Gains and losses on disposals of investment properties".
- Unrealised gains and losses (carried at fair value): changes in the portfolio's fair value are included in the income statement under "changes in fair value of investment properties".
- Commissions paid to real estate agents and other transaction costs: commissions related to the sale of buildings are deducted from the sale price in determining the gain or loss on disposal which is recognised in the operating result. Fees paid to real estate and technical experts are recognised as current expenses.

Commitments and contingencies

The Board of Directors values commitments and contingencies at the nominal value of the legal obligation as stated in the contract; in the absence of a nominal value or in exceptional cases, these values are disclosed for information purposes.

Group insurance

Aedifica's insurance contracts are considered defined contribution plans. These contracts are analysed in Note 39.

Note 3: Operating segments

Note 3.1: Presented segments

The following operating segments have been identified with application of IFRS 8:

- Senior housing: consists mainly of rest homes and assisted-living complexes, rented to operators often under “triple net” long leases (which are reflected in the low operating expenses accounted for in the segment income statement).
- Apartment buildings: consists of residential apartment buildings located in Belgian cities. When let, the apartments generate rental income. This segment also includes rental income from commercial ground floors and/or office space included in these buildings.
- Hotels and other: consists mainly of hotels rented to operators under “triple net” long leases.

These three operating segments are consistent with the internal reports provided to the Group’s chief operating decision-makers, as required under IFRS 8. The accounting policies presented in Note 2 are used for internal reporting purposes, including segment reporting.

All revenues are earned from external clients located in the Company’s country of residence (Belgium: €61,443 thousand) with the exception of revenues from Germany (€12,290 thousand) and The Netherlands (€5,447 thousand), and all non-current assets are located in Belgium, with the exception of €208,890 thousand located in Germany and €156,520 thousand in The Netherlands. In 2015/2016, all revenues were earned from external clients located in the Company’s country of residence (Belgium: €51,567 thousand) with the exception of revenues from Germany (€7,827 thousand) and The Netherlands (428 k€), and all non-current assets were located in Belgium, with the exception of €130,590 thousand located in Germany and €28,035 located in The Netherlands.

Each group of entities that falls under common control is considered as a single customer under IFRS 8. Revenues generated through transactions with a single customer representing more than 10 % of the Company’s total revenues must be disclosed. This requirement applies to:

- the 14 buildings in the senior housing segment (9 in Belgium and 5 in Germany) rented by legal entities controlled by the Orpea group, for which rents represent 12 % of the Company’s total 2016/2017 rental income (9 % in Belgium and 4 % in Germany; 2015/2016: 11 % in Belgium and 4% in Germany);
- the 27 buildings in the senior housing segment rented by legal entities controlled by the Senior Living Group (a subsidiary of the Korian group), for which rents represent 19 % of the Company’s total 2016/2017 rental income (14 % in the prior financial year);
- the 19 buildings in the senior housing segment rented by legal entities controlled by the Armonia group, for which rents represent 18 % of the Company’s total 2016/2017 rental income (23 % in the prior financial year).

Rents mentioned here represent the turnover realised by the Company over the duration of the financial year, which differ from the contractual rents (representing the agreements in place at the time of the year-end closure) on which the analyses included in the Property Report of this Annual Financial Report are based (refer to sections 3.7 and 3.8 of the Property Report).

Note 3.2: Segment information

Year ending on 30 June (x €1,000)		2016					TOTAL
		Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items°	
SEGMENT RESULT							
I.	Rental income	44,033	11,828	4,080	0	-119	59,822
II.	Writeback of lease payments sold and discounted	0	0	0	0	0	0
III.	Rental-related charges	-6	-29	0	0	0	-35
Net rental income		44,027	11,799	4,080	0	-119	59,787
IV.	Recovery of property charges	0	25	0	0	0	25
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	983	1,043	38	0	0	2,064
VI.	Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	0	0	0	0	0	0
VII.	Rental charges and taxes normally paid by tenants on let properties	-983	-1,043	-38	0	0	-2,064
VIII.	Other rental-related income and charges	-150	-1,310	6	0	0	-1,454
Property result		43,877	10,514	4,086	0	-119	58,358
IX.	Technical costs	-110	-913	-18	-78	0	-1,119
X.	Commercial costs	-24	-559	0	-1	0	-584
XI.	Charges and taxes on unlet properties	0	-113	-6	0	0	-119
XII.	Property management costs	-310	-676	0	-51	0	-1,037
XIII.	Other property charges	-17	-1,201	-23	-11	0	-1,252
Property charges		-461	-3,462	-47	-141	0	-4,111
Property operating result		43,416	7,052	4,039	-141	-119	54,247
XIV.	Overheads	-50	-84	0	-6,679	119	-6,694
XV.	Other operating income and charges	33	37	3	-12	0	61
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		43,399	7,005	4,042	-6,832	0	47,614
SEGMENT ASSETS							
Marketable investment properties		835,300	219,332	71,657	-	-	1,126,289
Development projects		-	-	-	25,924	-	25,924
Investment properties							1,152,213
Assets classified as held for sale		4,621	0	0	-	-	4,621
Other assets		-	-	-	16,328	-	16,328
Total assets							1,173,162
SEGMENT DEPRECIATION		0	-575	0	-126	0	-701
SEGMENT INVESTMENTS							
Marketable investment properties		105,169	0	0	-	-	105,169
Development projects		-	-	-	5,089	-	5,089
Investment properties		105,169	0	0	5,089	0	110,258
INVESTMENT PROPERTIES IN ACQUISITION VALUE		755,662	201,688	70,978	-	-	1,028,328
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES		17,589	338	-1,062	-6,090	-	10,775
VALUE INSURED		809,808	241,990	76,269	-	-	1,128,067
GROSS YIELD IN FAIR VALUE		5.9%	5.3%	6.3%	-	-	5.8%

[°] Mainly elimination of the internal rent for the administrative offices of the Company.

Year ending on 30 June (x €1,000)	2017					
	Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items [°]	TOTAL
SEGMENT RESULT						
I. Rental income	63,939	11,021	4,220	0	-197	78,983
II. Writeback of lease payments sold and discounted	0	0	0	0	0	0
III. Rental-related charges	-6	-19	-23	0	0	-48
Net rental income	63,933	11,002	4,197	0	-197	78,935
IV. Recovery of property charges	3	37	0	0	0	40
V. Recovery of rental charges and taxes normally paid by tenants on let properties	1,085	1,398	105	0	0	2,588
VI. Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	0	0	0	0	0	0
VII. Rental charges and taxes normally paid by tenants on let properties	-1,085	-1,398	-105	0	0	-2,588
VIII. Other rental-related income and charges	-36	-884	3	0	0	-917
Property result	63,900	10,155	4,200	0	-197	78,058
IX. Technical costs	-311	-923	-13	0	0	-1,247
X. Commercial costs	-61	-502	-4	0	0	-567
XI. Charges and taxes on unlet properties	0	-165	0	0	0	-165
XII. Property management costs	-438	-560	0	0	0	-998
XIII. Other property charges	-28	-976	-22	0	0	-1,026
Property charges	-838	-3,126	-39	0	0	-4,003
Property operating result	63,062	7,029	4,161	0	-197	74,055
XIV. Overheads	-78	-85	0	-8,578	197	-8,544
XV. Other operating income and charges	222	37	0	7	0	266
OPERATING RESULT BEFORE RESULT ON PORTFOLIO	63,206	6,981	4,161	-8,571	0	65,777
SEGMENT ASSETS						
Marketable investment properties	1,240,021	215,205	68,009	-	-	1,523,235
Development projects	-	-	-	17,174	-	17,174
Investment properties						1,540,409
Assets classified as held for sale	4,440	0	0	-	-	4,440
Other assets	-	-	-	25,273	-	25,273
Total assets						1,570,122
SEGMENT DEPRECIATION	0	-524	0	-154	0	-678
SEGMENT INVESTMENTS						
Marketable investment properties	333,028	0	0	-	-	333,028
Development projects	-	-	-	0	-	0
Investment properties	333,028	0	0	0	0	333,028
INVESTMENT PROPERTIES IN ACQUISITION VALUE	1,133,987	193,438	69,703	-	-	1,397,128
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	18,782	217	-2,880	-5,762	0	10,357
VALUE INSURED	1,123,608	199,835	83,988	-	-	1,407,431
GROSS YIELD IN FAIR VALUE	5.7%	4.9%	6.5%	-	-	5.7%

[°] Mainly elimination of the internal rent for the administrative offices of the Company.

Note 4: Rental income

(x €1,000)	2017	2016
Rents earned	78,908	59,781
Guaranteed income	0	0
Cost of rent free periods	-4	-22
Indemnities for early termination of rental contracts	79	63
TOTAL	78,983	59,822

The Group rents its buildings exclusively under operating leases.

The increase in rents earned is linked to the portfolio's growth during the 2016/2017 financial year.

The schedule of future minimum lease payments to be collected under non-cancellable operating leases required by IAS 17 is based on the following assumptions, which are extremely conservative:

- Residential leases: termination of all leases on 1 July 2017, with an average indemnity payment of one and a half months as indemnity payment.
- Commercial and office leases: termination of leases after one and a half years on average.
- Long-term leases (senior housing, hotels): no inflation.

Future minimum lease payments to be collected under non-cancellable operating leases are presented as follow:

(x €1,000)	2017	2016
Not later than one year	79,605	57,621
Later than one year and not later than five years	305,113	218,316
Later than five years	1,314,214	995,337
TOTAL	1,698,932	1,271,274

Rental income includes contingent rents amounting to €77 thousand (30 June 2016: €84 thousand).

Note 5: Rental-related charges

(x €1,000)	2017	2016
Rents payable as lessee	-20	-20
Write-downs on trade receivables	-28	-15
TOTAL	-48	-35

Note 6: Recovery of property charges

(x €1,000)	2017	2016
Indemnities on rental damage	40	25
TOTAL	40	25

Note 7: Recovery of rental charges and taxes normally paid by tenants on let properties

(x €1,000)	2017	2016
Rebiling of rental charges invoiced to the landlord	1,744	1,170
Rebiling of property taxes and other taxes on let properties	844	894
TOTAL	2,588	2,064

Note 8: Costs payable by the tenant and borne by the landlord on rental damage and repair of lease

Aedifica has not paid any amounts justifying particular mention in relation to costs payable by tenants and borne by the landlord on rental damage and/or repairs at the end of the lease term.

Note 9: Rental charges and taxes normally paid by tenants on let properties

(x €1,000)	2017	2016
Rental charges invoiced to the landlord	-1,744	-1,170
Property taxes and other taxes on let properties	-844	-894
TOTAL	-2,588	-2,064

Note 10: Other rental-related income and charges

(x €1,000)	2017	2016
Cleaning	-196	-274
Energy	-192	-307
Depreciation of furniture	-482	-539
Employee benefits	-229	-247
Other	182	-87
TOTAL	-917	-1,454

Note 11: Technical costs

(x €1,000)	2017	2016
Recurring technical costs		
Repair	-415	-338
Insurance	-100	-95
Employee benefits	-455	-386
Maintenance	-101	-126
Expert fees	-176	-174
TOTAL	-1,247	-1,119

Note 12: Commercial costs

(x €1,000)	2017	2016
Letting fees paid to real estate brokers	-264	-263
Marketing	-146	-191
Fees paid to lawyers and other legal costs	-80	-49
Other	-77	-81
TOTAL	-567	-584

Note 13: Charges and taxes on unlet properties

(x €1,000)	2017	2016
Charges	-165	-119
TOTAL	-165	-119

Note 14: Property management costs

(x €1,000)	2017	2016
Fees paid to external property managers	-134	-165
Internal property management expenses	-864	-872
TOTAL	-998	-1,037

Note 15: Other property charges

(x €1,000)	2017	2016
Property taxes and other taxes	-1,026	-1,252
TOTAL	-1,026	-1,252

A number of disputes are ongoing with respect to local taxes; Aedifica continues to defend its position in these cases. The disputed amounts have been recognised as an expense and have been paid.

