FINANCIAL STATEMENTS[1]

1. The annual financial reports, the Board of Directors' reports and the statutory auditor's reports related to financial years 2010/2011, 2011/2012 and 2012/2013, 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

CONTENT

1. Consolidated Financial Statements

1.1 Consolidated Income Statement

Year ending on 30 June (x €1,000)		Notes	2014	2013
I.	Rental income	4	40,675	36,230
II.	Writeback of lease payments sold and discounted		0	0
III.	Rental-related charges	5	-62	-147
Net rental income			**40,613**	**36,083**
IV.	Recovery of property charges	6	36	40
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	7	1,096	1,151
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	-1,096	-1,151
VIII.	Other rental-related income and charges	10	-1,510	-1,565
Property result			**39,139**	**34,558**
IX.	Technical costs	11	-933	-942
X.	Commercial costs	12	-549	-486
XI.	Charges and taxes on unlet properties	13	-162	-126
XII.	Property management costs	14	-717	-684
XIII.	Other property charges	15	-1,187	-1,078
Property charges			**-3,548**	**-3,316**
Property operating result			**35,591**	**31,242**
XIV.	Overheads	16	-4,202	-3,855
XV.	Other operating income and charges	17	32	147
Operating result before result on portfolio			**31,421**	**27,534**
XVI.	Gains and losses on disposals of investment properties	18	0	54
XVII.	Gains and losses on disposals of other non-financial assets	19	0	0
XVIII.	Changes in fair value of investment properties	20	3,816	9,013
Operating result			**35,237**	**36,601**
XX.	Financial income	21	894	326
XXI.	Net interest charges	22	-11,128	-9,953
XXII.	Other financial charges	23	-731	-833
XXIII.	Changes in fair value of financial assets and liabilities	47	-2,990	1,600
Net finance costs			**-13,955**	**-8,860**
XXIV.	Share in the profit or loss of associates and joint ventures accounted for using the equity method		0	0
Profit before tax (loss)			**21,282**	**27,741**
XXV.	Corporate tax	24	103	-70
XXVI.	Exit tax	25	0	0
Tax expense			**103**	**-70**
Profit (loss)			**21,385**	**27,671**
Attributable to :				
	Non-controlling interests		0	0
	Owners of the parent		**21,385**	**27,671**
Basic earnings per share (€)		26	2.16	3.17
Diluted earnings per share (€)		26	2.16	3.17

1.2 Consolidated Statement of Comprehensive Income

Year ending on 30 June (x €1,000)		2014	2013
I.	Profit (loss)	21,385	27,671
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	-3,736	-418
B.	Changes in the effective part of the fair value of authorised cash flow hedge instruments as defined under IFRS	-2,710	1,344
H.	Other comprehensive income*, net of taxes	0	1,593
Comprehensive income		**14,939**	**30,190**
	Attributable to :		
	Non-controlling interests	0	0
	Owners of the parent	**14,939**	**30,190**

* Difference between the investment value determined by the independent expert and the contractual value agreed between parties, after deduction of ancillary costs related to acquisitions.

1.3 Consolidated Balance Sheet

ASSETS Year ending on 30 June (x €1,000)		Notes	2014	2013
I.	**Non-current assets**			
A.	Goodwill	27	1,856	1,856
B.	Intangible assets	28	21	21
C.	Investment properties	29	784,980	642,844
D.	Other tangible assets	31	1,911	1,849
E.	Non-current financial assets	32	461	968
F.	Finance lease receivables		0	0
G.	Trade receivables and other non-current assets		0	0
H.	Deferred tax assets	54	244	0
I.	Equity-accounted investments		0	0
Total non-current assets			**789,473**	**647,538**
II.	**Current assets**			
A.	Assets classified as held for sale		0	0
B.	Current financial assets		0	0
C.	Finance lease receivables		0	0
D.	Trade receivables and other non-current assets	34	2,938	2,514
E.	Tax receivables and other current assets	35	495	893
F.	Cash and cash equivalents	36	1,156	725
G.	Deferred charges and accrued income	37	661	527
Total current assets			**5,250**	**4,659**
TOTAL ASSETS			**794,723**	**652,197**

EQUITY AND LIABILITIES Year ending on 30 June (x €1,000)		Notes	2014	2013
EQUITY		38		
I.	**Issued capital and reserves attributable to owners of the parent**			
A.	Capital		264,231	248,072
B.	Share premium account		64,729	64,730
C.	Reserves		46,730	41,686
	a. Legal reserve		*0*	*0*
	b. Reserve for the balance of changes in fair value of investment properties		*91,863*	*82,798*
	c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties		*-17,582*	*-13,848*
	d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS		*-19,484*	*-16,637*
	e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS		*-15,729*	*-17,467*
	h. Reserve for treasury shares		*-56*	*-84*
	m. Other reserves		*0*	*0*
	n. Result brought forward from previous years		*7,718*	*6,924*
D.	Profit (loss) of the year		21,385	27,671
Equity attributable to owners of the parent			**397,075**	**382,159**
II.	**Non-controlling interests**		**0**	**0**
TOTAL EQUITY			**397,075**	**382,159**
LIABILITIES				
I.	**Non-current liabilities**			
A.	Provisions	39	0	0
B.	Non-current financial debts			
	a. Borrowings	40	274,955	171,484
C.	Other non-current financial liabilities	32	37,774	32,373
D.	Trade debts and other non-current debts		0	0
E.	Other non-current liabilities		0	0
F.	Deferred taxes liabilities		0	0
Non-current liabilities			**312,729**	**203,857**
II.	**Current liabilities**			
A.	Provisions	39	0	0
B.	Current financial debts			
	a. Borrowings	40	70,945	55,721
C.	Other current financial liabilities		0	0
D.	Trade debts and other current debts			
	a. Exit tax	41	615	137
	b. Other	41	10,305	7,479
E.	Other current liabilities		0	0
F.	Accrued charges and deferred income	42	3,054	2,844
Total current liabilities			**84,919**	**66,181**
TOTAL LIABILITIES			**397,648**	**270,038**
TOTAL EQUITY AND LIABILITIES			**794,723**	**652,197**

1.4 Consolidated Cash Flow Statement

Year ending on 30 June (x €1,000)	Notes	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss)		21,385	27,671
Non-controlling interests		0	0
Tax expense	24	-103	70
Amortisation and depreciation		599	553
Write-downs	5	43	126
Change in fair value of investment properties (+/-)	20	-3,816	-9,013
Gains and losses on disposals of investment properties	18	0	-54
Net finance costs		13,955	8,860
Changes in trade receivables (+/-)		-467	250
Changes in trax receivables and other current assets (+/-)		397	2,665
Changes in deferred charges and accrued income (+/-)		-133	15
Changes in trade payables and other current debts (excl. exit tax) (+/-)		2,773	-285
Changes in accrued charges and deferred income (+/-)		212	288
Cash generated from operations		**34,845**	**31,146**
Taxes paid		-70	-54
Net cash from operating activities		**34,775**	**31,092**
CASH FLOW RESULTING FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-11	-11
Purchase of real estate companies and marketable investment properties		-49,714	-7,322
Purchase of tangible assets		-651	-313
Purchase of development projects		-36,727	-25,392
Disposals of investment properties		0	248
Net changes in non-current receivables		46	44
Net investments in other assets		0	0
Net cash from investing activites		**-87,057**	**-32,746**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase, net of costs *		0	96,855
Disposals of treasury shares		28	30
Dividend for previous fiscal year		-16,211	-13,305
Net changes in borrowings		98,444	-68,839
Net changes in other loans		0	0
Net finance costs paid		-10,802	-10,669
Repayment of financial debts of acquired or merged companies		-10,461	-1,956
Repayment of working capital of acquired or merged companies		-8,285	-1,778
Net cash from financing activities		**52,713**	**338**
TOTAL CASH FLOW FOR THE PERIOD			
Total cash flow for the period		**431**	**-1,316**
RECONCILIATION WITH BALANCE SHEET			
Cash and cash equivalents at beginning of period		725	2,041
Total cash flow for the period		431	-1,316
Cash and cash equivalents at end of period	**36**	**1,156**	**725**

* The capital increases of 2013/2014 (contributions in kind) did not result in any cash flow.

