Puma Brandenburg Limited

Report and Consolidated Financial Statements
for the year ended 31 March 2016

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Chairman's Statement

Introduction

I am pleased to announce the full year results of the Company for the year ended 31 March 2016.

Financial Results

Revenue for the period was €33.0m (2015: €34.1m) with increased revenue across the Group's residential property portfolio (driven by higher rents) being offset by lower revenue on the commercial portfolio. Decreased commercial revenue largely resulted from the sale of thirteen Lidl stores. Profit after tax for the period was €26.4m (2015: €42.6m).

As at the year end the Company's investment properties were valued at €576.9m (2015: €569.6m) after sales of €49.9m (2015: €2.5m). The value of the investment properties includes a revaluation increase of €47.0m which was driven by both the continuing strength of the residential sector in Berlin and the quality of our commercial assets. Other assets on the balance sheet comprised cash of €16.8m (2015: €18.5m) and debtors and other assets and investments of €2.9m (2015: €2.2m). Loan obligations outstanding including accrued interest were €296.5m (2015: €350.8m). The Company's net asset value at the end of the period was €241.4m (2015: €216.3m).

Property Report

As at 31 March 2016, the Company's real estate portfolio comprised 3,061 residential apartments, 185 commercial units and 5,691 car parking spaces. All the properties are freehold and the following tables show the portfolio's composition by use and by geography

Split by type	**% by value**	**sq m**
Berlin residential	61.6%	187,080 sq m
Other residential	0.2%	5,183 sq m
Retail	8.6%	51,454 sq m
Hotel	21.1%	35,799 sq m
Office	6.3%	23,696 sq m
Other Commercial	2.3%	25,014 sq m
	100%	**328,225 sq m**

Location	**% by value**	**sq m**
Berlin	64.4%	225,006 sq m
Cologne	18.4%	30,063 sq m
Other locations in Germany	17.2%	73,156 sq m
	100%	**328,225 sq m**

The residential portfolio is predominantly focused on central areas of Berlin including Berlin-Mitte, Charlottenburg and Neukölln. The Group also owns a number of commercial properties. These include the 306 room, 5-star Hyatt hotel in Cologne; an Ibis hotel in central Nuremberg; an office building in Pohlstrasse, Berlin; and 32 out of town retail units (comprising 38,075 square metres) let to Lidl in various locations across Germany.

Property Management

Residential
The total rent from the Berlin residential and social housing portfolios increased by 4.9% compared to the the prior year. This rise was driven by "mietspiegel" and other increases in August 2015, as well as higher revenue generated by furnished apartments. Significant capex has also been invested in the portfolio, including in the complete renovation of the façades of the buildings at the Kurfurstenstrasse and Keithstrasse in Berlin.

Commercial
During the period, the Group sold 13 renovated Lidl stores which benefitted from 10 year lease extensions. The total sale proceeds of €46.75m were received during the year and were utilised to reduce the senior debt facility.

The Hyatt Regency Hotel in Cologne has continued to perform well, retaining its position as the market leader among luxury hotels in the city. As previously reported, we are working with Hyatt to reconfigure and enlarge the conference and food and beverage facilities at the hotel. These works, which are being part funded by the Hyatt, commenced in July 2016.

At Buxtehude (near Hamburg), a new 20 year lease with the Lower Saxony Police Department commenced in September 2015, following an extensive renovation of the building.

Financing

Refinancing of the Barrel Portfolio
A €90 million loan facility agreement was signed with PBB in February 2016 and drawn down on 30 June 2016 in order to re-finance the Barrel facility with FMS. The new loan facility is for an eight year term and is at an all in cost of 2.19% including the cost of an 8 year swap.

Capital Expenditure Facility
A capital expenditure loan facility agreement for €5m was signed with PBB in October 2015, to be used to finance the renovation of Lidl stores.

MQ Privatisation Portfolio
A facility agreement was signed with Berliner Volksbank for €4.5m with the full amount drawn down in November 2015 in order to re-finance the PVFA Ltd facility. This loan facility is for a five year term at a margin of 1.50% over Euribor.

Akazienallee Senior Facility
A facility agreement was signed with DKB in February 2016. This loan facility is for an amount up to €3.84m and comprises €2.25m of upfront refinancing proceeds with the remaining proceeds available to carry out capital projects at the property, including façade and apartment renovations. The facility is for a five year term at a margin of 1.50% over Euribor.

Co-Investment

Brandenburg Realty Limited, a new fund set up to invest in German real estate, closed its fundraising on 30 June 2015 having raised a total of €150.5m. This includes a co-investment commitment from the Company for €7.7m representing 5.1% of the total. Following the first investment by the fund, the fund drew down €265,000 from the Company in October 2015.

Post Balance Sheet Events

Refinancing of the Barrel Portfolio
The €90 million loan facility which was signed with PBB in February 2016 was drawn on 30 June 2016.

Lidl Portfolio
In May 2015 a second framework agreement was signed with Lidl for the renovation of additional stores. We expect that under this agreement four stores will be renovated and in return, the leases of the stores will be extended for an additional 10 years and an increase in rent received. In parallel an SPA was signed on 7 June 2016 under which Lidl has agreed to purchase three stores for a total consideration of €5.75m.

Sale of Sonnensiedlung estate
On 20 July 2016, the Group entered into an agreement to sell its subsidiary that owns the social housing estate in Sonnensiedlung, Neukölln, valuing the property sold at €165m. The year-end valuation was €163m. The sale excluded land from this estate valued at €1.49m.

Co-Investment
In August 2016, Brandenburg Realty Limited drew down a further €1,763,000 from the Company.