Note 16: Overheads

(x €1,000)	2017	2016
Lawyers/notaries	-259	-306
Auditors	-133	-126
Real estate experts	-783	-671
IT	-186	-131
Insurance	-71	-65
Public relations, communication, marketing, publicity	-286	-339
Directors and executive management	-2,359	-1,987
Employee benefits	-1,926	-1,214
Depreciation and amortisation of other assets	-196	-162
Tax expense	-632	-575
Other	-1,713	-1,118
TOTAL	-8,544	-6,694

Note 17: Other operating income and charges

(x €1,000)	2017	2016
Recovery of damage expenses	31	27
Other	235	34
TOTAL	266	61

Note 18: Gains and losses on disposals of investment properties

(x €1,000)	2017	2016
Net sale of properties (selling price - transaction costs)	11,044	2,656
Carrying amount of properties sold	-9,585	-1,925
TOTAL	1,459	731

Note 19: Gains and losses on disposals of other non-financial assets

Over the course of the current and previous financial years, Aedifica has not recognised any gains or losses from the sale of other non-financial assets.

Note 20: Changes in fair value of investment properties

(x €1,000)	2017	2016
Positive changes	26,486	22,396
Negative changes	-16,129	-11,621
TOTAL	10,357	10,775
of which: marketable investment properties	16,119	16,865
development projects	-5,762	-6,090

Note 21: Financial income

(x €1,000)	2017	2016
Interests earned	71	59
Other	84	224
TOTAL	155	283

The 2016/2017 financial income included €0.1 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the contribution-in-kind of 8 December 2016 as compensation for the allocation of full dividend rights for the 2016/2017 financial year to the new shares issued that day.

The 2015/2016 financial income included €0.1 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the contributions-in-kind of 17 December 2015 and 24 March 2016 as compensation for the allocation of full dividend rights for the 2015/2016 financial year to the new shares issued that day.

Note 22: Net interest charges

(x €1,000)	2017	2016
Nominal interest on borrowings	-8,702	-5,580
Charges arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-3,593	-3,440
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-3,391	-3,255
Subtotal	-6,984	-6,695
Income arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	0	0
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	0	0
Subtotal	0	0
Capitalised borrowings costs	321	372
Other interest charges	0	-1
TOTAL	-15,365	-11,904

Charges and income arising from hedging instruments represents Aedifica's cash interest receipts or payments related to derivatives presented in Note 32 and detailed in Note 33. Changes in the fair value of these derivatives are listed in Note 47 and recognised in the income statement.

Note 23: Other financial charges

(x €1,000)	2017	2016
Bank charges and other commissions	-1,262	-1,049
Other	-66	-38
TOTAL	-1,328	-1,087

Note 24: Corporate tax

(x €1,000)	2017	2016
Parent		
Profit before tax (loss)	58,273	41,009
Effect of the Belgian REIT tax regime	-58,273	-41,009
Taxable result in Belgium based on non-deductible costs	406	381
Belgian current tax at rate of 33,99%	-138	-130
Belgian current tax regularisation for the previous year	-125	-1
Foreign current tax	-187	-213
Foreign deferred taxes: originations	47	108
Foreign deferred taxes: reversals	-830	-432
Subtotal	-1,233	-668
Subsidiaries		
Belgian current tax	-208	-147
Foreign current tax	-617	-90
Foreign deferred taxes: originations	446	802
Foreign deferred taxes: reversals	-1,204	-358
Subtotal	-1,583	207
TOTAL	-2,816	-461

The corporate taxes are composed of current taxes and deferred taxes.

Current taxes consist primarily of Belgian tax on Aedifica's non-deductible expenditures (since Belgian REITs benefit from a specific tax regime, leading to the taxation of only non-deductible costs, such as regional taxes, car costs, representation costs, social costs, donations, etc.), tax generated abroad and tax on the result of the consolidated subsidiaries.

Deferred taxes arose from the recognition at fair value of buildings located abroad in conformity with IAS 40. This deferred tax (with no monetary impact, that is to say, non-cash) is thus excluded from the EPRA Earnings* (see Note 54).

Note 25: Exit tax

Aedifica has not recognised any exit tax in the income statement.

Note 26: Earnings per share

The earnings per share ("EPS" as defined by IAS 33) is calculated as follows:

	2017	2016
Profit (loss) (Owners of the parent) (x €1,000)	63,358	40,266
Weighted average number of shares outstanding during the period	15,235,696	14,122,758
Basic EPS (in €)	4.16	2.85
Diluted EPS (in €)	4.16	2.85

Aedifica uses EPRA Earnings* to comply with the EPRA's recommendations and to measure its operational and financial performance; however, this performance measure is not defined under IFRS (see Note 57). In Aedifica's case, it represents the profit (attributable to owners of the Parent) after removing exclusively changes in fair value of investment properties (and the movements of deferred taxes related to these) and hedging instruments.

Profit excluding changes in fair value is calculated as follows:

(x €1,000)	2017	2016
Profit (loss) (Owners of the parent)	63,358	40,266
Less: Changes in fair value of investment properties (see Note 20)	-10,357	-10,775
Less: Gain and losses on disposal of investment properties (see Note 18)	-1,459	-731
Less: Deferred taxes (see Note 54)	1,541	-120
Less: Changes in fair value of financial assets and liabilities (see Note 47)	-5,119	5,685
Roundings	0	1
EPRA Earnings*	47,964	34,326
Weighted average number of shares outstanding during the period	15,235,696	14,122,758
EPRA Earnings* per share (in €)	3.15	2.43

The calculation in accordance with the model recommended by EPRA is included in the EPRA chapter of the Annual Financial Report.

Note 27 : Goodwill

(x €1,000)	2017	2016
Gross value at the beginning of the year	1,856	1,856
Cumulative impairment losses at the beginning of the year	0	0
Carrying amount at the beginning of the year	1,856	1,856
Movements of the year	0	0
CARRYING AMOUNT AT THE END OF THE YEAR	1,856	1,856
of which: gross value	1,856	1,856
cumulative impairment losses	0	0

Goodwill relates to the acquisition of a company that was active in furnished apartment rentals.

In applying IAS 36 – Impairment of Assets, the Group performed an analysis of the carrying amount, principally of goodwill. Goodwill arose from the acquisition of Ixelinvest SA, the original owner of a residential complex that is rented out as apartments on rue Souveraine in Brussels. This complex constitutes the cash-generating unit for the purposes of the goodwill impairment test.

An impairment review, performed by calculating value in use, was carried out to ensure that the carrying value of the cash-generating unit's assets (fair value of properties of €31 million, carrying amount of furniture of less than €1 million and carrying amount of goodwill for less than €2 million, i.e. €34 million in total) does not exceed their recoverable amount, defined as the higher of (i) the fair value less costs to sell and (ii) the value in use (estimated at €66 million).

In determining the value in use, the Group calculated the present value of the estimated future cash flows expected to arise from the continued use of the assets using a pre-tax discount rate of 3 %. The discount rate applied is based upon the weighted average cost of capital with appropriate adjustment for the relevant risks associated with the businesses, and can vary one year to another depending on market indicators. Estimated future cash flows are based on long-term plans (6 years) for each cash-generating unit, with extrapolation thereafter based on long-term average growth rates for the individual cash-generating units. This growth rate is set at 1.85 %, in line with expected inflation.

Future cash flows are estimated and may be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data, captured in the abovementioned pre-tax discount. Should the assumptions vary adversely in the future, the value in use of goodwill may fall below the carrying amount. Based on current valuations, the headroom (estimated at €32 million) appears sufficient to absorb a normal variation of approx. 1.4 % in the pre-tax discount. An impairment on goodwill would be booked for any excess over this headroom.

Note 28: Intangible assets

All intangible assets (consisting mainly of computer software) have a fixed useful life. Amortisation is recognised in income under the line "overheads".

(x €1,000)	2017	2016
Gross value at the beginning of the year	468	402
Depreciation and cumulative impairment losses at the beginning of the year	-350	-300
Carrying amount at the beginning of the year	119	102
Entries: items acquired separately	177	67
Amortisations	-75	-50
CARRYING AMOUNT AT THE END OF THE YEAR	221	119
of which: gross value	645	468
amortisations and cumulative impairment losses	-425	-350

Note 29: Investment properties

(x €1,000)	Marketable investment properties	Development projects	TOTAL
CARRYING AMOUNT AS OF 1/07/2015	981,624	21,734	1,003,358
Acquisitions	105,169	5,089	110,258
Disposals	-1,925	0	-1,925
Capitalised interest charges	0	372	372
Capitalised employee benefits	0	28	28
Other capitalised expenses	6,532	25,631	32,163
Transfers due to completion	20,840	-20,840	0
Changes in fair value (see Note 20)	16,865	-6,090	10,775
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	-2,816	0	-2,816
CARRYING AMOUNT AS OF 30/06/2016	1,126,289	25,924	1,152,213
CARRYING AMOUNT AS OF 1/07/2016	1,126,289	25,924	1,152,213
Acquisitions	333,028	0	333,028
Disposals	-9,585	0	-9,585
Capitalised interest charges	0	322	322
Capitalised employee benefits	0	78	78
Other capitalised expenses	6,364	47,451	53,815
Transfers due to completion	50,839	-50,839	0
Changes in fair value (see Note 20)	16,119	-5,762	10,357
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	181	0	181
CARRYING AMOUNT AS OF 30/06/2017	1,523,235	17,174	1,540,409

Determination of fair values depends on market factors and is based on valuations provided by independent experts who hold relevant and recognised professional qualifications and recent experience in the geographic areas and property types included in the Group's portfolio. All investment properties are located in Belgium, in Germany and in The Netherlands.

The fair value of the Group's portfolio of marketable investment properties assessed by independent experts as of 30 June 2017. The average capitalisation rate applied to contractual rents is 5.66 % (in accordance with the valuation methodology – presented in the first bullet of section 1.11 of the Standing Documents included in the 2016/2017 Annual Financial Report). A positive 0.10 % change in the capitalisation rate would lead to a negative change of approx. €27 million in the portfolio's fair value.

Development projects are described in detail in the Property Report included in the 2016/2017 Annual Financial Report.

Assets classified as held for sale (line II.A. included in the assets on the balance sheet) amounts to €4.4 million as of 30 June 2017. These are assisted-living apartments (senior housing) located in Aarschot (see section 2.1.7. of the Consolidated Board of Directors' Report) that are considered as non-strategic assets.

Acquisitions made during the year are described in detail in the Consolidated Board of Directors' Report included in the 2016/2017 Annual Financial Report.

All investment properties are considered to be at "level 3" on the fair value scale defined under IFRS 13. This scale includes three levels: Level 1: observable listed prices in active markets; Level 2: observable data other than the listed prices included in level 1; Level 3: unobservable data. During the 2016/2017 financial year, there were no transfers between level 1, level 2 and level 3.

The valuation methodologies (approach under which a capitalisation rate is applied to the estimated rental value and another based on the present value of future cash flows) are described in section 1.11 of the "Standing Documents" of the 2016/2017 Annual Financial Report.

The quantitative information presented below in relation to the determination of the fair value of investment properties based on unobservable data (level 3) is taken from various reports produced by the independent real estate experts:

Type of asset	Fair value as of 30 June 2017 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Senior housing	1,244,461	DCF	ERV / m ²	45	304	133
			Inflation	1.5%	2.0%	1.6%
			Discount rate	5.1%	7.0%	5.8%
			Residual maturity (year)	3	29	22
Apartment buildings	215,205	Capitalisation	ERV / m ²	71	175	119
			Capitalisation rate	4.5%	6.9%	5.4%
Hotels and other	68,009	DCF	ERV / m ²	79	126	103
			Inflation	1.5%	1.5%	1.5%
			Discount rate	6.3%	6.8%	6.7%
			Residual maturity (year)	20	31	26
		Capitalisation	ERV / m ²	86	165	129
			Capitalisation rate	3.5%	5.6%	5.0%
Development projects	17,174	DCF	ERV / m ²	97	306	237
			Inflation	1.5%	1.6%	1.6%
			Discount rate	5.8%	6.9%	6.6%
			Residual maturity (year)	15	27	21
Total	1,544,849					

Type of asset	Fair value as of 30 June 2016 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Senior housing	839,921	DCF	ERV / m ²	76	331	139
			Inflation	1.0%	1.9%	1.3%
			Discount rate	4.9%	7.3%	5.7%
			Residual maturity (year)	3	29	23
Apartment buildings	219,332	Capitalisation	ERV / m ²	69	175	119
			Capitalisation rate	4.7%	8.4%	5.5%
Hotels and other	71,657	DCF	ERV / m ²	79	125	102
			Inflation	1.3%	2.0%	1.7%
			Discount rate	5.9%	7.8%	7.2%
			Residual maturity (year)	21	32	27
		Capitalisation	ERV / m ²	86	165	131
			Capitalisation rate	3.4%	7.5%	5.3%
Development projects	25,924	DCF	ERV / m ²	91	331	197
			Inflation	1.3%	1.3%	1.3%
			Discount rate	5.1%	5.7%	5.3%
			Residual maturity (year)	20	27	25
Total	1,156,834					

In accordance with legal provisions, properties are revalued four times per year based on valuation reports prepared by the four independent experts appointed by the Company. These valuations are based on:

- information provided by the Company such as contractual rents, rental contracts, investment budgets, etc. These data are extracted from the Company's information system and are thus subject to the Company's internal control environment.
- assumptions and valuation models used by the independent experts, based on their professional judgment and market knowledge.

