



MAS REAL ESTATE INC.



INTEGRATED ANNUAL REPORT 2018

The image is a composite of two photographs. The top photograph shows a rustic stone wall with several large, spherical, amber-colored pendant lights hanging from a black metal frame. A perforated metal panel is visible in the background. The bottom photograph shows a dining table set with white plates, glasses, and cutlery. A lit candle in a brass cage sits on the table. The background is a dark blue wall with a diamond-shaped pattern. The text "WE HAVE CREATED A STRONG PLATFORM FOR SUSTAINABLE GROWTH" is overlaid on the left side of the image.

**“WE HAVE CREATED A STRONG
PLATFORM FOR SUSTAINABLE
GROWTH”**

Chop House at New Waverley, Edinburgh, United Kingdom



CHAIRMAN'S STATEMENT

PERFORMANCE OVERVIEW

I am very pleased with the group's progress during the past year. Financial performance remains strong and the group's investment property portfolio continues to grow.

Some notable acquisitions demonstrate the ability of the group to find and secure high quality assets at attractive yields. The acquisition of the A-grade office building in the heart of the Edinburgh financial district, Uberior House, tenanted by the Bank of Scotland, is such an example. Edinburgh is experiencing an undersupply of A-grade offices and the asset presents a compelling asset management opportunity.

Post year end the group also concluded the €95 million acquisition of the Militari shopping centre in Bucharest, Romania, the group's largest acquisition to date. These two large investments are indicative of the geographic diversification within the group's property portfolio, with a healthy balance between western, central and eastern European markets and with the group's retail focus counterbalanced by attractive assets in other real estate sub sectors.

The group's expansion into central and eastern Europe, through investment and development joint ventures with Prime Kapital, is also progressing well. The investment case for the region remains compelling, with purchasing power continuing to grow rapidly. PKM Developments has a strong pipeline of developments. During the period 21,000 square metres of retail space has been completed and a further 634,000 square metres is in the pipeline for development.

DIVIDEND

Growth from acquisitions, investments and asset management activities drove increased income generation and, in turn, distributions to shareholders. The board has proposed a dividend of 4.03 euro cents per share in relation to the second half of the year. This brings the total distribution to 7.61 euro cents per share for the year, which meets the group's 30% distribution growth target for the period.

STRATEGY AND GOVERNANCE

The board monitors the group's strategy, which is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office and other real estate assets in western

Europe and in central and eastern Europe. The board has set strategic objectives and oversees and monitors the implementation of the group's strategy.

The board, through the Terms of Reference given to the Audit and Risk Committee, shapes the risk appetite of the group, establishing the parameters within which potential investment opportunities are appraised and ensuring that acquisitions, as well as development projects, generate sustainable long-term income growth and investor returns.

High standards of corporate governance are applied throughout the group and the group has increased the resources dedicated to this area during the year. The group has also implemented the principles of the King IV code and a report regarding the implementation is available on the group's website www.masrei.com.



APPRECIATION

I would like to express my thanks to all the team members and the group's key partners for their hard work in delivering a strong set of results. I believe that we have created a strong platform for sustainable growth into the future. In particular, I would like to thank Morné Wilken for the progress he has made in leading the organisation. Following the announcement that he will be leaving us at the end of the year, I wish him and his family well with their move back to South Africa and in their future endeavours. As a board, we are confident in the strength and depth of the executive team, that is well equipped to continue to drive the set strategy of delivering quality and growing distributions on a sustainable basis over time, whilst we go through the process of appointing a new CEO.

PROSPECTS

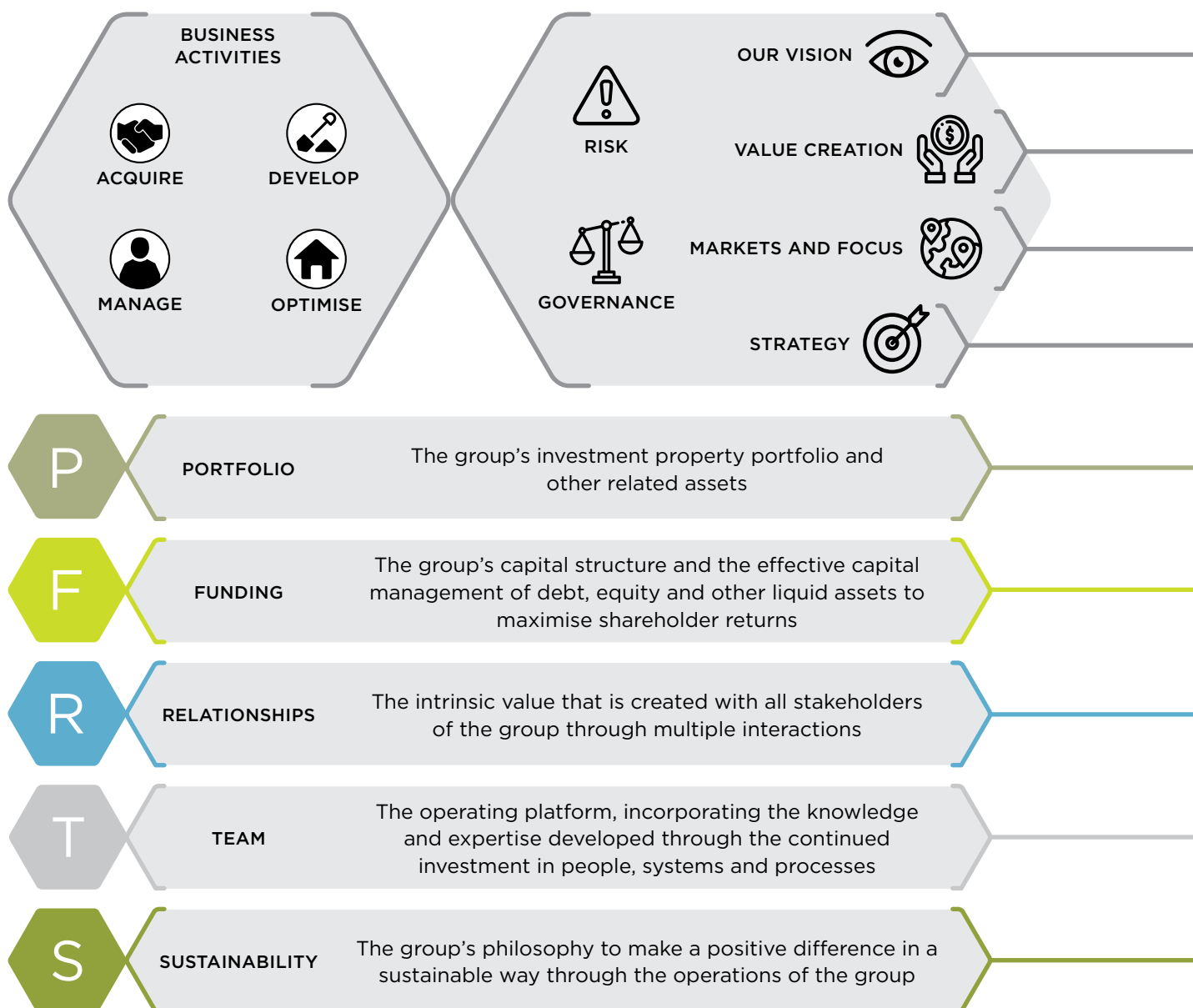
The outlook for the coming year is positive, as the group continues to pursue profitable growth through exploiting further acquisition and development opportunities, as well as optimising the balance sheet. I would like to thank you for your confidence as stakeholders.

Ron Spencer
Chairman

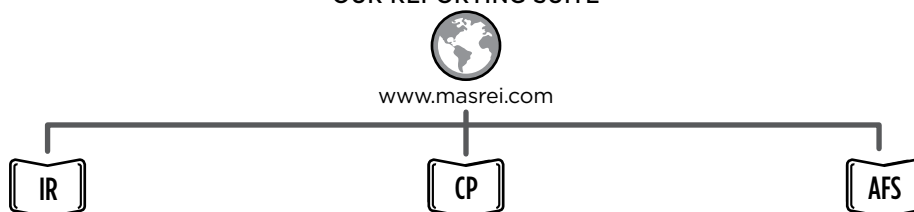
HOW TO USE THIS REPORT

NAVIGATION AND INTERCONNECTIVITY

Extensive use is made of iconography and interconnectivity throughout this report to allow users to easily access and cross-reference with other relevant information. The icons used throughout the report are referenced below.



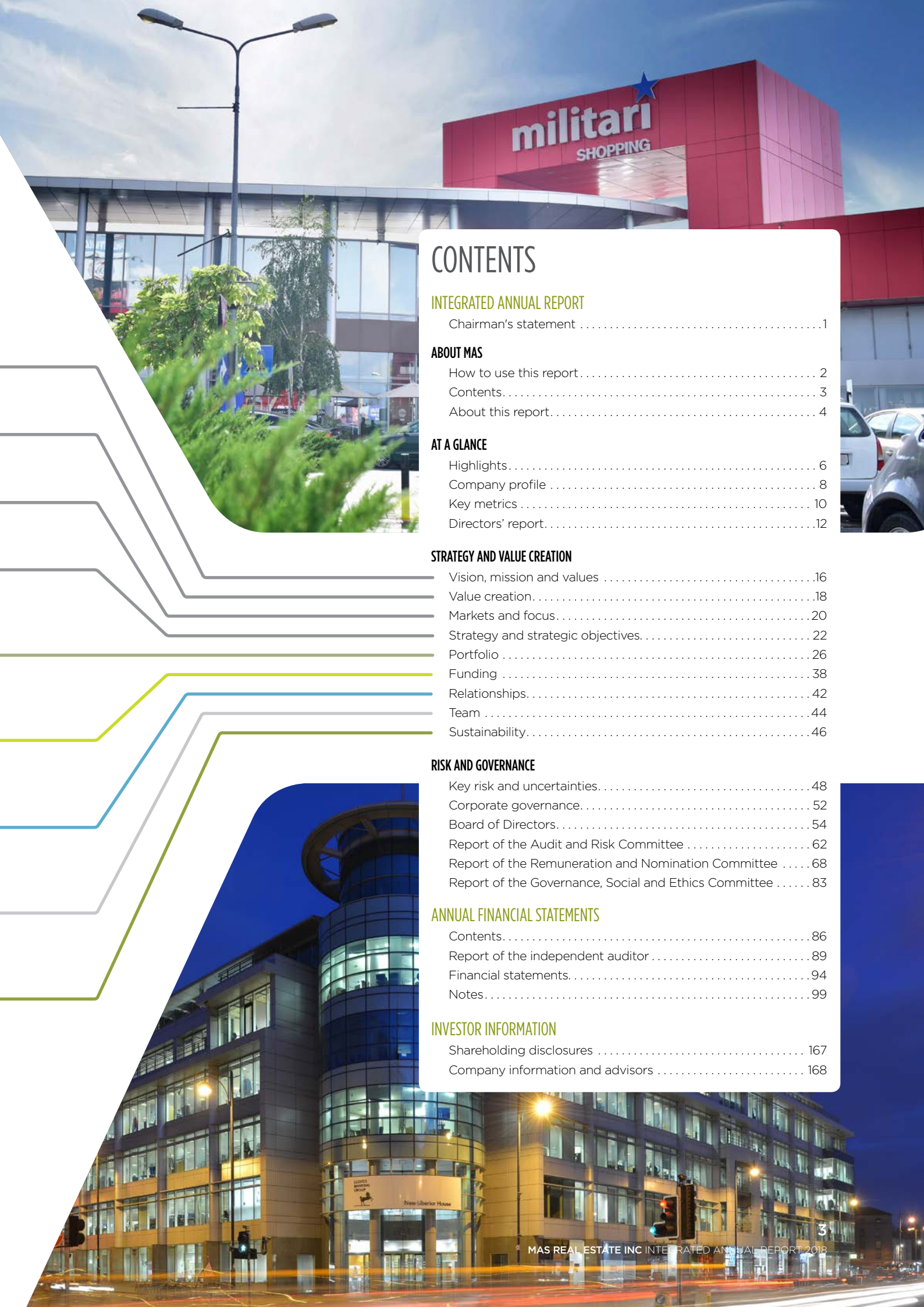
OUR REPORTING SUITE



Integrated Annual Report

Company Profile

Annual Financial Statements



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ABOUT THIS REPORT

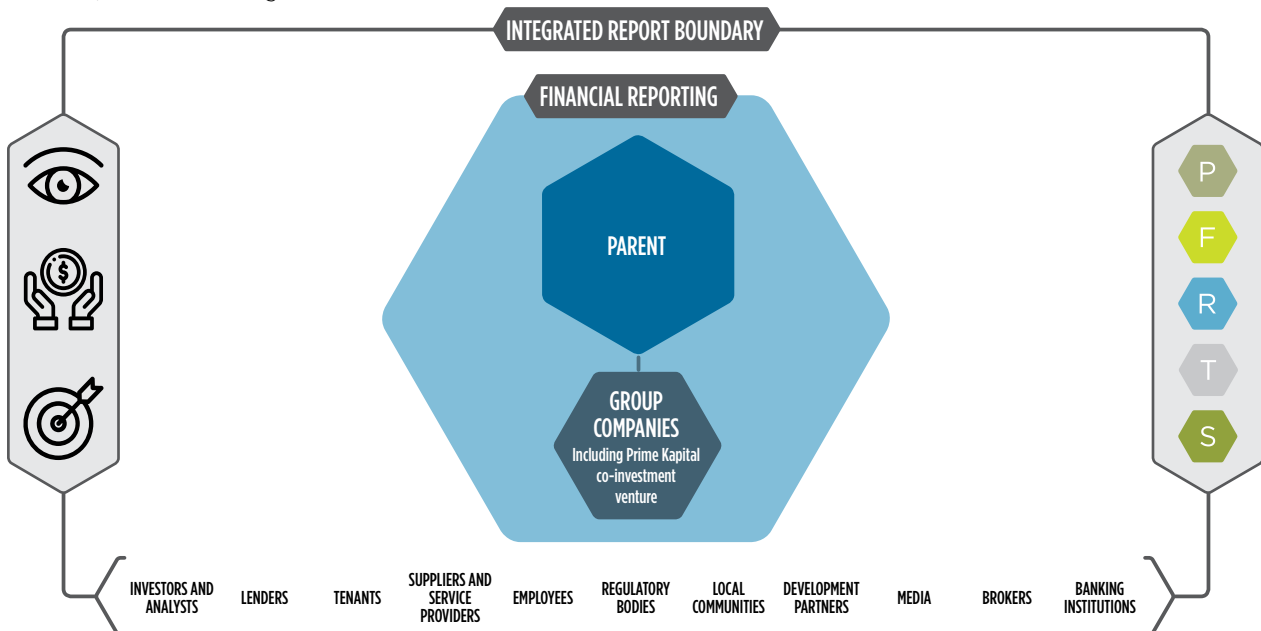
This integrated annual report has been designed with stakeholders in mind and developed to enhance transparency and accountability

MAS' integrated annual report aims to give a holistic view of its performance, governance, future prospects and how it aims to achieve its objectives in a sustainable manner. By providing a range of financial and non-financial disclosures, this report aims to enable all stakeholders to assess the performance of the group and its ability to create value from its five capitals in the short, medium and long term.

REPORT SCOPE AND BOUNDARY

The board is pleased to present this report which covers the year from 1 July 2017 to 30 June 2018. This report provides an overview of both the financial position and the performance of the group's subsidiaries and its

associates. This report extends its scope beyond the financial reporting boundary to include wider stakeholders with increasing diversification in central and eastern Europe.



REPORTING FRAMEWORKS AND REGULATIONS

The following reporting frameworks have been used in the preparation of this report:

- The International Integrated Reporting <IR> Framework
- King IV
- BVI Business Companies Act 2004
- JSE Listings Requirements
- Rules and Regulations of the Luxembourg Stock Exchange
- International Financial Reporting Standards as issued by the International Accounting Standards Board

This report has been prepared with reference to the International <IR> Framework's guiding principles and content elements, through which the group aims to continually improve its disclosures.

ASSURANCE

The group ensures integrity of the integrated annual report through the executive management's review of management information, as well as the independent review by the Audit and Risk Committee and the board.

KPMG Audit LLC has independently audited the annual financial statements that are contained within this integrated annual report. Their unmodified audit opinion can be found on pages 89 to 93 of the group's annual financial statements and the scope of their report can be found on pages 92 to 93. KPMG Audit LLC has also identified key audit matters which are disclosed and addressed in its audit opinion.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements which are not considered to be forecasts but reflect the group's best expectations of future events. However, given the uncertainty of these future events, it is possible that actual results may differ materially from expectations. Users are cautioned not to place undue reliance on any forward-looking statements contained within this report. The group disclaims any intention and assumes no obligation to update or revise any forward-looking statements even if new information becomes available as a result of future events or for any other reason other than as required by the Rules and Regulations of the Luxembourg Stock Exchange or the JSE Listings Requirements.

DETERMINING MATERIALITY

The concept of materiality has been used in the preparation of the report to provide information to the group's stakeholders that is of value or material interest. The group considers a matter to be material if it can substantially affect the group's ability

to create and sustain value over the short, medium and long term, with reference to its five capitals.

By reviewing a range of evidence including: risk and opportunity assessments; board documentation; operational reviews; and stakeholder engagements, the group has evaluated

and determined which matters, favourable and unfavourable, are most important to the group's value creation. Matters identified are reviewed continually and prioritised based on their ability to affect value creation.

1 IDENTIFY	2 VALIDATE	3 PRIORITISE	4 REVIEW	5 DISCLOSE
Relevant matters are identified by the group as those that may have an effect on the group's ability to create value favourably or unfavourably.	Not all matters raised will be considered to be material. The magnitude of a matter is evaluated and, if considered to be material, will be validated.	Matters are prioritised based on their ability to affect value creation; time frame; area; size of effect; operational factors; and stakeholder considerations.	Matters related to value creation are monitored and addressed by the group in terms of their priority over the short, medium and long term.	Judgement is applied in determining information to be disclosed regarding material matters in this report. Internal and external factors are reviewed, with stakeholder considerations at the forefront of the decisions, to ensure this report meets its primary purpose.

The following matters have been used throughout the report in order to dictate the content of the report and information requiring disclosure;

CAPITALS

MATERIAL MATTERS

P PORTFOLIO	<ul style="list-style-type: none"> - Acquisitions and disposals - Developments - Growth opportunities
F FUNDING	<ul style="list-style-type: none"> - Capital structuring - Capital management
R RELATIONSHIPS	<ul style="list-style-type: none"> - Stakeholder value creation - Stakeholder considerations
T TEAM	<ul style="list-style-type: none"> - Processes and systems - Group culture - Resourcing
S SUSTAINABILITY	<ul style="list-style-type: none"> - Achievement of strategic objectives - Social, environmental and economic factors

RESPONSIBILITY STATEMENT

The board and executive management acknowledge their responsibility to ensure the integrity of the integrated annual report and confirm that they have applied their collective mind to its preparation and presentation. It is the opinion of the board that the integrated annual report addresses all material matters, offers a balanced view of performance and has been prepared and presented in accordance with the International Integrated Reporting Council <IR> Framework.

This report was approved by the board on 26 October 2018.