Werner Klatten
Chairman

30 August 2016

Portfolio Overview

Directors' Biographies

Werner Klatten
(aged 71), Chairman

Werner Klatten is currently also Chairman of the Supervisory Board of Stiftung Deutsche Sporthilfe, Frankfurt. He also sits on a number of Boards, including the Verwaltungsrat of Trivon AG, Zug. Werner studied Jurisprudence and began his career practising law in Hamburg. He joined Martin Brinkmann AG in 1977 and rose to become CEO of the company in 1986. In 1988 he was appointed as CEO of SAT.1, a tv channel in Germany. In 1994 he became member of the Management Board of Spiegel Verlag, Hamburg and in addition General Manager of Spiegel TV and CEO of SpiegelNet AG. In 2001 he moved to EMTV AG in Munich (later EM.Sport Media AG and now Constantin Medien AG) to become CEO and in 2008 to become Chairman of the Supervisory Board.

Howard Shore
(aged 56), Director

Howard Shore is the executive chairman of Shore Capital Group Limited, which he founded in 1985. The firm is one of London's leading independent investment groups specialising in principal finance, capital market activities and asset management. Howard subsequently founded Puma Brandenburg Limited, Spectrum Investments Limited and Brandenburg Realty Limited. Spectrum Investments owns 3.5-GHz spectrum licenses in Germany. Howard started his career in discretionary fund management with Grieveson Grant and Co., and subsequently became one of the first financial futures brokers when the Liffe market was established in 1982. He holds an M.A. in economics from Cambridge University.

Herman Troskie
(aged 46), Director

Herman Troskie (B Juris, LLB, LLM) is Managing Director, Private Clients at Maitland, a global advisory and administration firm. Maitland provides multi-jurisdictional legal, tax, fiduciary, investment and fund administration services to private, corporate and institutional clients, and has over $280 billion in assets under administration. Herman has extensive experience in the areas of international corporate structuring, cross-border financing and capital markets, with a particular interest in integrated structuring for entrepreneurs and their businesses. Herman is a non-executive director of a number of private and public companies. He qualified as a South African Attorney in 1997, and as a Solicitor of the Senior Courts of England and Wales in 2001. Herman is based in Luxembourg.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Puma Brandenburg Limited (the "Company") and its wholly owned subsidiaries (together, the "Group") for the year ended 31 March 2016.

Business activities and investment strategy

The Company is a Guernsey registered property investment company, which invests in German real estate and has a primary objective to generate income and capital growth by acquiring, actively managing and selling residential, commercial and mixed use real estate.

Results and dividend

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 11. No dividends were paid or proposed for the year.

Directors

The Directors of the Company who served during the year and to date are as stated on page 6.

Auditors

The Group's auditors, Grant Thornton Limited, have expressed their willingness to continue in office. A resolution to re-appoint them as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing consolidated financial statements for each accounting period which give a true and fair view in accordance with The Companies (Guernsey) Law, 2008 and International Financial Reporting Standards as adopted by the European Union of the state of affairs of the Group and its results of operations for the year.

In preparing these consolidated financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Directors' Report (continued)

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all the steps which they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 249(2) of The Companies (Guernsey) Law, 2008.

By order of the Board

Herman Troskie
Director

30 August 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PUMA BRANDENBURG LIMITED

Our opinion on the financial statements is unmodified

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of its comprehensive income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; *and*
- comply with the requirements of The Companies (Guernsey) Law, 2008.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

Puma Brandenburg Limited's financial statements for the year ended 31 March 2016 comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union

Matters on which we are required to report by exception

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

We have nothing to report in respect of the above.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

What the directors are responsible for:

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What are we responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands

30 August 2016

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 €'000	Year ended 31 March 2015 €'000
Revenue	2	33,029	34,131
Operating expenses	3	(4,685)	(4,931)
Gross profit		28,344	29,200
Administrative expenses	3	(6,826)	(7,375)
Foreign exchange gain/(loss)		92	(603)
Operating profit		21,610	21,222
Finance income		8	20
Interest costs		(10,397)	(12,253)
Financing costs		(279)	(409)
Fair value adjustment on investment properties	6	47,040	35,940
Fair value adjustment on derivative financial instruments	10	12	(1,394)
Gain on disposal of investment properties	6	767	419
Profit before tax for the year		58,761	43,545
Taxation	4	(32,588)	(949)
Profit after tax for the year		26,173	42,596
Attributable to:			
Equity holders of the parent company		26,172	42,594
Non-controlling interest		1	2
		26,173	42,596
Earnings per Ordinary Share			
Basic and diluted	5	1.15	1.84
Other comprehensive income			
Profit after tax for the year		26,173	42,596
Loss on cash flow hedges recognised directly in equity		(732)	(7,515)
Total comprehensive income		25,441	35,081
Attributable to:			
Equity holders of the parent company		25,440	35,079
Non-controlling interest		1	2
		25,441	35,081
Comprehensive Earnings per Ordinary Share		**Euros**	**Euros**
Basic and diluted	5	1.12	1.51

The results shown above all relate to the continuing operations of the Group.
The notes on pages 15 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 March 2016

	Notes	2016 €'000	2015 €'000
Assets			
Non-current assets			
Investment properties	6	576,856	569,573
Other investments		265	-
		577,121	569,573
Current assets			
Trade and other receivables	7	2,602	2,169
Cash and cash equivalents		16,762	18,458
		19,364	20,627
Total assets		596,485	590,200
Liabilities			
Current liabilities			
Trade and other payables	8	7,548	6,610
Interest-bearing loans and borrowings	9	112,784	49,002
Derivative financial instruments	10	14,208	13,639
Current taxes		307	303
		134,847	69,554
Non-current liabilities			
Interest-bearing loans and borrowings	9	183,739	300,088
Deferred taxes	4	36,529	4,262
		220,268	304,350
Total liabilities		355,115	373,904
Net Assets		241,370	216,296
Equity			
Capital and reserves			
Share capital	11	-	-
Merger reserve		5,531	5,531
Retained earnings		162,411	136,239
Hedge reserves	10	(14,050)	(13,318)
Other distributable reserves		87,458	87,825
Equity attributable to owners of the parent		241,350	216,277
Non-controlling interest		20	19
Total capital and reserves		241,370	216,296
		Euros per share	Euros per share
Net asset value per Ordinary Share	12	10.64	9.49

The financial statements on pages 11 to 35 were approved by the board of directors on 30 August 2016 and were signed on its behalf by
Herman Troskie
Director