Reports provided by the independent experts are reviewed by the Company's Valuation & Asset Manager, the Control Manager and the Executive Managers. This includes a review of the changes in fair value over the period. When the Executive Managers consider that the valuation reports of the independent experts are coherent, the valuation report is submitted to the Audit Committee. Following a favourable opinion of the Audit Committee, these reports are submitted to the Board of Directors.

The sensitivity of the fair value measurement to a change of the abovementioned unobservable data is generally as follows (all else being equal):

Unobservable inputs	Effect on the fair value	
	in case of decrease of the unobservable input value	in case of increase of the unobservable input value
ERV / m ²	negative	positive
Capitalisation rate	positive	negative
Inflation	negative	positive
Discount rate	positive	negative
Residual maturity (year)	negative	positive

Interrelations between unobservable data are possible, as they are determined in part by market conditions.

Note 30: Development projects

This Note became redundant with the introduction of the revised IAS 40 "Investment Property" on 1 July 2009. Changes in development projects are now covered in Note 29. Development projects are also described in detail in section 4.2. of the Property Report included in the 2016/2017 Annual Financial Report.

Note 31: Other tangible assets

(x €1,000)	2017	2016
Gross value at beginning of the period	5,972	5,531
Depreciation and cumulative impairment losses at beginning of period	-4,348	-3,697
Carrying amount at beginning of period	1,624	1,834
Additions	598	442
Disposals	-8	0
Depreciation	-603	-652
CARRYING AMOUNT AT END OF PERIOD	1,611	1,624
of which: gross value	6,544	5,972
depreciations and cumulative impairment losses	-4,933	-4,348

Other tangible assets consist of capital employed in operations (mainly furniture in the furnished apartments).

Note 32: Non-current financial assets and other non-current financial liabilities

(x €1,000)	2017	2016
Receivables		
Collateral	0	0
Other non-current receivables	252	298
Assets at fair value through profit or loss		
Hedging instruments (see Note 33)	2,707	496
Other non-current financial assets		
Hedging instruments (see Note 33)	0	0
TOTAL NON-CURRENT FINANCIAL ASSETS	2,959	794
Liabilities at fair value through profit or loss		
Hedging instruments (see Note 33)	-16,763	-22,361
Other	-4,146	-1,327
Total non-current financial liabilities		
Hedging instruments (see Note 33)	-17,024	-23,694
TOTAL OTHER NON-CURRENT FINANCIAL LIABILITIES	-37,933	-47,382

Other non-current receivables (included in “loans and receivables” under IAS 39) generate interest and will be recovered over the course of subsequent fiscal years.

Assets and liabilities recognised at fair value through profit or loss consist principally of hedging instruments for which hedge accounting in the sense of IAS 39 is not applied. However, they serve to hedge against interest rate risks. Other hedging instruments, whether assets or liabilities, meet the criteria set out in IAS 39 for application of hedge accounting. Cash flows generated by all hedges, and/or changes in the fair value recognised in income are covered in Notes 22 and 47.

The other liabilities recognised at fair value through profit or loss (€4,146 thousand; 30 June 2016: €1,327 thousand) include the put options granted to non-controlling shareholders (see Notes 47 and 56).

Note 33: Hedges

1. Framework

In order to limit the interest rate risk, Aedifica has put in place hedges that turn floating rate debts into fixed rate debt or capped-rate debt (cash flow hedges). All hedges (interest rate swaps or “IRS”, caps and collars) relate to existing or highly probable risks. Hedging instruments are either derivatives that meet the strict criteria set by IAS 39 to allow hedge accounting or derivatives which do not meet these criteria but which nonetheless provide economic hedging against interest rate risk. All hedges are entered into in accordance with the hedging policy set out in Note 44. The fair value of hedges is computed by banks based on the present value of expected cash flows and is adapted in accordance with IFRS 13 to reflect the own credit risk (“DVA” or “Debit Valuation Adjustment”) and the counterparty credit risk (“CVA” or “Credit Valuation Adjustment”). The table below lists the hedging instruments.

INSTRUMENT Analysis as at 30 June 2016	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Max. interest rate (in %)	Fair value (x €1,000)
IRS°	10,175	1/04/2011	3	32	-	4.89	-6,957
IRS°	26,796	31/07/2014	3	29	-	4.39	-13,585
IRS	15,000	2/04/2013	3	9	-	3.50	-3,377
IRS	12,000	3/06/2013	3	9	-	3.64	-2,772
IRS	8,000	3/06/2013	3	9	-	3.67	-1,907
Cap	25,000	1/11/2015	3	2	-	2.50	0
IRS	25,000	3/01/2014	3	7	-	3.10	-3,919
Cap	25,000	1/11/2014	3	3	-	2.50	0
IRS	25,000	2/02/2015	3	6	-	1.94	-2,351
IRS	25,000	3/11/2014	3	6	-	2.51	-2,945
IRS	25,000	1/01/2015	3	3	-	0.70	-329
Cap	50,000	1/10/2015	3	3	-	0.50	23
Cap	50,000	1/10/2015	3	4	-	0.35	86
IRS	25,000	3/11/2014	3	6	-	2.76	-3,219
IRS	25,000	1/01/2015	3	3	-	0.89	-391
IRS	25,000	3/10/2016	3	5	-	2.88	-4,303
Cap	8,000	6/06/2016	1	1	-	0.00	0
Cap	50,000	1/07/2016	3	4	-	0.50	72
Cap	100,000	1/11/2017	3	2	-	0.50	114
Cap	50,000	1/07/2017	3	4	-	0.50	201
TOTAL	604,971						-45,559

° Notional amount depreciable over the duration of the swap. Aedifica and the bank may liquidate in advance these contracts every 10 years.

INSTRUMENT Analysis as at 30 June 2017	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Max. interest rate (in %)	Fair value (x €1,000)
IRS°	9,986	1/04/2011	3	32	-	4.89	-5,294
IRS°	25,813	31/07/2014	3	29	-	4.39	-10,199
IRS	15,000	1/07/2018	3	7	-	3.28	-2,746
IRS	12,000	1/07/2018	3	7	-	3.25	-2,171
IRS	8,000	1/07/2018	3	7	-	3.35	-1,501
Cap	25,000	1/11/2015	3	2	-	2.50	0
IRS	25,000	3/04/2017	3	8	-	1.99	-2,811
Cap	25,000	1/11/2014	3	3	-	2.50	0
IRS	25,000	2/11/2016	3	6	-	1.30	-1,444
IRS	25,000	2/11/2016	3	6	-	1.68	-1,932
IRS	25,000	1/01/2015	3	3	-	0.70	-67
Cap	50,000	1/10/2015	3	3	-	0.50	7
Cap	50,000	1/10/2015	3	4	-	0.35	64
IRS	25,000	2/11/2016	3	6	-	1.87	-2,187
IRS	25,000	1/01/2015	3	3	-	0.89	-80
IRS	25,000	3/10/2016	3	5	-	2.88	-3,306
Cap	50,000	1/07/2016	3	4	-	0.50	51
Cap	100,000	1/11/2017	3	2	-	0.50	76
Cap	50,000	1/07/2017	3	4	-	0.50	191
Cap	50,000	1/11/2016	3	5	-	0.50	460
Cap	50,000	1/01/2019	3	2	-	0.35	218
Cap	50,000	1/11/2019	3	2	-	0.50	422
Cap	50,000	1/11/2017	3	4	-	0.25	591
IRS	75,000	2/01/2020	3	2	-	0.33	120
IRS	50,000	1/01/2021	3	3	-	0.80	21
IRS	50,000	1/01/2021	3	2	-	0.64	38
IRS	50,000	1/11/2019	3	3	-	0.39	155
IRS	50,000	1/11/2019	3	5	-	0.78	-49
IRS	50,000	3/01/2022	3	1	-	0.65	80
IRS	50,000	3/01/2022	3	2	-	0.73	214
TOTAL	1,170,799						-31,080

° Notional amount depreciable over the duration of the swap. Aedifica and the bank may liquidate in advance these contracts every 10 years.

The total notional amount of €1,171 million presented in the table above is broken down as follows:

- operational and active instruments: €211 million;
- operational instruments which became out of the money (caps): €250 million;
- instruments with forward start: €710 million.

The total fair value of the hedging instruments presented in the table above (-€31,080 thousand) can be broken down as follows: €2,707 thousand on line I.E. of the asset side of the consolidated balance sheet (see Note 32) and €33,787 thousand on line I.C.a. of the liability side of the consolidated balance sheet. Taking into account the carrying amount of the upfront premiums paid for the caps (€2,976 thousand), the IAS 39 impact on equity amounts to -€34,055 thousand.

2. Derivatives for which hedge accounting is applied

(x €1,000)	2017	2016
Changes in fair of the derivatives		
Beginning of the year	-23,560	-19,667
Changes in the effective portion of the fair value of hedging instruments (accrued interests)	410	-10,416
Transfer to the income statement of interests paid on hedging instruments	6,732	6,523
Transfer to the income statement regarding revoked designation	0	0
AT YEAR-END	-16,418	-23,560

The amounts recorded in equity will be transferred to net finance costs, in line with the payment of interest on the hedged financial debt, between 1 July 2017 and 31 July 2043.

The year-end equity value includes the effective part (as defined in IAS 39) of the change in fair value (-€7,276 thousand) of derivatives for which hedge accounting is applied, and the ineffective portion of the 2015/2016 financial year (charge of €135 thousand) that was appropriated in 2016/2017 by decision of the Annual General Meeting held in October 2016. These financial instruments are “level 2” derivatives (according to IFRS 13p81). The ineffective part is an income of €22 thousand in 2016/2017. Cash flows arising from interest on the hedges are shown in Note 22.

3. Derivatives for which hedge accounting is not applied

The financial result includes an income of €6,053 thousand (30 June 2016: a charge of €5,456 thousand), arising from the change in the fair value of derivatives for which hedge accounting is not applied (in line with IAS 39, as listed in the aforementioned framework) (see Note 47). These financial instruments are “level 2” derivatives (as defined in IFRS 13p81). The financial result also includes the amortisation of the premiums paid at the time of the subscription to the caps, which amounts to €404 thousand (30 June 2016: €238 thousand).

The interest cash flows arising from the hedges are shown in Note 22 and the change in fair value recognised in the income statement is shown in Note 47.

4. Sensitivity analysis

The fair value of hedging instruments is a function of the interest rates on the financial markets. Changes in market interest rates explain most of the change in the fair value of hedging instruments between 1 July 2016 and 30 June 2017, which led to the recognition of an income of €6,075 thousand in the income statement and an income of €7,726 thousand directly in equity.

A change in the interest rate curve would impact the fair value of instruments for which hedge accounting is applied (in accordance with IAS 39), and recognised in equity (line “I.C.d. Reserve for the balance of changes in the fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS”). All else being equal, a positive change of 10 bps in the interest rate curve at the balance sheet date would have had a positive impact on equity in the amount of €2,022 thousand (30 June 2016: €832 thousand). A negative change of 10 bps in the interest rate curve at the balance sheet date would have had a negative impact on equity in the same amount. The impact of a change in the interest rate curve on the fair value (instruments for which hedge accounting under IAS 39 is not applied, cannot be determined as precisely, since options can be embedded within these instruments. The fair value of these options will change in a non-symmetric and non-linear pattern, and is a function of other parameters (e.g. volatility of interest rates). The sensitivity of the “mark-to-market” value of these instruments to an increase of 10 bps in the interest rate curve is estimated at approx. +€306 thousand (30 June 2016: +€820 thousand) in the income statement. A decrease of 10 bps in the interest rate curve would have a negative impact on the income statement in the same range.