Ron Spencer
Chairman

Morné Wilken
Executive director

Malcolm Levy
Executive director

Jonathan Knight
Executive director

Paul Osbourn
Executive director

Gideon Oosthuizen
Non-executive director








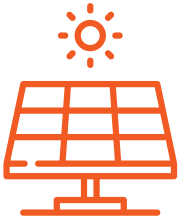
Glynnis Carthy
Non-executive director

Jaco Jansen
Non-executive director

Pierre Goosen
Non-executive director

Werner Alberts
Non-executive director

HIGHLIGHTS


PORTFOLIO		90% INCREASE IN NET OPERATING INCOME	€200M OF INCOME-GENERATING PROPERTY ACQUIRED ¹	INCREASED PASSING RENT ¹ BY 39%
FUNDING		10.0% LTV	€104M OF DEBT DRAWDOWN	2.69% GROUP WEIGHTED AVERAGE COST OF DEBT
TEAM		 STRENGTHENED THE BOARD WITH THE APPOINTMENT OF TWO NEW DIRECTORS 	ADOPTED A GENDER DIVERSITY POLICY	
RELATIONSHIPS		FORGED STRONG RELATIONSHIPS WITH JV PARTNERS	NEW RELATIONSHIPS WITH DEBT LENDERS	STRENGTHENED CODES OF CONDUCT
SUSTAINABILITY		 PHOTOVOLTAIC FARM TO PROVIDE POWER	EXTRA CARE HOUSING FOR OVER 55'S WITH CARE AND SUPPORT NEEDS	

¹ Includes acquisitions post 30 June 2018



PKM DEVELOPMENTS, SECURED
DEVELOPMENT PIPELINE OF **€755M**

INCREASED GLA BY
17%



€281M
RAISED IN TWO OVER-
SUBSCRIBED PLACEMENTS

REIT PORTFOLIO EARMARKED TO
FUND PKM DEVELOPMENTS



**INVESTED
IN A NEW
HR PLATFORM**

EXPANDED MANAGEMENT TEAM



**BROADENED
RELATIONSHIPS WITH
BANKING INSTITUTIONS**

ESTABLISHED NEW RELATIONSHIPS IN
THE GROUP'S MARKETS, ENHANCING OFF
MARKET ACQUISITION OPPORTUNITIES



PROVISION OF
**AFFORDABLE
HOUSING**



CONTINUED SUPPORT
FOR IKHAYA LE THEMBA
IN CAPE TOWN

**GALLERIA
BURGAS
CERTIFIED
LEED GOLD**



COMPANY PROFILE



PROPERTY INVESTOR, DEVELOPER AND OPERATOR

MAS is a commercial property investor, developer and operator listed on the main board of the JSE and listed and admitted for trading on the Euro-MTF market of the Luxembourg Stock Exchange.

BUSINESS STRATEGY

MAS' strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating properties with a retail focus in western, central and eastern Europe. Where exceptional opportunities are identified, the group will embark on mixed-use or residential developments with the view to either generate recurring income or capital gains. The group aims to distribute all of its distributable earnings on a semi-annual basis, with distribution of capital and other profits at the discretion of the board.

MANAGEMENT

MAS is internally managed, combining investment, development and asset management skills. Developments are undertaken by teaming up with strong developers that have an intimate knowledge of the local markets and by agreeing terms that lead to a strong alignment of interests.

FUNDING

MAS is targeting an aggregate portfolio LTV of 40%. This may fluctuate up to a maximum of 50% on a temporary basis as the portfolio grows. Long-term debt funding is preferred and interest rates are managed through the group's hedging strategy. Developments are currently funded through equity and refinanced on completion.



LONG-TERM INCOME FROM STRONG COVENANTS

MAS has assembled a high-quality portfolio of commercial property and developments across Europe with investment into CEE via two joint ventures with Prime Kapital, a development joint venture and a co-investment joint venture focused on income-generating assets. At 30 June 2018, the portfolio had an outstanding weighted average lease term of 10 years, occupied by tenants with strong corporate covenants.

OUTLOOK

Asset prices in western Europe have increased in recent years and acquisition opportunities that offer an attractive return on equity are harder to find. MAS' focus in western Europe is now on opportunities that can deliver substantial value through active asset management, re-development and development.

Although CEE markets have increased in price, attractive opportunities are still available and are backed by a combination of relatively high initial acquisition yields, substantial growth prospects and attractive debt terms. Even more appealing is the development market, which is supported by rapidly expanding purchasing power and, in some cases, sub-optimally designed or undersized assets ripe for re-development or displacement.

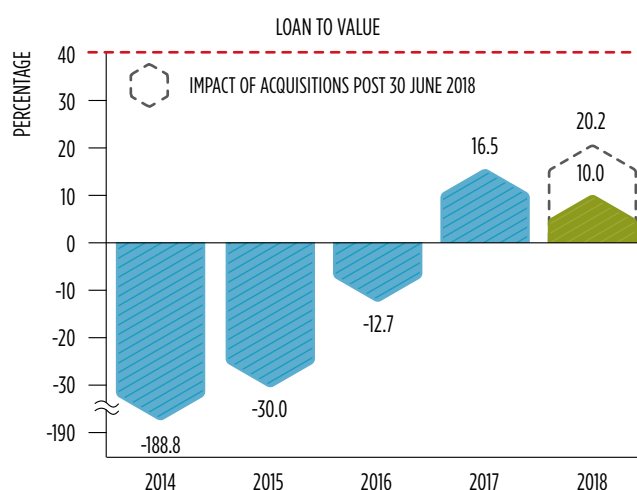
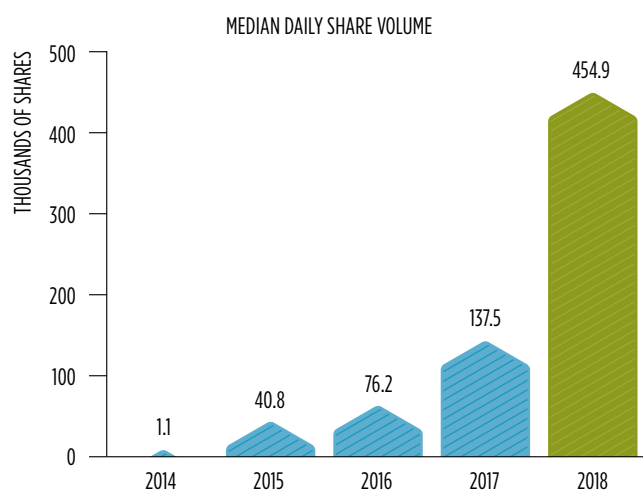
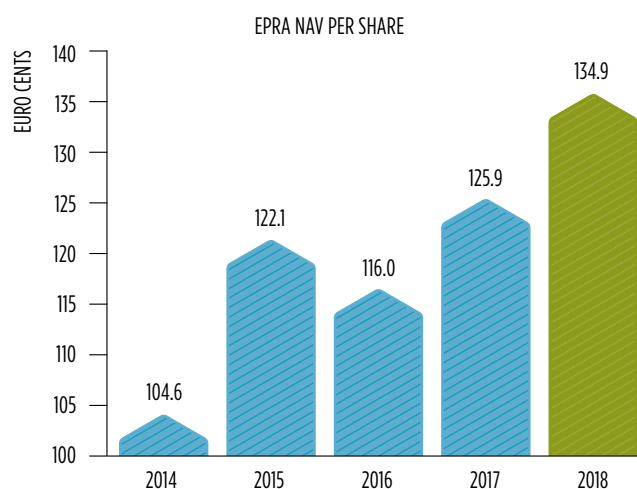
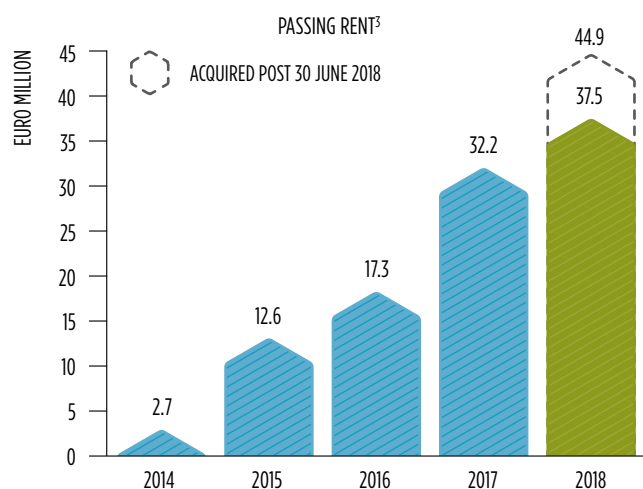
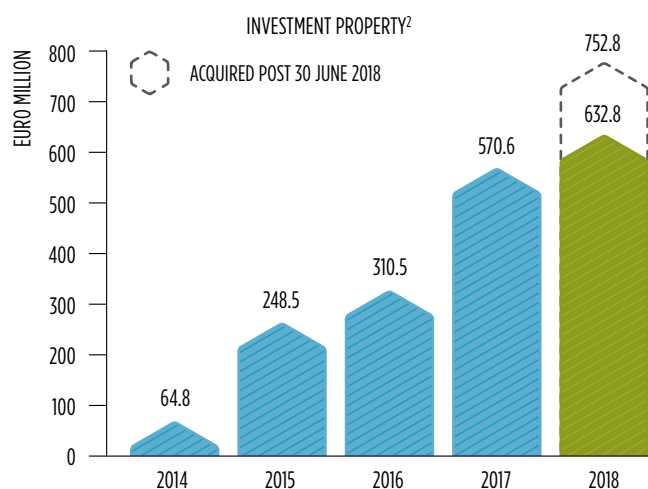
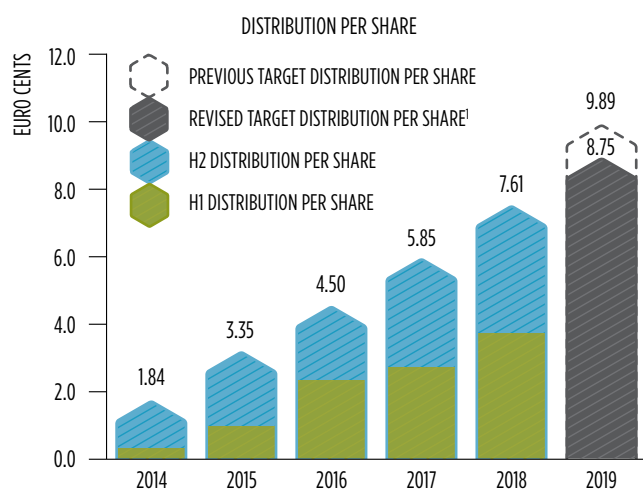
Accordingly, MAS has embarked upon expansion into the growing economies of CEE. To facilitate the expansion, MAS has partnered with Prime Kapital, a management team with exceptional development, investment and financing experience in these markets over the last decade.



Nova Park, Gorzów, Poland

SUSTAINABLE AND GROWING DISTRIBUTABLE EARNINGS PER SHARE

KEY METRICS



¹ This target is based on the acquisition and development pipeline in place and further opportunities being pursued. It also assumes that a stable macro-economic environment will prevail, no major corporate failures will occur, the investments and developments reported on above will progress as expected and budgeted rental income based on contractual escalations as well as market-related renewals will be collected. This target has not been reviewed or audited by the group's auditors.

² Includes investment property held for sale.

³ MAS' share of the income-generating portfolio's passing rent.

KEY METRICS ARE DEFINED AS FOLLOWS:

KEY METRICS	MEASURE	EXPLANATION
Portfolio P		
Passing rent	Income-generation	The secured annual rent passing at the balance sheet date
Investment property	Income-generation potential	Income-generating property, development property, land bank and investment property held for sale
EPRA NAV per share	Capital preservation and growth	IFRS net assets adjusted for the dilutive impact of share options, deferred taxation on property and derivative valuations, and the mark-to-market of effective cash flow hedges and related adjustments, as prescribed by EPRA
Funding F		
Distribution per share	Sustainable ability to pay shareholders	The group's policy is to pay out all distributable earnings per share on a semi-annual basis, as well as capital or other profits as the directors may, at their discretion, determine. The group's strategy is to grow the level of distribution
Loan to value	Gearing	Loan to value (LTV) is the ratio of the nominal value of debt net of cash and equivalents to the aggregate value of property assets, including investment property held for sale, equity accounted investments, preference share investments and listed investments (REIT portfolio)
Median daily share volume (annual)	Liquidity of traded share	The median number of shares traded per day during the financial period on the JSE

Nova Park, Gorzów, Poland



DIRECTORS' REPORT

7%

YEAR-ON-YEAR INCREASE IN EPRA NAV PER SHARE TO 134.9 EURO CENTS (2017: 125.9 EURO CENTS)

32%

YEAR-ON-YEAR INCREASE IN INCOME-GENERATING PROPERTY¹

35%

**INCREASE IN NET RENTAL INCOME
90% INCREASE IN NET OPERATING INCOME**

**ANNUAL 2018
DISTRIBUTION PER SHARE OF**

7.61

EURO CENTS
4.03 EURO CENTS DISTRIBUTION PER SHARE PROPOSED FOR H2

PKM DEVELOPMENTS

**21,000 SQM COMPLETED
>634,000 SQM UNDER DEVELOPMENT**

DISTRIBUTABLE EARNINGS

The group achieved 29.6% growth in distributable earnings per share for the year, to 6.35 euro cents compared with 4.90 euro cents for 2017. This significant improvement in distributable earnings per share was driven by the strong performance and accretive acquisitions of investment property, completion of assets in the development pipeline, investment in PKM Developments and distributions received from the investment in the REIT portfolio.

FINAL DISTRIBUTION

As a result of the increase in distributable earnings and strong pipeline of investments and developments, the board has proposed a final distribution of 4.03 euro cents per share for the second half of the 2018 financial year, which includes 0.38 euro cents per share from reserves. No scrip alternative was offered to shareholders on the final distribution. This brings the cumulative annual distribution to 7.61 euro cents per share for 2018, an increase of 30% over last year's distribution of 5.85 euro cents per share.

The outlook for 2019 is discussed under Prospects below.

CASH MANAGEMENT AND DEBT

A strategic priority has been to mitigate the group's future funding obligations towards PKM Developments. Accordingly, during the year, the group took advantage of the opportunity to raise adequate equity to fully meet its commitments to PKM Developments and to finance suitable acquisition opportunities.

To manage its funding ahead of fulfilling its commitments to PKM Developments, the group invested €200 million in a portfolio of liquid European REITs, that focus predominantly on retail. This strategy achieves many objectives for the group as it:

- generates a return on funds earmarked for PKM Developments before drawdown, since euro interest rates on cash are negative;
- efficiently matches the asset/liability profile of the group;
- provides a collateral pool for debt facilities at extremely low margins, thereby facilitating substantial flexibility in acquiring investments; and

- provides exposure to high quality businesses with similar risk profiles to those of the group.

This strategy exposes the portfolio to some capital volatility. At year-end the REIT portfolio has declined in value to €183.1 million, in line with the performance of retail-focused stocks in western Europe that have come under pressure in the first half of 2018. Dividend income of €8.4 million has been earned on this portfolio since acquisition.

At year-end, the group held €147.8 million in cash (2017: €33.0 million), excluding the cash held in PKM Developments. In addition, the group had €242.7 million of third-party debt finance at 30 June 2018 (2017: €147.2 million), resulting in a group loan to value of 10.0% (2017: 16.5%), with a weighted average cost of debt of 2.69% of which 82% is fixed/hedged.

After year-end, the group completed the acquisition of the Militari Shopping Centre and the Braunschweig properties as discussed below.

ACQUISITION AND DEVELOPMENT UPDATE

INCOME-GENERATING PORTFOLIO

The portfolio performed strongly during the reporting period, with net operating income growing by 89.6% year on year from €20.2 million to €38.3 million. The EPRA net asset value per share increased by 7.1% to 134.9 euro cents per share (IFRS NAV 2018: 134.0) from 125.9 euro cents per share at the previous year-end (IFRS NAV 2017: 124.5), driven by the impact of the capital raises undertaken during the year.

Work is in progress on reconfiguring and adding about 18,000 square metres to the aggregate GLA of the CEE retail assets. This will increase the fashion and leisure offering of the centres to consolidate their regionally dominant position and enhance the performance of the portfolio.

Management's key focus is to deploy the capital on the balance sheet. Although opportunities are available, strong investment discipline is needed when assessing assets at current prices, given the competitive environment and liquidity in the market. The group is focused on not overpaying for assets in

¹ Includes investment property held for sale and acquisitions post 30 June 2018.

a heated market and assesses capital deployment carefully to ensure that the longer term strategy is not compromised by shorter term goals. Notwithstanding this, the group has successfully acquired the following:

UBERIOR HOUSE, EDINBURGH, SCOTLAND (ACQUISITION COMPLETED MAY 2018)

Uberior House was bought for £71 million (€80.1 million). The property consists of grade A offices, prominently positioned in the heart of Edinburgh's Exchange financial district.

The property has an aggregate GLA of 14,700 square metres, leased to Bank of Scotland on several leases that expire in 2025, at a current passing rent of £4.15 million a year (about €4.68 million). This will be topped up by the vendor to £4.20 million a year (about €4.74 million) to reflect the anticipated settlement of outstanding rent reviews. The annual net operating income of the property is £4.10 million (about €4.63 million). Bank of Scotland is a subsidiary of the Lloyds Banking Group PLC, a FTSE 100-listed financial institution.

The acquisition represents a unique opportunity to grow the rental income of the property from current levels through active asset management. Edinburgh has a structural undersupply of grade A office space, compounded by growing demand and declining supply dynamics. The current lease has a rent review in 2020 which will make it possible to negotiate a market-related payment, creating upside for MAS. This, together with the age of the lease, presents the opportunity to re-gear what is an under-rented property at a higher rent-roll. The acquisition also enables MAS to leverage its significant experience in the Edinburgh property market, after delivering the award-winning New Waverley mixed-use development of hotels, retail, residential and a 19,000 square metre office building.

MILITARI SHOPPING CENTRE, BUCHAREST, ROMANIA (ACQUISITION COMPLETED JULY 2018)

The Militari Shopping Centre was acquired in conjunction with Prime Kapital, in which MAS has an 80% direct participation, for a purchase price of €95.0 million. Militari is located in the west of Bucharest, the capital of Romania, and draws footfall from an aggregate catchment of

approximately 365,000 people within a 15-minute drive. The centre benefits from ongoing extensive residential densification in its immediate surroundings. Residential schemes currently under construction will add about another 4,000 apartments in the vicinity and are expected to keep the strong growth in footfall in the near term.

Militari has 57 tenants spread across about 56,400 square metres of GLA, of which 53,700 square metres is retail and 2,700 square metres is offices, in addition to 2,500 parking spaces. The annual net operating income of Militari is €7.1 million at a weighted average rental of €10.6 per square metre per month. The centre is anchored by Auchan (hypermarket), Praktiker (DIY), Decathlon (sports goods) as well as various international fashion brands such as H&M, C&A, Reserved, New Yorker, LC Waikiki, Pepco, Deichmann, Hervis, Humanic, Koton and Takko. The current retail tenant mix has a weighted average lease term to first break option of 6.5 years and the property is fully occupied. Fashion and lifestyle tenants contribute 43% of passing rent while food and grocery tenants contribute 29%.

The asset provides stable underlying income with good prospects for future growth. This will come from optimisation at lease expiry and an extension of the lettable area to match growing footfall, driving the direct investment return. Significant redevelopment opportunities are expected to be available in the medium and long term.

BRAUNSCHWEIG, GERMANY (ACQUISITION COMPLETED AUGUST 2018)

A retail park and convenience centre in Braunschweig, Germany, were acquired for €25.0 million.

The retail park, known as "Gewerbehof Celler Str.", is located in the northern part of the city of Braunschweig, on one of the main arterial roads leading from the inner city to the Autobahn. Braunschweig, with 250,000 inhabitants, is the second-largest city in Lower Saxony. Its population is expected to grow by about 5% by 2030.