The notes on pages 15 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Merger reserve €'000	Retained earnings €'000	Hedge reserve €'000	Other distributable reserves €'000	Total attributable to the Group €'000	Non-controlling interest €'000	Total €'000
Balance as at 31 March 2014	5,531	93,645	(5,803)	89,134	182,507	17	182,524
Profit for the period	-	42,594	-	-	42,594	2	42,596
Share buyback (Note 11)	-	-	-	(1,309)	(1,309)	-	(1,309)
Loss on cash flow hedges recognised directly in equity	-	-	(7,515)	-	(7,515)	-	(7,515)
Balance as at 31 March 2015	5,531	136,239	(13,318)	87,825	216,277	19	216,296
Profit for the period	-	26,172	-	-	26,172	1	26,173
Share buyback (Note 11)	-	-	-	(367)	(367)	-	(367)
Loss on cash flow hedges recognised directly in equity	-	-	(732)	-	(732)	-	(732)
Balance as at 31 March 2016	**5,531**	**162,411**	**(14,050)**	**87,458**	**241,350**	**20**	**241,370**

The notes on pages 15 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 €'000	Year ended 31 March 2015 €'000
Cash flows from operating activities			
Operating profit		21,610	21,222
Adjustments for:			
(Increase) / Decrease in trade and other receivables		(433)	4,617
Increase in trade and other payables		937	4,016
Cash generated by operations		22,114	29,855
Tax paid		(317)	(349)
Net cash inflow from operating activities		21,797	29,506
Cash flows from investing activities			
Capital expenditure on investment properties	6	(9,330)	(16,598)
Proceeds on disposal of investment properties	6	49,854	2,474
Purchase of other investments		(265)	-
Finance income received		8	20
Net cash inflow / (outflow) from investing activities		40,267	(14,104)
Financing activities			
Interest paid		(10,503)	(13,810)
Net proceeds from loans received		8,750	13,450
Net loan repayments made		(61,097)	(8,104)
Financing costs paid		(393)	(1,491)
Proceeds from close out of derivative		-	596
Payments made on swap break		(150)	(1,873)
Repurchase of own shares		(367)	(1,309)
Net cash outflow from financing activities		(63,760)	(12,541)
(Decrease) / increase in net funds		(1,696)	2,861
Cash and cash equivalents at beginning of year		18,458	15,597
Cash and cash equivalents at end of year		16,762	18,458

The notes on pages 15 to 35 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2016

1. General

Puma Brandenburg Limited ("PBL") is a limited liability company incorporated and domiciled in Guernsey, Channel Islands.

PBL's primary objective is to generate income and capital growth by acquiring, actively managing and selling residential, commercial and mixed use real estate.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated. The financial statements are prepared on a going concern basis.

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and The Companies (Guernsey) Law, 2008 on the historical cost basis, except for the revaluation of investment properties and certain financial instruments which have been measured at fair value. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (€'000), except when otherwise indicated.

Management have exercised their judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity include the assessment of the fair value of investment properties and financial instruments as described below.

The fair value of the Group's investment properties was determined by independent valuers. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates (see Note 6).

The Group's interest rate derivatives are shown in these accounts at fair value as derived by their respective issuers based on market prices, estimated future cash flows and forward rates as appropriate (see Note 10).

Notes to the consolidated financial statements for the year ended 31 March 2016

2. Principal accounting policies (continued)

Adoption of new and revised standards

The accounting policies utilised are consistent with the previous financial year except for the adoption of new Standards and amendments to existing standards effective 1 January 2015 as follows:

Annual improvements 2010-2012 Cycle (issued on 12 December 2013) – effective date 1 July 2014

Annual improvements 2011-2013 Cycle (issued on 12 December 2013) – effective date 1 July 2014

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9, 'Financial instruments' – effective date 1 January 2018

IFRS 9 will impact both the measurement and disclosures of Financial Instruments;

IFRS 16, 'Leases' - effective date 1 January 2019.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

Basis of consolidation

These consolidated financial statements comprise the financial statements of PBL and its subsidiaries ("the Group"). A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. As a result, Brandenburg Properties 8 B.V. has not been consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group. The subsidiaries have the same year end as the parent, except Brandenburg Properties 5 s.a.r.l., Brandenburg Barrel Dutch HoldCo B.V., Brandenburg Barrel Cologne BuyCo B.V., Brandenburg Barrel Nuremberg BuyCo B.V. and Brandenburg Barrel Zweibruecken BuyCo B.V which have a year end of 31 December.

Revenue

Rental income from investment properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income and expense is recognised as it accrues using the effective rate method and is included in finance income and finance costs respectively.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating lease. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over period of the lease.

Notes to the consolidated financial statements for the year ended 31 March 2016

2. Principal accounting policies (continued)

Service charges

Service charge expenses are recognised in the accounting period in which the services are rendered and are presented in the consolidated statement of comprehensive income where the Group acts as principal and bears the risks and rewards of the transactions.

Investment properties

Investment properties are initially recognised at cost, including transaction costs associated with the acquisition of the investment property. The Group currently has no properties under construction.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the carrying values of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

If this information is not available the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial year end by professional valuers who hold recognised and relevant professional qualifications and recent experience in the location and category of the investment being valued.

When an investment property is sold, the gain or loss is determined by the net sales proceeds less the carrying value and is recognised directly in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and demand deposits.

Foreign currency

The functional and presentational currency of the company and its subsidiaries is the Euro. The presentational currency of the Group is the Euro. Transactions in currencies other than the functional currency are recorded using the exchange rate at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate prevailing at the balance sheet date. All differences are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the rates at the date when the fair value was determined.

Derivative financial instruments

The Group uses interest rate swap derivatives to help manage its interest rate risk. The Group does not hold derivatives for trading purposes. Derivatives are initially recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the consolidated statement of comprehensive income unless the derivatives qualify for hedge accounting, in which case recognition depends on the nature of the item being hedged. Where a derivative is designated as a hedge of the variability of a highly probable forecasted transaction, i.e. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity and as Other Comprehensive Income. When the hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified to profit and loss in the same period or periods during which the asset acquired or liability assumed affects the Statement of Comprehensive Income, i.e. when interest income or expense is recognised. The gain or loss on any ineffective element of any hedge is recognised in the Statement of Comprehensive Income immediately.