Note 34: Trade receivables

(x €1,000)	2017	2016
TRADE RECEIVABLES - NET VALUE	6,718	3,880

It is anticipated that the carrying amount of trade receivables will be recovered within 12 months. This carrying amount represents an estimate of the fair value of assets which do not generate interest.

The credit risk associated with trade receivables is limited thanks to the diversity of the client base and rental guarantees (2017: €31.8 million; 2016: €23.6 million) received from tenants to cover their commitments. The carrying amount on the balance sheet is presented net of the provision for doubtful debts. Thus, the risk of exposure to credit risk is reflected in the carrying amount of receivables recognised on the balance sheet.

Trade receivables are analysed as follows:

(x €1,000)	2017	2016
under 90 days	826	817
over 90 days	258	458
Subtotal	1,084	1,275
Not due	5,717	2,718
Write-downs	-83	-113
CARRYING AMOUNT	6,718	3,880

Write-downs have evolved as follows:

(x €1,000)	2017	2016
At beginning of period	-113	-112
Addition	-69	-39
Utilisation	55	8
Reversal	44	30
Mergers	0	0
AT END OF PERIOD	-83	-113

Note 35: Tax receivables and other current assets

(x €1,000)	2017	2016
Tax	897	988
Other	782	386
TOTAL	1,679	1,374

Tax receivables are composed mainly of prepayments. Account receivables from subsidiaries are granted by the Company at market conditions.

Note 36: Cash and cash equivalents

(x €1,000)	2017	2016
Short-term deposits	0	0
Cash at bank and in hands	8,135	4,947
TOTAL	8,135	4,947

Cash and cash equivalents are assets which generate interest at varying rates. The amounts presented above were available as of 30 June 2017 and 30 June 2016. Short-term investments may be held during the year, normally for periods of one week to one month.

Note 37: Deferred charges and accrued income

(x €1,000)	2017	2016
Accrued rental income	481	738
Deferred property charges	405	320
Other	0	0
TOTAL	886	1,058

Note 38 : Equity

Aedifica has completed three capital increases by way of contributions in kind during the 2015/2016 financial year:

- 2 December 2016: capital increase of approx. €8 million (including share premium) by the issue of 122,675 new Aedifica shares in the context of the optional dividend 2015/2016.
- 8 December 2016: capital increase of approx. €4 million (including share premium) by way of a contribution in kind that enabled the acquisition of the Les Jardins de la Mémoire senior housing site in Anderlecht and the long lease on the plot of land on which the building is located.
- 28 March 2017: capital increase of approx. €219 million (including share premium) by the issue of 3,595,164 new Aedifica shares in the context of a capital increase in cash.

The capital has thus evolved as follows:

	Number of shares	Capital (x €1,000)
Situation at the beginning of the previous year	14,045,931	370,641
Capital increase	146,101	3,855
Situation at the end of the previous year	14,192,032	374,496
Capital increase of 2 December 2016	122,672	3,237
Capital increase of 8 December 2016	65,952	1,740
Capital increase of 28 March 2017	3,595,164	94,868
Situation at the end of the year	17,975,820	474,342

Equity is presented above before subtracting the costs of raising capital; the equity value presented on the balance sheet in accordance with IFRS is shown net of these costs.

Since 28 March 2017, no shareholder holds more than 5 % of the share capital. The free float is thus 100 %. Declarations of transparency and control strings are available on Aedifica's website. The Company has not received any additional declarations of transparency after those received on 28 March 2017.

The totality of the 17,975,820 shares issued as of 30 June 2017 are listed on the Euronext Brussels continuous market.

Capital increases are detailed in the "Standing Documents" included in the 2015/2016 Annual Financial Report. All subscribed shares are fully paid-up, with no par value. The shares are registered, bearer, or dematerialised shares and grant one vote.

Aedifica SA holds no treasury shares.

The Board of Directors is authorised to raise share capital through one or a series of issuances up to a maximum amount of

- 1) €374,000 thousand if the capital increase to be effected is a capital increase whereby the shareholders of the Company have the possibility to exercise a preferential subscription right or a priority allocation right,
- 2) €74,800 thousand for any other type of capital increase;

it being understood that the share capital can never be increased within the framework of the authorised capital in excess of €374,000 thousand on the dates and following the procedures established by the Board, in accordance with Article 603 of the Belgian Companies Code. This authorisation is granted to the Board of Directors for a period of 5 years from the publication date

in the annexes of the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad) of the minutes of the Extraordinary General Meeting of 28 October 2016. Each time new shares are issued, the Board of Directors determines the price, the possible issue premium and the terms of issue for the new shares (unless such decisions are made by shareholders at the Annual General Meeting). Increases in share capital decided upon by the Board of Directors may also be realised through subscriptions paid in cash or by way of in-kind incorporation of premiums, reserves, or profits, with or without the issuance of new shares. These capital increases can equally be realised through the issuance of convertible debt securities or subscription rights. As of 30 June 2017, the remaining balance of the authorised capital amounts to 1) €277 million if the capital increase to be effected is a capital increase whereby the shareholders of the Company have the possibility to exercise a preferential subscription right or a priority allocation right, 2) €73 million for any other type of capital increase.

The Board of Directors has proposed a dividend distribution of €2.25 gross per share for the year ended 30 June 2017, i.e. a total dividend of €34,478 thousand, to be divided over two coupons (coupon No.17: €1.66; coupon No.18: €0.59).

Calculated in accordance with Article 617 of the Belgian Companies Code and given the Royal Decree of 13 July 2014, reserves available for distribution (statutory) amount to €19,415 thousand as of 30 June 2017, after taking into account the dividend proposed above (2016: €12,848 thousand). Detailed calculations are provided in the notes to the attached Abridged Statutory Accounts.

Aedifica defines capital in accordance with of IAS 1p134 as the sum of all equity accounts. The equity level is monitored using a consolidated debt-to-assets ratio calculated in accordance with the provisions of the Royal Decree of 13 July 2014 (see Note 52), which cannot exceed 60 % and according to the credit agreements in place with the Company's banks (see Notes 40 and 44). Equity is managed so as to permit the Group to continue as a going concern and to finance its future growth.

Note 39: Provisions

Aedifica contributes to a number of defined contribution plans in Belgium, which are open to new beneficiaries. These include funded pension schemes for all beneficiaries, i.e. labourers, staff members and members of the Management Committee (Executive Managers). These schemes are managed through private insurances plans with a guaranteed return. No personal contributions from the beneficiaries are required.

On 23 October 2015, the Belgian government formally approved the "Group of 10" proposal regarding the guaranteed return on defined contributions plans; the new law of 18 December 2015 was published on 24 December 2015. For classic "branch 21" insurance contracts, the new guaranteed return applies to future contributions (from the employer and from the employee) paid as from 1 January 2016, but the old guarantee (3.25% on the contributions paid by the employer and 3.75% on the contributions paid by the employee) remains to be granted on the built up minimum reserve at 31 December 2015. The new guaranteed return is based on Belgian government bonds with a duration of 10 years (OLO10) with a minimum of 1.75% and a maximum of 3.75%. At this moment (since 1 January 2016), a minimum return of 1.75% applies. This could generate a liability in the balance sheet of the employer. This guarantee is not applicable to the scheme applicable for the members of the Management Committee.

Under these schemes, Aedifica had externalised assets amounting to 358 k€ as of 30 June 2017. During the 2017/2018 financial year, the expected contribution for the schemes will amount to 130 k€.

An actuarial valuation where the liabilities (approach Traditional unit credit method - TUC) are based on the actual build up minimum reserves projected with the minimum guaranteed return and discounted with the discount rate as described by IAS 19 and where the active are set equal to individual mathematical reserves with addition of the reserves of the available financing funds leads to a total liability of less than 1 k€ as at 30 June 2017.

Given that the interest rates that are guaranteed by the insurers have decreased below the level of 3.25 % since 2013, there is a risk for future underfunding, however this risk is limited in view of the externalised assets.

The amounts recognised as an expense for the long-term benefits granted the members of the Management Committee are detailed in the Remuneration Report included in the 2016/2017 Annual Financial Report.

In Germany, a supplementary defined contribution plan was introduced during the 2015/2016 accounting year. For this plan, no provision needs to be taken into account as, according to IAS 19, it does not concern a defined benefit plan, unlike the abovementioned defined contribution plans in Belgium.

Note 40: Borrowings

(x €1,000)	2017	2016
Non-current financial debts		
Borrowings	579,438	447,721
Current financial debts		
Borrowings	34,524	31,027
TOTAL	613,962	478,748

The increase in the borrowings is linked to the growth of the real estate portfolio during the course of the 2016/2017 financial year; it was tempered by the €219 million capital increase of 28 March 2017.

As of 30 June 2017, Aedifica benefits from committed credit facilities (financial liabilities carried at amortised cost according to IAS 39 and presented as current and non-current financial debts on the balance sheet) issued by twelve banks (Bank für Sozialwirtschaft, Bank Degroof Petercam, Banque Européenne du Crédit Mutuel, Belfius Bank, BNP Paribas Deutschland, BNP Paribas Fortis, Caisse d'Epargne et de Prévoyance Nord France Europe, Deutsche Postbank, Förde Sparkasse, ING, KBC Bank and Triodos Bank) totalling €898 million:

- Aedifica can use up €809 million depending on its needs, so long as the debt-to-assets ratio does not exceed 60 % and other covenants (in line with market practice) are met. Each withdrawal is made in Euros for a period of up to 12 months, at a fixed margin set with reference to the euribor rate prevailing at the time of the withdrawal.
- Aedifica also benefits from amortising facilities amounting to €54 million at fixed rates between 1.4 % and 5.95 % and €35 million at variable rate.

The average interest rate, including the spread charged by the banks and the effect of hedging instruments, was 2.3 % after deduction of capitalised interest (2.8 % in 2015/2016) and 2.3 % before deduction of capitalised interest (2.9 % in 2015/2016). Given the short duration of the withdrawals, the carrying amount of the variable-rate financial debts is an approximation for their fair value (€560 million). The hedges in place as of 30 June 2017 are detailed in Note 33. The fair value of the fixed-rate financial debts (€54 million) is estimated at €63 million.

As of 30 June 2017, the Group has neither pledged any Belgian or Dutch buildings as collateral for its debts, nor has it granted any other securities to debt-holders. Note that in Germany, it is customary that real estate buildings financed by bank credit are linked to a mortgage in favour to the creditor bank. As such, 12 of the 22 buildings in Germany are linked to a mortgage, respecting the requirements laid down in Article 43 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies.

The classification between current financial debts and non-current financial debts is made based on the maturity dates of the underlying credit facilities on which the drawings are made, rather than on the maturity date of the individual drawings.

The timetable showing the maturity of Aedifica's credit facilities is as follows (in € million):

	Lines	Utilisation
— 2017/2018 :	37	30
— 2018/2019 :	131	111
— 2019/2020 :	80	68
— 2020/2021 :	91	91
— 2021/2022 :	167	100
— 2022/2023 :	160	33
— 2023/2024 :	156	106
— > 2024/2025 :	78	78
Total	898	615
Weighted average maturity (years)	4.5	4.2

Note 41: Trade payables and other current debts

(x €1,000)	2017	2016
Exit tax	717	4,505
Other		
Suppliers	14,896	10,639
Tenants	2,021	1,370
Tax	2,246	1,174
Salaries and social charges	1,066	1,010
Dividends of previous years	23	23
TOTAL	20,969	18,721

The majority of trade payables and other current debts (recognised as “financial liabilities at amortised cost” under IAS 39, excluding taxes covered by IAS 12 and remuneration and contributions to social security plans covered by IAS 19). It is anticipated that these debts will be settled within 12 months. The carrying amount constitutes an approximation of their fair value.