The retail park has a GLA of about 16,400 square metres, 540 parking spaces and a current rental income of €1.5 million a year. The centre has 22

tenants and is focused on large-scale retail schemes such as food discounters (Aldi & Lidl, HolAb!), furniture, textile and interior shops (Tedx, Christiansen, Dänisches Bettenlager), complemented by specialist shops such as Fressnapf (pet shop) and Staples (office equipment). In addition, the retail park contains a development plot with 4,600 square metres of retail potential. The current WALT is 6 years.

The convenience centre, known as "Welfenplatz", is located in southern Braunschweig and is anchored by an Edeka supermarket with a long-term lease until 2030. The asset has a GLA of 2,500 square metres and current rental income of €163,000 a year.

Both assets are well established and provide strong prospects for future growth, supporting the group's drive for direct investment returns delivering a return on equity of more than 8%. In the short to medium term, extending the retail park will further increase direct investment returns.

DEVELOPMENTS AND LAND BANK

NEW WAVERLEY, EDINBURGH, SCOTLAND

The New Waverley development is nearing completion. As previously announced, the office component, pre-let to the UK government on a 25-year lease, was forward-sold under a funding agreement to Legal and General for about €23.5 million. Further development profits will be paid when construction is complete. The UK government has expressed interest in exercising its option over the adjacent residential development site. It will make a decision in the first half of the 2019 calendar year.

The last remaining undeveloped component of New Waverley is the residential element. Offers to acquire both the northern and southern parts of the site have been received and accepted, subject to due diligence and the finalisation of the government's option over the northern part of the site.

LANGLEY PARK, CHIPPENHAM, ENGLAND

The development site with residential planning consent at Langley Park in Chippenham, UK, is in the last stages of disposal. Final offers from home builders are being considered. The construction of the hotel, pre-let to

DIRECTORS' REPORT

Travelodge, is well advanced and the sale of the supermarket land site to Aldi has been finalised. This will complete the acquisition business plan for this property. Steady income is being generated from tenants, including Siemens, on the adjacent retained Technology Park, where further extensions are under consideration.

NORTH STREET QUARTER, LEWES, ENGLAND

Progress continues to be made on the complex and large scale North Street Quarter regeneration development project in Lewes. The majority of pre-commencement building permit conditions have now been cleared and the Land Collaboration Agreement with the joint landowner, Lewes District Council is close to being finalised. Due to the complexity of the project and the need to work with a number of stakeholders, including the local government as joint landowners, the scheme has taken longer to progress than originally budgeted. Although there remains a structural shortfall, the residential market in the UK seems to be less dynamic at present than in previous periods, but initial discussions with developers indicate that there is demand for the planned development, given the site's unique character and location within a National Park. Discussions are ongoing with the aim to appoint a specialist developer by the end of the 2018 calendar year.

PKM DEVELOPMENTS

PKM Developments has made good progress on its development pipeline, completing its first six convenience value extensions of Kaufland mini-hypermarkets with an aggregate GLA of about 21,000 square metres on time and within budget. Construction has started on two value centres and a convenience value extension with an aggregate GLA of about 48,000 square metres, which will be completed by the end of the 2018 calendar year. In addition, the secured development pipeline in CEE has expanded significantly to approximately €755 million and consists of the projects discussed below.

MALL MOLDOVA

Permitting is under way for the planned redevelopment of Era

Shopping Park, Iasi, into the super-regional Mall Moldova with 100,000 square metres GLA. Mall Moldova will be the largest retail and leisure development in Romania outside Bucharest. With design work substantially completed, pre-construction leasing work in respect of the extension has commenced and is progressing well, as has been anticipated.

ARGES MALL

Permitting for the planned regionally dominant mall with 50,000 square metres GLA and for the accompanying public infrastructure in a central, high-density location in Pitesti, Romania is making good progress. Tenant interest in the planned retail consolidation for the Pitesti and wider Arges region is strong and pre-construction leasing work is progressing well.

DAMBOVITA MALL

Permitting is under way for the regionally dominant mall with 31,000 square metres GLA in Targoviste, Romania. Despite the lease process not having commenced, several major anchor tenants have expressed strong interest in the development. It will be the first mall in the Dambovita county and forms part of a wider urban regeneration project undertaken by the local authorities within 2km of the city centre, in a densely populated residential area.

PLOIESTI VALUE CENTRE

Permitting is underway for the retail value centre with 25,600 square metres GLA and a high concentration of anchor tenants. The centre is located in a densely populated residential area in close proximity to the city's main train, tram and bus stations, with high visibility and good road access. Despite the lease process not yet having commenced, several major anchor tenants have expressed strong interest in the development.

DN1 VALUE CENTRE

Pre-construction leasing is progressing well for the convenience value extension of 28,000 square metres GLA to the existing Hornbach and Lidl units in Balotesti, a rapidly-developing, affluent residential area about 25km north of Bucharest. The first phase of

development is expected to open by the end of the 2019 calendar year.

BAIA MARE VALUE CENTRE

Construction of about 22,000 square metres GLA is advancing and the centre is on schedule to open for trade in December 2018.

ROMAN VALUE CENTRE

Construction of 19,000 square metres GLA is progressing and the centre is on schedule to open for trade in November 2018.

KAUFLAND VALUE CENTRE EXTENSIONS (31,000 SQUARE METRES AGGREGATE GLA)

During the course of the 2018 financial year the first six convenience value extensions of existing Kaufland mini-hypermarkets have been completed on time and within budget. The first phase (7,000 square metres GLA) of a further development is expected to complete by the end of the 2018 calendar year.

ZALAU VALUE CENTRE

About five hectares of land have been secured in Zalau with plans to develop and operate a retail value centre of 18,000 square metres GLA with a high concentration of anchor tenants. Zalau, with 56,000 inhabitants, is the capital of Salaj county, an important manufacturing centre in the north west of Romania. The project is highly visible. It is in the immediate vicinity of a dense residential area and the city's regional bus terminal, on the main road connecting Zalau with the other major cities in the county and wider Transylvania area. The catchment includes about 166,000 inhabitants within a 45-minute drive. Anchor tenants have expressed strong interest in the planned development and permitting is ongoing. The centre is expected to open for trade by the end of the 2019 calendar year.

AVALON ESTATE

Permitting is ongoing on the upmarket, modern housing estate near the developing central business district and commercial centre in the affluent northern part of Bucharest. The project was publicly launched in June 2018 and received very positive feedback. The pre-construction sales process is planned to commence by the end of the 2018 calendar year and

the first units of the planned 767 high quality houses, townhouses and apartments will be available for occupation in the second quarter of the 2020 calendar year.

MARMURA APARTMENTS

Since the date of the last report, substantial additional design work has been done on the large-scale residential block development planned for the 1.5-hectare site in the expanding north west area of Bucharest. The number of individual units has been increased from 380 to 460. Permitting is in progress and the pre-construction sales process is expected to start by the end of the 2018 calendar year. The first units will be available for occupation by the third quarter of the 2020 calendar year.

TEBA IASI

About 10 hectares of land have been secured in Iasi with plans to develop a large-scale, mixed-use project that will include up to 100,000 square metres of A-grade offices, over 2,500 residential units and a hotel. Iasi, with a population of 369,000 inhabitants, is the second-largest city in Romania, the most important industrial centre in the north east and the second-largest university centre outside Bucharest, with over 53,000 students. The project is close to the city centre and within walking distance of the two largest university campuses in Iasi. This site is highly visible, with 450 metres of frontage on a main boulevard connecting the site to the city centre, and easily accessible by car and public transport since three public transport hubs (bus and tram) are in the immediate vicinity. Due diligence and project planning work is currently in progress. Major office tenants and hotel operators have expressed strong interest in the planned development.

PROSPECTS

MAS continues to benefit from a strong balance sheet with sufficient capital to meet its obligations, as well as a healthy development and acquisition pipeline. The group has access to a development partner with demonstrated competitive advantages in identifying and executing exceptional opportunities.

The board is cognisant of heated property markets fuelled by liquidity

and owners and developers eager to dispose of over-rented properties at prices that are high by historical standards. As a result, the board is determined to retain strong investment discipline and pursue only quality developments and acquisitions with value-adding potential and strong long-term growth prospects. It has previously been stated and remains the view of the board, that longer-term prospects will not be sacrificed to meet shorter term distribution growth targets and the implementation of transactions is not being rushed.

The board is committed to distributing quality earnings to shareholders on a sustainable basis and does not intend to subsidise the 2019 distribution from reserves, but to fund it from distributable earnings. Accordingly, the directors consider that a distribution growth target of 15% for the 2019 financial year is appropriate. This target is based on the acquisition and development pipeline in place and further opportunities being pursued. It also assumes that a stable macro-economic environment will prevail, no major corporate failures will occur, the investments and developments reported on above will progress as expected and budgeted rental income based on contractual escalations as well as market-related renewals will be collected. This target has not been reviewed or audited by the group's auditors.

Capital management is an important area of value creation for shareholders. The board will consider buying back shares as and when it can create value for shareholders, if the trading price is below the intrinsic NAV per share of the business and there remains opportunities to grow shareholder value by investing and developing at rates in excess of the cost of capital. Such buybacks will be done with care, since capital is a scarce and valuable resource.

MAS will continue to pursue profitable growth through exploiting further acquisition and development opportunities in its markets, as well as by optimising its balance sheet. Further announcements will be made as appropriate.

By order of the board of directors:

DIRECTORS:

Ron Spencer
Chairman
Morné Wilken
Executive director
Malcolm Levy
Executive director
Jonathan Knight
Executive director
Paul Osbourn
Executive director
Gideon Oosthuizen
Non-executive director
Glynnis Carthy
Non-executive director
Jaco Jansen
Non-executive director
Pierre Goosen
Non-executive director
Werner Alberts
Non-executive director

Lukas Nakos, the former CEO, ceased to be a director with effect from 31 December 2017. Morné Wilken, previously a non-executive director, took over as CEO with effect from 1 January 2018. Paul Osbourn and Werner Alberts were appointed to the board with effect from 7 September 2018.

REPORTING CURRENCY

The group's results are reported in euros.

TRADING STATEMENT

The group uses distribution per share as its most relevant unit of measurement for trading statement purposes.

VISION, MISSION AND VALUES

VISION

To be the pre-eminent European real estate investment and development company focused on delivering sustainable and growing distributions over time.

MISSION

To acquire, develop and effectively manage a diversified portfolio of high-quality real estate investments across Europe to deliver optimised, sustainable and growing distributions.

VALUES

CREATIVITY

We are creative in the way we solve problems and look to add value for stakeholders

COLLABORATIVE AND RESPECTFUL

We are collaborative in the way we work and are respectful of each other and our stakeholders

GOALS AND RESULTS FOCUSED

We are motivated by results

INTEGRITY

We act responsibly in everything we do

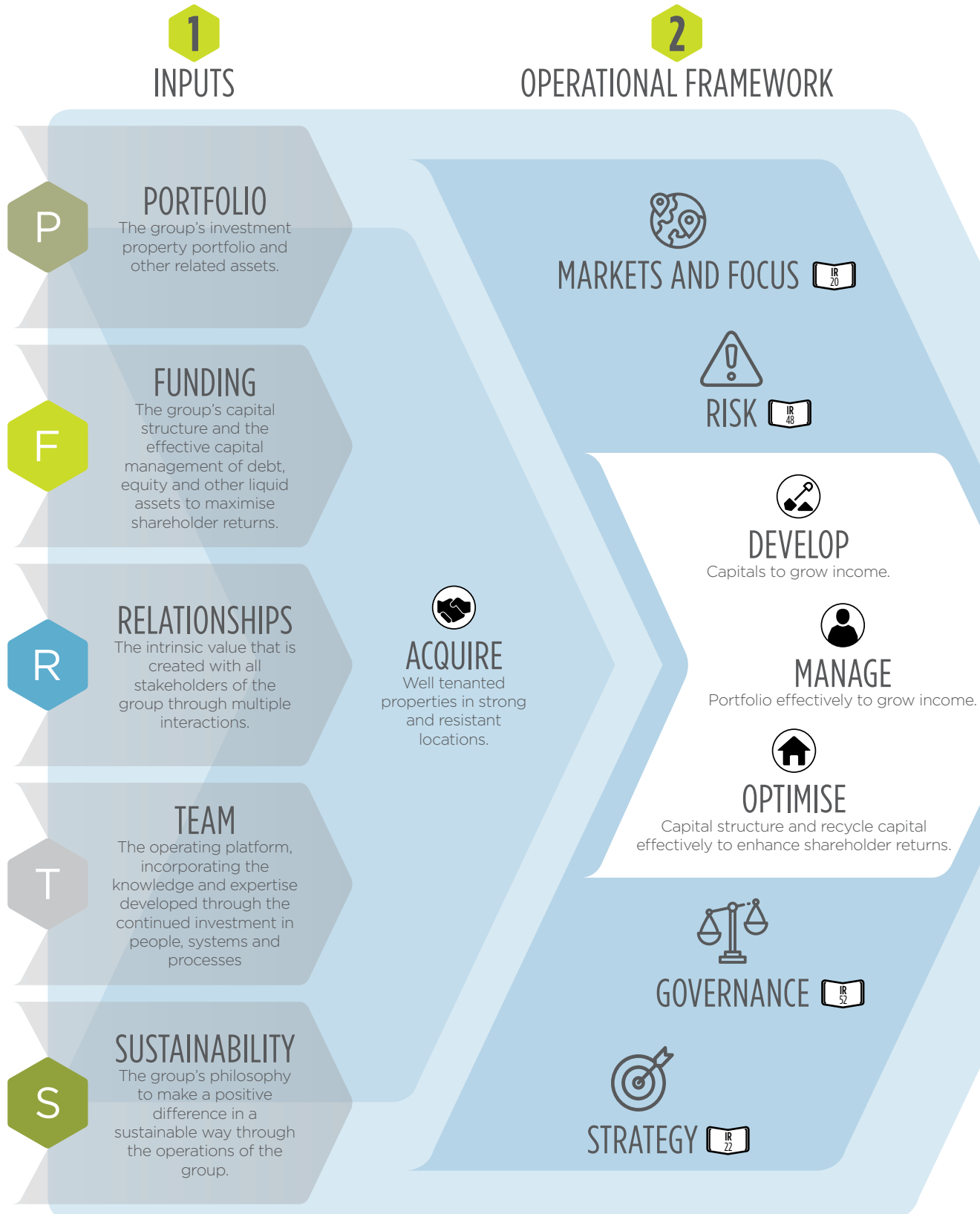
CONVICTION

We believe in everything we do



Uberior House, Edinburgh, United Kingdom

VALUE CREATION



3 OUTPUTS

PROVIDING
CREATIVE SPACE
FOR TENANTS
TO FLOURISH

SUSTAINED
GROWTH

4 OUTCOMES



PORTFOLIO

- A diverse portfolio of high quality income-generating properties, high yielding developments and land plots held for development.
- Increase in passing rent by 39%
- Secured development pipeline of €755m in PKM Developments
- Disposal and recycling of mature assets and land bank



FUNDING

- An optimised capital structure and effective management of the group's capital, debt, equity and other liquid assets.
- €281m of capital raised
- €104m of debt drawdown
- LTV decreased to 10.0% at year-end



RELATIONSHIPS

- A strong culture that embraces the group's values and adds intrinsic value to all stakeholders of the group through multiple interactions and engagements.
- Strengthened codes of conduct
- Established relationships with new debt lenders
- Refreshed website with video footage of key developments and assets



TEAM

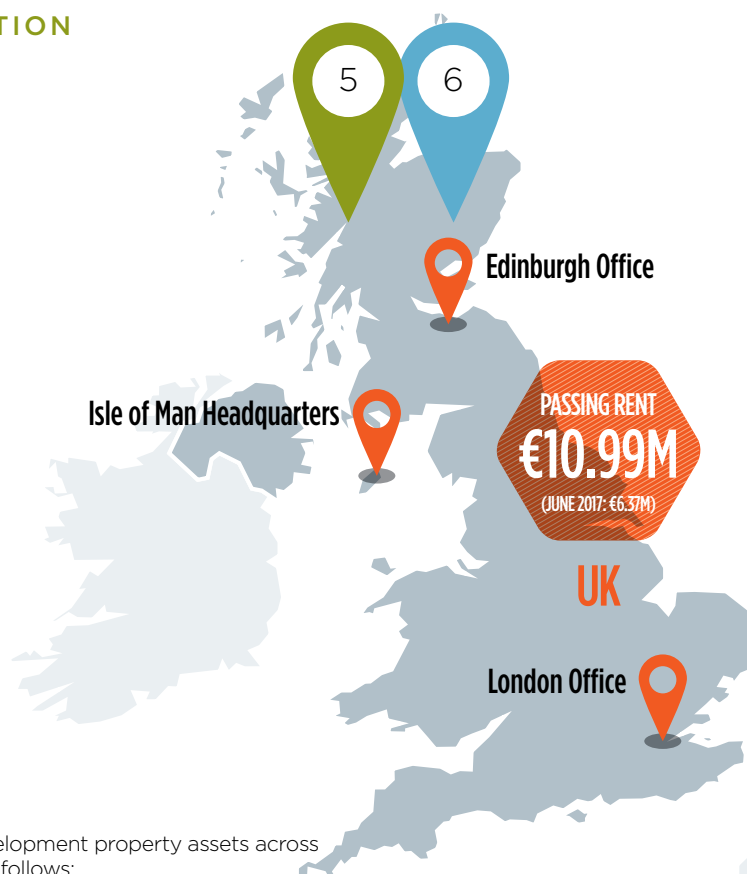
- A strong team with extensive knowledge and experience across the group's invested markets, and a close relationship with the highly experienced members of Prime Kapital.
- Strengthened board with new appointments
- Revised remuneration policy
- Invested in a new HR platform



SUSTAINABILITY

- A group wide initiative that focuses on social, environmental and economic factors; giving back to communities, helping to restore the environment and increasing local economies.
- Provision for affordable housing
- Continued commitment to community investment
- Sustainable energy used in developments

MARKETS AND FOCUS



The group invests in income-generating and development property assets across European markets. Areas of specific focus are as follows:

WESTERN EUROPE

The group invests in income-generating property in western Europe with a focus on Germany and the United Kingdom. These markets are considered attractive to MAS for the following reasons:

- In-house local knowledge and expertise;
- Established investment and operational platforms, with people on the ground with extensive local knowledge;
- A strong network of relationships has been forged across the value chain, enhancing the group's ability to access off market acquisition opportunities and implement value adding initiatives;
- High levels of real estate market liquidity in comparison to other regions, giving the group flexibility and optionality to crystallise value and recycle capital;
- Primary focus in Germany is on retail, due to the scale, liquidity and attractive pricing of the sector compared with other sectors; and
- Other investment segments considered on a case by case basis to identify opportunities where we can add significant value.

The group also focuses on extensions, developments and refurbishments. The emphasis of this is to grow the income generated, or to develop property at yields that are superior to acquiring completed standing assets.