2. Principal accounting policies (continued)

Hedge Accounting
For the purpose of hedge accounting, hedges are classified as:

(i) fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
(ii) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast;
(iii) hedges of a net investment in a foreign operation.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and as Other Comprehensive Income in the Consolidated Statement of Comprehensive Income. The ineffective portion is recognised in profit and loss in the consolidated statement of comprehensive income. Amounts are classified from equity to profit and loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in countries where the Company's subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax
Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except:

(i) where a temporary difference arises from the initial recognition of an asset/liability where there is no initial impact on the profit & loss account or taxable profits, and the transaction is not a business combination; and

(ii) where a temporary difference arises from the initial recognition of goodwill arising on a business combination; and

(iii) where a temporary difference arises from an investment in subsidiaries, branches, associates or joint ventures where the investor has control over the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the related asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year end date.

Trade and other payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the consolidated financial statements for the year ended 31 March 2016

2. Principal accounting policies (continued)

Trade and other receivables

Trade receivables are measured at fair value, less provision for impairment. A provision for impairment of a trade receivable is established where there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Bank loans and borrowings

All bank loans and borrowings are initially recognised at fair value, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are charged to the consolidated statement of comprehensive income on an effective interest basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Share Capital

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

Reserves

Merger reserve represents the reserve amount transferred on 26 March 2010 from the previous holding company to the Company. Retained earnings represent accumulated net profit. Hedge reserves include the effective portion of the gain or loss on the hedging instruments of the Group. Other distributable reserves resulted from previous business combinations within the group.

3. Operating profit

The following items have been charged in arriving at operating profit:

	2016	2015
	€'000	€'000
Operating expenses		
Direct operating expenses	3,086	3,292
Property management fees	1,046	1,053
Bad debts expense	163	219
Irrecoverable service charge expenses	390	367
	4,685	4,931

	2016	2015
	€'000	€'000
Administrative expenses		
Property advisor's fees	2,087	2,154
Other expenses	4,739	5,221
	6,826	7,375

Notes to the consolidated financial statements for the year ended 31 March 2016

4. Taxation

The Company is subject to Guernsey income tax at the standard rate of 0%.

The Company's subsidiaries, Luxembourg and Dutch entities, are subject to German income tax on income arising on the investment properties, after the deduction of allowable debt financing costs, allowable expenses and capital allowances. The income tax expense is accrued using the tax rate that would be applicable to the expected total annual taxable earnings which is 15.825% for German income tax. In addition, one subsidiary is also liable to German trade tax.

The fair value adjustments of the investment properties result in a temporary difference between the carrying value of the properties and their tax basis, and deferred taxes have been recorded based on the expected tax rate on the future disposal of such properties.

	2016	2015
	€'000	€'000
The tax charge in the year comprises:		
Current income tax	321	3
Deferred tax	32,267	946
Total income tax charge	32,588	949

Deferred taxes represent the effect of short term timing differences between the recognition of income and expenses for tax purposes and accounting purposes. The deferred tax liability at the year end of €36,529,000 (2015: €4,262,000) includes deferred tax liabilities resulting from differences between the tax base and accounting base, primarily for the investment properties and the interest bearing loans. The current tax liability as at 31 March 2016 is €307,000 (2015: €303,000).

	2016	2015
	€'000	€'000
Reconciliation of income tax charge:		
Profit before tax for period from continuing operations	58,994	43,545
Tax on profit at 0% being the rate of income tax in Guernsey	-	-
Effect of tax in other jurisdictions	27,584	8,489
Tax relating to movements in valuation of investment properties	7,444	(5,801)
Expenses not deductible for tax purposes	(1,306)	(1,411)
Tax losses carried forward for which no deferred tax asset has been recognised	238	766
Increase /(utilisation) of current tax losses	(1,372)	(1,221)
Other differences	-	127
Total income tax charge	32,588	949

Notes to the consolidated financial statements for the year ended 31 March 2016

5. Earnings per A Ordinary Share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	**2016 €'000**	2015 €'000
Earnings for the year	26,172	42,594
Comprehensive earnings for the year	25,440	35,079
Number of shares		
Weighted average number of Shares	22,757,405	23,178,425

There were no convertible instruments in existence at 31 March 2016 and therefore the diluted earnings per share does not differ from basic earnings per share. Movements in the number of shares in issue during the year are set out in note 11.

6. Investment properties

	2016 €'000	2015 €'000
Fair value of investment properties at start of year	569,573	519,090
Capital additions	9,330	16,598
Proceeds on disposal of investment properties	(49,854)	(2,474)
Gain on disposal of investment properties	767	419
Fair value revaluation	47,040	35,940
Fair value of investment properties at end of year	576,856	569,573

Investment properties comprise properties acquired by the Group to earn rental income and for capital appreciation.

Investment properties are measured at their fair values, which have been determined based on valuations performed by Jones Lang LaSalle, CBRE, Knight Frank and Value AG as at 31 March 2016, in accordance with International Valuation Standards. The valuations are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates. In accordance with industry standards, the valuations do not take account of purchaser costs. The Directors are of the opinion that the investment properties have been disclosed in the financial statements at their fair values as at 31 March 2016.

The valuation of investment property is inherently difficult due to the individual nature and circumstance of each property. The valuations will not necessarily reflect the actual sale price, even if a sale were to occur shortly after the valuation date.

Substantially all revenue as disclosed in the Consolidated Statement of Comprehensive Income comprises rental income from investment properties.

Notes to the consolidated financial statements for the year ended 31 March 2016

7. Trade and other receivables

	2016	2015
	€'000	€'000
Service charges receivable	1,322	959
Rent receivable	826	754
Other debtors and prepayments	455	456
	2,602	2,169

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying values.