Note 42: Accrued charges and deferred income

(x €1,000)	2017	2016
Property income received in advance	1,003	451
Financial charges accrued	2,003	2,059
Other accrued charges	1,907	2,171
TOTAL	4,913	4,681

Note 43: Employee benefits expense

Total employee benefits (excluding Executive Managers and Directors presented in Note 16) are broken down in the income statement as follows:

(x €1,000)	2017	2016
Cleaning costs (see Note 10)	-229	-247
Technical costs (see Note 11)	-455	-386
Commercial costs	-77	-76
Overheads (see Note 16)	-1,926	-1,214
Property management costs (see Note 14)	-864	-872
Capitalised costs	-78	-28
TOTAL	-3,629	-2,823

Headcount at the year-end (excluding Executive Managers and Directors):

	2017	2016
Total excluding trainees	47	44
Trainees	1	0
TOTAL	48	44

Note 44: Financial risk management

Aedifica's financial risk management aims to ensure permanent access to borrowings, and to closely follow and minimize interest risk rate.

1. Debt structure

The debt-to-assets ratio (as defined in the Royal Decree of 13 July 2014) is provided in section 3.3 of the Consolidated Board of Directors' Report included in this Annual Financial Report. As of 30 June 2017, it amounts to 38.6 % on statutory level and to 40.8 % on consolidated level. This section also discloses the maximum ratio permitted before the Company reaches the maximum debt-to-assets ratio permitted for Belgian REITs (65 % of total assets) or arising due to bank covenants (60 % of total assets). The debt-to-assets ratio is published quarterly and monitored monthly in the framework of account closings and its evolution is estimated in the framework of approval process of each major investment project. When exceeding the debt-to-assets threshold of 50 %, a financial plan with an implementation schedule must be elaborated, describing the measures taken to prevent the consolidated debt-to-assets ratio from exceeding the maximum permissible threshold of 65 % (Article 24 of the Royal Decree of 13 July 2014). The Company has expressed in each of its last four Securities Notes (2010, 2012, 2015 and 2017) that its policy in this matter aims to maintain an adequate debt-to-assets ratio of approx. 50 to 55 % over the long term.

Aedifica's financial model relies on a structural indebtedness. As a result, cash balances are usually low, amounting to €8 million as of 30 June 2017.

As of 30 June 2017, Aedifica has neither pledged any Belgian building as collateral for its debts, nor has it granted any other securities to debt-holders. Note that in Germany, it is customary that real estate buildings financed by bank credit are linked to a mortgage in favour to the creditor bank. As such, 12 out of the 22 buildings in Germany are linked to a mortgage as of 30 June 2017, respecting the requirements laid down in Article 43 of the Act of 12 May 2014 (the total amount covered by the collaterals may not exceed 50 % of the global fair value and no mortgage may concern more than 75 % of the value of the concerned building). In the framework of additional financing of assets located in Germany, it is not excluded that additional mortgages are given.

2. Liquidity risk

Aedifica enjoys a strong and stable relationship with its banks, which form a diversified pool, comprising an increasing number of European institutions, with each bank in bilateral relation with the Company. Details of Aedifica's credit facilities are disclosed in Note 40.

As of 30 June 2017, Aedifica is using committed credit facilities totalling €615 million (2016: €480 million), out of €898 million in total available credit. The remaining headroom of €283 million is sufficient to cover Aedifica's short-term financial needs (including the development projects in progress) until the end of the 2017/2018 financial year. The investment amount that is budgeted in the Company's financial plan for the existing projects as of 30 June 2017 is estimated at €122 million, to be invested over a three-year period. €257 million should be added to that amount for the acquisitions announced on 10 July (€9 million), 19 July (€40 million), 17 August (€200 million) and 24 August (€8 million), as well as €66 million for a hypothetical investment, which brings the total net investment included in the financial plan for the 2017/2018 financial year to €224 million.

Given the regulatory status of Belgian REITs/RRECs, and the type of property in which Aedifica invests, the risk of non-renewal of mature credit facilities is remote, even in the context of a credit crunch, except in unforeseen and extreme circumstances. There is a risk of increasing credit spreads should market conditions deteriorate as compared to those present at the time of the current credit facilities were signed.

The Company would be exposed to a liquidity risk which could arise due to a lack of cash flow in the event of early termination of the credit facilities. Should the Company fail to comply with the provisions (covenants), which were included in the credit facility arrangements to take into account key financial ratios, the facilities might indeed be cancelled, re-negotiated, or forced into reimbursement. The covenants in place are in line with market practice, and in particular require that the debt-to-assets ratio (as defined by the Royal Decree of 13 July 2014) does not exceed 60 %. Moreover, there is a risk of early termination in the event of a change of control, in case of non-compliance with the Company's obligations, and, more generally speaking, in the event of default as defined in these arrangements. A default situation of a contract can lead to default situation of all contracts ("cross-default" clauses). Based on the information available to date, and the prospects for the foreseeable future, there is no indication of a possible early termination of one or more of the existing credit facilities. However, this risk cannot be ignored completely. Moreover, Aedifica does not itself retain control over certain commitments, such as in the event of a change of control, which could lead to the early termination of the credit facilities.

Internally, Aedifica is organised so as to regularly monitor the evolution of financial markets, optimise the Company's financial structure over both the short and long terms, and manage financial risks (liquidity risk, interest rate risk). Aedifica aims to further diversify its funding sources, given market conditions.

As of 30 June 2017, the undiscounted future cash flows related to the credit facilities include €530 million maturing within 1 year, €52 million maturing within 1 to 5 years, and €33 million maturing in more than 5 years. The credit facilities also give rise to an interest expense of €4.0 million that is due within 1 year (2016: €428 million capital and €2.3 million interest within 1 year).

The undiscounted contractual future cash flows related to hedging instruments are analysed as follows:

As at 30 June 2017 (x €1,000)	Due within the year	Due between one to five years	Due after more than five years	TOTAL
Derivatives for which hedge accounting is applied	-3,381	-10,556	-3,102	-17,039
Derivatives for which hedge accounting is not applied	-1,504	-7,941	-8,505	-17,950

As at 30 June 2016 (x €1,000)	Due within the year	Due between one to five years	Due after more than five years	TOTAL
Derivatives for which hedge accounting is applied	-3,871	-15,361	-5,529	-24,761
Derivatives for which hedge accounting is not applied	-3,199	-10,308	-9,939	-23,446

3. Interest rate risk

Almost all of Aedifica's financial debts are floating-rate borrowings. This allows Aedifica to benefit from low interest rates on the non-hedged part of its borrowings. To mitigate the risk of increasing interest rates, Aedifica follows a policy aimed at securing the interest rates related to at least 60 % of its current or highly probable indebtedness over several years. Some fixed-rate debt are assumed by the Company and originates from preexisting investment credits held in real estate companies that have been acquired or merged by the Company.

This policy is supported by the fact that an increase in nominal interest rates, when not coupled with a simultaneous increase in inflation, implies an increase in real interest rates that cannot be offset by increasing rental incomes through indexation alone. Moreover, in case of accelerating inflation, there is a delay between the moment of the increase of the nominal interest rates and the timing of the indexation of rental incomes. When the interest rate curve is sufficiently flat (i.e. when interest does not vary a lot in relation of the maturity date), Aedifica aims to enter into hedges over longer periods, in line with its investment horizon.

For example, assuming that the structure and level of financial debts remain unchanged, and assuming that no hedges have been entered into, simulations show that a 100 bps positive deviation (increase) in the 2017/2018 interest rates over the forecast rates would lead to an additional €7.2 million interest expense for the year ending 30 June 2018. Considering the hedges' situation as of 30 June 2017, the interest expense would amount to just €2.1 million.

In order to manage the interest rate risk, Aedifica has put in place hedges (interest rate swaps and caps). All hedges are entered into with leading banks and relate to existing or highly probable risks. Where appropriate, Aedifica applies hedge accounting as defined by IAS 39. An analysis of the Company's hedges is provided in the Consolidated Board of Directors' Report and in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report. The hedges are entered into for long periods; however, hedge agreements include provisions (in line with market practice) that could lead the issuing banks to terminate the hedges early or initiate margin calls (in cash for example) in their own favour in certain circumstances.

Changes in the interest rate curve have a limited impact on the future interest expense, as 60 % of the financial debts are hedged by IRS or caps. Each change in the interest rate curve has an impact on the fair value of hedging instruments against income statement and/or equity (line "I.C.d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS" and line "I.C.e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS"). A sensitivity analysis is provided in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report.

Some external events may lead to an increase in the credit margin at cost to the Group, in accordance with "increased cost" clauses included in the bank covenants. However, in the course of worldwide crises since 2007, no bank has never invoked any of these clauses towards the Group.

4. Counterparty risk

The signing of a credit facility or a hedging instrument with a bank generates a counterparty risk in terms of counterparty default. In order to mitigate this risk, Aedifica trades with several leading European banks to diversify its funding and hedging sources, while remaining cautious as to the balance between cost and quality of the services provided. In the context of the current banking crisis, one should bear in mind that one or several counterparties could default.

In line with market practice, the agreements signed with banks include market shock clauses and major adverse change clauses which could lead, in extreme circumstances, to additional costs for the Company or possibly the early termination of the credit

facility. However, in the course of worldwide crises since 2007, no bank has ever invoked any of these clauses towards the Group.

Aedifica is in an on-going relationship with the banks listed Note 40. In terms of hedging, the main providers (by order of magnitude) are ING, BNP Paribas Fortis, KBC and Banque Européenne du Crédit Mutuel.

5. Foreign exchange risk

Aedifica earns all its rental income and incurs all expenses within the euro-zone (except for certain small suppliers which charge for their services in USD and CAD). The borrowings of the Company are all denominated in Euros. Thus, Aedifica is not exposed to significant foreign exchange risk.

6. Financial planning risk

The yearly budget and long-term financial plan are important tools used in the decision-making process and in daily management activities. The budget and financial plan are derived from a computerised model that incorporates a number of assumptions; this model can suffer from programming errors, and human errors which may arise when using it. The potential for wrong assumptions, and undetected programming or human errors might put pressure on the Company's performance or threaten its compliance with regulatory (e.g. legal covenants associated to the public RREC status, such as the debt-to-assets ratio), contractual provisions (e.g. bank covenants), and the confidence from the markets.

Note 45: Contingencies and commitments

1. Commitments

The acquisition values mentioned below respect the requirements laid down in Article 49 § 1 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies (at the time of the signing of the agreements which generated the commitment).

1.1 Extension of the Aux Deux Parcs rest home in Jette (Belgium)

Aedifica committed to finance the extension of the existing rest home for a maximum budget of €2 million. Works are expected to begin shortly.

1.2 Renovation and extension of the L'Air du Temps rest home in Chênée (Belgium)

Under the long lease with Senior Living Group, Aedifica committed to finance the renovation and extension of the L'Air du Temps rest home in Chênée for a maximum budget of €7 million. Works are currently in progress.

1.3 Construction of a new assisted-living apartment building next to the Cheveux d'Argent rest home in Sart-lez-Spa (Belgium)

Under the long lease with the operator of the Cheveux d'Argent rest home (being part of Senior Living Group), Aedifica committed to finance the construction of a new assisted-living apartment building next to the existing rest home in Sart-lez-Spa for a maximum budget of €3 million. Works are currently in progress.

1.4 Extension of the 't Hoge rest home in Kortrijk (Belgium)

Under the long lease with the operator of the 't Hoge rest home (which includes a guarantee from Senior Living Group), Aedifica committed to finance the extension (the construction of a new building including 12 assisted-living apartments) of the existing building in Kortrijk for a maximum budget of €2 million.

1.5 Renovation and extension of the Plantijn rest home in Kapellen (Belgium)

Under the long lease with Armonea, Aedifica committed to finance the renovation and extension of the Plantijn rest home for a maximum budget of €5 million. Works are currently in progress.

1.6 Renovation and extension of the Huize Lieve Moenssens rest home in Dilsen-Stokkem (Belgium)

Aedifica committed to finance the renovation and extension of the rest home for a maximum budget of €4 million.

1.7 Extension and renovation of the De Stichel rest home in Vilvoorde (Belgium)

Aedifica committed to finance the extension and renovation of the existing rest home for a maximum budget of €4 million. Works are currently in progress.

1.8 Renovation of the rest home in Bonn (Germany)

Aedifica committed to finance the renovation of the rest home located in Bonn (Germany) for a maximum budget of €1 million. Works are currently in progress.