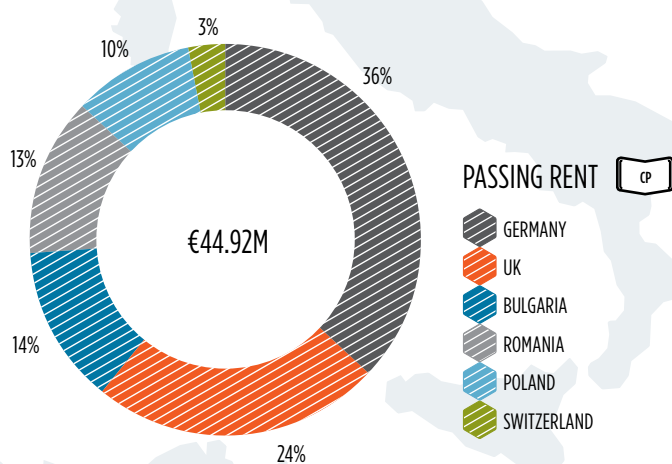
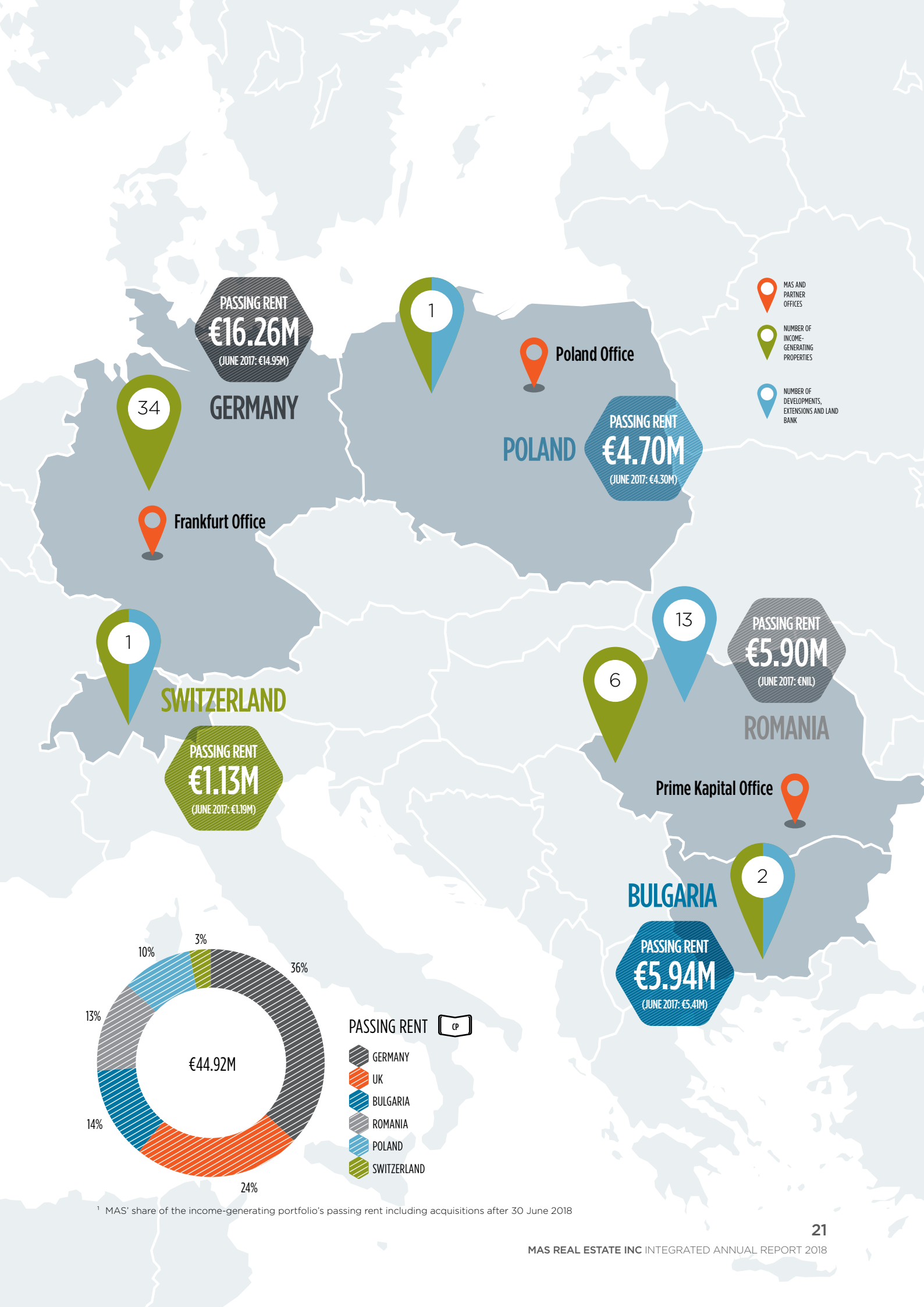
CENTRAL AND EASTERN EUROPE

The group invests in income producing property in central and eastern Europe for the following reasons:

- In comparison to western Europe, growth expectations are higher in the CEE markets. This is driven by the growth in consumer and household spending off a low base, particularly in the retail space which is under-supplied;
- Access to partners in CEE with extensive knowledge and experience of the local markets, and with strong operational platform.
- Primary focus is on retail, with an emphasis on dominant regional shopping malls and value centres; and
- Impact of e-commerce expected to be muted in the near term due to low density of retail provision and due to logistical and infrastructure challenges with efficient and secure e-commerce delivery/fulfilment.

In addition, the group has a development joint venture with Prime Kapital called PKM Developments. The group owns 40% of the equity in the venture and has committed to fund up to €350 million via preference share capital. The venture leverages Prime Kapital's extensive experience and capability to develop retail property in the growing markets of CEE, with a focus in Romania. PKM Developments also has a significant pipeline of residential developments in CEE.





¹ MAS' share of the income-generating portfolio's passing rent including acquisitions after 30 June 2018

STRATEGY AND STRATEGIC OBJECTIVES

MAS' strategy is to generate a sustainable and growing distributable earnings per share by acquiring, developing and operating properties with a retail focus in western, central and eastern Europe. Where exceptional opportunities are identified, the group will embark on mixed-use or residential developments with

STRATEGIC OBJECTIVES IN 2018

ACHIEVEMENTS

DRIVE THE ACQUISITION AND DEVELOPMENT PROGRAMME IN EUROPE

- Added €12.09 million¹ of passing rent through the acquisitions of: Uberior House during the year; Militari and Braunschweig after the financial year-end
- Completed the first six convenience value extensions in Romania with 21,000 square metres GLA
- Commenced construction of two value centres and a convenience value extension in Romania, which are expected to be completed by end of the 2018 calendar year adding a further 48,000 sqm GLA
- Retained strong investment discipline and only pursued quality developments and acquisitions with value-adding potential and strong long-term growth prospects
- Despite the heated property markets a strong pipeline has been identified which will not sacrifice longer term targets
- Secured development pipeline in PKM Developments has expanded to €755 million

UNLOCK VALUE IN EXISTING PORTFOLIO

- Work in progress on reconfiguring and adding 18,000 square metres to the aggregate GLA of the CEE retail assets
- Commenced development of the pre-let office component at New Waverley forward sold to Legal and General
- Renegotiated the lease of the Munich asset extending until 2023, at an escalation of 5%, with a further 5% uplift in 2021
- Recycling of mature income-generating property:
 - Disposal of the office component at Heppenheim Park and the remaining Aldi store; and
 - Actively marketing the Whitbread hotels
- Progressing the disposal of land bank positions:
 - Offers on the residential elements at New Waverley have been received and accepted; and
 - Langley Park, construction of the hotel, pre-let to Travelodge, is well advanced and the sale of the supermarket land site to Aldi has been finalised

IDENTIFY KEY VALUE ADD PROCESSES AND SYSTEMS FOR IMPLEMENTATION THROUGHOUT THE 2018 FINANCIAL YEAR

- Portfolio management restructured to review the investments in more detail
- Leveraged Prime Kapital relationship and experience
- Successfully nurtured culture of openness from all parties in the investment process
- Invested in a new HR platform to aid staff engagement and provide KPI performance monitoring
- Identified a suitable risk management system to streamline reporting, escalation of risks and adherence to key controls
- Adopted a combined assurance model to manage risk and ensure the effectiveness of controls
- PricewaterhouseCoopers LLC, Isle of Man, engaged to undertake an assessment of the internal control framework

GEAR THE PORTFOLIO OPTIMALLY

- €104 million of debt drawdown in the last year with a cost of debt of 3.15%
- Group cost of debt at 2.69% at year end
- LTV of 10%, increasing to 20% after acquisitions post year end
- Considering other forms of debt funding in years ahead
- 82% of debt is fixed/hedged



¹ 'MAS' share of passing rent

the view to either generating recurring income or capital gains. The group aims to distribute all of its distributable earnings on a semi-annual basis, with distributions of capital and other profits at the discretion of the directors.

STRATEGIC OBJECTIVES FOR 2019	APPROACH	LOOKING AHEAD	TARGETS
FULLY INVESTED	<ul style="list-style-type: none"> – Continue to pursue only quality developments and acquisitions with value-adding potential and strong long-term growth prospects – Re-finance historic debt in the portfolio – Continue to leverage portfolio optimally – Dispose of land bank positions – Progress extensions at Nova Park and Galleria shopping malls – Established German portfolio with growth potential, with the ability to liquidate efficiently 	<ul style="list-style-type: none"> – Stringent deal appraisal ensuring investments meet business objectives – Review annually further mature and non-core assets for recycling – Continue to develop banking relationships to increase gearing and reduce the cost of debt – Manage interest rate exposure by locking in fixed rate debt – Optimise the capital source – Active debt management 	<ul style="list-style-type: none"> – Ensure long term growth in earnings/asset management potential – Disposal of Langley Park and New Waverley residential by the end of the 2019 financial year – Gear portfolio to 40%
CONTINUED INVESTMENT IN PEOPLE, SYSTEMS AND PROCESSES AS THE ORGANISATION GROWS	<ul style="list-style-type: none"> – Ensure the organisation is sufficiently resourced to meet the needs of the growing organisation – Attract and retain a strong team with extensive knowledge and experience – Introduce an integrated property management and accounting system – Refine the detailed asset management programme for each investment 	<ul style="list-style-type: none"> – Appoint talented people that have the skills and experience to contribute to the organisation as it grows – Invest in additional asset management capability – Further nurture a culture of accountability and ownership to increase operational efficiency – Launch employee satisfaction survey to retain skilled people 	<ul style="list-style-type: none"> – Recruit two additional asset manager resources by the end of the 2019 financial year – Implement new HR and risk management systems by the end of the 2019 financial year – Implement a property and management accounting system by the end of 2019 financial year
ENHANCED STAKEHOLDER COMMUNICATION	<ul style="list-style-type: none"> – Review the board composition and culture to identify any skill gaps as the organisation continues to grow – Continue to produce detailed and comprehensive board packs to provide a clear picture of the implementation of the group's strategy – Frequent strategic and business updates for employees – Regular updates to investors via the website and SENS announcements – Effective communication with all stakeholders 	<ul style="list-style-type: none"> – Continue plans to strengthen the composition and diversity of the board – Comprehensive and detailed board packs – Frequent strategic updates to all employees – Continuous updates via the website – Progress actions highlighted in the organisational cultural survey 	<ul style="list-style-type: none"> – Expand the skills of the board in 2019 – Action the points raised in the organisational cultural survey

STRATEGY AND STRATEGIC OBJECTIVES

TRADE-OFFS

LONGER TERM PROSPECTS VS. SHORT TERM DISTRIBUTION GROWTH TARGETS

Investment property is a long term investment and the biggest trade-off is to ensure that the longer term prospects will not be sacrificed to meet shorter term distribution growth targets.

LONG TERM OBJECTIVE	STEPS TAKEN TO MEET THE LONG TERM OBJECTIVE	SHORT TERM RISK	HOW DO WE MITIGATE THIS RISK?
<ul style="list-style-type: none"> - Profitable growth through further acquisition and development opportunities 	<ul style="list-style-type: none"> - Acquisition of value adding properties and developments - Recycling mature assets 	<ul style="list-style-type: none"> - Heated markets resulting in acquisition of properties that are priced too high by historical standards - Over rented 	<ul style="list-style-type: none"> - Strong investment discipline, acquisitions are not rushed to ensure there is value-adding potential and strong long-term growth potential - Bottom up approach to lease negotiations

CASH MANAGEMENT

The group has future commitments to PKM Developments. To manage the funding ahead of its commitments to PKM Developments, the group took advantage of the opportunity to raise adequate equity to meet these commitments.

LONG TERM OBJECTIVE	STEPS TAKEN TO MEET THE LONG TERM OBJECTIVE	SHORT TERM RISK	HOW DO WE MITIGATE THESE RISKS?
<ul style="list-style-type: none"> - Manage funding to ensure sufficient cash to fulfil commitment to PKM Developments 	<ul style="list-style-type: none"> - Took advantage of the opportunity to raise adequate equity to meet these commitments. 	<ul style="list-style-type: none"> - Liquidity management - Negative interest rates 	<ul style="list-style-type: none"> - Invested in REIT portfolio with exposure to high quality businesses with similar risk profiles to the group - Return on funds - Collateral pool of debt facilities at low margins

STAFF RETENTION AND PRODUCTIVITY VS SHORT TERM PROFITABILITY

Corporate expenses are constantly increasing due to macroeconomic factors, it can add pressure to cut spending on additional resources and employee training leading to reduction in staff productivity, motivation and retention in the longer term, to get a short term increase in distribution targets.

LONG TERM OBJECTIVE	STEPS TAKEN TO MEET THE LONG TERM OBJECTIVE	SHORT TERM RISK	HOW DO WE MITIGATE THESE RISKS?
<ul style="list-style-type: none"> - To retain and motivate staff to ensure a strong team with extensive knowledge and experience 	<ul style="list-style-type: none"> - Remuneration policy which attracts, motivates and retains the best talent available - Recruit additional asset management resource 	<ul style="list-style-type: none"> - An increase in resources and employee training can increase costs, reduce profitability and mean that short term distribution targets aren't met. 	<ul style="list-style-type: none"> - Continue to review and manage spending on resourcing and staff to ensure the team is fully resourced and motivated

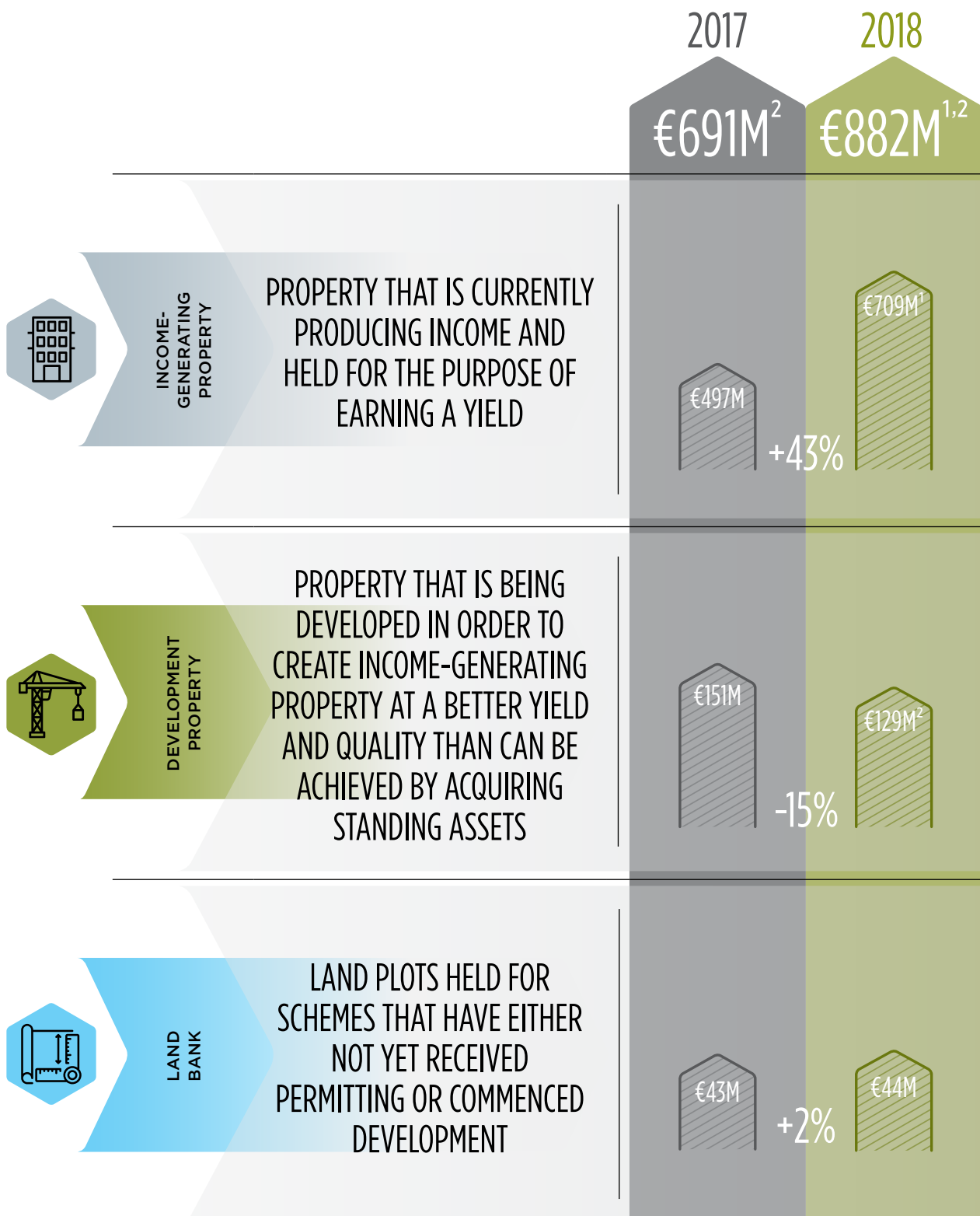


Adagio Hotel, New Waverley, Edinburgh



Galleria Stara Zagora, Stara Zagora, Bulgaria

PORTFOLIO



¹ Includes acquisitions completed post 30 June 2018

² Comprises MAS' investment in equity accounted investee and PKM Developments preference shares.

PROGRESS

- Increased passing rent by 39%¹
- €105m¹ of western European acquisitions: Uberior House and Braunschweig
- €95m¹ acquisition of Militari, a shopping centre in central and eastern Europe
- Recycling of mature assets:
 - Disposal of the office component at Heppenheim Park and the remaining Aldi store; and
 - Actively marketing the Whitbread hotels.
- LTV of 10% at year-end, increasing to 20% after post year-end acquisitions
- Increased GLA by 17%
- Work in progress to add 18,000 square metres GLA to central and eastern Europe retail space

LOOKING AHEAD

- Acquisition programme to continue, with focus on value-adding potential and strong long-term growth prospects
- Continued recycling of mature assets
- Asset management of under rented properties
- Refurbish and reconfigure retail space to maximise GLA and income
- Secured pipeline of €113 million comprising of two retail centres one in CEE and one in western Europe

- New Waverley Phase II – GPU office:
 - Pre-let to the UK government on a 25-year lease, sold under a forward funding agreement to Legal and General for €24m; and
 - On budget and on track for completion mid-2019
- €3.6m cash distribution received from PKM Developments
- €16m fair value uplift on investment property in PKM Developments
- Completed six convenience value extensions with GLA of 21,000 square metres
- Construction started on two value centres and a convenience value extension with GLA of 48,000 square metres
- Secured development pipeline of €755m
- Permitting under way for three malls with an aggregate GLA of 170,000 square metres
- Three residential developments planned for over 3,700 units

- Development programme to continue
- Completion of 48,000 square metres of retail space expected by the end of the 2018 calendar year
- Further PKM Developments preference share drawdowns scheduled

- New Waverley Phase II – Residential
 - Offers received and accepted on residential elements of the site.
- North Street quarter
 - Finalisation of the land collaboration agreement.
 - Marketing for sale to commence.
- Langley
 - Final offers from house builders are being considered.
 - Construction of the hotel, pre-let to Travelodge, is well advanced.
 - Sale of the supermarket land site to Aldi has been finalised.