Trade and other receivables are net of provisions for doubtful debts of €344,000 (2015: €288,000).

8. Trade and other payables

	2016	2015
	€'000	€'000
Accruals	4,831	4,278
Other creditors	1,746	1,453
Rent received in advance	695	614
Trade creditors	276	265
	7,548	6,610

The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts. Trade and other payables are non-interest bearing.

Notes to the consolidated financial statements for the year ended 31 March 2016

9. Interest bearing loans and borrowings

Current		**Interest rate**	**Contractual Maturity**	**2016 €'000**	2015 €'000
Borrowings					
Berlin-Hannoversche Hypothekenbank (Berlin Hyp)		3.98%	30/04/2021	1,280	1,280
Landesbank BadenWuerttemberg (LBBW 1)		3.62%	30/04/2021	1,097	1,097
FMS Wertmanagement					
Senior Debt loan		2.62%	30/06/2016	83,162	772
Deutsche Pfandbriefbank (Pbb)		3.11%	31/01/2017	26,777	42,303
Landesbank BadenWuerttemberg (LBBW 2)					
Senior Debt loan	(see (i) below)	2.45%	28/02/2022	523	523
Senior Debt loan	(see (ii) below)	2.05%	28/02/2018	416	416
PVFA Ltd					
Senior Debt loan		5.00%	30/11/2015	n/a	931
Senior Debt loan		5.00%	30/11/2015	n/a	1,838
Senior Debt loan		5.00%	30/06/2016	n/a	-
				113,255	49,160
Other items					
Interest payable and similar charges				126	232
Capitalised finance charges				(597)	(390)
				112,784	49,002

Non-current		**Interest rate**	**Contractual Maturity**	**2016 €'000**	2015 €'000
Borrowings					
Berlin-Hannoversche Hypothekenbank (Berlin Hyp)		3.98%	30/04/2021	60,160	61,440
Landesbank BadenWuerttemberg (LBBW 1)		3.62%	30/04/2021	71,545	70,971
FMS Wertmanagement					
Senior Debt loan		2.62%	30/06/2016	-	87,162
Deutsche Pfandbriefbank (Pbb)		3.11%	13/07/2017	-	30,794
Landesbank BadenWuerttemberg (LBBW 2)					
Senior Debt loan	(see (i) below)	2.45%	28/02/2022	24,973	25,496
Senior Debt loan	(see (ii) below)	2.05%	28/02/2018	18,329	20,274
PVFA Ltd					
Senior Debt loan		5.00%	30/11/2015	n/a	-
Senior Debt loan		5.00%	30/11/2015	n/a	-
Senior Debt loan		5.00%	30/06/2016	n/a	1,962
Berliner Volksbank		3mEur+1.50%	30/06/2020	4,401	n/a
Deutsche Kreditbank (DKB)		3mEur+1.50%	28/02/2021	2,250	n/a
Shore Capital Group Limited		4.024%	25/04/2017	3,500	3,500
				185,158	301,599
Other items					
Capitalised finance charges				(1,419)	(1,511)
				183,739	300,088

Notes to the consolidated financial statements for the year ended 31 March 2016

9. Interest bearing loans and borrowings (continued)

Borrowings are repayable as follows:

	2016	2015
	€'000	€'000
Within one year	113,255	49,160
Within one to two years	11,216	40,344
Within two to five years	26,611	114,411
After five years	147,331	146,845
	298,413	350,760

Borrowings are secured against the investment properties of the relevant subsidiary. The terms of the above loans are as follows:

Berlin-Hannoversche Hypothekenbank (Berlin Hyp)
A facility for a total amount of €64,000,000. The facility is subject to amortisation payments and at the year end had a balance of €61,440,000 (2015: €62,720,000). The interest payable is at a fixed rate of 3.98% per annum and the repayment date of the loan is 30 April 2021.

Landesbank BadenWuerttemberg (LBBW 1)
A facility for a total amount of €73,100,000. The facility is subject to amortisation payments and at the year end had a balance of €72,642,000 (2015: €72,068,000). The interest payable is 3.619% per annum (including the interest rate swap referred to in note 10). The repayment date of the loan is 30 April 2021.

The bank have also made available a Capex facility for a total amount if €2,000,000 which was drawn down during the year.

FMS Wertmanagement (FMSW)
The facility is subject to amortisation payments and at the year end had a balance of €83,162,000 (2015: €87,934,000) with a margin of 2.50%. Interest on €57,162,000 of the loan is fixed at a rate of 0.13% with the balance on a floating rate of interest. The repayment date of the loan is 30 June 2016.

Deutsche Pfandbriefbank (Pbb - Barrel)
A facility for a total amount of €90,000,000 which was drawn down on 30 June 2016. The facility is subject to amortisation payments. Interest on €81,000,000 of the loan is fixed at a rate of 2.19% with the balance on a floating rate of interest. The repayment date of the loan is 30 June 2024.

Deutsche Pfandbriefbank (Pbb - Archway)
The loan is subject to amortisation payments and at the year end had a balance of €26,777,000 (2015: €73,097,000). A swap arrangement is in place for an amount of €33,000,000 at a rate of 0.88%. The repayment date of the loan is 31 January 2017 with provision for a further 2 year extension subject to certain conditions being met.

Notes to the consolidated financial statements for the year ended 31 March 2016

9. Interest bearing loans and borrowings (continued)

Landesbank BadenWuerttemberg (LBBW 2)
This loan facility has two parts as follows:

(i) Berlin residential: this part of the facility is subject to amortisation payments and at the year end had a balance of €25,496,000 (2015: €26,019,000). A swap arrangement is in place for an amount of €26,125,000 at a rate of 2.45% (including the interest rate swap referred to in note 10). The final repayment date of the loan is 28 February 2022.

(ii) Commercial: this part of the facility is subject to amortisation payments and at the year end had a balance of €18,744,000 (2015: €20,690,000) with a margin of 1.85% over Euribor. Interest on €15,600,000 of the loan is capped at rate of 0.2% per annum with the balance on a floating rate of interest. The final repayment date of the loan is 28 February 2018.