1.9 Renovation of the Villa Temporis assisted-living apartment complex in Hasselt (Belgium)

Aedifica committed to finance the renovation of the existing assisted-living apartment complex for a maximum budget of €2 million. Works are currently in progress.

1.10 Renovation of the Vinkenbosch rest home in Kermt (Belgium)

Aedifica committed to finance the renovation of the existing Vinkenbosch rest home, located in Kermt (Hasselt), for a maximum budget of €2 million.

1.11 Acquisition of the Molenenk care residence in Deventer (The Netherlands)

Aedifica Nederland BV committed to acquire the Molenenk care residence under construction by turnkey agreement, located in Deventer, for a maximum budget of €11 million (plot of land included).

1.12 Renovation of the Frohnau rest home in Berlin (Germany)

Aedifica Luxemburg IV SCS committed to finance the renovation of the Frohnau rest home, located in Berlin (Germany), for a maximum budget of approx. €1 million.

1.13 Renovation of the Genderstate (Eindhoven, The Netherlands), Petruspark (Eindhoven, The Netherlands) and Parc Imstenrade (Heerlen, The Netherlands) senior housing sites

Aedifica Nederland BV committed to finance certain renovation works at the Genderstate (Eindhoven, The Netherlands), Petruspark (Eindhoven, The Netherlands) and Parc Imstenrade (Heerlen, The Netherlands) senior housing sites, for a maximum budget of approx. €2 million. Works are currently in progress.

1.14 Renovation of the Residenz Zehlendorf rest home in Berlin (Germany)

Aedifica Luxemburg VI SARL committed to finance the renovation of the Residenz Zehlendorf rest home, located in Berlin (Germany), for a budget of approx. €5 million. The works are being prepared.

1.15 Construction of the LTS Winschoten care residence in Winschoten (The Netherlands)

Aedifica Nederland BV committed to finance the construction by turnkey agreement of a new care residence in Winschoten (The Netherlands), for a budget of approx. €11 million. The site will be operated by Stichting Oosterlengte. Work are currently in progress.

1.16 Construction of the Martha Flora Hilversum care residence in Hilversum (The Netherlands)

Aedifica Nederland BV committed to finance the construction by turnkey agreement of a new care residence in Hilversum (The Netherlands), for a budget of approx. €7 million. The site will be operated by the Martha Flora group. Work are currently in progress.

1.17 Construction of the Het Gouden Hart van Leersum care residence in Leersum (The Netherlands)

Aedifica Nederland BV committed to finance the construction by turnkey agreement of a new care residence in Leersum (The Netherlands), for a budget of approx. €4 million. The site will be operated by the Het Gouden Hart group. Work are currently in progress.

1.18 Extension of the Seniorenresidenz Laurentiusplatz senior housing site in Wuppertal-Elberfeld (Germany)

Aedifica committed to finance the extension of the Seniorenresidenz Laurentiusplatz rest home, located in Wuppertal-Elberfeld (Germany), for a budget of approx. €3 million. The works are being prepared.

1.19 Acquisition of the Seniorenheim am Dom senior housing site in Halberstadt (Germany)

Aedifica concluded an agreement for the acquisition of a senior housing site in Halberstadt (Germany) and for funding certain renovation works, for a budget of approx. €9 million.

1.20 Acquisition of a senior housing site in Oostende (Belgium)

Aedifica signed a framework agreement (subject to outstanding conditions) to acquire the shares of a company that owns a senior housing site in Oostende. The contractual value of this property will amount to approx. €10 million. After acquisition of the site, Aedifica plans to finance certain extension and renovation works, for an amount of approx. €2 million.

1.21 Acquisition of a rest home in Mechelen (Belgium)

Aedifica signed an agreement to acquire the shares of a company that owns a new rest home in Mechelen. The contractual value of this property will amount to approx. €15 million.

1.22 Acquisition of the Martha Flora Rotterdam care residence in Rotterdam (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Rotterdam (The Netherlands), for an amount of approx. €8 million. The site will be operated by the Martha Flora group.

1.23 Earn-outs

For some acquisition deals, a portion of the acquisition price has been set based on future contingent events, such as (in the case of one rest home) the increase of rent after an extension. These events could trigger earn-outs.

2. Contingent liabilities

2.1 Credit facilities

Security has been pledged in relation to the Company's credit agreements, and within the limits authorised by the regulation on the following buildings: SZ AGO Herkenrath, SZ AGO Dresden, SZ AGO Kreischa, Seniorenresidenz Mathilde, Die Rose im Kalletal, Seniorenresidenz Klosterbauerschaft, Senioreneinrichtung Haus Matthäus, Bonifatius Seniorenzentrum, Senioreneinrichtung Haus Elisabeth, Seniorenresidenz Am Stübchenbach, Seniorenresidenz Kierspe and Käthe-Bernhardt-Haus.

2.2 Acquisition of shares in property companies, mergers and de-mergers

Aedifica benefits from warranties provided by the sellers of shares in property companies acquired.

3. Contingent assets

3.1 Securities received on rental agreements

Aedifica benefits from rental guarantees (in line with market practice and applicable regulations), in the form of bank guarantees, restricted bank deposits or guarantor backings.

Moreover, in certain cases, Aedifica benefits from other securities:

- Martin's Brugge: commitments of the lessee are covered by a mortgage (ranked #2) in the amount of €25 thousand and a mortgage authorisation in the amount of €1,230 thousand on the buildings "Château du Lac" located at avenue du Lac 87, 1332 Genval, "la Villa du Lac", located at avenue des Merisiers 8 and Drève des Magnolias, 1332 Genval and "Le Manoir du Lac", located at avenue Hoover 8, 1332 Genval;
- Martin's Klooster in Leuven: commitments of the lessee are covered by a mortgage (ranked #2) in the amount of €50 thousand and a mortgage authorisation in the amount of €1,340 thousand on the buildings "Château du Lac" located at avenue du Lac 87, 1332 Genval, "la Villa du Lac", located at avenue des Merisiers 8 and Drève des Magnolias, 1332 Genval and "Le Manoir du Lac", located at avenue Hoover 8, 1332 Genval.

3.2 Securities received following acquisitions

In case of acquisitions, contributions in kind, mergers and de-mergers, Aedifica benefits from the declarations and securities in line with market practices.

4. Other

4.1 Sundry options

- Long leases on rest homes and hotels: in some cases, Aedifica has granted preferential rights, renewal rights or purchase options to the lessees/tenants. Aedifica also benefits from a number of preferential rights granted by rest homes lessees/tenants.
- Sale or purchase options (related to some development projects): in certain cases, Aedifica has granted options to third parties, and/or benefits from options allowing it to sell buildings (e.g. when it appears that pieces of buildings will not be used for the development projects).

Note 46: Acquisitions and disposals of investment properties

The main investment property acquisitions of the financial year are the following:

ACQUISITIONS	Business segment	Properties valuation°	Register of corporations	Acquisition date°°	Acquisition method
(in million €)					
VSP NV	Senior housing	97	0425.057.859	19/08/2016	Acquisition of shares and acquisition of a building
VSP Kasterlee BVBA			0877.687.276		
Het Seniorenhof NV			0434.691.543		
Compagnie Immobilière Beerzelhof NV			0475.364.039		
Avorum NV			0870.199.371		
Huize Uilenspiegel BVBA			0458.503.459		
Coham NV			0456.236.332		
Residentie Sorgvliet BVBA			0470.494.639		
Ezeldijk			-		
Aedifica Luxemburg IV SCS	Senior housing	59	B117441	31/08/2016	Acquisition of shares
Aedifica Luxemburg V SCS			B117445		
Parc Imstenrade	Senior housing	75	-	14/09/2016	Acquisition of a building via Aedifica Nederland BV
Genderstate			-		
Petruspark			-		
WZC Arcadia BVBA	Senior housing	12	0554.950.658	30/09/2016	Acquisition of shares
Les Jardins de la Mémoire	Senior housing	11	-	8/12/2016	Contribution in kind
Aedifica Luxemburg VI SARL	Senior housing	8	B132154	15/12/2016	Acquisition of shares
Spes Nostra	Senior housing	7	-	21/12/2016	Acquisition of a building via Aedifica Nederland BV
Het Dokhuis	Senior housing	6	-	19/01/2017	Acquisition of a building via Aedifica Nederland BV
Villa Walgaerde	Senior housing	5	-	31/03/2017	Acquisition of a building via Aedifica Nederland BV
Huize Dennehof	Senior housing	1	-	4/04/2017	Acquisition of a building via Aedifica Nederland BV
Het Gouden Hart	Senior housing	7	-	4/04/2017	Acquisition of a building via Aedifica Nederland BV
LTS Winschoten	Senior housing	2	-	9/05/2017	Acquisition of a building via Aedifica Nederland BV
Martha Flora Hilversum	Senior housing	2	-	23/05/2017	Acquisition of a building via Aedifica Nederland BV
Het Gouden Hart van Leersum	Senior housing	3	-	29/05/2017	Acquisition of a building via Aedifica Nederland BV
Residentie Blaret	Senior housing	22	-	30/05/2017	Acquisition of a building
Oeverlanden	Senior housing	13	-	30/05/2017	Acquisition of a building via Aedifica Nederland BV
Seniorenresidenz Laurentiusplatz	Senior housing	5	-	30/06/2017	Acquisition of a building
TOTAL		333			

° in order to determine the number of shares issued, the exchange ratio and/or the value of the acquired shares.

°° and consolidation date in the financial statements.

The main disposals of the financial year are the following:

DISPOSALS	Business segment	Selling price	Disposals date
(in million €)			
Building located rue Royale 35 in 1000 Brussels (Belgium)	Apartment buildings	2	27/03/2017
Building located avenue de Tervueren 13 in 1040 Brussels (Belgium)	Senior housing	8	29/06/2017
TOTAL		11	

All these operations are detailed in the Board of Directors' Report.

Note 47: Changes in fair value of financial assets and liabilities

(x €1,000)	2017	2016
Authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	22	-135
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	6,053	-5,456
Subtotal	6,075	-5,591
Other	-956	-94
TOTAL	5,119	-5,685

The Line "Other" represents the changes in fair value of the put options granted to non-controlling shareholders (see Notes 32 and 56).

Note 48: Related party transactions

Related party transactions (as defined under IAS 24 and the Belgian Companies Code) relate exclusively to the remuneration of the Company's Directors and Executive Managers (€2,359 thousand in 2016/2017; €1,987 thousand in 2015/2016). Remuneration details are provided in the Corporate Governance Statement included in the 2016/2017 Annual Financial Report.

Note 49: Subsequent events

— Acquisition of a care residence to be constructed in Ede (Province of Gelderland, The Netherlands)

On 10 July 2017, Aedifica announced the acquisition of a senior housing site to be constructed in The Netherlands. The future Huize De Compagnie care residence is located near the centre of Ede (114,000 inhabitants, Province of Gelderland) on the site of a former barracks which will be entirely redeveloped. A portion of this site will be renovated into a modern residential care facility for seniors requiring continuous care. The care residence is expected to be completed during the second half of 2018 and will be able to welcome 42 residents. Aedifica Nederland BV, a 100 % subsidiary of Aedifica SA/NV, acquired the full property of the buildings and the plot of land on which they are located. The contractual value amounts to approx. €2 million. The construction will be carried out by IDBB Vastgoed BV and delivered turnkey to Aedifica. Aedifica has budgeted approx. €6 million for renovation works. Aedifica's total investment (including the renovation) will amount to approx. €9 million. The operation will be financed using Aedifica's credit facilities. The care residence will be operated by an entity of the Compartijn group, a private Dutch player on the senior care market. Compartijn is a subsidiary of Incluzio BV, owned by the Facilicom Services Group. The lease established for this site is an irrevocable 20-year triple net long lease. The initial gross yield amounts to approx. 6.5 %.