- New Waverley Phase II – Residential, disposal expected H2
- Langley Park – final offers received and disposal expected H1
- North Street Quarter strategic decision was taken to sell

PORTFOLIO



INCOME-GENERATING PROPERTY

The income-generating portfolio, assembled through acquisition and development, comprises high quality retail, office, industrial, logistics and hotel properties in Germany, the United Kingdom, Switzerland, Bulgaria, Poland and Romania. The investment strategy emphasises the quality of income streams, which is evident from the locations and nature of the assets owned, terms of leases, and size of tenants.

WESTERN EUROPE

	LOCATION	ASSET TYPE	OWNERSHIP	GLA (SQM)	OCCUPANCY (%)	WALT (YEARS)	BOOK VALUE (€M)	PASSING RENT (€M)
Edeka MIHA portfolio	Germany	Retail	100%	50,964	100%	13.02	56.72	3.84
Toom portfolio	Germany	Retail	100%	25,291	100%	10.83	29.97	2.20
Edeka Thales portfolio	Germany	Retail	100%	21,845	96%	12.50	29.13	2.00
Heppenheim Park	Germany	Retail	100%	16,978	100%	9.47	31.00	1.89
Braunschweig ¹	Germany	Retail	100%	18,952	98%	6.20	25.00	1.51
Bruchsal	Germany	Retail	100%	7,103	100%	4.12	23.40	1.46
Gotha	Germany	Retail	100%	9,442	100%	8.00	12.50	0.99
Munich	Germany	Industrial	100%	13,090	100%	5.50	15.00	0.89
Lehrte	Germany	Retail	100%	9,203	100%	8.61	10.50	0.76
Donaueschingen	Germany	Retail	100%	8,235	100%	10.59	10.20	0.72
Uberior House	UK	Office	100%	14,718	100%	7.47	80.12	4.68
Whitbread and Arches	UK	Hotel	100%	8,868	100%	25.19	45.35	2.13
Chippenham	UK	Industrial	100%	39,839	91%	7.08	24.90	1.86
Adagio and retail	UK	Hotel	100%	8,499	90%	18.40	32.95	1.53
Braehead	UK	Industrial	100%	18,476	100%	6.62	7.19	0.79
Zurich	Switzerland	Logistics	100%	5,699	100%	6.25	13.83	1.13
TOTAL				277,202	97.96%	10.62	447.76	28.38

CENTRAL AND EASTERN EUROPE

	LOCATION	ASSET TYPE	OWNERSHIP	TOTAL ASSET					MAS' SHARE	
				GLA (SQM)	OCCUPANCY (%)	WALT (YEARS)	BOOK VALUE (€M)	PASSING RENT (€M)	BOOK VALUE (€M)	PASSING RENT (€M)
Galleria portfolio	Bulgaria	Retail	80%	63,369	92%	5.31	76.30	7.43	61.04	5.94
Militari ¹	Romania	Retail	80%	56,416	100%	10.49	95.00	7.38	76.00	5.90
Nova Park	Poland	Retail	80%	32,683	96%	4.25	89.70	5.88	71.76	4.70
TOTAL				152,468	95.88%	6.83	261.00	20.69	208.80	16.54

¹ Acquired post 30 June 2018

TOP 10 TENANTS BY PASSING RENT

WESTERN EUROPE

CENTRAL AND EASTERN EUROPE

Bank of Scotland

€4.68m
10.4%¹

€1.70m
3.8%¹

Auchan

Edeka-Miha

€3.84m
8.4%¹

€1.62m
3.6%¹

Praktiker

Toom Baumarkt

€2.20m
4.9%¹

€0.64m
1.4%¹

H&M

Bauhaus

€2.12m
4.7%¹

€0.62m
1.4%¹

Inditex Group

Edeka Cash and Carry

€2.00m
4.5%¹

€0.62m
1.4%¹

LPP Group

Accor

€1.48m
3.3%¹

€0.58m
1.3%¹

Decathlon

DPD

€1.13m
2.5%¹

€0.48m
1.1%¹

New Yorker

Premier Inn

€1.00m
2.2%¹

€0.42m
0.9%¹

C&A

Real

€0.99m
2.2%¹

€0.41m
0.9%¹

Cinema City

Volkswagen

€0.89m
2.0%¹

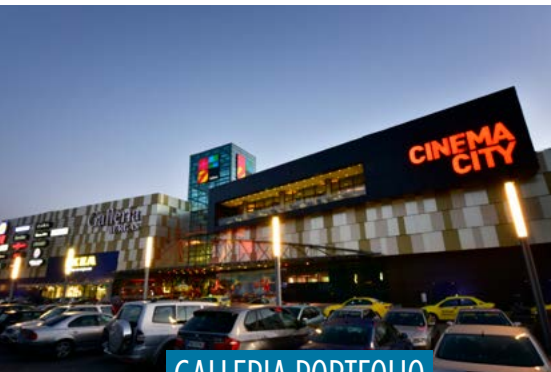
€0.35m
0.8%¹

Deichmann

¹ As a percentage of MAS' share of total passing rent at 30 June 2018

PORTFOLIO

TOP PROPERTIES



GALLERIA PORTFOLIO

€5.94M

PASSING RENT¹

5.31

WALT (YEARS)

63,369

GLA (SQUARE METRES)

€76M

BOOK VLAUE

92%

OCCUPANCY

BULGARIA

LOCATION

The Galleria portfolio consists of two malls: Galleria Burgas and Galleria Stara Zagora.

The Galleria Burgas mall is the dominant shopping centre in Burgas, the 4th largest city in Bulgaria, with a population in excess of 200,000. It has a broad tenant mix consisting of 128 tenants primarily international fashion and entertainment brands including Bershka, CCC, Cinema City, Deichmann, H&M, Humanic, Ikea, Intersport, LC Waikiki, Lee Cooper, Lidl, Massimo Dutti, OyshoTerranova and Zara. In response to strong performance and tenant demand, a 15,000 square metres GLA extension and a reconfiguration are being considered.

The Galleria Stara Zagora mall is the dominant shopping centre in Stara Zagora, the 6th largest Bulgarian city with a population in excess of 140,000. The tenant mix is focused primarily on fashion and entertainment and consists of 75 tenants which includes brands such as Bershka, Cinema City, CCC, Deichmann, DM, H&M, Intersport, Kenvelo, LC Waikiki, New Yorker, Nike, Pull&Bear and Stradivarius. A major refurbishment and reconfiguration is planned to improve the design and commercial layout.

¹ MAS' share of passing rent



MILITARI

€5.90M

PASSING RENT¹

10.49

WALT (YEARS)

56,416

GLA (SQUARE METRES)

€95M

BOOK VLAUE

100%

OCCUPANCY

ROMANIA

LOCATION

The group acquired the Militari Shopping Centre in July 2018 in conjunction with Prime Kapital.

The Militari shopping centre is located west of Bucharest's city centre and has benefitted from extensive residential densification in its immediate surroundings since its

opening in 2009. The mall has 57 tenants spread across 56,400 square metres including Auchan (hypermarket), Praktiker (DIY), Decathlon (sports goods) and various international fashion brands.

The asset provides stable underlying income with good prospects for future growth. This will come from optimisation at lease expiry and an extension of the lettable area to match growing footfall, driving the direct investment return. Significant redevelopment and extension opportunities are expected to be available in the medium and long term.



UBERIOR HOUSE

€4.68M

PASSING RENT

14,718

GLA (SQUARE METRES)

100%

OCCUPANCY

7.47

WALT (YEARS)

€80M

BOOK VLAUE

UK

LOCATION

The group acquired Uberior House in May 2018. The property comprises Grade A office buildings prominently positioned in the heart of the Exchange financial district of Edinburgh. The property is let to a single tenant, Bank of Scotland, on several leases, all of which expire in

December 2025. Bank of Scotland is a subsidiary of the Lloyds Banking Group PLC, a FTSE 100 listed bank.

Passing rents are below market rate and a review is due in 2020 with the potential to restructure and extend existing leases. The property offers a unique asset management opportunity to grow the NOI of €4.6 million in a market where we have extensive experience and with a shortage of A-grade office space.



EDEKA MIHA

€3.84M

PASSING RENT

50,964

GLA (SQUARE METRES)

100%

OCCUPANCY

13.02

WALT (YEARS)

€57M

BOOK VLAUE

GERMANY

LOCATION

A portfolio of 20 retail units let on a long-term basis to Edeka MIHA AG. The Edeka Group is the largest German supermarket corporation, holding a market share of approximately 23% in Germany and operates approximately 4,100 stores under the Edeka brand.



NOVA PARK

€4.70M

PASSING RENT¹

32,683

GLA (SQUARE METRES)

96%

OCCUPANCY

4.25

WALT (YEARS)

€90M

BOOK VLAUE

POLAND

LOCATION

A dominant regional mall situated in Gorzów, Nova Park has a diversified mix of high quality tenants including international and national brands Bershka, C&A, CCC, Cropp Town, Deichman, Douglas, Empik, Fabryka Formi, H&M, Intersport, KFC, Media Expert, Mohito, New Yorker, Piotr i Pavel, Pull&Bear, Reserved, Rossmann, Sephora, Sinsay, Smyk, Stradivarius and Super-Pharm.

An adjacent land plot was acquired and detailed design work is under way to extend the mall and to consolidate its dominant position. The planned extension of 3,000 square metres of GLA includes a cinema as well as additional fashion and leisure offerings.

PORTFOLIO



DEVELOPMENT PROPERTY – PKM DEVELOPMENTS RETAIL VALUE CENTRES

DNI VALUE CENTRE

Pre-construction leasing is progressing well for the convenience value extension of 28,000 square metres GLA to the existing Hornbach and Lidl units in Balotesti, a rapidly-developing, affluent residential area about 25km north of Bucharest. The first phase of development is expected to open by the end of the 2019 calendar year.



PLOIESTI VALUE CENTRE

Permitting is under way for the retail value centre with 25,600 square metres GLA and a high concentration of anchor tenants. The centre is located in a densely populated residential area in close proximity to the city's main train, tram and bus stations, with high visibility and good road access. Despite the lease process not yet having commenced, several major anchor tenants have expressed strong interest in the development.



BAIA MARE VALUE CENTRE

Construction of about 22,000 square metres GLA is advancing and the centre is on schedule to open for trade in December 2018.



MAS invested €20 million in return for a 40% equity interest in the development partnership and a further €100 million by way of cumulative 7.5% preference shares as at 30 June 2018. MAS has committed to provide up to a further €250 million of preference share funding over the next three years.

	OWNERSHIP	PROPERTY ASSET BOOK VALUE (€M)	MAS' SHARE BOOK VALUE (€M)
Investment in equity accounted investee	40%	149.38	23.77
Preference shares	100%	n/a	105.05
Total		149.38	128.82

CP PKM DEVELOPMENTS TOTAL ASSET

	TYPE	OWNERSHIP	CURRENCY	ESTIMATED COMPLETION	NO OF ASSETS	GLA (SQM)	UNITS	BOOK VALUE (€M)	DEVELOPMENT BUDGET (€M)	ERV (€M)
Income-generating property	Retail	40%	EUR	n/a	6	21,000	—	25.71	19.16	2.05
Development property	Retail/Residential	40%	EUR	2019 - 2024	12	634,300	3,727	119.97	751.57	36.31
Land bank	Retail	40%	EUR	n/a	1	n/a	—	3.70	3.40	n/a
Total					19	655,300	3,727	149.38	774.13	38.36



ROMAN VALUE CENTRE

Construction of 19,000 square metres GLA is progressing and the centre is on schedule to open for trade in November 2018.

ZALAU VALUE CENTRE

About five hectares of land have been secured in Zalau with plans to develop and operate a retail value centre of 18,000 square metres GLA with a high concentration of anchor tenants. Zalau, with 56,000 inhabitants, is the capital of Salaj county, an important manufacturing centre in the north west of Romania. The project is highly visible. It is in the immediate vicinity of a dense residential area and the city's regional bus terminal, on the main road connecting Zalau with the other major cities in the county and wider Transylvania area. The catchment includes about 166,000 inhabitants within a 45-minute drive. Anchor tenants have expressed strong interest in the planned development and permitting is ongoing. The centre is expected to open for trade by the end of the 2019 calendar year.



KAUFLAND VALUE CENTRE EXTENSIONS

During the course of the 2018 financial year the first six convenience value extensions of existing Kaufland mini hypermarkets have been completed on time and within budget. The first phase (7,000 square metres GLA) of a further development is expected to complete by the end of the 2018 calendar year.

PORTFOLIO

MALLS



MALL MOLDOVA

Permitting is under way for the planned redevelopment of Era Shopping Park, Iasi, into the super regional Mall Moldova with 100,000 square metres GLA. Mall Moldova will be the largest retail and leisure development in Romania outside of Bucharest. With design work substantially completed, pre-construction leasing work in respect of the extension has commenced and is progressing well, as has been anticipated.

ARGES MALL

Permitting for the planned regionally dominant mall with 50,000 square metres GLA and for the accompanying public infrastructure in a central, high-density location in Pitesti, Romania is making good progress. Tenant interest in the planned retail consolidation for the Pitesti and wider Arges region is strong and pre-construction leasing work is progressing well.



DAMBOVITA MALL

Permitting is under way for the regionally dominant mall with 31,000 square metres GLA in Targoviste, Romania. Despite the lease process not having commenced, several major anchor tenants have expressed strong interest in the development. It will be the first mall in the Dambovita county and forms part of a wider urban regeneration project undertaken by the local authorities within 2km of the city centre, in a densely populated residential area.



RESIDENTIAL AND MIXED USE

AVALON ESTATE

Permitting is ongoing on the upmarket, modern housing estate near the developing central business district and commercial centre in the affluent northern part of Bucharest. The project was publicly launched in June 2018 and received very positive feedback. The pre-construction sales process is planned to commence by the end of this calendar year and the first units of the planned 767 high quality houses, townhouses and apartments will be available for occupation in the second quarter of the 2020 calendar year.



MARMURA APARTMENTS



Since the date of the last report, substantial additional design work has been done on the large-scale residential block development planned for the 1.5-hectare site in the expanding north west area of Bucharest. The number of individual units has been increased from 380 to 460. Permitting is in progress and the pre-construction sales process is expected to start by the end of the 2018 calendar year. The first units will be available for occupation by the third quarter of the 2020 calendar year.

TEBA IASI

About 10 hectares of land have been secured in Iasi with plans to develop a large-scale, mixed-use project that will include up to 100,000 square metres of A-grade offices, over 2,500 residential units and a hotel. Iasi, with a population of 369,000 inhabitants, is the second-largest city in Romania, the most important industrial centre in the north east and the second-largest university centre outside Bucharest, with over 53,000 students. The project is close to the city centre and within walking distance of the two largest university campuses in Iasi. This site is highly visible, with 450 metres of frontage on a main boulevard connecting the site to the city centre, and easily accessible both by car and public transport since three public transport hubs (bus and tram) are in the immediate vicinity. Due diligence and project planning work is currently in progress. Major office tenants and hotel operators have expressed strong interest in the planned development.



PORTFOLIO



LAND BANK

Land plots held for schemes that have either not yet received permitting or commenced development.



SUMMARY

	LOCATION	TYPE	OWNERSHIP	NO OF ASSETS	BOOK VALUE (€M)
North Street Quarter	UK	Residential	100%	1	21.25
Langley Park	UK	Residential/retail	100%	2	11.73
New Waverley Phase II – Residential	UK	Residential	100%	3	11.06
Total				6	44.04



NEW WAVERLEY PHASE II – RESIDENTIAL

New Waverley – Phase II Residential represents the residential element of the New Waverley development, the last remaining undeveloped component of the site. Offers to acquire both sites have been received and accepted, subject to due diligence and the finalisation of the government's option over the northern part of the site. More information is available at www.newwaverley.com.

New Waverley – Phase II Residential is set to deliver:

- 148 to 244 apartments
- Located on the Royal Mile, one of the most prestigious streets in Scotland
- 17,000 square metres of residential space
- 1,400 square metres of prime retail space
- Car parking
- All within 5 minutes walk from Waverley train station

NORTH STREET QUARTER

A development site in the heart of Lewes, East Sussex, set to deliver a vibrant, mixed-use neighbourhood that will regenerate the area and is the largest brownfield development site in the South Downs National Park. More information available at www.northstreetqtr.co.uk.

- 416 new homes (40% affordable)
- 13,000 square metres of commercial space, accommodating c475 full time jobs
- Retail space
- A health centre
- 6,500 square metres of industrial space on the Malling Brooks site
- New riverside walkway and public square, foot and cycle bridge
- Car park



LANGLEY PARK

Part of a 194,000 square metre site which is split into: Chippenham, an industrial site which forms part of MAS' income-generating portfolio; and Langley Park, a multi-use development scheme which incorporates residential, hotel, and retail. The construction of the hotel, pre-let to Travelodge, is underway and the sale of the supermarket land site to Aldi has been completed.

- 420 new homes – the land is in the process of being sold and initial offers from housebuilders have been received
- 1,741 square metres discount food retailer – the sale of the plot to Aldi has been completed
- A further 16,473 square metres of general business and industrial space to be developed in the coming years on the retained section of the business park



FUNDING

The group focuses on ensuring the capital structure supports shareholder returns through effective capital management of debt, equity and other liquid assets.

DEBT

The group reduces the cost of capital by utilising debt funding. The group has continued to take advantage of the low cost of debt by gearing investment property and, where appropriate, fixing debt on assets to be held over the longer-term.



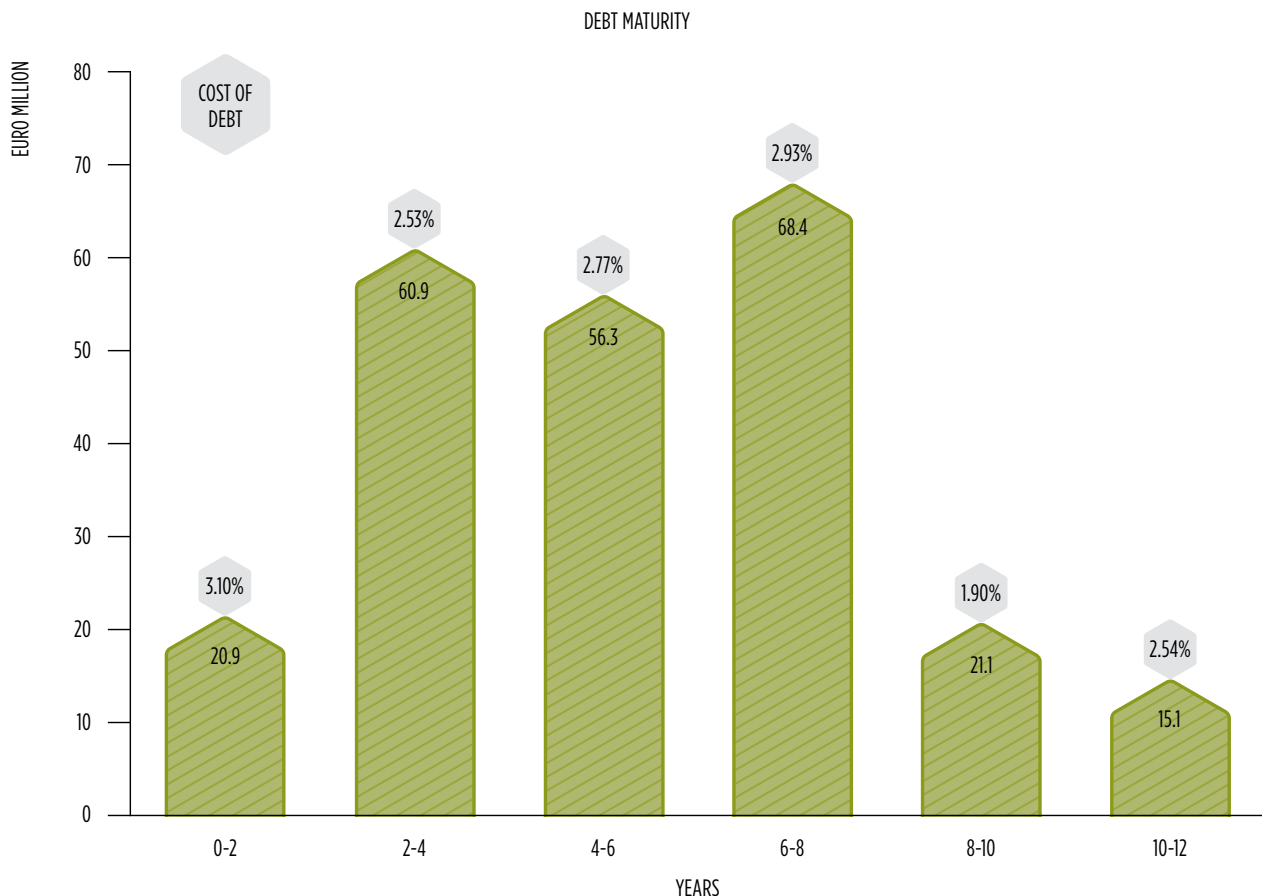
Progress has been made during the year, with €51.07 million of debt secured against western European assets being drawdown at a weighted average cost of 2.73% and a further €53.00 million of debt secured against central and eastern European assets being drawdown at a weighted average cost of 3.56%. The group's weighted average cost of debt has increased from 2.32% at the previous year end to 2.69% at 30 June 2018. This is due to the increasing cost of debt and the increase in central and eastern European debt, which is inherently costlier.