PVFA Limited
The loan amount of £3.42m was repaid on 11 November 2015 and at the same time refinanced with Berliner Volksbank. The new loan has a maturity date on 30 June 2020, details of which are set out below.

Berliner Volksbank
A facility for a total amount of €4,500,000. The facility is subject to amortisation payments from 1 July 2018 and was drawn down in full on 11 November 2015. The year end balance was €4,401,000 with a margin of 1.5% per annum over Euribor. The repayment date of the loan is 30 June 2020.

Deutsche Kreditbank AG (DKB)
A facility for a total amount of €3,840,000. The facility is subject to amortisation payments from 31 December 2017 and the first €2,250,000 was drawn down in March 2016. The repayment date of the loan is 28 February 2021 and the margin is 1.50% over Euribor.

10. Derivative financial instruments

	2016	2015
	€'000	€'000
Liabilities		
Derivative financial instruments to which hedge accounting has been applied	14,208	12,948
Derivative financial instruments to which hedge accounting has not been applied	-	691
	14,208	13,639

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate borrowings caused by movements in market rates of interest. At 31 March 2016, the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a liability of €14,208,000 (2015: €13,639,000).

At 31 March 2016, the cumulative unrealised losses on hedge instruments were €14,050,000 (2015: €13,318,000). The unrealised losses comprise the fair value of the interest rate swaps which have been designated as cash flow hedges. The increase in the unrealised losses on hedge instruments of €732,000 (2015: €7,515,000) is included in the Consolidated Statement of Changes in Equity. The amount credited to the Consolidated Statement of Comprehensive Income for non-hedge derivative financial instruments was €12,000 (2015: loss of €1,394,000).

Notes to the consolidated financial statements for the year ended 31 March 2016

10. Derivative financial instruments (continued)

Details of interest rate swaps and caps entered into by the Group in respect of certain term financing agreements are as follows:

Interest rate swaps and caps treated as cash flow hedges as at 31 March 2016

	2016	**2015**
LBBW 1		
Nominal amount (€'000)	72,000	72,000
Pay rate	1.77%	1.77%
Receive rate	3 Month Euribor	3 Month Euribor
Remaining life (years)	5.1	6.1
Fair value of swap (€'000)	(6,495)	(6,465)
LBBW 2 (part (i))		
Nominal amount (€'000)	26,125	26,125
Pay rate	0.60%	0.60%
Receive rate	3 Month Euribor	3 Month Euribor
Remaining life (years)	5.9	6.9
Fair value of swap (€'000)	(346)	(172)
LBBW 2 (part (ii))		
Nominal amount (€'000)	15,600	15,600
Strike rate	0.20%	0.20%
Remaining life (years)	1.9	2.9
Fair value of cap (€'000)	4	43
Pbb - Archway		
Nominal amount (€'000)	33,000	44,500
Pay rate	0.88%	0.88%
Receive rate	3 Month Euribor	3 Month Euribor
Remaining life (years)	0.8	1.8
Fair value of swap (€'000)	(299)	(691)

The Pbb – Archway swap of €44.5m was partially unwound in November 2015 generating a loss of €0.15m.

Notes to the consolidated financial statements for the year ended 31 March 2016

10. Derivative financial instruments (continued)

The table below summarises the Group's debts by interest rate profile.

	2016 €'000	2015 €'000
Debts with swaps treated as cash flow hedges		
Within one year	28,812	44,338
Within one to two years	2,035	32,829
Within two to five years	22,771	24,182
After 5 years	88,042	90,525
	141,660	191,874
Debts with fixed interest rate		
Within one to two years	87,942	4,822
Within one to two years	5,681	7,515
Within two to five years	3,840	90,229
After 5 years	59,290	56,320
	156,753	158,886
	298,413	350,760

11. Share capital

Issued share capital	**2016 Number**	**2016 €'000**	2015 Number	2015 €'000
A Ordinary Shares of no par value				
Balance at start of year	22,783,773	-	23,193,000	-
Shares buyback	(91,661)	-	(409,227)	-
Balance at end of year	22,692,112	-	22,783,773	-
B Ordinary Shares of no par value				
Balance at start of year	22,783,773	-	23,192,500	-
Shares buyback	(91,661)	-	(408,727)	-
Balance at end of year	22,692,112	-	22,783,773	-

On 17 December 2015, 91,661 A shares and 91,661 B shares were repurchased as result of a Tender Offer, at €2.90 and €1.10 per share respectively. On 19 March 2015, 409,227 A shares and 408,727 B shares were repurchased as result of a Tender Offer, at €2.32 and €0.88 per share respectively.

12. Net asset value per A Ordinary Share

	Net assets attributable to equity holders of the Group €'000	**A Ordinary shares in issue Number**	**Net asset value per ordinary share €**
As at 31 March 2016	241,350	22,692,112	10.64
As at 31 March 2015	216,277	22,783,773	9.49

Notes to the consolidated financial statements for the year ended 31 March 2016

13. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise bank loans and trade payables. The main purpose of these bank loans is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Group also enters into derivative transactions, primarily interest rate swaps and caps.

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and re-letting the property until it is re-let. The asset manager monitors the tenants in order to anticipate, and minimise the impact of defaults by occupational tenants, as well as ensuring that the Group has a diversified tenant base. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the statement of financial position date.

The significant concentrations of credit risk within the Group are from the institutions where it holds cash as well as risk from counterparty failure for its derivatives, the risk being the derivative's fair value. This risk is managed by depositing cash and entering into derivative contracts with multiple, highly rated institutions.

The credit rating of the Company's banks range between A- and A+.

The credit quality of rent receivables and other debtors is considered to be high, due to a low level of arrears from larger commercial tenants as well as more than adequate bad debt provisions for arrears from smaller residential tenants.

Liquidity risk

Liquidity risk is the risk that arises when the maturities of assets and liabilities do not match. The Group has procedures with the object of mitigating such risk by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the Group's desire to maintain a high level of liquidity in order to enable timely settlement of trade payables and completion of investment transactions.