1.5 Consolidated Statement of Changes in Equity

Year ending on 30 June (x €1,000)	2012	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	2013
Capital	180,873	66,386	814	0	0	0	-1	248,072
Share premium account	34,261	30,469	0	0	0	0	0	64,730
Reserves	37,104	0	0	30	2,519	2,033	0	41,686
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*71,727*	*0*	*0*	*0*	*1,593*	*9,478*	*0*	*82,798*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-13,430*	*0*	*0*	*0*	*-418*	*0*	*0*	*-13,848*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-17,906*	*0*	*0*	*0*	*1,344*	*-75*	*0*	*-16,637*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-8,082*	*0*	*0*	*0*	*0*	*-9,385*	*0*	*-17,467*
h. Reserve for treasury shares	*-114*	*0*	*0*	*30*	*0*	*0*	*0*	*-84*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*4,909*	*0*	*0*	*0*	*0*	*2,015*	*0*	*6,924*
Profit (loss)	15,338	0	0	0	27,671	-15,338	0	27,671
Equity attribuable to owners of the parent	**267,576**	**96,855**	**814**	**30**	**30,190**	**-13,305**	**-1**	**382,159**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**267,576**	**96,855**	**814**	**30**	**30,190**	**-13,305**	**-1**	**382,159**

Year ending on 30 June (x €1,000)	2013	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	2014
Capital	248,072	0	16,159	0	0	0	0	264,231
Share premium account	64,730	0	0	0	0	0	-1	64,729
Reserves	41,686	0	0	28	-6,446	11,460	2	46,730
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*82,798*	*0*	*0*	*0*	*0*	*9,067*	*-2*	*91,863*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-13,848*	*0*	*0*	*0*	*-3,736*	*0*	*2*	*-17,582*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-16,637*	*0*	*0*	*0*	*-2,710*	*-137*	*0*	*-19,484*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-17,467*	*0*	*0*	*0*	*0*	*1,737*	*1*	*-15,729*
h. Reserve for treasury shares	*-84*	*0*	*0*	*28*	*0*	*0*	*0*	*-56*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*6,924*	*0*	*0*	*0*	*0*	*793*	*1*	*7,718*
Profit (loss)	27,671	0	0	0	21,385	-27,671	0	21,385
Equity attribuable to owners of the parent	**382,159**	**0**	**16,159**	**28**	**14,939**	**-16,211**	**1**	**397,075**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**382,159**	**0**	**16,159**	**28**	**14,939**	**-16,211**	**1**	**397,075**

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 real estate investment company with fixed capital (REIT) 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)

Aedifica is positioned as a leading Belgian listed company investing in residential real estate. Its strategy is aimed at creating a balanced portfolio of residential buildings that generates recurring revenues and offers potential for capital gains. Aedifica’s investment strategy is built on two underlying demographic trends, namely population ageing in Western Europe and population growth in Belgium’s main cities.

To attain its objectives, Aedifica has identified two strategic pillars in which it will concentrate activities: senior housing in Western Europe and apartment buildings in Belgium’s main cities. The diversification sought by Aedifica centres on these two strategic pillars, which provide for easy adaptation of the Company’s policy in response to shifting market opportunities and economic conditions. The two strategic poles are concentrated in two main segments: senior housing, apartment buildings. Hotels and other types of buildings constitutes a residual non-strategic segment. The weight of each segment may vary from one year to another according to changing circumstances.

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 25 August 2014. The Company’s shareholders have the power to amend the Consolidated Financial Statements after issue at the Annual General Meeting, to be held on 24 October 2014.

Note 2: Accounting policies

Note 2.1: Basis of preparation

The Consolidated Financial Statements cover the 12-month period ending 30 June 2014. 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 2014 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 2014) as 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 7 December 2010 on Belgian REITs.

The Consolidated Financial Statements are prepared in Euros, and presented in millions 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, and financial assets and liabilities held for hedging or held for trading (mainly derivatives).

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.

A summary of significant accounting policies is provided in Note 2.2. The new and amended standards and interpretations listed below are obligatory and have been applied by the Group since 1 July 2013 and have no impact on the Consolidated Financial Statements presented for the 2012/2013 financial year:

- IFRS 1 (amended) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;
- IAS 19 (amended) – Employee Benefits;
- IFRIC 20 (new interpretation) – Stripping Costs in the Production Phase of a Surface Mine;
- IFRS 7 (amended) – Disclosures – Offsetting Financial Assets and Financial Liabilities;
- IFRS 1 (amended) – Government Loans;
- Improvement to 5 IFRS standards (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) issued in May 2012;

IFRS 13 "Fair Value Measurement", entered into force for the group on 1 July 2013, but has had no effect other than:
- recognition in the income statement during the period (under line "XVIII. Changes in fair value of investment properties") of amounts (income of €0.6 million) which would previously have been booked directly to equity;
- addition of new entries in Note 29 regarding investment properties ;
- recognition in the income statement during the period (under line "XVIII. Changes in fair value of investment properties") of amounts (income of €0.3 million) reflecting own credit risk ("DVA" or "debit valuation adjustment") and counterparty credit risk ("CVA" or "credit valuation adjustment") to determine the fair value of the hedging instruments;
- adaptation of Note 33 regarding hedging instruments and addition of Note 55 regarding fair value.

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 2014. These changes, which the Aedifica group has not adopted anticipatively, include the following (as of 30 June 2014):

- IFRS 9 (new) – Financial Instruments (effective 1 July 2018, pending EU approval);
- IFRS 12 (new) – Disclosure of Interests in Other Entities (effective 1 July 2014);
- IFRS 11 (new) – Joint Arrangements (effective 1 July 2014);
- IFRS 10 (new) – Consolidated Financial Statements (effective 1 July 2014);
- IAS 27 (amended) – Separate Financial Statements (effective 1 July 2014);
- IAS 28 (amended) – Investments in Associates and Joint Ventures (effective 1 July 2014);
- IAS 32 (amended) – Presentation – Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014);
- IFRS 10, IFRS 11 and IFRS 12 (amended) – Transition Guidance (effective 1 July 2014).
- IFRS 10, IFRS 12 and IAS 27 (amended) – Investment Entities (effective 1 July 2014);
- IAS 36 (amended) – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 July 2014);
- IAS 39 (amended) – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 July 2014);
- IFRIC 21 (new interpretation) - Levies (effective 1 July 2014);
- Annual Improvements to IFRS 2011-2013 Cycle issued in December 2013 (effective 1 July 2014, pending EU approval);
- Annual Improvements to IFRS 2010-2012 Cycle issued in December 2013 (effective 1 July 2014, pending EU approval);
- IAS 19 (amended) – Defined Benefit Plans : Employee Contributions (effective 1 July 2014, pending EU approval);
- IFRS 11 (amended) – Accounting for Acquisitions of Interests in Joint Operations (effective 1 July 2016, pending EU approval);
- IAS 16 and IAS 38 (amended) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 July 2016, pending EU approval);
- IAS 16 et IAS 41 (amended) – Bearer Plants (effective 1 July 2016, pending EU approval);
- IFRS 14 (new) – Regulatory Deferral Accounts (effective 1 July 2016, pending EU approval);
- IFRS 15 (new) – Revenue from Contracts with Customers (effective 1 July 2017, pending EU approval).

The Group is currently evaluating the impacts of the above-listed changes.

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, with the exception of rule I.C 1.3. ("Treatment of differences at the time of acquisition"). This rule was adapted prospectively as of 1 July 2013 following the entry into force of IFRS 13 "Fair Value Measurement".

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 IAS 27, 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 30 %.

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 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 %.

1.3. Treatment of differences at the time of acquisition

If, for acquisitions such as those defined in section IC 1.1 ("Acquisition value") above, the investment value determined by the independent expert is different than the acquisition value defined in section IC 1.1, the difference (after subtracting the exit tax) is recognised as follows:

- the negative difference between fair value and the investment value attributable to estimated transaction costs is booked directly in equity under line "I.C.c Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties".
- the balance 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, both the cost of both internal and external architects are included). Any excess of these costs over fair value is recognised in the income statement (expense).

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

<u>3.1. Depreciation</u>

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.

<u>3.2. Share transactions</u>

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.

<u>3.3. Quarterly revaluations</u>

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.

<u>3.4. Annual revaluation</u>

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.

<u>3.5. Accounting for changes in fair value</u>

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 so-called 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 the charge 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.G. Deferred taxes

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 will are intended to be sold are included in line II.A. They are recognised at fair value.

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 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.

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 booked 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.

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, which imply no additional future obligations.

Note 3: Operating segments

Note 3.1: Presented segments

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

- Senior housing: consists of rest homes and assisted-living complexes, rented to operators often under “triple net” long leases (which explains 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: €39,559 thousand) and abroad (Germany: €1,116 thousand), and all non-current assets are located in the Company’s country of residence, with the exception of €37,350 thousand located in Germany. In 2012/2013, all revenues were earned from non-current assets located in Belgium.