— Co-operation agreement for the construction and acquisition of two senior housing sites in The Netherlands

On 19 July 2017, Aedifica announced the signing of a co-operation agreement between Aedifica, Stichting Rendant and HEVO, for the construction of new buildings on two sites of Stichting Rendant, which will replace the existing buildings which have become obsolete. The sites are located in the cities of Leeuwarden (96,000 inhabitants, Province of Friesland) and Heerenveen (50,000 inhabitants, Province of Friesland). Both sites comprise approx. 130 housing units oriented toward seniors opting to live independently with care services available on demand. Completion of the works is expected during the second half of 2019. Aedifica Nederland BV, a 100 % subsidiary of Aedifica SA/NV, will acquire the full property of both sites in principle during the second half of 2017 (after receipt of the development permits). Subsequently, the existing buildings will be demolished and replaced by new constructions. The works will be carried out and delivered turnkey by HEVO BV. Aedifica's total investment will amount to approx. €40 million. The operation will be financed using Aedifica's credit facilities. The sites will be operated by Stichting Rendant, a Dutch not-for-profit organisation that is active on the senior care market. The leases that will be established for these sites are irrevocable 25-year triple net long leases. The initial yields amount to approx. 5.5 %.

— Acquisition of a rest home in Halberstadt (State of Saxony-Anhalt, Germany)

On 28 July 2017, Aedifica acquired a rest home in Germany given fulfilment of the outstanding conditions, as was announced in the press release of 13 June 2017. See section 2.1.2. above for a more elaborate account of the acquired site. The purchase price has been paid and Aedifica SA/NV has acquired the property and full use of the building. The operation was financed using Aedifica's credit facilities.

— Co-operation agreement for the construction of seventeen rest homes in Germany

On 17 August 2017, Aedifica announced the signing of a co-operation agreement with Specht Gruppe for the construction of seventeen rest homes in Germany. The rest homes (to be constructed) will be located in urban and rural areas in several states of northern Germany (Lower Saxony, North Rhine-Westphalia, Schleswig-Holstein, Mecklenburg-Vorpommern and Bremen). These residential care facilities will be designed for seniors requiring continuous care ("Pflegeheim") and will consist primarily of single rooms. In addition to the standard single rooms, larger rooms (suites) will be included to cater to the high-end market segment. The buildings will also house complementary services, such as day centres for seniors and, in some cases, childcare services or a pharmacy. One of the buildings will contain some apartments designed for independent living (with care services available on demand). Upon completion of all buildings, this portfolio will have a total capacity of approx. 1,500 units. The rest homes will generally be located on care campuses, which also contain buildings offering independent living apartments for seniors (with care services available on demand). With only one exception, these apartments will be constructed in separate buildings that will not be acquired by Aedifica. Aedifica will acquire the plots of land through the takeover of companies owned by Specht Gruppe (in principle after receipt of the development permits) during the next few months and, as is currently expected, by the end of the second quarter of 2018 at the latest. After each takeover, construction of the new buildings will begin. Therefore, an agreement will be signed with Residenz Baugesellschaft, an entity of Specht Gruppe, who will carry out the construction of the new buildings for a fixed amount and who guarantees its completion in due time. Assuming all development permits will be received, Aedifica's total investment will ultimately amount to approx. €200 million. The first buildings are expected to be completed by the end of 2018/beginning of 2019. The operation will be financed using Aedifica's credit facilities. All sites will be rented out to Residenz Management GmbH, an entity of Specht Gruppe, and will be operated by high quality operators. The sites will be rented out on the basis of irrevocable 30-year long leases and, in addition, will benefit from a triple net warranty of limited duration which will cover the buildings' maintenance. The initial yields amount to approx. 5.5 %.

— Completion of the renovation of assisted-living apartments in Hasselt (Province of Limburg, Belgium)

On 18 August 2017, phase II of the works at the Villa Temporis senior housing site in Hasselt (Province of Limburg, Belgium) was completed, in particular the renovation of the assisted-living apartment building (invested amount of approx. €2 million). The site is operated by an entity of the Vulpia group.

— Completion of a care residence in Deventer (Province of Overijssel, The Netherlands)

The new construction of the Molenenk care residence in Deventer (Province of Overijssel, The Netherlands) was completed on 21 August 2017 (invested amount of approx. €11 million). The site is operated by an entity of the Domus Magnus group. The building was developed by Panta Rhei HealthCare BV.

— Acquisition of a care residence in Zeist (Province of Utrecht, The Netherlands)

On 24 August 2017, Aedifica announced the acquisition of a care residence in The Netherlands. The Huize Hoog Kerckebosch care residence is located in a green, residential area near the centre of Ede (63,000 inhabitants, Province of Utrecht), approx. 10 km from the city of Utrecht. It is a modern residential care facility serving seniors requiring continuous care in the middle to high-end market segment. The site is able to welcome 32 residents in an exceptional environment. It was completed in early July 2017 and is operational since the month of August. Aedifica Nederland BV, a 100 % subsidiary of Aedifica SA/NV, acquired the full property of the site. The contractual value amounts to approx. €8 million. The operation was financed using Aedifica's credit facilities. The care residence is operated by an entity of the Compartijn group. The lease established for the site is an irrevocable 20-year triple net long lease. The initial gross yield amounts to approx. 6.5 %.

Note 50: Corrected profit as defined in the Royal Decree of 13 July 2014

The corrected profit as defined in the Royal Decree of 13 July 2014 is calculated based on the Statutory Accounts as follows:

(x €1,000)	2017	2016
Profit (loss)	57,040	40,341
Depreciation	678	701
Write-downs	28	15
Other non-cash items	-4,775	4,533
Gains and losses on disposals of investment properties	-1,485	-731
Changes in fair value of investment properties	-9,434	-12,637
Roundings	1	1
Corrected profit	42,053	32,223
Denominator [°] (in shares)	15,323,388	14,186,987
CORRECTED PROFIT PER SHARE[°] (in € per share)	2.74	2.27

[°] Based on the rights to the dividend for the shares issued during the year.

Note 51: List of subsidiaries, associates and joint ventures

The table below presents a full list of the companies covered by Articles 114 and 165 of the Royal Decree of 30 January 2001 pertaining to the execution of the Belgian Companies Code. For the subsidiaries already present in the prior year (Aedifica Invest SA, Aedifica Invest Brugge SA, Aedifica Asset Management GmbH, Aedifica Luxembourg I SCS, Aedifica Luxembourg II SCS, Aedifica Luxembourg III SCS and Aedifica Nederland BV), the percentage of equity held by Aedifica is unchanged as compared to 30 June 2016.

NAME	Country	Category	Register of corporations	Capital held (in %)
Aedifica Invest NV [°]	Belgium	Subsidiary	0879.109.317	100
Aedifica Invest Brugge NV [°]	Belgium	Subsidiary	0899.665.397	100
Aedifica Asset Management GmbH ^{°°}	Germany	Subsidiary	HRB100562	100
Aedifica Luxembourg I SCS ^{°°°}	Luxembourg	Subsidiary	B128048	94
Aedifica Luxembourg II SCS ^{°°°}	Luxembourg	Subsidiary	B139725	94
Aedifica Luxembourg III SCS ^{°°°}	Luxembourg	Subsidiary	B143704	94
Aedifica Luxembourg IV SCS ^{°°°}	Luxembourg	Subsidiary	B117441	94
Aedifica Luxembourg V SCS ^{°°°}	Luxembourg	Subsidiary	B117445	94
Aedifica Luxembourg VI SARL ^{°°°}	Luxembourg	Subsidiary	B132154	94
Aedifica Nederland BV ^{°°°°}	The Netherlands	Subsidiary	65422082	100
VSP NV [°]	Belgium	Subsidiary	0425.057.859	100
VSP Kasterlee NV [°]	Belgium	Subsidiary	0877.687.276	100
Het Seniorenhof NV [°]	Belgium	Subsidiary	0434.691.543	100
Compagnie Immobilière Beerzelhof NV [°]	Belgium	Subsidiary	0475.364.039	100
Avorum NV [°]	Belgium	Subsidiary	0870.199.371	100
Coham NV [°]	Belgium	Subsidiary	0456.236.332	100
Residentie Sorgvliet BVBA [°]	Belgium	Subsidiary	0470.494.639	100
WZC Arcadia BVBA [°]	Belgium	Subsidiary	0554.950.658	100

[°] Located avenue Louise 331 in 1050 Brussels (Belgium).

^{°°} Located Mainzer Landstr. 46 in 60325 Frankfurt am Main (Germany).

^{°°°} Located rue Guillaume J. Kroll 7 in 1882 Luxembourg (Luxembourg).

^{°°°°} Located Herengracht 466 in 1017 CA Amsterdam (The Netherlands).

Note 52: Belgian RREC status

(x €1,000)	2017	2016
Consolidated debt-to-assets ratio (max. 65%)		
Total liabilities	682,083	552,413
Corrections	-43,006	-53,617
Total liabilities according to the Royal Decree of 13 July 2014	639,077	498,796
Total assets	1,570,122	1,173,162
Corrections	-2,707	-496
Total assets according to the Royal Decree of 13 July 2014	1,567,415	1,172,666
Debt-to-assets ratio (in %)	40.8%	42.5%
STATUTORY PAY-OUT RATIO		
Statutory corrected profit	42,053	32,223
Proposed dividend	34,478	29,793
PAY-OUT RATIO (MIN. 80%)	82%	92%

Prohibition to invest more than 20 % of assets in real estate assets that form a single property

Refer to section 1.4 of the “Risk Factors” chapter of 2016/2017 Annual Financial Report.

Valuation of investment properties by an expert

Aedifica's properties are valued quarterly by independent experts de Crombrugghe & Partners SA, Stadim CVBA, CBRE GmbH and DTZ Zadelhoff VOF.

Note 53: Audit fees

(x €1,000)	2017	2016
Statutory (audit Aedifica SA)	37	36
Statutory audit (subsidiaries)	78	78
Opinion reports foreseen in the Belgian Companies Code (Aedifica SA)	18	10
Other opinion reports (comfort letter, etc.) (Aedifica SA)	34	0
Tax advice missions	0	0
Other missions unconnected with the statutory audit	0	0
TOTAL	167	124

Note 54: Deferred taxes

Deferred taxes recognised on the balance sheet arise from the acquisition of investment properties located outside of Belgium.

They arise from the temporal difference between the buildings' fair value and the assessed value used for tax purposes.

Changes in deferred taxes are presented as follows (see also Note 24):

(x €1,000)	Assets	Liabilities
CARRYING AMOUNT AS OF 1/07/2015	110	-2,435
Originations	763	147
Reversals	-197	-593
Scope changes	0	0
CARRYING AMOUNT AS OF 30/06/2016	676	-2,881
(x €1,000)	Assets	Liabilities
CARRYING AMOUNT AS OF 1/07/2016	676	-2,881
Originations	446	47
Reversals	-532	-1,502
Scope changes	618	30
CARRYING AMOUNT AS OF 30/06/2017	1,208	-4,306

Note 55: Fair value

In accordance with IFRS 13, balance sheet elements for which the fair value can be computed are presented below and broken down according to the levels defined by IFRS 13:

(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2017
Investment properties	-	-	1,540,409	1,540,409
Assets classified as held for sale	-	-	4,440	4,440
Non-current financial assets	-	2,959	-	2,959
Trade receivables and other non-current assets	-	6,718	-	6,718
Tax receivables and other current assets	-	1,679	-	1,679
Cash and cash equivalents	8,135	-	-	8,135
Non-current financial debts (a. Borrowings)	-	-587,961	-	-579,438
Other non-current financial liabilities	-	-37,933	-	-37,933
Current financial debts (a. Borrowings)	-	-34,524	-	-34,524
Trade debts and other current debts (b. Other)	-	-20,252	-	-20,252
(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2016
Investment properties	-	-	1,152,213	1,152,213
Assets classified as held for sale	-	-	4,621	4,621
Non-current financial assets	-	794	-	794
Trade receivables and other non-current assets	-	3,880	-	3,880
Tax receivables and other current assets	-	1,374	-	1,374
Cash and cash equivalents	4,947	-	-	4,947
Non-current financial debts (a. Borrowings)	-	-450,462	-	-447,721
Other non-current financial liabilities	-	-47,382	-	-47,382
Current financial debts (a. Borrowings)	-	-31,027	-	-31,027
Trade debts and other current debts (b. Other)	-	-14,216	-	-14,216

In the table above, the fair value of hedging instruments is included under lines "non-current financial assets" and "other non-current financial liabilities", as broken down in Note 32.