Notes to the consolidated financial statements for the year ended 31 March 2016

13. Financial Risk Management Objectives and Policies (continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted cash flows.

31 March 2016

	On demand or within one year €'000	**In the second year €'000**	**In the third to fifth years €'000**	**After five years €'000**	**Total €'000**
Assets					
Other investments	-	-	-	265	265
Cash and cash equivalents	16,762	-	-	-	16,762
Trade receivables	2,602	-	-	-	2,602
Total assets	19,364	-	-	265	19,629
Liabilities					
Interest bearing loans	113,255	11,216	26,611	147,331	298,413
Expected interest expense including hedging	7,791	6,234	17,597	1,001	32,623
Trade, tax and other payables	7,855	-	-	36,529	44,384
Total liabilities	128,901	17,450	44,208	184,861	375,420

31 March 2015

	On demand or within one year €'000	In the second year €'000	In the third to fifth years €'000	After five years €'000	Total €'000
Assets					
Other investments	-	-	-	-	-
Cash and cash equivalents	18,458	-	-	-	18,458
Trade receivables	2,169	-	-	-	2,169
Total assets	20,627	-	-	-	20,627
Liabilities					
Interest bearing loans	49,160	40,344	114,411	146,845	350,760
Expected interest expense including hedging	10,861	7,919	17,870	6,836	43,486
Trade, tax and other payables	6,913	-	-	4,262	11,175
Total liabilities	66,934	48,263	132,281	157,943	405,421

Notes to the consolidated financial statements for the year ended 31 March 2016

13. Financial Risk Management Objectives and Policies (continued)

Market Risk
Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure to market risk is from movements in the value of its derivatives, namely interest rate swaps. Changes in market interest rates can increase or decrease the value of the derivatives.

The Group enters into interest rate swaps to convert the variable rate interest payments on its loans into fixed rate payments. As such, an increase in general market interest rates will increase the value of the Group's derivatives and likewise a decrease in general market interest rates will decrease the value of the Group's derivatives.

The Group manages the market risk of the derivatives by ensuring that their maturity dates match the underlying long term loans.

If there is a movement in Euribor, although the swap valuation would fluctuate, there would be an equal and opposite movement in the interest accrual in the short term. Additionally, over the life of the instrument the swap unwinds so that on maturity the liability is nil. See also credit risk mentioned earlier in this note in respect of derivatives.

Currency Risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has some cash that is denominated in currencies other than the functional currency of the Group. Accordingly, the value of the Group's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Group will necessarily be subject to foreign exchange risks.

The Group's operational currency is Euros and no material balances or transactions exist in any other currency.

Cash Flow and Fair Value Interest Rate Risk
The Group's exposure to interest rate risk relates primarily to the Group's long-term floating rate debt obligations. The Group's policy is to mitigate interest rate risk by ensuring that a minimum of 80% of its borrowing is at fixed interest rates, either by taking out fixed rate loans or through the use of interest rate swaps or caps.

Interest Rate Risk
The Group has very limited interest rate risk. All loans, except €26.0m (2015: €30.0m) of the FMSW loan and €3.8m (2015: nil) of the Berliner Volksbank loan and €2.3m (2015: nil) of the Deutsche Kreditbank loan, are fully hedged using derivative financial instruments as detailed in Note 10 or are at fixed interest rates. Should the interest rate increase or decrease, the interest payable and swap derivative move in an equal and opposite manner such that there is no impact on the statement of comprehensive income.

Price Risk
The Group has no significant exposure to price risk as it does not hold any equity securities. The group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk, see note 6.

Capital Management
The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Notes to the consolidated financial statements for the year ended 31 March 2016

13. Financial Risk Management Objectives and Policies (continued)

The Group maintains its capital position on the basis of the leverage ratio. This ratio is calculated as debt compared to equity and debt. At 31 March 2016, the total capital under management was €241.4m (2015: €216.3m) and the Group's leverage ratio was 55.1% (2015: 61.7%).

The Group is not subject to externally imposed capital requirements.

14. Fair value of Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments, excluding trade receivables and payables, and investment properties that are carried in the financial statements.

At 31 March 2016

	Carrying amount €'000	Fair value €'000
Financial assets		
Cash	16,762	16,762
Non-Financial assets		
Investment properties	576,856	576,856
Other investments	265	265
Financial liabilities		
Interest bearing loans and borrowings	296,523	296,523
Interest rate swaps	14,208	14,208

At 31 March 2015

	Carrying amount €'000	Fair value €'000
Financial assets		
Cash	18,458	18,458
Non-Financial Assets		
Investment properties	569,573	569,573
Other investments	-	-
Financial liabilities		
Interest bearing loans and borrowings	349,090	349,090
Interest rate swaps	13,639	13,639

The following table shows financial instruments recognised at fair value, analysed through profit and loss based on:
Financial assets and liabilities measured at fair value being disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-
Level 1 – Unadjusted quoted prices in active markets for identical asset or liabilities ('quoted prices');
Level 2 – Inputs (other than quoted prices in active markets for identical assets or liabilities) that are directly or indirectly observable for the asset or liability ('observable inputs'); or
Level 3 – Inputs that are not based on observable market data ('unobservable inputs').

Notes to the consolidated financial statements for the year ended 31 March 2016

14. Fair value of Assets and Liabilities (continued)

Fair value hierarchy

At 31 March 2016

Fair values have been measured at the end of the reporting period as follows:	Level 1 'Quoted prices' €'000	Level 2 'Observable inputs' €'000	Level 3 'Unobservable inputs' €'000	Total €'000
Investment Properties				
At fair value through profit and loss	-	576,856	-	576,856
Financial liabilities				
At fair value through profit and loss	-	14,208	-	14,208

At 31 March 2015

Fair values have been measured at the end of the reporting period as follows:	Level 1 'Quoted prices' €'000	Level 2 'Observable inputs' €'000	Level 3 'Unobservable inputs' €'000	Total €'000
Investment properties				
At fair value through profit and loss	-	569,573	-	569,573
Financial liabilities				
At fair value through profit and loss	-	13,639	-	13,639

The Group's interest rate derivatives are shown in these accounts at fair value as derived by their respective issuers based on market prices, estimated future cash flows and forward rates as appropriate.