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 9 buildings (in the senior housing segment) operated by legal entities controlled by the Orpea group, for which rents represent 16 % of the Company’s total 2013/2014 rental income (18 % in the prior financial year);
- the 16 buildings (in the senior housing segment) operated by legal entities controlled by the Senior Living Group group, for which rents represent 17 % of the Company’s total 2013/2014 rental income (18 % in the prior financial year);
- the 9 buildings (in the senior housing segment) operated by legal entities controlled by the Armonea group, for which rents represent 13 % of the Company’s total 2013/2014 rental income (11 % 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)	2014					
	Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items*	TOTAL
SEGMENT RESULT						
I. Rental income	24,566	12,084	4,132	0	-107	40,675
II. Writeback of lease payments sold and discounted	0	0	0	0	0	0
III. Rental-related charges	-1	-60	0	0	-1	-62
Net rental income	**24,565**	**12,024**	**4,132**	**0**	**-108**	**40,613**
IV. Recovery of property charges	0	36	0	0	0	36
V. Recovery of rental charges and taxes normally paid by tenants on let properties	135	916	45	0	0	1,096
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	-135	-916	-45	0	0	-1,096
VIII. Other rental-related income and charges	0	-1,512	2	0	0	-1,510
Property result	**24,565**	**10,548**	**4,134**	**0**	**-108**	**39,139**
IX. Technical costs	-3	-846	-15	-68	-1	-933
X. Commercial costs	0	-546	-3	0	0	-549
XI. Charges and taxes on unlet properties	0	-159	-4	0	1	-162
XII. Property management costs	-16	-703	0	0	2	-717
XIII. Other property charges	0	-1,168	-18	-1	0	-1,187
Property charges	**-19**	**-3,422**	**-40**	**-69**	**2**	**-3,548**
Property operating result	**24,546**	**7,126**	**4,094**	**-69**	**-106**	**35,591**
XIV. Overheads	-1	-50	-2	-4,256	107	-4,202
XV. Other operating income and charges	1	60	0	-28	-1	32
OPERATING RESULT BEFORE RESULT ON PORTFOLIO	**24,546**	**7,136**	**4,092**	**-4,353**	**0**	**31,421**
SEGMENT ASSETS						
Marketable investment properties	482,401	210,128	73,260	-	-	765,789
Development projects	-	-	-	19,191	-	19,191
Investment properties						**784,980**
Other assets	-	-	-	9,743	-	9,743
Total assets						**794,723**
SEGMENT DEPRECIATION	**0**	**-516**	**0**	**-83**	**0**	**-599**
SEGMENT INVESTMENTS						
Marketable investment properties	86,010	9,965	0	-	-	95,975
Development projects	-	-	-	0	-	0
Investment properties	**86,010**	**9,965**	**0**	**0**	**0**	**95,975**
INVESTMENT PROPERTIES IN ACQUISITION VALUE	**441,721**	**199,288**	**71,344**	**-**	**-**	**712,353**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	**5,896**	**-145**	**-99**	**-1,836**	**-**	**3,816**

* Mainly elimination of the internal rent for the administrative offices of the company.

Year ending on 30 June (x €1,000)		2013					
		Senior housing	**Apartment buildings**	**Hotels and other**	**Non-allocated**	**Inter-segment items***	**TOTAL**
SEGMENT RESULT							
I.	Rental income	19,517	12,235	4,579	0	-101	36,230
II.	Writeback of lease payments sold and discounted	0	0	0	0	0	0
III.	Rental-related charges	0	-103	-44	0	0	-147
Net rental income		**19,517**	**12,132**	**4,535**	**0**	**-101**	**36,083**
IV.	Recovery of property charges	0	40	0	0	0	40
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	146	855	149	0	1	1,151
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	-146	-855	-149	0	-1	-1,151
VIII.	Other rental-related income and charges	0	-1,566	1	0	0	-1,565
Property result		**19,517**	**10,606**	**4,536**	**0**	**-101**	**34,558**
IX.	Technical costs	0	-867	-12	-63	0	-942
X.	Commercial costs	0	-484	-2	0	0	-486
XI.	Charges and taxes on unlet properties	0	-124	-4	0	0	-128
XII.	Property management costs	0	-685	0	0	1	-684
XIII.	Other property charges	0	-1,070	-1	-5	0	-1,076
Property charges		**0**	**-3,230**	**-19**	**-68**	**1**	**-3,316**
Property operating result		**19,517**	**7,376**	**4,517**	**-68**	**-100**	**31,242**
XIV.	Overheads	0	-44	-1	-3,911	101	-3,855
XV.	Other operating income and charges	0	84	-5	68	0	147
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**19,517**	**7,416**	**4,511**	**-3,911**	**1**	**27,534**
SEGMENT ASSETS							
Marketable investment properties		343,550	197,689	72,972	-	-	614,211
Development projects		-	-	-	28,633	-	28,633
Investment properties							**642,844**
Other assets		-	-	-	9,353	-	9,353
Total assets							**652,197**
SEGMENT DEPRECIATION		**0**	**-477**	**0**	**-76**	**0**	**-553**
SEGMENT INVESTMENTS							
Marketable investment properties		12,850	104	958	-	-	13,912
Development projects		-	-	-	1,297	-	1,297
Investment properties		**12,850**	**104**	**958**	**1,297**	**0**	**15,209**
INVESTMENT PROPERTIES IN ACQUISITION VALUE		**311,334**	**189,088**	**71,306**	**-**	**-**	**571,728**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES		**7,347**	**-82**	**-1,017**	**2,765**	**-**	**9,013**

* Mainly elimination of the internal rent for the administrative offices of the company.

Financial statements

Note 4: Rental income

(x €1,000)	2014	2013
Rents earned	40,640	36,187
Guaranteed income	0	0
Cost of rent free periods	-24	-19
Indemnities for early termination of rentral contracts	59	62
TOTAL	**40,675**	**36,230**

The Group exclusively rents its buildings under operating leases.

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 cautious:

- Residential leases: termination of all leases on 1 July 2014, with on average 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)	2014	2013
Not later than one year	37,188	28,254
Later than one year and not later than five years	136,040	103,104
Later than five years	703,843	533,193
TOTAL	**877,071**	**664,551**

Rental income does not include any contingent rents.

Note 5: Rental-related charges

(x €1,000)	2014	2013
Rents payable as lessee	-19	-21
Write-downs on trade receivables	-43	-126
TOTAL	**-62**	**-147**

Note 6: Recovery of property charges

(x €1,000)	2014	2013
Indemnities on rental damage	36	40
TOTAL	**36**	**40**

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

(x €1,000)	2014	2013
Rebilling of rental charges invoiced to the landlord	628	649
Rebilling of property taxes and other taxes on let properties	468	502
TOTAL	**1,096**	**1,151**

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)	2014	2013
Rental charges invoiced to the landlord	-628	-649
Property taxes and other taxes on let properties	-468	-502
TOTAL	**-1,096**	**-1,151**

Note 10: Other rental-related income and charges

(x €1,000)	2014	2013
Cleaning	-367	-386
Energy	-365	-443
Depreciation of furniture	-512	-471
Employee benefits	-236	-220
Other	-30	-45
TOTAL	**-1,510**	**-1,565**

Note 11: Technical costs

(x €1,000)	2014	2013
Recurring technical costs		
Repair	-341	-368
Insurance	-57	-52
Employee benefits	-298	-259
Maintenance	-134	-160
Expert fees	-103	-103
TOTAL	**-933**	**-942**

Note 12: Commercial costs

(x €1,000)	2014	2013
Letting fees paid to real estate brokers	-323	-266
Marketing	-204	-200
Fees paid to lawyers and other legal costs	-17	-20
Other	-5	0
TOTAL	**-549**	**-486**

Note 13: Charges and taxes on unlet properties

(x €1,000)	2014	2013
Charges	-162	-126
TOTAL	**-162**	**-126**

Note 14: Property management costs

(x €1,000)	2014	2013
Fees paid to external property managers	-85	-107
Internal property management expenses	-632	-577
TOTAL	**-717**	**-684**

Note 15: Other property charges

(x €1,000)	2014	2013
Property taxes and other taxes	-1,187	-1,078
TOTAL	**-1,187**	**-1,078**

A number of disputes are ongoing with respect to local taxes; Aedifica continues to defend its position in these cases.