The LTV has decreased to 10% at the year end, from 16.5%. The current target range for the group is an LTV of 40%. This level of debt leaves adequate flexibility without exposing the group to excessive risk.

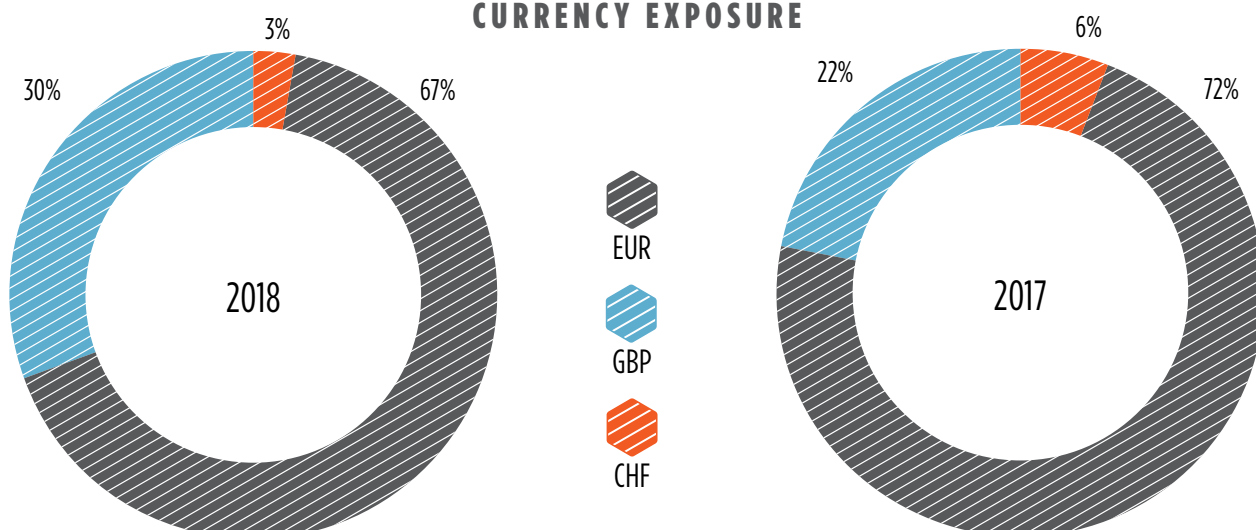
MAS' priority when raising external debt finance is to manage the maturity profile of the debt which enables the group to maximise the terms from lenders whilst maintaining the spread of risk in the group.

Concentration risk is also a consideration, with care taken to ensure that the group is not unduly exposed to a single debt provider.

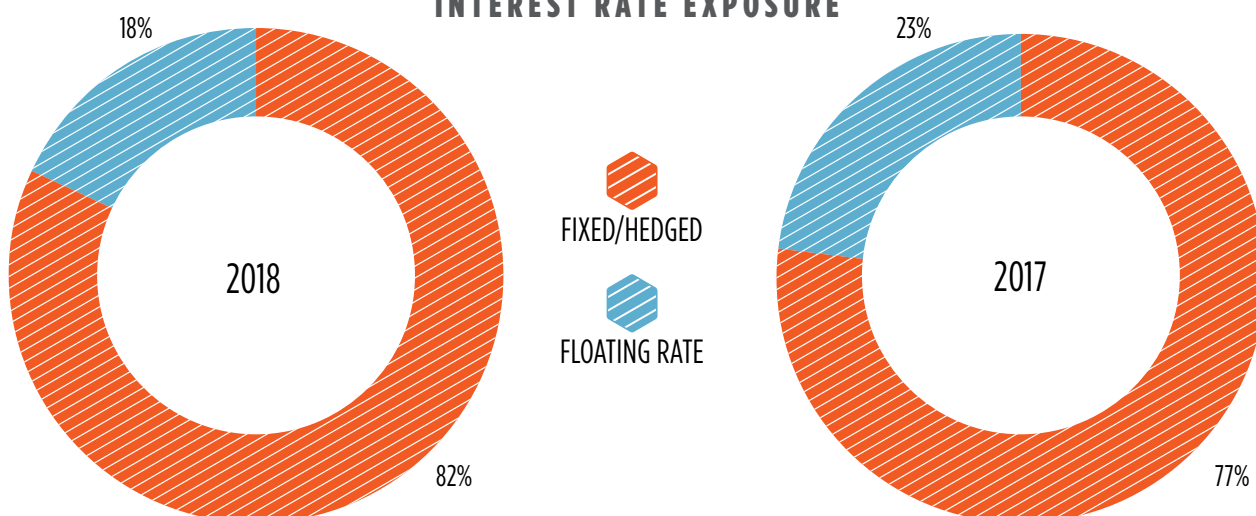
The hedging strategy manages interest rate risk across the debt portfolio and is undertaken on an individual loan basis, with a preference for fixing rates over the long term and leaving shorter termed debt and debt on assets with the potential for disposal at floating rates. Currently 82.1% of the group's debt has been fixed.



CURRENCY EXPOSURE



INTEREST RATE EXPOSURE



PROGRESS


DRAWNDOWN €104
MILLION OF DEBT AT 3.15%


MANAGED INTEREST RATE
EXPOSURE BY LOCKING
IN FIXED RATE DEBT


LTV INCREASED TO 20%¹


WEIGHTED AVERAGE DEBT
MATURITY OF 6 YEARS

LOOKING AHEAD

The gearing programme will continue to secure funding against the portfolio assets, and the LTV is expected to continue moving towards target levels as the portfolio matures. In addition, the group is discussing other opportunities to secure debt funding.

The continuing low interest rate environment in Europe makes this an opportune time to secure further debt.

¹ Includes acquisitions post 30 June 2018

FUNDING



EQUITY

During the year the group undertook two over-subscribed share placements, raising a total of €281 million. The capital raised has been used to drive growth through the acquisition of accretive investment property and progression of developments in the portfolio.

The liquidity of the traded share continues to improve, with the 90-day median daily volume reaching over 400,000 shares per day. The shareholder base now includes more than 10,000 shareholders.

Capital management is integral to the creation of value for shareholders. Accordingly, the group proposed a resolution to repurchase shares based on the share price relative to the net asset value per share. On 7 September 2018 shareholders passed a resolution allowing the group to repurchase shares subject to the following salient conditions:

- acquisitions of shares in the aggregate in any one financial year/period shall not exceed 15% of the company's issued ordinary share capital as at the date of passing this resolution;
- the general authority shall be valid until the company's next annual meeting of shareholders or 15 months from the date of

passing this resolution, whichever is the earlier;

- in determining the price at which shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the 5 business days immediately preceding the repurchase of such shares;



During the year 5,000,000 shares in the geared share purchase scheme were forfeited and cancelled.

PROGRESS



RAISED €281 MILLION THROUGH THE ISSUANCE OF SHARES



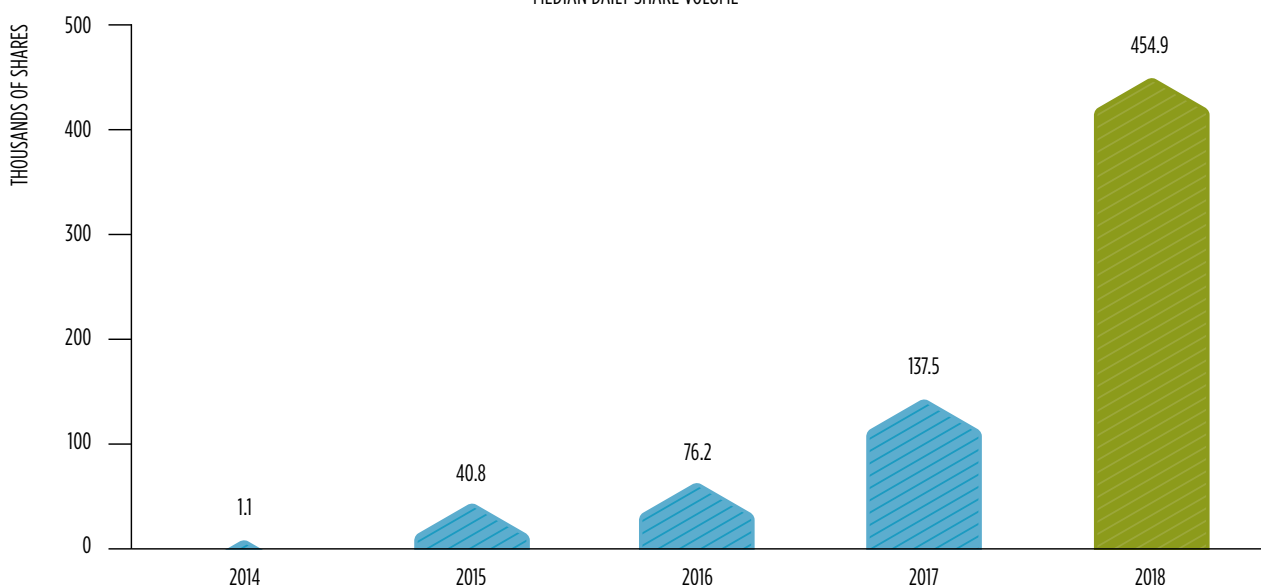
IMPROVED 90 DAY MEDIAN SHARE VOLUME WHICH INCREASED TO OVER 400,000 AT YEAR END

LOOKING AHEAD

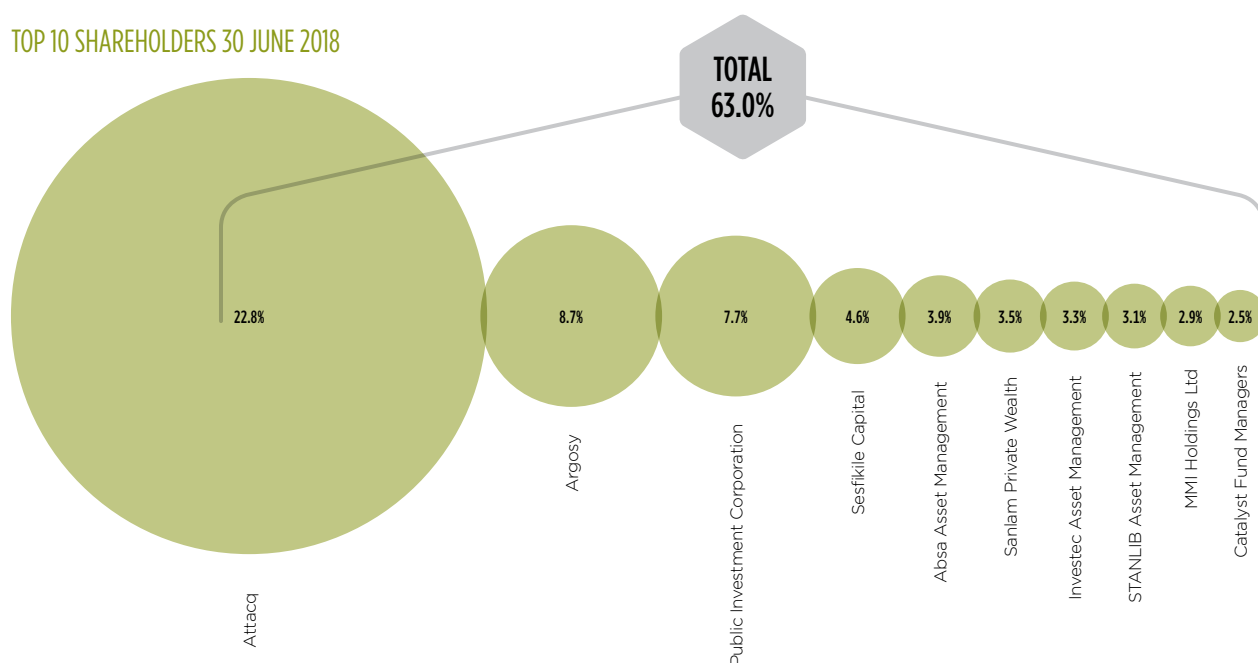
The group will continue to optimise its funding mix as accretive opportunities in the pipeline are secured or developed

The group will repurchase shares if it is accretive to shareholder value

MEDIAN DAILY SHARE VOLUME



TOP 10 SHAREHOLDERS 30 JUNE 2018



OTHER LIQUID ASSETS

In order to mitigate the group's future funding obligations towards PKM Developments, the group invested €200 million in a listed real estate equities portfolio.

The investment in the REIT portfolio achieves the following objectives for the group:

- generates a return on funds earmarked for PKM Developments before drawdown, since euro interest rates on cash are negative;
- efficiently matches the asset/liability profile of the group;
- provides a collateral pool for debt facilities at extremely low margins, thereby facilitating substantial flexibility in acquiring investments; and
- provides exposure to high quality businesses with similar risk profiles to those of the group.

This exposes the portfolio to some capital volatility. At year end the REIT portfolio has declined in value to €183.1 million, in line with the performance of retail-focused stocks in western Europe that have come under pressure in the first half of 2018. Dividend income of €8.4 million has been earned on this portfolio since acquisition.

REAL ESTATE EQUITIES PORTFOLIO



	FAIR VALUE €M
Klépierre SA	52.4
Unitail-Rodamco Westfield SE	49.9
Eurocommercial Properties NV	18.1
Covivio SA	13.4
Hufvudstaden AB	13.3
British Land Company PLC	12.4
Land Securities Group PLC	12.1
Mercialys SA	11.5
	183.1

PROGRESS



**INVESTED €200 MILLION IN LISTED
REAL ESTATE EQUITIES PORTFOLIO**



**€8.4 MILLION DIVIDEND INCOME
EARNED SINCE ACQUISITION**

LOOKING AHEAD

The group will continue to use the REIT portfolio to generate a return on funds earmarked for PKM Developments

RELATIONSHIPS

Relationship capital is the intrinsic value that is created with all stakeholders of the group through multiple interactions. These relationships are critical to delivering what the group does.

Effective stakeholder engagement is fundamental to the group's ability to communicate with all stakeholders and to create long-lasting relationships. The group's approach to stakeholder engagement is to identify and understand both the expectation and the level of contribution of shareholders. The method and extent to which the group communicates is tailored to each stakeholder to ensure that stakeholder expectations are met, and the relationship nurtured.

During the year a number of key initiatives have been implemented to enhance relationship capital:

- Continued our partnership with Ikhaya le Themba, a community based charity operating in Khayelitsha in Cape Town which offers holistic care and family support to orphaned and vulnerable children;
- Established relationships with new debt lenders broadening the group's capital base;
- Continued to reinforce strong relationships with tenants;
- Established relationships with new tenants with strong covenants; Bank of Scotland amongst others;
- Refreshed our website in February 2018 to include video footage of key assets and improve the overall user experience; and
- Forged new relationships with brokers and financial institutions across the jurisdictions in which we invest.

STAKEHOLDER	EXPECTATION
INVESTORS AND ANALYSTS	SUSTAINABLE AND GROWING DISTRIBUTABLE EARNINGS PER SHARE
LENDERS	PROPERTY SECURITY AND MAINTENANCE OF STRONG INCOME AND BALANCE SHEET COVENANTS
TENANTS	QUALITY SPACE FROM WHICH TO OPERATE HIGH LEVELS OF SERVICE AND SUPPORT
SUPPLIERS AND SERVICE PROVIDERS	CONDUCTING BUSINESS IN A MUTUALLY BENEFICIAL AND PROFESSIONAL MANNER, WITH COMMON PURPOSE
EMPLOYEES	ATTRACT, MOTIVATE AND RETAIN THE BEST PEOPLE
REGULATORY BODIES	COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS
LOCAL COMMUNITIES	IMPACTING COMMUNITIES IN A POSITIVE MANNER
DEVELOPMENT PARTNERS	CONDUCTING BUSINESS IN A MUTUALLY BENEFICIAL AND PROFESSIONAL MANNER TO CREATE VALUE FROM REAL ESTATE
MEDIA	FAIRNESS, HONESTY AND TRANSPARENCY ACCESS TO MANAGEMENT
BROKERS	HIGH LEVEL OF LOYALTY AND TRUST
BANKING INSTITUTIONS	EFFICIENT DAY TO DAY BANKING IN THE JURISDICTIONS IN WHICH WE OPERATE

CONTRIBUTION	COMMUNICATION AND ENGAGEMENT
PROVISION OF EQUITY FUNDING CAPITAL	<ul style="list-style-type: none"> Investor presentations Interim and annual reporting Results conference calls Results roadshows with group and one-to-one sessions offering the opportunity for Q&As and general feedback SENS Shareholder meetings Website Investor tours
PROVISION OF DEBT FUNDING CAPITAL	<ul style="list-style-type: none"> One-to-one meetings Bespoke updates Interim and annual reporting Covenant reporting Website
INCOME FROM STRONG COVENANTS	<ul style="list-style-type: none"> One-to-one meetings Site visits Property management teams based locally
PROVISION OF SERVICES TO MEET THE GROUP'S OBJECTIVES	<ul style="list-style-type: none"> One-to-one meetings Regular feedback Performance evaluation
EMPLOYEES PROVIDE THE TEAM CAPITAL THAT DRIVES THE BUSINESS TOWARDS ITS GOALS	<ul style="list-style-type: none"> Additional resources to smooth operational pressure points Bespoke and generic training and development opportunities Semi-annual performance appraisals Newsletters/communications Regular strategic and business updates Regular team building events Introduction of Death in Service and Income Protection Cover Opportunity to purchase holidays via a salary sacrifice arrangement
REGULATORY FRAMEWORKS TO ASSIST IN PROVIDING CERTAINTY AND ALLOW EFFECTIVE GOVERNANCE	<ul style="list-style-type: none"> Sponsor engagement Tax and regulatory returns Input into setting policy Direct open engagement on required matters
SOCIAL ACCEPTANCE AND POSITIVE INTERACTIONS IN THE COMMUNITIES IN WHICH WE OPERATE	<ul style="list-style-type: none"> Detailed community engagement with all developments through: <ul style="list-style-type: none"> Community presentations Localised updates E-forums and press
PROVIDING THE KNOWLEDGE AND EXPERTISE TO CREATE VALUE AND GROW THE PORTFOLIO	<ul style="list-style-type: none"> Development meetings Site visits Progress/cost reports
PLATFORM TO COMMUNICATE WITH A WIDE AUDIENCE	<ul style="list-style-type: none"> Interviews for print, electronic and on-air media Publication of results
ACCESS TO A WIDER RANGE OF WILLING BUYERS AND SELLERS OF REAL ESTATE	<ul style="list-style-type: none"> One-to-one meetings
PROVISION OF SERVICES	<ul style="list-style-type: none"> Dedicated relationship managers Regular service reviews

PROGRESS



STRENGTHENED SUPPLIER, STAFF AND BOARD CODES OF CONDUCT



NEW HR PLATFORM TO AID STAFF ENGAGEMENT AND PERFORMANCE MONITORING LAUNCHED



ENHANCED EMPLOYEE BENEFIT OFFERING



ESTABLISHED RELATIONSHIPS WITH NEW DEBT LENDERS



ESTABLISHED RELATIONSHIPS WITH NEW TENANTS



WEBSITE REFRESHED TO INCLUDE VIDEO FOOTAGE OF KEY ASSETS TO BRING THESE TO LIFE FOR INVESTORS AND ANALYSTS

LOOKING AHEAD

STRENGTHEN RELATIONSHIP AND INCREASE COMMITMENT TO PRIME CAPITAL JOINT VENTURES

PUBLISH CODE OF CONDUCT TO STAFF AND SUPPLIERS AND MODERN SLAVERY STATEMENT

EXPLORE ADDITIONAL EMPLOYEE BENEFITS

IMPLEMENT NEW RISK MANAGEMENT SYSTEM TO STREAMLINE REPORTING, ESCALATION OF RISKS AND MONITORING OF KEY CONTROLS

WIDEN COMMUNITY INVESTMENT REACH

TEAM

Team capital represents the operating platform, incorporating the knowledge and expertise developed through the continued investment in people, systems and processes.