Note 56: Put options granted to non-controlling shareholders

The Company has committed to acquire the non-controlling shareholdings (6 % of the share capital) owned by third parties in Aedifica Luxembourg I SCS, Aedifica Luxembourg II SCS, Aedifica Luxembourg III SCS, Aedifica Luxembourg IV SCS, Aedifica Luxembourg V SCS and Aedifica Luxembourg VI SARL, should these third parties wish to exercise their put options. The exercise price of such options granted to non-controlling interest is reflected on the liability side of balance sheet on line "I.C.b. Other non-current financial liabilities – Other" (see Notes 32 and 47).

Note 57: Alternative Performance Measures (APM)

Since many years, Aedifica uses in its financial communication Alternative Performance Measures in accordance with ESMA (European Securities and Market Authority) guidelines published on 5 October 2015. Some of these APM are recommended by the European Public Real Estate Association (EPRA) and others have been defined by the industry or by Aedifica in order to provide readers with a better understanding of its results and performance. The APM used in this annual financial report are identified with an asterisk (*). The performance measures which are defined by IFRS standards or by Law are not considered as APM, neither are those which are not based on the consolidated income statement or the balance sheet. In this appendix, the APM are defined, annotated and connected with the most relevant line, total or subtotal of the financial statements.

Note 57.1: Investment properties

Aedifica uses the following performance measures to determine the value of its investment properties; however, these measures are not defined under IFRS. They represent investment properties clustered in different ways to provide the reader with the most relevant information. The definition of these concepts as applied to the Aedifica financial statements may differ from those used in the financial statements of other companies. They are calculated as follows:

(x €1,000)	2017	2016
Marketable investment properties	1,523,235	1,126,289
+ Development projects	17,174	25,924
Investment properties	1,540,409	1,152,213
+ Assets classified as held for sale	4,440	4,621
Investment properties including assets classified as held for sale*, or real estate portfolio*	1,544,849	1,156,834
- Development projects	-17,174	-25,924
Marketable investment properties including assets classified as held for sale*	1,527,675	1,130,910

Note 57.2: Rental income on a like-for-like basis*

Aedifica uses the net rental income on a like-for-like basis* to reflect the performance of the investment properties excluding the effect of scope changes; however, this performance measure is not defined under IFRS. It represents rental income excluding the effect of scope changes. The definition of this concept as applied to the Aedifica financial statements may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2017	2016
Rental income	78,983	59,822
- Scope changes	-23,147	-3,866
= Rental income on a like-for-like basis*	55,836	55,956

Note 57.3: Operating charges, operating margin* and EBIT margin*

Aedifica uses operating charges* to globalise the operating charges*; however, this performance measure is not defined under IFRS. It represents items IV. to XV. of the income statement. The definition of this concept as applied to the Aedifica financial statements may differ from that used in the financial statements of other companies. It is calculated as indicated in the table below.

Aedifica uses the operating margin* and the EBIT margin* to reflect the profitability of its rental activities; however, these performance measures are not defined under IFRS. They represent, respectively, the property operating result divided by net rental income and the operating result before result on portfolio divided by net rental income. The definition of these concepts as applied to the Aedifica financial statements may differ from those used in the financial statements of other companies. They are calculated as indicated in the table below.

30 June 2017

(x €1,000)	Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items [°]	TOTAL
SEGMENT RESULT						
Rental income (a)	63,939	11,021	4,220	0	-197	78,983
Net rental income (b)	63,933	11,002	4,197	0	-197	78,935
Property result (c)	63,900	10,155	4,200	0	-197	78,058
Property operating result (d)	63,062	7,029	4,161	0	-197	74,055
OPERATING RESULT BEFORE RESULT ON PORTFOLIO (e)	63,206	6,981	4,161	-8,571	0	65,777
Operating margin* (d)/(b)						94%
EBIT margin* (e)/(b)						83%
Operating charges* (e)-(b)						13,158

30 June 2016

(x €1,000)	Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items [°]	TOTAL
SEGMENT RESULT						
Rental income (a)	44,033	11,828	4,080	0	-119	59,822
Net rental income (b)	44,027	11,799	4,080	0	-119	59,787
Property result (c)	43,877	10,514	4,086	0	-119	58,358
Property operating result (d)	43,416	7,052	4,039	-141	-119	54,247
OPERATING RESULT BEFORE RESULT ON PORTFOLIO (e)	43,399	7,005	4,042	-6,832	0	47,614
Operating margin* (d)/(b)						91%
EBIT margin* (e)/(b)						80%
Operating charges* (e)-(b)						12,173

[°] Mainly elimination of the internal rent for the administrative offices of the Company.

Note 57.4: Financial result excl. changes in fair value of financial instruments*

Aedifica uses the financial result excl. changes in fair value of financial instruments* to reflect its financial result before the non-cash effect of financial instruments; however, this performance measure is not defined under IFRS. It represents the total of items XX., XXI. And XXII. of the income statement. The definition of this concept as applied to the Aedifica financial statements may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2017	2016
XX. Financial income	155	283
XXI. Net interest charges	-15,365	-11,904
XXII. Other financial charges	-1,328	-1,087
Financial result excl. changes in fair value of financial instruments*	-16,538	-12,708

Note 57.5: Interest rate

Aedifica uses average effective interest rate* and average effective interest rate before deduction of capitalised interests* to reflect the costs of its financial debts; however, these performance measures are not defined under IFRS. They represent annualised net interest charges (after or before capitalised interests) divided by weighted average financial debts. The definition of these concepts as applied to the Aedifica financial statements may differ from those used in the financial statements of other companies. They are calculated as follows:

(x €1,000)	2017	2016
XXI. Net interest charges	-15,365	-11,904
Capitalised interests	322	372
Annualised net interest charges (a)	-15,365	-11,904
Net interest charges before annualised capitalised interests (b)	-15,687	-12,276
Weighted average financial debts (c)	662,008	421,616
Average effective interest rate* (a)/(c)	2.3%	2.8%
Average effective interest rate before capitalised interests* (b)/(c)	2.3%	2.9%

Note 57.6: Equity and net asset value per share

Aedifica uses equity excl. changes in fair value of hedging instruments* to reflect equity before non-cash effects of the revaluation of hedging instruments; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" without cumulated non-cash effects of the revaluation of hedging instruments. The definition of this concept as applied to the Aedifica financial statements may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2017	2016
Equity attributable to owners of the parent	888,039	620,749
- Effect of the distribution of the dividend 2015/2016	0	-29,793
- Effect of the changes in fair value of hedging instruments	34,055	47,407
Equity excl. changes in fair value of hedging instruments*	922,094	638,362

Aedifica uses net asset value per share excl. changes in fair value of hedging instruments* to reflect equity per share before the non-cash effect of the revaluation of hedging instruments; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" without cumulated non-cash effects of the revaluation of hedging instruments, divided by the number of shares outstanding (after deduction of treasury shares) at the closing date. The definition of this concept as applied to the Aedifica financial statements may differ from that used in the financial statements of other companies. It is calculated by dividing equity excl. changes in fair value of hedging instruments* by the number of shares outstanding (after deduction of treasury shares).

Note 57.7: Key performance indicators according to the EPRA principles

Aedifica supports reporting standardisation, which has been designed to improve the quality and comparability of information. The Company supplies its investors with most of the information recommended by EPRA (in the EPRA chapter of the Annual Financial Report). The following indicators are considered as APM:

- Aedifica uses EPRA Earnings* to comply with the EPRA's recommendations and to measure its operational and financial performance; however, this performance measure is not defined under IFRS. It represents the profit (attributable to owners of the Parent) after corrections recommended by the EPRA. In Aedifica's case, the EPRA Earnings* corresponds perfectly to the result excl. changes in fair value, which was previously used in Aedifica's financial communication. The EPRA Earnings* is calculated in Note 26 (in accordance with the Aedifica model) and in the EPRA chapter of the Annual Financial Report (in accordance with the model recommended by EPRA).
- Aedifica uses EPRA NAV* to comply with the EPRA's recommendations; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" after corrections recommended by the EPRA. It is calculated in the EPRA chapter of the Annual Financial Report.
- Aedifica uses EPRA NNAV* to comply with the EPRA's recommendations; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" after corrections recommended by the EPRA. It is calculated in the EPRA chapter of the Annual Financial Report.
- Aedifica uses EPRA Cost Ratio (including direct vacancy costs)* and EPRA Cost Ratio (excluding direct vacancy costs)* to comply with the EPRA's recommendations; however, these performance measures are not defined under IFRS. They represent globalised operational costs as recommended by the EPRA. The EPRA Cost Ratios* are calculated in the EPRA chapter of the Annual Financial Report.

1.7 Auditor's Report



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Independent auditor's report to the general meeting of Aedifica SA for the year ended 30 June 2017

As required by law and the Company's by-laws, we report to you as statutory auditor of Aedifica SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at 30 June 2017, the consolidated statement of the realized and un-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 30 June 2017 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 24 October 2014, in accordance with the proposal by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 30 June 2017. We performed the audit of the Consolidated Financial Statements of the Group during 6 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Aedifica SA, which consist of the consolidated statement of the financial position as at 30 June 2017, the consolidated statement of the realized and un-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 30 June 2017 and the disclosures, which show a consolidated balance sheet total of € 1.570.122 thousand and of which the consolidated income statement shows a profit for the year of € 63.358 thousand (attributable to owners of the parent).

In our opinion, the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 30 June 2017, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the section "Our responsibilities for

the audit of the consolidated financial statements" of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Valuation of the investment properties

- Description of the matter and audit risk:

Investment property amounts to a significant part (98%) of the assets of the Group.

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In accordance with the accounting policies and IAS 40 standard "Investment property", investment property is valued at fair value, and the changes in the fair value of investment property are recognized in the income statement. The fair value of investment properties belongs to the level 3 of the fair value hierarchy defined within the IFRS 13 standard "Fair Value Measurement", some parameters used for valuation purposes being based on unobservable data (discount rate, future occupancy rate, ...).

▸ Summary of audit procedures performed

As external appraisers carry out an estimate of the fair value of the investment properties of the Group, we have assessed their valuation reports (with the support of real estate valuation specialists of our firm). More precisely, we have:

- assessed the objectivity, the independence and the competence of the external appraisers,
- tested the integrity of source data (contractual rentals, maturities of the rental contracts, ...) used in their calculations,
- reviewed the models, assumptions and parameters used in their reports (discount rates, future occupancy rates, ...).

Finally, we have assessed the appropriateness of the information on the fair value of the investment properties disclosed in note 29 of the consolidated accounts.

Valuation of financial instruments

▸ Description of the matter and audit risk:

Aedifica uses interest rate swaps (IRS) and options (caps) to hedge its interest rate risk on its variable rate debts. The measurement of the derivatives at fair value is an important source of volatility of the result and/or the shareholders' equity. As a matter of fact, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", these derivatives are valued at fair value (considered to belong to the level 2 of the fair value hierarchy defined by IFRS 13 "Fair Value Measurement"). The changes in fair value are recognized in the income statements except for some IRS for which the Company applies hedge accounting ("cash-flow hedging"), which allows to record most of the changes in fair value in the caption C.d of the shareholders' equity ("Reserve for the balance of changes in fair value of authorized hedging instruments qualifying for

hedge accounting as defined under IFRS"). The audit risk appears on the one hand in the valuation of these derivatives and on the other hand in the application of hedge accounting.

▸ Summary of audit procedures performed

We have compared the fair values of the derivatives with the values communicated by the counterparties and the credit risk adjustments calculated by an external specialist. We have assessed the assumptions and the calculations performed by this external specialist. Regarding the correct application of hedge accounting, we have reviewed the effectiveness tests performed by the external specialist involved by the Company and we have compared the volume of derivatives subject to hedge accounting with the volume of the variable rate debts projected on the future accounting years in order to identify any potential overhedging which could potentially jeopardize the application of hedge accounting.

Finally, we have assessed the appropriateness of the information on the financial instruments disclosed in note 33 of the consolidated accounts,

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility includes: designing, implementing and maintaining internal control which the Board of Directors determines to be necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.



**Audit report dated 4 September 2017 on the consolidated Annual Accounts
of Aedifica SA as of and for the year ended
30 June 2017 (continued)**

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' use of the going-concern basis of

accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;

- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report, as well as compliance with certain requirements of the Belgian Companies Code and to report any matters.

Aspects relating to Board of Directors' report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contains any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies.

Independence matters

We have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

- ✦ This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 4 September 2017

Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
Represented by



Jean-François Hubin
Partner*

*Acting on behalf of a SPRL

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