Note 16: Overheads

(x €1,000)	2014	2013
Lawyers/notaries	-209	-113
Auditors	-44	-44
Real estate experts	-522	-498
IT	-119	-132
Insurance	-57	-63
Public relations, communication, marketing, publicity	-180	-141
Directors and executive management	-1,238	-1,149
Employee benefits	-807	-733
Depreciation and amortisation of other assets	-88	-82
Tax expense	-358	-343
Other	-580	-557
TOTAL	**-4,202**	**-3,855**

Note 17: Other operating income and charges

(x €1,000)	2014	2013
Recovery of damage expenses	14	23
Other	18	124
TOTAL	**32**	**147**

Note 18: Gains and losses on disposals of investment properties

(x €1,000)	2014	2013
Net sale of properties (selling price - transaction costs)	0	248
Carrying amount of properties sold	0	-194
TOTAL	**0**	**54**

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)	2014	2013
Positive changes	15,094	15,401
Negative changes	-11,278	-6,388
TOTAL	**3,816**	**9,013**
of which : marketable investment properties	5,652	6,248
development projects	-1,836	2,765

Note 21: Financial income

(x €1,000)	2014	2013
Interests earned	100	87
Other	794	239
TOTAL	**894**	**326**

The 2013/2014 financial income includes €0.6 million of non-recurrent income resulting from two contributions-in-kind on 12 and 30 June 2014, which has been paid to Aedifica when the contributor assumed the expected dividend which accrued over the period 1 July 2013 up to the day before the date of contributions.

Note 22: Net interest charges

(x €1,000)	2014	2013
Nominal interest on borrowings	-5,039	-4,067
Charges arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-3,980	-3,696
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-2,891	-2,767
Subtotal	-6,871	-6,463
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	783	577
Other interest charges	-1	0
TOTAL	**-11,128**	**-9,953**

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)	2014	2013
Bank charges and other commissions	-665	-789
Other	-66	-44
TOTAL	**-731**	**-833**

Note 24: Corporate tax

(x €1,000)	2014	2013
Parent		
Profit before tax (loss)	18,422	27,608
Effect of the Belgian REIT tax regime	-18,422	-27,608
Taxable result in Belgium based on non-deductible costs	233	207
Belgian current tax at rate of 33,99%	-79	-70
Belgian current tax regularisation for the previous year	13	0
Foreign current tax	-18	0
Foreign deferred taxes: originations	388	0
Foreign deferred taxes: reversals	-144	0
Subtotal	160	-70
Subsidiaries (current tax)	-57	0
TOTAL	**103**	**-70**

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, inducing only the taxation of 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 result excluding IAS 39 and IAS 40 (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:

	2014	2013
Profit (loss) (Owners of the parent) (x €1,000)	21,385	27,671
Weighted average number of shares outstanding during the period	9,917,093	8,715,370
Basic EPS (in €)	2.16	3.17
Diluted EPS (in €)	2.16	3.17

Aedifica uses profit excluding IAS 39 and 40 to measure its operational and financial performance; however, this performance measure is not defined under IFRS. Profit excluding IAS 39 and IAS 40 represents the profit (attributable to owners of the Parent) after removing changes in fair value of investment properties (and the movements of deferred taxes related to these) and hedging instruments. The definition of profit excluding IAS 39 and 40 as applied to Aedifica's financial statements may differ from that used in the financial statements of other companies.

Profit excluding IAS 39 and IAS 40 is calculated as follows:

(x €1,000)	**2014**	**2013**
Profit (loss) (Owners of the parent)	21,385	27,671
Less : Changes in fair value of investment properties (see Note 20)	-3,816	-9,013
Less : Gain and losses on disposal of investment properties (see Note 18)	0	-54
Less : Deferred taxes (see Note 54)	-244	0
Less : Changes in fair value of financial assets and liabilities (see Note 47)	2,990	-1,600
Roundings	0	0
Profit excl. IAS 39 and IAS 40 (before gains and losses on disposals of investment properties)	**20,315**	**17,004**

Weighted average number of shares outstanding during the period	9,917,093	8,715,370
EPS excl. IAS 39 and IAS 40 (before gains and losses on disposals of investment properties - in €)	2.05	1.95

Note 27: Goodwill

(x €1,000)	**2014**	**2013**
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 of goodwill. Goodwill arose from the acquisition of Ixelinvest SA, the original owner of a residential complex that is rented out as furnished 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 €27 million, carrying amount of furniture of €1 million and carrying amount of goodwill for less than €2 million, i.e. €30 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 €59 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 4 %. 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 (i.e. over 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 1.8 %, in line with expected inflation.

Future cash flows are estimates 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 €29 million) appears sufficient to absorb a normal variation of approx. 2 % 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)	**2014**	**2013**
Gross value at the beginning of the year	295	283
Depreciation and cumulative impairment losses at the beginning of the year	-274	-263
Carrying amount at the beginning of the year	**21**	**20**
Entries: items acquired seperately	10	12
Amortisations	-10	-11
CARRYING AMOUNT AT THE END OF THE YEAR	**21**	**21**
of which : gross value	305	295
amortisations and cumulative impairment losses	-284	-274

Note 29: Investment properties

(x €1,000)	Marketable investment properties	Development projects	TOTAL
CARRYING AMOUNT AS OF 1/07/2012	**583,403**	**9,314**	**592,717**
Acquisitions	13,912	1,297	15,209
Disposals	-195	0	-195
Capitalised interest charges	0	577	577
Capitalised employee benefits	0	33	33
Other capitalised expenses	2,371	23,676	26,047
Transfers due to completion	9,029	-9,029	0
Changes in fair value (see Note 20)	6,248	2,765	9,013
Other expenses booked in the income statement	0	0	0
Transfers to equity	-557	0	-557
CARRYING AMOUNT AS OF 30/06/2013	**614,211**	**28,633**	**642,844**
CARRYING AMOUNT AS OF 1/07/2013	**614,211**	**28,633**	**642,844**
Acquisitions	95,975	0	95,975
Disposals	0	0	0
Capitalised interest charges	0	782	782
Capitalised employee benefits	0	30	30
Other capitalised expenses	2,786	38,747	41,533
Transfers due to completion	47,165	-47,165	0
Changes in fair value (see Note 20)	5,652	-1,836	3,816
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
CARRYING AMOUNT AS OF 30/06/2014	**765,789**	**19,191**	**784,980**

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 and Germany.

The fair value of the Group's portfolio of marketable investment properties assessed by independent experts as of 30 June 2014. The average capitalisation rate applied to contractual rents is 5.97 % (in accordance with the valuation methodology – presented in the first bullet of section 1.12 of the Standing Documents included in the 2013/2014 Annual Financial Report). A positive 0.10 % change in the capitalisation rate would lead to a negative change of €13 million in the portfolio's fair value.

Development projects are described in detail in the Property Report included in the 2013/2014 Annual Financial Report.

Acquisitions made during the year are described in detail in the Consolidated Board of Directors' Report included in the 2013/2014 Annual Financial Report.

All investment properties are considered to be of "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 2013/2014 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 1.12 of the "Standing Documents" of the 2013/2014 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 2014 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Senior housing	**482,401**	**DCF**	ERV / m²	76	222	143
			Inflation	1.1%	1.9%	1.4%
			Discount rate	5.4%	7.5%	6.1%
			Residual maturity (year)	5	29	24
Apartment buildings	**210,128**	**Capitalisation**	ERV / m²	68	201	131
			Capitalisation rate	4.6%	8.9%	5.7%
Hotels and other	**73,260**	**DCF**	ERV / m²	42	125	97
			Inflation	1.1%	2.0%	1.7%
			Discount rate	6.2%	8.1%	7.3%
			Residual maturity (year)	23	34	29
		Capitalisation	ERV / m²	41	165	129
			Capitalisation rate	3.4%	15.2%	5.2%
Development projects	**19,191**	**DCF**	ERV / m²	97	222	136
			Inflation	1.4%	1.6%	1.4%
			Discount rate	5.9%	6.7%	6.0%
			Residual maturity (year)	27	27	27
Total	**784,980**					

In accordance with legal provisions, properties are revalued four times per year on valuation reports prepared by the three 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 Investment 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 favorable 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 / m²	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 2.2.2 of the Property Report included in the 2013/2014 Annual Financial Report.

Note 31: Other tangible assets

(x €1,000)	2014	2013
Gross value at beginning of the period	4,441	4,061
Depreciation and cumulative impairment losses at beginning of period	-2,592	-1,983
Carrying amount at beginning of period	**1,849**	**2,078**
Additions	651	316
Disposals	0	-3
Depreciation	-589	-542
CARRYING AMOUNT AT END OF PERIOD	**1,911**	**1,849**
of which : gross value	5,080	4,441
depreciations and cumulative impairment losses	-3,169	-2,592

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)	2014	2013
Receivables		
Collateral	0	0
Other non-current receivables	396	442
Available-for-sale financial assets		
Investments in related entities (Note 51)	0	0
Assets at fair value through profit or loss		
Hedges (see Note 33)	65	525
Other non-current financial assets		
Hedging instruments (see Note 33)	0	1
TOTAL NON-CURRENT FINANCIAL ASSETS	**461**	**968**
Liabilities at fair value through profit or loss		
Hedging instruments (see Note 33)	-18,289	-15,598
Total non-current financial liabilities		
Hedging instruments (see Note 33)	-19,485	-16,775
TOTAL OTHER NON-CURRENT FINANCIAL LIABILITIES	**-37,774**	**-32,373**

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 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.