PEOPLE

Through the continued investment in its people, MAS has established a strong team with extensive knowledge and experience across its invested markets. The wider team includes members of the Prime Kapital team with whom a close working relationship has been forged. MAS has resources on the ground with staff or associate offices in London, Frankfurt and Edinburgh in addition to the head office in the Isle of Man. MAS employs talented people that have the skills and experience to contribute to the group's activities and add value. Across all the jurisdictions in which the group operates, the approach is to attract, motivate and retain talented people.

A number of initiatives to enhance the team and to aid the attraction, motivation and retention of team members have been implemented:

- Welcomed Paul Osbourn as Executive Director and Werner Alberts as an Independent Non-Executive Director after year end;
- Continued to build the depth, capability and capacity of the team with a number of key hires in line with our succession plans;

- Launched an organisational culture survey;
- Gender diversity policy in place;
- Invested in continuing professional development;
- Continue to communicate openly and honestly;
- Detailed review of remuneration, including market and peer assessment commissioned; and
- Reinforced the culture, which emphasises a relentless drive for continuous improvement.

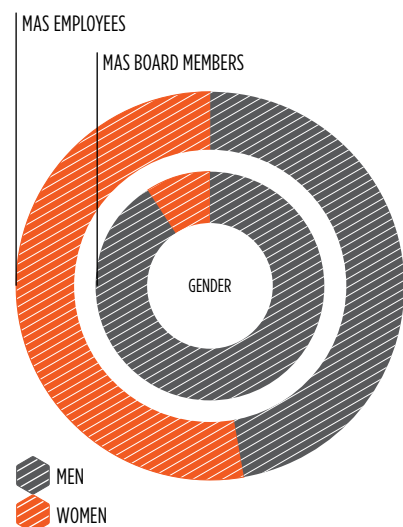
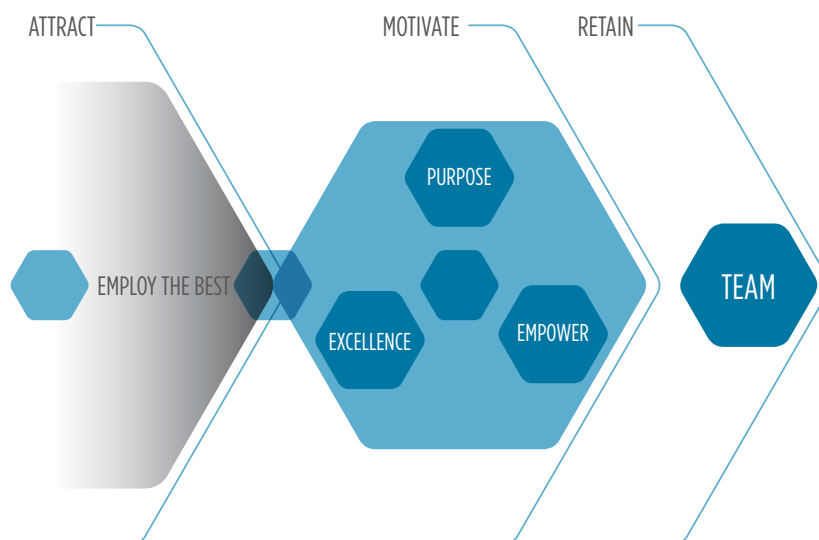
The partnership with Prime Kapital provides access to a team of highly experienced real estate professionals with an exceptional track record, combining a multi-disciplinary skill-base integrated along the entire property value-creation chain. Its management team includes the founder and former senior executives of the largest CEE based publicly traded property company, who, in their previous capacity, developed, re-developed and operated substantial assets.

Over the last year, the Prime Kapital and MAS teams have worked tirelessly to integrate the joint venture structures to ensure efficient and effective communication and strong relationships across all teams have been forged as a result.

SYSTEMS AND PROCESSES

Significant investment has been made into the processes and operating systems of the organisation to ensure that they are robust and reliable; this investment enables operational efficiency at a time of growth and dynamic change in the organisation. A number of initiatives have been implemented which have enhanced the systems and processes:

- Continued implementation of a property management and accounting software package
- Invested in a new HR platform to aid staff engagement and provide KPI performance monitoring
- Identified a suitable risk management system to streamline reporting, escalation of risks and adherence to key controls



PROGRESS



STRENGTHENED THE BOARD BY
APPOINTING ADDITIONAL EXECUTIVE
AND NON-EXECUTIVE DIRECTORS



LAUNCHED INAUGURAL
ORGANISATIONAL CULTURE SURVEY



SUCCESSION PLANS WELL PROGRESSED



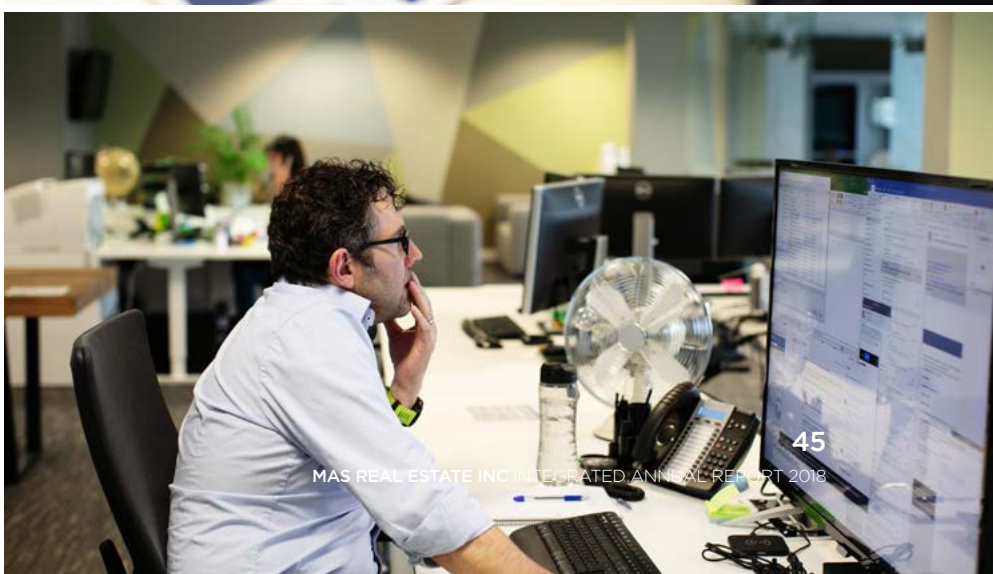
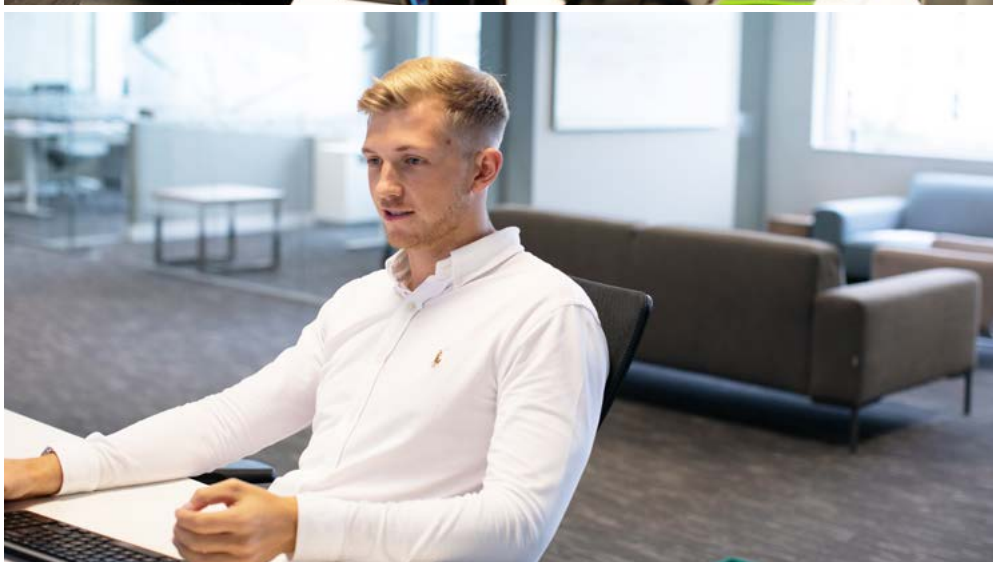
EXTENDED THE REMIT OF THE
CORPORATE GOVERNANCE COMMITTEE
TO ENCAPSULATE SOCIAL AND ETHICS



IDENTIFIED NEW HR AND RISK
MANAGEMENT SYSTEMS AND
IMPLEMENTATION PLAN DEVISED

LOOKING AHEAD

- PROGRESS ACTIONS IDENTIFIED
FOLLOWING ORGANISATIONAL CULTURE
SURVEY
- INVEST IN ADDITIONAL ASSET
MANAGEMENT CAPABILITY
- IMPLEMENT NEW HR AND RISK
MANAGEMENT SYSTEMS
- LAUNCH EMPLOYEE SATISFACTION
SURVEY



SUSTAINABILITY

The group's philosophy is to make a positive difference in a sustainable way through the operation of the group. New ways of improving social and natural sustainability are continually being contemplated.

This is achieved by considering the following:

SOCIAL

Investment in the locations in which the group operates to contribute to social well-being

ENVIRONMENTAL

The responsible and efficient use of natural resources in a sustainable manner

ECONOMIC

The responsible approach in optimising the outputs of the group's capitals

SOCIAL IMPACT

The group recognises the importance of investing in the communities in which it operates. Developments provide a unique opportunity to focus on social impact in a more meaningful way than other investments. At New Waverley, the provision of a community facility to provide meeting space for a number of local groups has been included, as well as affordable housing for eligible households whose needs are not met by the open housing market. North Street Quarter and Langley Park include the provision of affordable housing units, with North Street Quarter also incorporating extra care housing for over 55's with care and support needs. North Street Quarter will also provide local community workspace to encourage new social enterprise and business activity.

The group also focuses on investing in the wider community. Historically, support has been provided on an ad hoc basis, however last year, we entered into a three-year partnership with Ikhaya le Themba, a community based charity operating out of Khayelitsha in Cape Town. It provides community development services to vulnerable children, the terminally and chronically ill, as well as the wider community, with a focus on "helping them to help themselves" through skills development.

Ikhaya le Themba's need for support was clear, with a number of high priority initiatives in urgent need of

funding. In addition, several aspirational programmes were also awaiting funding before implementation. MAS has offered a three-year guaranteed minimum amount of ZAR 149,250 (approx. €11,250) per annum, to be split across existing initiatives and to help launch new initiatives that can be tracked over the three-year period. Supported initiatives include home-based care, soup kitchen, community maintenance and shack coverings, new initiatives, such as Resilient Kids, Basic Training and Development, as well as Workplace Readiness, are all now under way as a result.

MAS receives regular updates to monitor the success of each initiative and it is encouraging to see that the new initiatives that were sponsored last year are now firmly embedded. Video updates from June 2017 and 2018 are available on our website www.masrei.com.

During the year, MAS also provided funding support to the British Virgin Islands Relief Fund and the Barbuda Relief and Rebuilding fund helping to rebuild the devastation caused by Hurricane Maria and Hurricane Irma. The damage caused by the hurricanes caused the registered office of the company in the BVI to be closed for several weeks, although this did not impact upon operations in the Isle of Man or across Europe. The extent of the damage suffered means recovery efforts will continue for years to come, however the focus on rebuilding the community, including the capacity to

respond to future natural disasters through disaster risk reduction and preparedness training, is well under way. Where possible renewable energy and recycling initiatives will be incorporated into the rebuild to drive a stronger, greener infrastructure.

MAS also sponsored a number of UK and Isle of Man based initiatives, including donations to the local foodbank, breast cancer support group, sepsis awareness, fundraising for the local special care baby unit and participation and contribution to Sleep in the Park homelessness charity, all of which are causes close to the team's heart.

ENVIRONMENTAL IMPACT

UK

Sustainable energy is key to Chippenham and the developments at Langley Park and North Street Quarter. Progressive urban design initiatives implemented include the following:

- Green roof technology at Langley Park;
- Sustainable urban drainage;
- Water efficient/low flow sanitary fittings;
- Provision of community facility at New Waverley;
- Provision for flood defences to be built at North Street Quarter;
- The photovoltaic farm at Chippenham provides power to the site and generates an income; and
- Environmentally friendly landfill is used at New Waverley.



Langley Park, Chippenham, United Kingdom

PROGRESS

Property management considers environmentally favourable upgrades. Regeneration is also at the heart of our developments, most particularly:

- New Waverley;
- North Street Quarter; and
- Langley Park

GERMANY AND SWITZERLAND

The Zurich property makes use of photovoltaic roof panels.

Following the disposal of the Aldi portfolio, which featured renewable energy (via solar panels) installed during MAS' ownership, a review of the German portfolio is being undertaken to assess if any green energy initiatives can be implemented in other locations.

CENTRAL AND EASTERN EUROPE

Nova Park was the first shopping centre in Poland to receive a BREEAM In-Use Excellent certification.

In Bulgaria, Galleria Burgas is certified LEED gold.

ECONOMIC IMPACT

- Extensive community engagement on impact and design of developments;
- Open green areas incorporated in all developments;
- Created employment through our developments; and
- Consideration of historic setting and artefacts at New Waverley and North Street Quarter.

LOOKING AHEAD



PROVISION OF AFFORDABLE HOUSING



EXTRA CARE HOUSING FOR OVER 55'S WITH CARE AND SUPPORT NEEDS



PARTNERSHIP WITH IKHAYA LE THEMBA



SUSTAINABLE ENERGY



PHOTOVOLTAIC FARM TO PROVIDE POWER

- Continue to engage with the community on the impact and design of our developments

- Three-year partnership with Ikhaya le Themba

- Consider other initiatives in the communities in which we operate

KEY RISKS AND UNCERTAINTIES

MAS is committed to increasing shareholder value through the management of risks that are inherent within the group.

Risk identification is a two-tiered process:

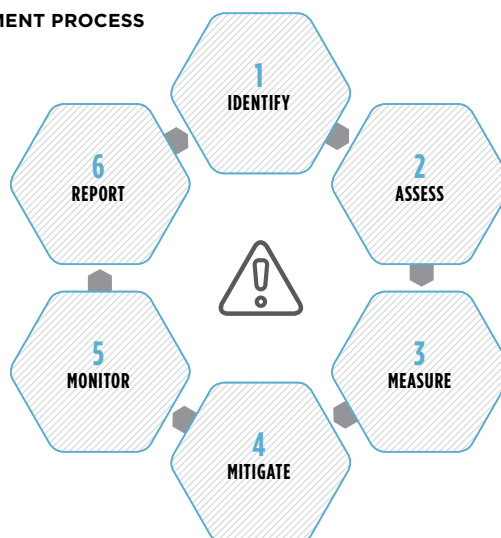
- A top-down approach tailored to the identification of key strategic risks; and
- A predominantly bottom-up approach to determine the key operational risks the group is exposed to.

Such risks are assessed to determine the potential impact on the group and an exercise is undertaken to measure the level of inherent risk faced by the group.

To assist with the bottom-up identification of risks, a risk register is maintained and updated as operational risks are identified and considered during the ordinary course of business. The senior management team reviews the register on a regular basis. As part of this review, the key risks are identified to ensure continued focus on mitigating these risks. The key risks are reviewed by the Audit and Risk Committee.

The board is mindful of achieving

RISK MANAGEMENT PROCESS



the strategic objectives in a sustainable manner and seeks to manage exposure to undue risk.

Risk management is considered to be fundamental to good management practice and a significant aspect of corporate governance.

When considering risks, the likelihood of the risk manifesting and its potential impact on the group is assessed. The risks detailed in the tables on pages 48 to 51 are

considered to be the key risks facing the group.