15. Related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in an arm's length transaction.

Material contracts
Under the terms of the Investment Advisory Agreement dated 24 March 2010 between Puma Brandenburg Limited and Puma Property Investment Advisory Limited (the "Property Adviser" and a wholly owned subsidiary of Shore Capital Group Limited), the Property Adviser is entitled to investment advisory fees which in the year totalled €2,087,000 (2015: €2,154,000) of which €1,700,000 (2015: €1,077,000) was outstanding at the year end.

Interests of related parties
On 25th March 2010, Puma Brandenburg Limited entered into a loan facility with Shore Capital Group Limited for an amount of €5,000,000. The balance of the loan at 31 March 2016 is €3,500,000 (2015: €3,500,000). The loan has been extended and is repayable on 25 March 2017. Interest is charged at a rate of 4.024%.

Notes to the consolidated financial statements for the year ended 31 March 2016

15. Related party transactions (continued)

Interests of related parties (continued)
Brandenburg Realty Limited, a new fund set up to invest in German real estate, closed its fundraising on 30 June 2015 having raised a total of €150.5m. This includes a co-investment commitment from the Company for €7.7m representing 5.1% of the total. Howard Shore, a Director of the Company, is also a director of BRL.

16. Directors fees

During the year the directors earned fees as follows:

	2016	2015
	€'000	€'000
Werner Klatten	40	-
Gernot von Grawert-May	-	40
Howard Shore	3,000	4,000
Herman Troskie	15	15
	3,055	4,055

Notes to the consolidated financial statements for the year ended 31 March 2016

17. Group companies

Additional information on principal subsidiaries at 31 March 2016.

Name	**Country of Incorporation**	**Field of activity**	**Ownership Interest**
Held by the Company			
Puma Brandenburg Finance Limited	Guernsey	Finance Company	100%
Granit Holdings GP GmbH	Germany	General Partner	100%
Brandenburg Properties s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Realty Co-Investment Limited	Guernsey	Intermediate Holding Company	100%
Held by Brandenburg Properties s.à.r.l.			
Brandenburg Properties 1 s.à.r.l.	Luxembourg	Property Investment	100%
Brandenburg Properties 2 s.à.r.l.	Luxembourg	Property Investment	100%
Brandenburg Properties 3 s.à.r.l.	Luxembourg	Property Investment	100%
Brandenburg Properties 4 s.à.r.l.	Luxembourg	Property Investment	100%
Brandenburg Properties 5 s.à.r.l.	Luxembourg	Property Investment	100%
Brandenburg Properties 6 B.V.	Netherlands	Property Investment	100%
Brandenburg Properties 7 B.V.	Netherlands	Property Investment	100%
Brandenburg Properties 9 B.V.	Netherlands	Intermediate Holding Company	100%
Brandenburg Properties 10 B.V.	Netherlands	Property Investment	100%
Brandenburg Properties 11 B.V.	Netherlands	Property Investment	100%
Brandenburg Properties 12 B.V.	Netherlands	Property Investment	100%
Brandenburg Properties 19 B.V.	Netherlands	Property Investment	100%
Brandenburg Barrel Dutch HoldCo B.V.	Netherlands	Intermediate Holding Company	100%
Brandenburg Archie 15 Acquico 1 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 15 Acquico 2 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 15 Acquico 3 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 15 Acquico 4 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 24 Acquico 1 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 24 Acquico 2 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 24 Acquico 3 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie 24 Acquico 4 s.à.r.l.	Luxembourg	Intermediate Holding Company	100%
Brandenburg Archie GP s.à.r.l.	Luxembourg	General Partner	100%
KPI Residential Property 15 s.à r.l.	Luxembourg	Intermediate Holding Company	94%
KPI Retail Property 24 s.à r.l.	Luxembourg	Intermediate Holding Company	94%
PBL Archie 15 s.à.r.l. & Co. KG	Germany	Property Investment	99.64%
PBL Archie 24 s.à.r.l. & Co. KG	Germany	Property Investment	99.64%

Notes to the consolidated financial statements for the year ended 31 March 2016

17. Group companies (continued)

Held by Brandenburg Properties 9 B.V.			
Mendelsohn Quartier GmbH	Germany	Property Investment	99.74%
Mendelsohn Asset Holdings GmbH & Co KG	Germany	Property Investment	99.74%
MQ Apartments GmbH & Co KG	Germany	Property Investment	99.74%
Mendelsohn Quartier Holdings GmbH &Co KG	Germany	Intermediate Holding Company	94.90%
Held by Brandenburg Barrel Dutch HoldCo B.V.			
Brandenburg Barrel Cologne BuyCo B.V.	Netherlands	Property Investment	100%
Brandenburg Barrel Nuremberg BuyCo B.V.	Netherlands	Property Investment	100%
Brandenburg Barrel Zweibruecken BuyCo B.V.	Netherlands	Property Investment	100%

18. Post Balance Sheet Events

Refinancing of the Barrel Portfolio
The €90 million loan facility which was signed with PBB in February 2016 was drawn on 30 June 2016.

Lidl Portfolio
In May 2015 a second framework agreement was signed with Lidl for the renovation of additional stores. We expect that under this agreement four stores will be renovated and in return, the leases of the stores will be extended for an additional 10 years and an increase in rent received. In parallel an SPA was signed on 7 June 2016 under which Lidl has agreed to purchase three stores for a total consideration of €5.75m.

Sale of Sonnensiedlung estate
On 20 July 2016, the Group entered into an agreement to sell its subsidiary that owns the social housing estate in Sonnensiedlung, Neukölln, valuing the property sold at €165m. The year-end valuation was €163m. The sale excluded land from this estate valued at €1.49m.

Co-Investment
In August 2016, Brandenburg Realty Limited drew down a further €1,763,000 from the Company.