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", "multi-callable interest rate swaps", or "multi-callable 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 2013	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	50,000	30/06/2010	3	3	-	2.21	-97
IRS	25,000	1/04/2007	3	10	-	3.97	-3,004
IRS*	10,693	1/04/2011	3	32	-	4.89	-4,268
Multi-callable IRS*	29,746	31/07/2007	3	36	31/07/2017	4.39	-9,115
IRS	15,000	2/04/2013	3	9	-	3.50	-2,305
IRS	12,000	3/06/2013	3	9	-	3.64	-1,985
IRS	8,000	3/06/2013	3	9	-	3.67	-1,351
IRS	12,000	1/11/2008	1	5	-	4.18	-169
IRS	25,000	2/08/2013	3	5	-	3.23	-2,667
IRS	25,000	1/10/2012	3	5	-	2.99	-2,235
Cap	15,000	1/01/2012	3	2	-	4.02	0
IRS	25,000	2/08/2013	3	5	-	2.97	-2,332
Collar	25,000	1/10/2013	3	3	-	3.00	-495
Cap	25,000	3/10/2011	1	2	-	2.25	0
Cap	25,000	1/11/2011	1	2	-	1.75	0
Cap	25,000	1/11/2013	1	1	-	0.75	12
IRS	25,000	2/08/2013	3	5	-	2.70	-2,002
Collar	25,000	1/10/2013	3	3	-	3.00	-347
Cap	25,000	1/10/2013	3	1	-	1.25	8
Cap	25,000	1/11/2014	3	1	-	1.00	51
Cap	25,000	1/11/2014	3	1	-	1.00	181
IRS	25,000	2/04/2013	1	1	-	0.12	1
Cap	25,000	1/10/2013	3	2	-	1.00	66
Cap	25,000	1/10/2014	3	1	-	1.25	45
Cap	25,000	1/11/2015	3	2	-	2.50	161
TOTAL	**577,439**						**-31,847**

* 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 2014	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*	10,528	1/04/2011	3	32	-	4.89	-4,842
Multi-callable IRS*	28,763	31/07/2007	3	36	31/07/2017	4.39	-10,168
IRS	15,000	2/04/2013	3	9	-	3.50	-2,930
IRS	12,000	3/06/2013	3	9	-	3.64	-2,461
IRS	8,000	3/06/2013	3	9	-	3.67	-1,676
IRS	25,000	2/08/2013	3	5	-	3.23	-2,920
IRS	25,000	2/01/2015	3	5	-	2.99	-2,918
IRS	25,000	2/08/2013	3	5	-	2.97	-2,652
Collar	25,000	1/10/2013	3	3	-	3.00	-458
Cap	25,000	1/11/2013	1	1	-	0.75	0
IRS	25,000	2/08/2013	3	5	-	2.70	-2,371
Cap	25,000	1/10/2013	3	1	-	1.25	0
Cap	25,000	1/11/2014	3	1	-	1.00	0
Cap	25,000	1/10/2013	3	2	-	1.00	0
Cap	25,000	1/10/2014	3	1	-	1.25	0
Cap	25,000	1/11/2015	3	2	-	2.50	32
IRS	25,000	3/01/2014	3	7	-	3.10	-3,782
Collar	25,000	1/10/2013	3	3	-	3.00	-595
Cap	25,000	1/11/2014	3	3	-	2.50	32
TOTAL	**424,291**						**-37,709**

* 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 €424 million presented in the table above is broken down as follows:

- operational and active instruments: €224 million;
- operational instruments which became out of the money (caps): €75 million;
- instruments with forward start: €125 million.

The total fair value of the hedging instruments presented in the table above (€ -37,709 thousand) can be broken down as follows: €65 thousand on line I.E. of the asset side of the consolidated balance sheet (see Note 32) and € 37,774 thousand on line I.C. of the liability side of the consolidated balance sheet. Taking into account the carrying amount of the upfront premiums paid for the caps and collars (€494 thousand), the IAS 39 impact on equity amounts to € 38,203 thousand.

2. Derivates for which hedge accounting is applied

(x €1,000)	2014	2013
Changes in fair of the derivatives		
Beginning of the year	-16,637	-17,906
Changes in the effective portion of the fair value of hedging instruments (accrued interests)	-9,581	-4,454
Transfer to the income statement of interests paid on hedging instruments	6,734	5,723
Transfer to the income statement regarding revoked designation	0	0
AT YEAR-END	**-19,484**	**-16,637**

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 2014 and 31 July 2043.

The year-end equity value includes the effective part (as defined in IAS 39) of the change in fair value (-€2,710 thousand) of derivatives for which hedge accounting is applied, and the ineffective portion of the 2012/2013 financial year (charge of €137 thousand) that was appropriated in 2013/2014 by decision of the Annual General Meeting held in October 2013. These financial instruments are “level 2” derivatives (according to IFRS 13p81). The ineffective part (as defined in IAS 39) represents a charge of €1 thousand and is recognised in the financial result (see Note 47 – this charge will be appropriated in the 2014/2015 financial year when the appropriation of results is decided at the October 2014 Annual General Meeting). Cash flows arising from interest on the hedges are shown in Note 22.

3. Derivatives for which hedge accounting is not applied

In addition to the aforementioned charge of €1 thousand (i.e. ineffective portion of hedged instruments), the financial result includes a charge of €2,989 thousand (30 June 2013: an income of €1,737 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). These financial instruments are "level 2" derivatives (as defined in IFRS 13p81).

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 2013 and 30 June 2014, which led to the recognition of a charge of €2,990 thousand in the income statement and of €2,710 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 €812 thousand (30 June 2013: €786 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 are 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. + €857 thousand (30 June 2013: + €773 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)	2014	2013
TRADE RECEIVABLES - NET VALUE	**2,938**	**2,514**

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 (2014: €15.5 million; 2013: €14.2 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)	2014	2013
under 90 days	10	352
over 90 days	424	280
Subtotal	434	632
Not due	2,731	2,089
Write-downs	-227	-207
CARRYING AMOUNT	**2,938**	**2,514**

Write-downs have evolved as follows:

(x €1,000)	2014	2013
At beginning of period	-207	-115
Addition	-101	-206
Utilisation	24	26
Reversal	57	88
Mergers	0	0
AT END OF PERIOD	**-227**	**-207**

Note 35: Tax receivables and other current assets

(x €1,000)	2014	2013
Tax receivables	0	594
Other	495	299
TOTAL	**495**	**893**

Tax receivables were composed mainly of taxes to be recovered on liquidation of merged subsidiaries.

Note 36: Cash and cash equivalents

(x €1,000)	2014	2013
Short-term deposits	0	0
Cash at bank and in hands	1,156	725
TOTAL	**1,156**	**725**

Cash and cash equivalents are assets which generate interest at varying rates. The amounts presented above were available as of 30 June 2014 and 30 June 2013. 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)	2014	2013
Accrued rental income	290	278
Deferred property charges	371	249
Other	0	0
TOTAL	**661**	**527**

Note 38: Equity

Aedifica shareholders holding more than 5 % of the Company's outstanding shares are disclosed below (based on declarations received as of 30 June 2014 – see also section 3 of the chapter "Aedifica in the Stock Market" chapter included in the 2013/2014 Annual Financial Report:

SHAREHOLDERS	Share in capital (in %)
Jubeal Fondation	6.37
Wulfsdonck Investment (via Finasucre)	5.46

The capital has evolved as follows:

	Number of shares	Capital
Situation at the beginning of the previous year	7,177,208	184,130
Capital increase	2,726,482	70,162
Situation at the end of the previous year	**9,903,690**	**254,293**
Capital increase	345,427	16,159
Situation at the end of the year	**10,249,117**	**270,451**

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.

10,162,165 of the 10,249,117 shares issued as of 30 June 2014 are already listed on the Euronext Brussels continuous market on 30 June 2014, and 86,952 shares are listed since 2 July 2014.

Capital increases are detailed in the “standing documents” included in the 2013/2014 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 34 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 €180 million 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 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 29 June 2011. 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.

The Board of Directors has proposed a dividend distribution of €1.90 per share for the year ended 30 June 2014, i.e. a total dividend of €19,473 thousand.

Calculated in accordance with Article 617 of the Belgian Companies Code and given the Royal Decree of 7 December 2010, reserves available for distribution (statutory) amount to €7,803 thousand as of 30 June 2014, after taking into account the dividend proposed above (2013: €7,720 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 7 December 2010 (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

Long term benefits granted to Executive Managers are covered in the context of defined contribution plan regimes, which do not require provisions. The amounts recognised as an expense are detailed in the Remuneration Report included in the 2013/2014 Annual Financial Report.

Note 40: Borrowings

(x €1,000)	2014	2013
Non-current financial debts		
Borrowings	274,955	171,484
Current financial debts		
Borrowings	70,945	55,721
TOTAL	**345,900**	**227,205**

Aedifica benefits from 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 seven banks (Bank für Sozialwirtschaft, Bank Degroof, Banque Européenne du Crédit Mutuel, Bayerische Landesbank, BNP Paribas Fortis, ING and KBC Bank) totalling €449 million.

- Aedifica can use up €427 million depending on its needs, so long as: (i) the debt-to-assets ratio does not exceed 60 %, (ii) the share of fair value of the rest homes in assets does not exceed 75 % of the total of the balance sheet, and (iii) other covenants (in line with market practice) are met. Each withdrawals are 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 €22 million, of which €17 million at fixed rates between 3.1 % and 5.8 % and €5 million of variable rate amortising facilities on the basis of euribor 3 months.

The average interest rate, including the spread charged by the banks and the effect of hedging instruments, was 3.8 % after deduction of capitalised interest (4.0 % in 2012/2013) and 4.0 % before deduction of capitalised interest (4.2 % in 2012/2013). Given the short duration of the withdrawals, the carrying amount of the variable-rate financial debts is an approximation for their fair value (€329 million). The hedges in place as of 30 June 2014 are detailed in Note 33. The fair value of the fixed-rate financial debts (€17 million) is estimated at €19 million.

As of 30 June 2014, Aedifica has neither pledged any Belgian 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, 3 of the Company's 5 German buildings are linked to a mortgage, respecting the requirements laid down in Article 57 of the Royal Decree of 7 December 2010.

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.

To date, taking into account elements mentioned in section 2.1.4 of the Director's Report, the maturity table for Aedifica's credit facilities is presented as follows (in € million):

— 2014/2015 :	71
— 2015/2016 :	85
— 2016/2017 :	150
— 2017/2018 :	67
— 2018/2019 :	60
— 2020/2021 :	2
— > 2022/2023 :	14
Credit facilities on 30 June 2014:	**449**
— Maturing in August 2014 :	-15
— 2019/2020 :	30
Credit facilities since July 2014:	**464**

Net financial debt is a non-GAAP measure, i.e. its definition is not included in IFRS. Aedifica uses the concept of net financial debt to reflect its indebtedness. It is measured as current and non-current financial debts less cash and cash equivalents. It excludes the fair value of hedging derivatives. The definition of financial debt may differ from that used in the financial statements of other companies. Net financial debt is not taken into account in the computation of debt-to-assets ratio as defined by the Royal Decree of 7 December 2010.

(x €1,000)	2014	2013
Borrowings	345,900	227,205
Less : Cash and cash equivalents	-1,156	-725
NET FINANCIAL DEBT	**344,744**	**226,480**

Note 41: Trade payables and other current debts

(x €1,000)	2014	2013
Exit tax	615	137
Other		
Suppliers	7,422	4,630
Tenants	871	824
Tax	1,242	1,319
Salaries and social charges	748	684
Dividends of previous years	22	22
TOTAL	**10,920**	**7,616**

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)	2014	2013
Property income received in advance	77	126
Financial charges accrued	1,752	1,528
Other accrued charges	1,225	1,190
TOTAL	**3,054**	**2,844**

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)	2014	2013
Cleaning costs (see Note 10)	-236	-220
Technical costs (see Note 11)	-298	-259
Commercial costs	-38	-35
Overheads (see Note 16)	-807	-733
Property management costs (see Note 14)	-632	-577
Capitalised costs	-30	-33
TOTAL	**-2,041**	**-1,857**

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

	2014	2013
Total excluding students	36	31
Students	2	0
TOTAL	**38**	**31**

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 7 December 2010 on Belgian REITs) is provided in section 3.3 of the Consolidated Board of Directors' Report included in this Annual Financial Report. It amounts to 44.9 % as of 30 June 2014 on a consolidated level and to 44.6 % on a statutory level. This section also specifies the maximum debt increase the Company could take on before reaching the maximum ratio permitted for Belgian REITs (set at 65 % of total assets) or established in bank covenants (set at 60 % of total assets). When exceeding a consolidated debt-to-assets threshold of 50 %, a financial plan with an implementation schedule must be developed, describing the measures taken to prevent the ratio from exceeding the 65 % threshold (Article 54 of the Royal Decree of 7 December 2010).

Aedifica's financial model relies on a structural indebtedness. Thus, cash balances are usually low. They amount to €1 million as of 30 June 2014.

As of 30 June 2014, Aedifica has neither pledged any Belgian buildings as collateral for its debts, nor has it granted any other security 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, 3 of the Company's 5 German buildings are linked to a mortgage, respecting the requirements laid down in article 57 of the Royal Decree of 7 December 2010.

2. Liquidity risk

Aedifica enjoys a strong and stable relationship with its banks, which form a diversified pool of multinational institutions. Details of Aedifica's credit facilities are disclosed in Note 40.

As of 30 June 2014, Aedifica is using credit facilities totalling €346 million (2013: €228 million) out of €449 million in total available credit. This provides a headroom of €103 million (taking into account the effect of the extension established in July 2014 (€15 million)), which is sufficient to cover Aedifica's short-term financial needs (including the development projects in progress) until the end of the third quarter of the 2014/2015 financial year. The expected investment amount for the existing projects is estimated at €209 million.

Given the regulatory status of Belgian REITs, 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 circumstances. In case of a worsening of market conditions in comparison with those that existed at the time of signing of the current credit facilities, there is a risk of increasing credit spreads.

The Company would be exposed to a liquidity risk in the event of early termination of the credit facilities. In the event that the Company fails to comply with the provisions of its credit facility arrangements, these 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 7 December 2010) 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. Based on the information available to date, and on 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 altogether.

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 2014, the undiscounted future cash flows related to the credit facilities include €330 million maturing within 1 year, €4 million maturing within 1 to 5 years, and €12 million maturing in more than 5 years. The credit facilities also give rise to an interest expense of €1.0 million that is due within 1 year (2013: €225 million in principal and €0.5 million in interest).

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

As at 30 June 2014 (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	-3,167	-16,282	-4,383	-23,832
Derivatives for which hedge accounting is not applied	-1,831	-4,528	-1,341	-7,700

As at 30 June 2013 (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	-3,920	-11,340	-3,199	-18,459
Derivatives for which hedge accounting is not applied	-2,611	-7,637	-5,654	-15,902

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 over several years, the interest rates related to at least 60 % of its current or highly probable indebtedness.

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 to the maturity date), Aedifica aims to enter into hedges over longer periods, in line with its horizon of investment.

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 25 bps positive deviation (increase) in the 2014/2015 interest rates over the forecast rates would lead to an additional €1.0 million interest expense for the year ended 30 June 2015.

In order to monitor the interest rate risk, Aedifica has put hedges (interest rate swaps, caps and collars) in place. 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. The analysis of the hedges is provided in the Board of Directors' Report and in Note 33 of the Consolidated Financial Statements included in the Annual Financial Report. The hedges are entered into for long periods; however, the agreements signed with banks providing the hedges provides (in line with market practice) for events that would lead to early termination of the hedges or initiate margin calls (in cash for example) in favour of the banks.

Changes in the interest rate curve have a limited impact on the future interest expense, since at least 60 % of the financial debts are hedged by IRS, caps or collars. Each change in the interest rates curve has an impact on the fair value of hedging instruments against income statement 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.

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 national and international banks to diversify its funding and hedging sources, while remaining cautious about 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 to, in extreme circumstances, additional costs for the Company or possibly the early termination of the credit facility.

Aedifica is in an on-going relationship with the banks listed Note 40 of the Consolidated Financial Statements included in the Annual Financial Report. What regards to hedging, the main providers (by order of magnitude) are ING, BNP Paribas Fortis and KBC Bank.

5. Foreign exchange risk

Aedifica earns all its rental income and incurs all expenses within the euro-zone (except for one small supplier which charges its services in USD). 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 the Company's compliance with regulatory (e.g. legal covenants associated to Belgian REIT status, such as the debt-to-assets ratio) and contractual provisions (e.g. the bank covenants).

Note 45: Contingencies and commitments

1. Commitments

The acquisition values mentioned below respect the requirements laid down in Article 31 § 1 of the Royal Decree of 7 December 2010 regarding Belgian REITs (at the time of the signing of the agreements which generated the commitment).

1.1 Works on Martin's Hotel Brugge

Aedifica committed to finance some works on the hotel for an amount of €1.2 million. The works are currently in progress.

1.2 Extension of the Aux Deux Parcs rest home in Jette

Aedifica committed to finance the extension of the existing rest home for a maximum budget of €2.3 million. The commitment is subject to outstanding conditions.

1.3 Construction of a new rest home and assisted-living apartments next to the existing building Au Bon Vieux Temps in Mont-Saint-Guibert

In the framework of the long lease with the operator of the Au Bon Vieux Temps rest home (part of Senior Living Group), Aedifica committed to finance the construction of a new rest home and assisted-living apartments next to the existing rest home in Mont-Saint-Guibert, for a maximum budget of €9.8 million. This commitment is subject to outstanding conditions.

1.4 Extension of the Pont d'Amour rest home in Dinant

In the framework of the long lease with the operator of the Pont d'Amour rest home (part of Armonea), Aedifica committed to finance the extension of the rest home for a maximum budget of €7.9 million. The works are currently in progress.

1.5 Extension of the Klein Veldeken assisted-living apartments in Asse

In the framework of the long lease with Soprim@, Aedifica committed, to finance the extension of this building, for a maximum budget of €3.5 million. The works are currently in progress.

1.6 Renovation and reconversion of the Marie-Louise rest home in Wemmel

In the framework of the long lease with Soprim@, Aedifica committed to finance the renovation of this building and its conversion into a rehabilitation centre for seniors, for a maximum budget of €3.2 million. This commitment is still subject to outstanding conditions.

1.7 Extension of the Eyckenborch rest home in Gooik

In the framework of the long lease with Soprim@, Aedifica committed to finance an extension of the rest home, for a maximum budget of €9.9 million, of which a €5.0 million section has been completed and is already operational. The construction is currently in progress.

1.8 Construction of two new rest homes in Olen en Wetteren

After entering into a framework agreement with La Reserve SA ("LRI") on 5 July 2010 and as referred to in the 2009/2010 Annual Financial Report (see Note 49), two agreements in principle (with outstanding conditions) were signed on 20 and 24 May 2011. They allow Aedifica to acquire, by way of partial de-mergers, several properties in the senior housing segment: a 122-bed rest home and assisted-living apartments in Olen, and a 113-bed rest home and assisted-living apartments in Wetteren) for €18 million and €13 million, respectively. Of the total acquisition value (approximately €31 million), €23 million will be financed through an exchange of new shares to be issued by Aedifica. These investment properties will be rented out to Armonea under 27-year triple net leases.

1.9 Construction of a new rest home in Beringen

In the framework of the long lease with the future operator of the site (part of the Senior Living Group group), Aedifica committed to finance the construction of a new rest home in Beringen for a maximum budget of €17.4 million. The construction is currently in progress.

1.10 Construction of new assisted-living apartments next to the Cheveux d'Argent rest home in Sart-lez-Spa

In the framework of the long lease with the operator of the Cheveux d'Argent rest home (being part of the Senior Living Group group), Aedifica committed to finance the construction of new assisted-living apartments next to the existing rest home in Sart-lez-Spa for a maximum budget of €3.0 million. This commitment is still subject to outstanding conditions.

1.11 Renovation and extension of the 't Hoge rest home in Kortrijk

In the framework of 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 renovation and extension of the existing building in Kortrijk for a maximum budget of €4.9 million. The works are currently in progress.

1.12 Extension of the Helianthus rest home in à Melle

In the framework of the long lease with the operator of the Helianthus rest home (that benefits the guarantee of Senior Living Group), Aedifica committed to finance the extension of the site by constructing 22 assisted-living apartments in Melle for a maximum budget of €3.4 million. The development permit has been obtained. The works are expected to begin shortly.

1.13 Renovation and extension of the L'Air du Temps rest home in Chênée

In the framework of 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 €5.8 million. This commitment is still subject to outstanding conditions.

1.14 Renovation and extension of the Op Haanven rest home in Veerle-Laakdal

In the framework of the long lease with Senior Living Group, Aedifica committed to finance the renovation and extension of the rest home in Veerle-Laakdal for a maximum budget of €2.9 million. The development permit has been obtained and works are expected to begin shortly.

1.15 Construction of a new rest home in Tervuren

Aedifica signed an agreement in principle for the development of a new rest home in Tervuren, for a maximum budget of €24.0 million. This commitment is subject to outstanding conditions.

1.16 Renovation and redevelopment of the Salve rest home in Brasschaat

In the framework of the long lease with Armonea, Aedifica committed to finance the renovation and redevelopment of the Salve rest home for a maximum budget of €8.4 million. The construction is currently underway, with the first phase (€6.0 million) is already complete.

1.17 Renovation and extension of the Plantijn rest home in Kapellen

In the framework of the long lease with Armonea, Aedifica committed to finance the renovation and extension of the Plantijn rest home for a maximum budget of €7.6 million. The development permit has been obtained and preparatory works are currently underway.

1.18 Renovation and extension of the Huize Lieve Moenssens rest home in Dilsen-Stokkem

In the framework of the long lease with the operator of the rest home, Aedifica committed to finance the renovation and the extension of the site for a maximum budget of €7.0 million. The commitment is subject to outstanding conditions.

1.19 Extension of the Oase Binkom rest home in Binkom

In the framework of the long lease with Oase, Aedifica committed to finance the extension of the rest home for a maximum budget of €2.2 million. The commitment is subject to outstanding conditions.

1.20 Acquisition of the Oase Aarschot Wissenstraat site (senior housing)
On 12 June 2014, Aedifica signed an agreement (subject to outstanding conditions) which allowed the Company to acquire the shares of the BVBA Woon & Zorg Vg Aarschot, owner of a plot of land and buildings under construction in Aarschot with a contractual value amounting to €24.0 million. This acquisition was realised on 10 July 2014 (see Note 49).

1.21 Acquisition of the Oase Tienen site (senior housing)
On 30 June 2014, Aedifica signed an agreement (subject to outstanding conditions) which allowed the Company to acquire the shares of the BVBA Woon & Zorg Vg Tienen, owner of buildings under construction in Tienen with a contractual value amounting to €20.0 million. The plot of land was already the subject of a contribution-in-kind made to Aedifica on 30 June 2014.

1.22 Acquisition of two senior housing sites in Flanders
On 12 June 2014, Aedifica announced an agreement in principle (subject to outstanding conditions) which allows the Company to acquire two new rest homes, one under construction in Aarschot (Poortvelden) and another in the planning phase in Glabbeek for a total budget of €27.8 million.

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
A security has been pledged in relation to the Company's credit agreements, within the limits authorised by the regulation on following buildings: SZ AGO Herkenrath, SZ AGO Dresden and SZ AGO Kreischa.

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 (ranking #4) in the amount of €25 thousand and a mortgage authorisation in the amount of €1,230 thousand on the building "Château du Lac" located at avenue du Lac 87, 1332 Genval;
- Martin's Klooster in Leuven: commitments of the lessee are covered by a mortgage (ranking #6) in the amount of €50 thousand and a mortgage authorisation (ranking #11) in the amount of €450 thousand on the building "Château du Lac" located at avenue du Lac 87, 1332 Genval.

3.2 Securities received following acquisitions
In case of acquisitions, contributions in kind, mergers and de-mergers, Aedifica benefits from the following securities;
- Freesias and Heliotropes: security on Aedifica shares worth €0.7 million, to be lifted in several steps after March 2015;
- Gaerveld (rest home): security on Aedifica shares held by Mr and Mrs Houbaer-Meers worth €0.8 million, to be lifted in several steps ending on 8 April 2015 at the latest.
- Résidence du Lac: a blocked account for €2.1 million that could be freed in December 2014 at the earliest.

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. Aedifica also benefits from a number of preferential rights granted by rest homes lessees.
- 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 NAME	Business segment	Properties valuation* (in million €)	Register of corporations	Acquisition date**	Acquisition method
SZ AGO Herkenrath	Senior housing	8	-	1/08/2013	Acquisition of a building
SZ AGO Dresden	Senior housing	8	-	22/11/2013	Acquisition of a building
SZ AGO Kreischa	Senior housing	5	-	28/12/2013	Acquisition of a building
Patrius Invest SA	Senior housing	16	0479.910.468	29/08/213	Acquisition of shares
Immo Dejoncker SA	Apartment buildings	10	0862.084.431	21/10/2013	Acquisition of shares
Aedifica Invest Dilsen SA	Senior housing	5	0849.347.737	16/12/2013	Acquisition of shares
De Stichel SA	Senior housing	11	0466.259.105	16/12/2013	Acquisition of shares
Haus Dottendorf	Senior housing	10	-	24/06/2014	Acquisition of a building
Goldene Au	Senior housing	5	-	26/06/2014	Acquisition of a building
Oase Binkom	Senior housing	12	-	12/06/2014	Contribution in kind, acquisition of shares and subsequent merger
Oase Tienen	Senior housing	4	-	30/06/2014	Contribution in kind
TOTAL		**94**			

* 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.

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

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

(x €1,000)	2014	2013
Authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-1	-137
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-2,989	1,737
Subtotal	-2,990	1,600
Other	0	0
TOTAL	**-2,990**	**1,600**

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 (€1,238 thousand in 2013/2014; €1,149 thousand in 2012/2013). Remuneration details are provided the Corporate Governance Statement included in the 2013/2014 Annual Financial Report.

Note 49: Subsequent events

10 July 2014: "Oase Aarschot Wissenstraat" rest home (Aarschot, Province of Flemish Brabant)

Aedifica announced the acquisition (together with its subsidiary, Aedifica Invest SA) of 100 % of the shares of the BVBA Woon & Zorg Vg Aarschot on 10 July 2014. Woon & Zorg Vg Aarschot is the current owner of a plot of land and buildings in Aarschot (Wissenstraat) and was a subsidiary of the B&R group. This transaction is a part of the agreement in principle (announced on 12 June 2014) for the acquisition of a portfolio of five rest homes in the province of Flemish Brabant in partnership with Oase and B&R.

The site in Aarschot (Wissenstraat) is well located in a residential area close to the city centre, approx. 20 kilometres from Leuven. The site was completed in June 2014 and recently became operational. It comprises 164 units, including a 120-bed rest home and a 44-unit assisted-living apartment complex. Both buildings are connected underground and by an aboveground pedway. The rest home is operated by a non-profit organisation of the Oase group, on the basis of a 27-year triple net long lease, which generates an initial triple net yield of approx. 6 %. The Oase Group operates the assisted-living apartments under an agreement for the right to use with a duration of 27 years. Aedifica may consider selling the assisted-living apartments to third parties in the short term, since they are considered nonstrategic assets in this transaction. The contractual value of the entire site amounts to approx. €24 million.

Note 50: Corrected profit as defined in the Royal Decree of 7 December 2010

The corrected profit as defined in the Royal Decree of 7 December 2010 is calculated based on the Statutory Accounts as follows:

(x €1,000)	2014	2013
Profit (loss)	18,582	27,538
Depreciation	599	553
Write-downs	98	311
Other non-cash items	2,922	-1,434
Gains and losses on disposals of investment properties	0	-54
Changes in fair value of investment properties	-1,799	-9,013
Roundings	1	0
Corrected profit	20,403	17,901
Denominator* (in shares)	10,249,083	8,715,339
Corrected profit per share* (in € per share)	**1.99**	**2.05**

* Based on the rights to the dividend for the shares issued during the year.

Note 51: List of the 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 and Aedifica Invest Brugge SA), the percentage of equity held by Aedifica is unchanged as compared to 30 June 2013.

NAME	Country	Category	Register of corporations	Capital held (in %)
Aedifica Invest SA	Belgium	Subsidiaries	0879.109.317	100.00
Aedifica Invest Brugge SA	Belgium	Subsidiaries	0899.665.397	100.00
Patrius Invest SA	Belgium	Subsidiaries	0479.910.468	100.00
Immo Dejoncker SA	Belgium	Subsidiaries	0862.084.431	100.00
Aedifica Invest Vilvoorde SA	Belgium	Subsidiaries	0837.844.428	100.00
Aedifica Invest Dilsen SA	Belgium	Subsidiaries	0849.347.737	100.00
De Stichel SA	Belgium	Subsidiaries	0466.259.105	100.00

Note 52: Belgian REIT status

(x €1,000)	2014	2013
Consolidated debt-to-assets ratio (max. 65%)		
Total liabilities	397,648	270,038
Corrections	-40,828	-35,217
Total liabilities according to the Royal Decree of 7 December 2010	356,820	234,821
Total assets	794,723	652,197
Corrections	-65	-526
Total assets according to the Royal Decree of 7 December 2010	794,658	651,671
Debt-to-assets ratio (in %)	**44.9%**	**36.0%**
Statutory pay-out ratio		
Statutory corrected profit	20,403	17,901
Proposed dividend	19,473	16,211
Pay-out ratio (min. 80%)	**95%**	**91%**

Prohibition to invest more than 20 % of assets in real estate assets that form a single property
As of 30 June 2014, no single property represents more than 20 % of the Company's assets (see "Risk Factors", section 1.4).

Valuation of investment properties by an expert
Aedifica's properties are valued quarterly by independent experts, Stadim CVBA, de Crombrugghe & Partners SA and CBRE GmbH.

Note 53: Audit fees

(x €1,000)	2014	2013
Statutory audit	52	41
Opinion reports forseen in the Belgian Companies Code	5	10
Other opinion reports (comfort letter, etc.)	2	40
Tax advice missions	0	0
Other missions unconnected with the statutory audit	0	0
TOTAL	**59**	**91**

Note 54: Deferred taxes

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

They arise from the temporary difference between the building's fair value and the assessed value used for tax purposes.

All changes in deferred taxes during the financial year are recognised under line XXV. of the consolidated income statement (see also Note 24).

Note 55: Fair value

In accordance with IFRS 13, balance sheet elements for which the fair value can be computed are presented below and are 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 2014
Investment properties	-	-	784,980	**784,980**
Non-current financial assets	-	461	-	**461**
Trade receivables and other non-current assets	-	2,938	-	**2,938**
Tax receivables and other current assets	-	495	-	**495**
Cash and cash equivalents	1,156	-	-	**1,156**
Non-current financial debts (a. Borrowings)	-	-277,337	-	**-274,955**
Other non-current financial liabilities		-37,774	-	**-37,774**
Current financial debts (a. Borrowings)	-	-70,945	-	**-70,945**
Trade debts and other current debts (b. Other)	-	-10,305	-	**-10,305**

(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2013
Investment properties	-	-	642,844	**642,844**
Non-current financial assets	-	968	-	**968**
Trade receivables and other non-current assets	-	2,514	-	**2,514**
Tax receivables and other current assets	-	893	-	**893**
Cash and cash equivalents	725	-	-	**725**
Non-current financial debts (a. Borrowings)	-	-171,793	-	**-171,484**
Other non-current financial liabilities	-	-32,373	-	**-32,373**
Current financial debts (a. Borrowings)	-	-55,721	-	**-55,721**
Trade debts and other current debts (b. Other)	-	-7,479	-	**-7,479**

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.

1.7 Auditor's Report

This auditor's report has been faithfully reproduced and, to Aedifica's knowledge, no facts have been omitted which would render the information reproduced inexact or misleading.

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF AEDIFICA NV AS OF AND FOR THE YEAR ENDED 30 JUNE 2014

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements (the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements as further defined below. The Consolidated Financial Statements include the consolidated balance sheet as of 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 30 June 2014 and the notes.

Report on the consolidated financial statements - unqualified opinion

We have audited the Consolidated Financial Statements of Aedifica SA ("the Company") and its subsidiaries (collectively referred to as "the Group") as of and for the year ended 30 June 2014. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The total of the consolidated statement of financial position amounts to € 794.723 thousand and the consolidated statement of comprehensive income shows a profit for the year of € 21.385 thousand.

Responsibility of the board of directors for the preparation of the Consolidated Financial Statements

The board of directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union. The board of directors is also responsible for the implementation of internal controls, which it considers necessary for the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISA"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation of consolidated financial statements that give a true and fair view in order 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from management and the Company's officials the explanations and information necessary to perform our audit and we believe that the resulting audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Company give a true and fair view of the Group's consolidated financial position as of 30 June 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the report of the board of directors on the Consolidated Financial Statements, including the corporate governance statement, in accordance with articles 96 and 119 of the Company code (*Wetboek van vennootschappen/Code des sociétés*) as well as the compliance of these Consolidated Financial Statements with the Company code.

As part of our audit mandate and in accordance with the applicable supplementary standard issued by the Belgian Institute of Registered Auditors (*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*) as published in the Belgian State Gazette on 28th August 2013 (the "Supplementary Standard"), it is our responsibility to perform certain procedures, in all material respects, on the compliance of certain legal and regulatory requirements, as defined in the Supplementary Standard. As a result of these procedures, we provide the following additional statement which does not modify our opinion on the Consolidated Financial Statements:

- The report of the board of directors on the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 25 August 2014
Ernst & Young Réviseurs d'Entreprises sccrl
Statutory auditor
represented by Jean-François Hubin, Partner