MR MARKET RISK

DESCRIPTION	MITIGATION	OUTCOME
<p>Change in the general demand and supply dynamics of the individual sub-markets in which MAS operates, for example:</p> <ul style="list-style-type: none"> - Availability of investment opportunities - Delays in asset acquisition which may impact timely delivery of income streams, result in excess cash on the balance sheet and impact delivery of target distribution - Yield compressions and the effect on pricing - Competition in the markets in which we operate - Changes in the investment appetite of key shareholders - Changes in retail behaviour resulting in a shift to online shopping - Economic and political uncertainty that may arise from time to time 	<ul style="list-style-type: none"> - Comprehensive investment process to acquire and develop high-quality, sustainable real estate - Healthy balance of current and pipeline income-generating assets and development assets that offer future income growth opportunity - Investing in growing the internal asset management team to ensure resource coverage remains appropriate in light of growth and provides sufficient capacity to identify and pursue investment opportunities - Detailed market research undertaken by in-house research analyst and asset managers - Well established relationships in the real estate community, including partners with multi jurisdictional track record - Diversification across geographies, sectors and tenants to limit exposure to concentrations - Cultural differences mean that continental Europe is more resilient to changes in buyer behaviour, certainly in the short to medium term - Risk exposure profile updated on, at minimum, a quarterly basis to monitor exposure to geographies, sectors and tenants - Agile and able to execute at pace when opportunities arise - Intention to recycle mature western European assets - Strong relationship with CEE joint venture partner - Macro economic factors considered on an ongoing basis to inform decision making 	<ul style="list-style-type: none"> - Cash readily available to fund pipeline - Debt competitively priced - Whilst demand for real estate remains strong, MAS continues to have a pipeline of high quality, accretive acquisition opportunities - MAS is well placed when accretive deals are available - Exposure to specific segments and tenant risk mitigated - Recycling of western European assets executed in line with plan

PR PROPERTY SPECIFIC RISK

DESCRIPTION	MITIGATION	OUTCOME
<ul style="list-style-type: none"> - Property specific issues may arise that may be detrimental to property and shareholder value 	<ul style="list-style-type: none"> - Partner with experienced, reputable external asset and property managers - Internal asset managers with responsibility for own portfolio - All properties insured with reputable insurers - Strong tenant covenants in place and subject to ongoing monitoring - Contractor due diligence performed on all developers - Diversification of building contractors and suppliers - Asset appraisals undertaken on a minimum bi-annual basis - Periodic audit of health and safety records and regular site visits 	<ul style="list-style-type: none"> - Effective asset and property management - Diversified portfolio

FR FUNDING RISK

DESCRIPTION	MITIGATION	OUTCOME
<p>Sources of funding may become unavailable:</p> <ul style="list-style-type: none"> - The group may breach covenants on existing facilities - Cost of funding including interest rates may increase which will reduce shareholder returns - Shareholders may not be prepared to provide additional equity 	<ul style="list-style-type: none"> - Timely capital raises aligned to market appetite and pipeline potential - Regular communication with debt providers and shareholders through multiple channels - Effective treasury management process to ensure adequate group liquidity - Debt aligned to asset currency to minimise any potential mismatch - Regular board consideration of group funding position - Sufficient covenant headroom at the outset with robust monitoring thereafter - Interest rate hedging policy in place to ensure interest rate risk is appropriately managed - Debt schedule updated and reviewed monthly - Strategy model developed to assist with monitoring - Sensitivity analysis to understand headroom in covenants 	<ul style="list-style-type: none"> - Debt and covenant position monitored - Strong and established relationship with funders - Robust treasury management process ensures gearing opportunities are executed in a timely manner and in line with stated growth trajectory

OR OPERATIONAL RISK

DESCRIPTION	MITIGATION	OUTCOME
<ul style="list-style-type: none"> - Breakdown of the operational systems may result in loss of income, increased expenses or inaccurate information for decision-making 	<ul style="list-style-type: none"> - Quarterly senior management forum reviews risk registers to ensure risks are captured and clearly articulated, along with any mitigants and interventions - Strong and established processes for performing operational tasks - Culture of openness and transparency with respect to challenging decisions - Focus on attracting, training and retaining high calibre staff - Resource profile keeping pace with business growth to ensure appropriate resourcing and skills coverage - Investment into resources and implementation processes for all parts of the group, with a strong emphasis on continuous improvement 	<ul style="list-style-type: none"> - Tone of the organisation set from the top - Calibre and skill profile keeping pace with growth

KEY RISKS AND UNCERTAINTIES

SR STRATEGY RISK

DESCRIPTION	MITIGATION	OUTCOME
<ul style="list-style-type: none"> - Inappropriate or poorly executed strategy could result in loss of shareholder value - Reliance on joint venture partners could render MAS vulnerable in the event of their failure - Short term strategies to manage excess cash may prove ineffective e.g. investment into the REIT portfolio 	<ul style="list-style-type: none"> - Experienced team driving acquisitions and management of portfolio in the jurisdictions in which the group operates - Embedded culture of challenging the rationale for strategic decisions - External consultant periodically considers views of other stakeholders - Extensive due diligence performed on joint venture partner - Investment framework agreements in place to support the joint ventures - Regular board meetings in relation to the joint ventures held - Ongoing and effective communications with shareholders and the market outlining performance against strategic objectives - Strategies to manage excess cash are typically very short term 	<ul style="list-style-type: none"> - Strategy well understood - Performance against stated strategy completely transparent

RG REGULATORY AND GOVERNANCE RISK

DESCRIPTION	MITIGATION	OUTCOME
<ul style="list-style-type: none"> - Regulation changes may adversely affect the group resulting in the loss of shareholder value. - The group may fail to comply with applicable regulatory requirements - Systems of governance may fail resulting in inadequate stewardship of responsibilities - As MAS' asset footprint and the territories in which we operate increase, the complexity of the changing tax landscape could potentially have a disproportionate impact on the group i.e. by impacting the level of deductions/earned profit going forward 	<ul style="list-style-type: none"> - Governance, Social and Ethics Committee established in 2017 to provide oversight - Competent and experienced staff oversee the regulatory aspects of the group - Use of stock exchange sponsors to advise on stock exchange-related matters - Head of Tax appointed in 2017 to strengthen oversight and monitoring of the tax landscape and any changes to legislation - Use of external consultants and updating advice regularly when technical input required - Timely training intervention to upskill staff in readiness for any changes 	<ul style="list-style-type: none"> - Continued progress of the governance operating model

ET ETHICAL RISK

DESCRIPTION	MITIGATION	OUTCOME
<ul style="list-style-type: none"> - Unexpected negative consequence of unethical actions both within the group's business and/or supply chain 	<ul style="list-style-type: none"> - Governance, Social and Ethics Committee established in 2017 to provide oversight - Adhere to relevant laws, policies, professional standards and ethics codes, - The directors and senior managers role-model appropriate behaviour, such as promoting equality and guarding against discrimination - Board constitution considers diversity - Annual board effectiveness and director skills assessments are performed which consider ethics and integrity - Assessment of non-executive director independence status performed in December 2017 - Investment strategy centred around buying the right asset at the right price and in line with stated risk appetite and return tolerances, to avoid overpaying for assets simply to drive short term income/distribution targets - Codes of Conduct for the board, employees and suppliers finalised - Whistleblowing policy in place - Health and Safety policies in place to safeguard the environment, health and public safety, with periodic records audits performed - Anti-bribery and Corruption policy in place - MAS' Modern Slavery Statement outlines the actions taken to reduce the risk of slavery and human trafficking within our business and supply chain 	<ul style="list-style-type: none"> - Compliant with all relevant laws, policies and professional standards

CORPORATE GOVERNANCE

STATEMENT OF COMMITMENT

The commitment to good corporate governance comes from the top, the Chairman, the CEO and the board, who set the ethical tone for the group. The board understands its responsibility to lead in an ethical manner to safeguard the interests of all stakeholders. It is a critical part of MAS' strategy and its ability to function as a responsible corporate citizen.

High standards of business integrity, ethical values and codes of conduct are expected throughout the group and the board has placed a high level of importance on, and has allocated increased resources to, corporate governance during this financial year. As part of the review of the impact and implementation of King IV, MAS engaged external professional advisors to further improve its governance and control practices in line with the Corporate Governance Framework Handbook, its policies and procedures. Further details are set out below.

ETHICAL LEADERSHIP

The board expanded the functions of the existing Governance Committee to include responsibility for social and ethical matters by establishing the Governance, Social and Ethics Committee (GSEC) during December 2017. Its remit is to ensure that the ethical culture and core values are ingrained across the group. A key focus for the GSEC during the year included the codes of ethics and conduct for directors, employees and suppliers, in addition to the modern slavery statement.

The board and its committees regularly review the corporate governance framework and continue to enhance and align policies, procedures and systems to embed this framework and drive a culture of continuous improvement within the business. The Corporate Governance Framework Handbook has been enhanced and updated during the year and this was reviewed and approved by the board on 21 May 2018.

In addition to the GSEC's oversight and reporting on governance, social and ethical matters, the executive directors, the company secretary and the senior management team, including those specifically tasked with governance matters, are accountable for fostering an ethical culture at all levels of operational activity in MAS. Communication is key to ensuring that ethical codes and standards of behaviour are understood and adhered

to. The policies and statements made in relation to governance and modern slavery, have been communicated to key stakeholders and suppliers, and are followed up where necessary. The focus on health and safety matters during the period has resulted in reviews at an asset level and any remedial action has been addressed as appropriate. Management reports back to the GSEC on these matters at each committee meeting.

CORPORATE GOVERNANCE PRINCIPLES

The group is committed to the principles of good corporate governance and, in particular, to the recommendations for best practice as laid down by the JSE and the King IV report.

During the financial year, the board carried out a detailed review of the application of King IV principles and engaged an external expert to analyse any gaps between the application of King III and King IV principles. A report detailing compliance with the King IV principles is available on the group's website, www.masrei.com.

The board is satisfied that the group has applied the principles of King IV during the financial year to 30 June 2018.



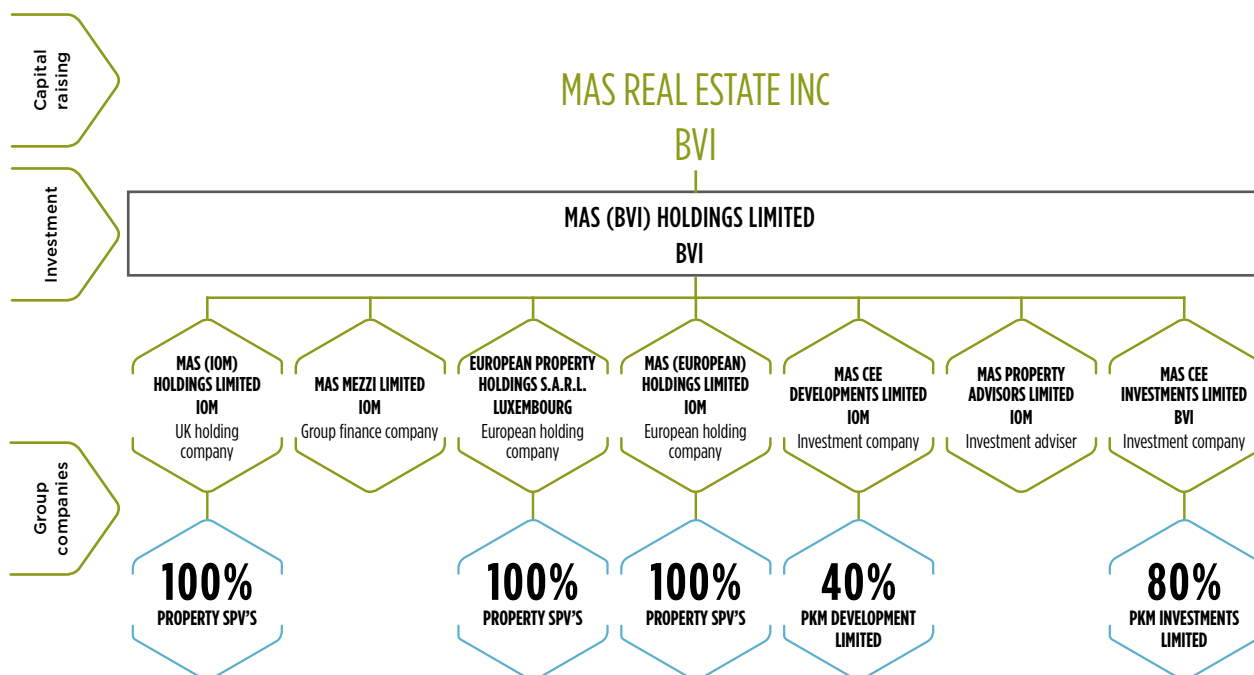
CODES OF ETHICS AND CONDUCT

The board introduced a revised code of ethics and conduct for directors, which documents the standards of behaviour expected from individuals holding positions on the board. Following recommendations by the GSEC, it has approved the implementation and dissemination of the codes of ethics and conduct, for both employees and suppliers.

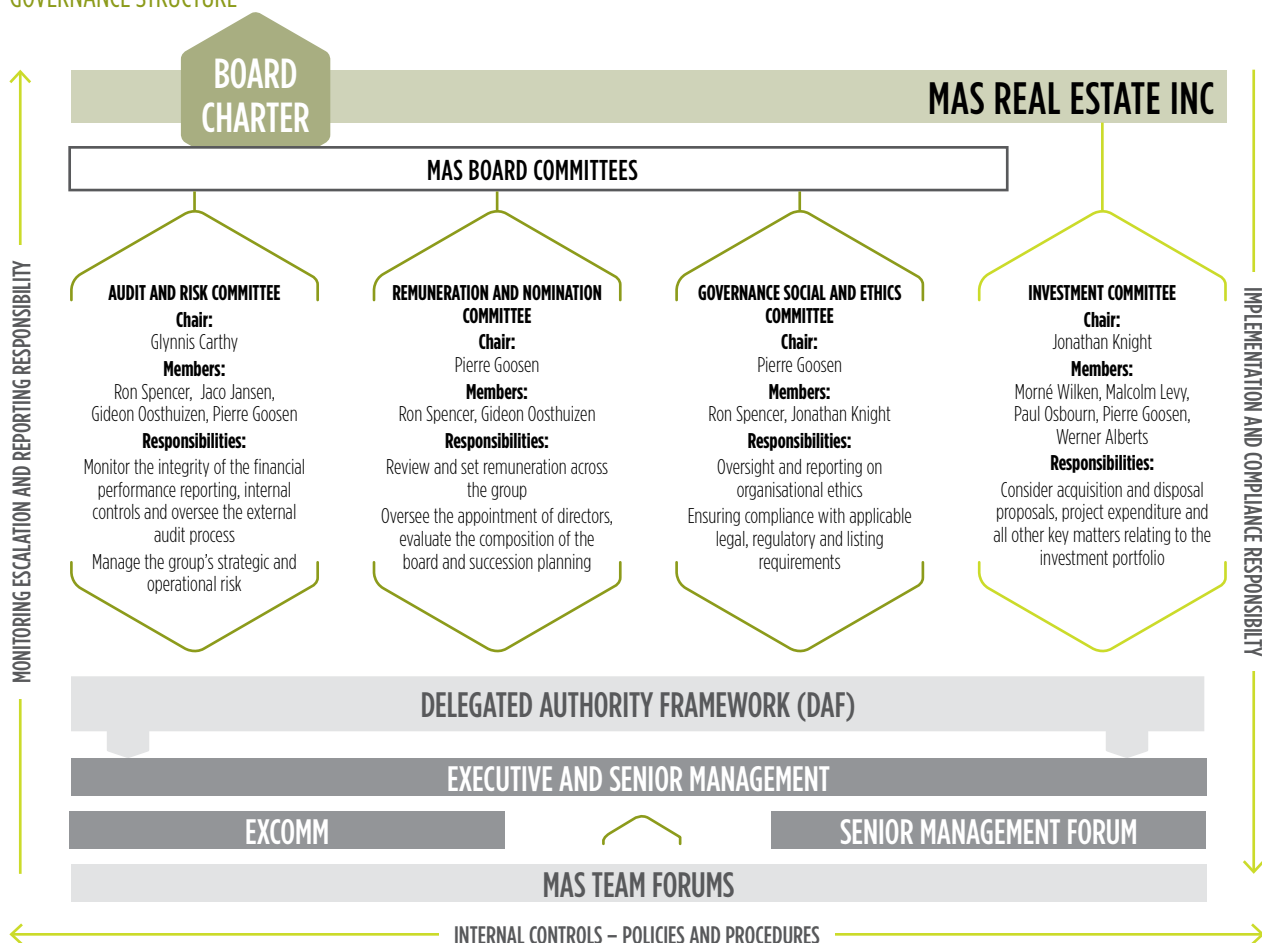
Employees throughout the group have been made fully aware of the content of the codes and standard of behaviour expected.

Amendments have been made to agreements with third parties that were entered into throughout the year, to ensure that those suppliers and their agents are fully aware of the MAS suppliers code of ethics and conduct.

CORPORATE STRUCTURE



GOVERNANCE STRUCTURE



*Investment Committee is a committee of MAS (BVI) Holdings Limited

BOARD OF DIRECTORS

Morné Wilken (47)

B.Eng (Ind) (Hons)

Executive director

Appointment to the board:

Morné was appointed to the board as a non-executive director on 12 August 2014 and as CEO on 1 January 2018.

Committee memberships:

Investment



Experience

Previously the CEO of major shareholder Attacq, Morné has extensive experience in property development, investment, finance and corporate restructuring. Morné is based in the Isle of Man.

Malcolm Levy (41)

MCom, MBA (Oxon.), CA(SA), CFA

Executive director

Appointment to the board:

Malcolm was appointed to the board as chief financial officer on 16 February 2009.

Committee memberships:

Investment



Experience

Malcolm is a co-founder of the group. He was previously an equities fund manager and investment analyst in London. Malcolm is based in the Isle of Man.

Jonathan Knight (51)

BSc. (Hons), MRICS

Executive director

Appointment to the board:

Jonathan was appointed to the board as chief investment officer on 12 August 2014.

Committee memberships:

Investment (chair) and Governance Social and Ethics



Experience

Jonathan has over 29 years' experience in the real estate industry, most recently as a director at ING Bank in London and Amsterdam, working on various European and global real estate projects. Jonathan is based in London.

Paul Osbourn (42)

BA. (Hons), FCA (ICAEW)

Executive director

Appointment to the board:

Paul was appointed to the board as executive director on 7 September 2018.

Committee memberships:

Investment



Experience

Paul joined the executive team with over 20 years' experience in corporate finance and restructuring professional services, mostly spent with Deloitte in London and in the Middle East, where he was most recently General Manager and Chief Executive of the firm's Financial Advisory branch company in Bahrain. Paul is a Fellow of the Institute of Chartered Accountants in England and Wales and has relocated to be based in the Isle of Man.

Ron Spencer (70)

C.Dir

Chairman (independent)

Appointment to the board:

Ron was appointed to the board as chairman on 16 July 2009.

Committee memberships:

Audit and Risk, Governance Social and Ethics and Remuneration and Nomination



Experience

Ron is an independent non-executive director and the chairman of MAS. He was managing director of Merrill Lynch Investment Managers Holdings (IOM) Limited and is now the chair of the Isle of Man Gambling Supervision Commission. Ron is based in the Isle of Man.

Experience

Gideon is an independent non-executive director of MAS. He is a non-executive director of the Atterbury Property Group and of Atterbury Europe B.V., a leading real estate development and investment group with assets exceeding €2 billion. Gideon is based in South Africa.



Gideon Oosthuizen (50)

B.Eng (Mech)

Non-executive director (independent)

Appointment to the board:

Gideon was appointed to the board as a non-executive director on 16 February 2009.

Committee memberships:

Audit and Risk, and Remuneration and Nomination

Experience

Jaco is a non-executive director of MAS. Previously the head of the investment services division at a global wealth advisory and administration business managing in excess of \$500 million for private clients and advising on a multi-asset class basis to institutional clients with \$2.3 billion of assets, Jaco is now the CEO of Artisan Real Estate Investors Limited. Jaco is based in the Isle of Man.



Jaco Jansen (45)

B.Com (Hons), CA(SA)

Non-executive director

Appointment to the board:

Jaco was appointed to the board as a non-executive director on 16 July 2009.

Committee memberships:

Audit and Risk

Experience

Pierre is an independent non-executive director. He is managing director of Argosy Capital, a European based private equity and venture capital investment business. Prior to joining Argosy, Pierre worked at two highly regarded international law firms practicing as a commercial, private equity and funds lawyer. Pierre is based in the Isle of Man.



Pierre Goosen (40)

B.Com(Law), LLB, MBA

Non-executive director (independent)

Appointment to the board:

Pierre was appointed to the board as a non-executive director on 12 August 2014.

Committee memberships:

Governance, Social and Ethics (chair), Remuneration and Nomination (chair), Audit and Risk and Investment

Experience

Glynnis is an independent non-executive director. She is an Independent Financial Reporting Advisor, with experience as a member of the Financial Reporting Investigations Panel of the JSE; as a committee member of SAICA's Accounting Practices Committee; and in providing training on IFRS and the implications of the JSE Listings Requirements related to corporate actions and headline earnings per share. Glynnis is based in England.



Glynnis Carthy (52)

B.Compt(Hons), CA (SA)

Non-executive director (independent)

Appointment to the board:

Glynnis was appointed to the board as an independent non-executive director on 30 June 2017.

Committee memberships:

Audit and Risk (chair)

Experience

Werner Alberts is an independent non-executive director and the Chief Operating Officer of Capital International Group Limited, a regulated investment management business in the Isle of Man. Previously, Werner had a career with Old Mutual in South Africa in various roles, which included being one of the founders and CEO of Old Mutual Finance (Pty) Ltd. Werner is a qualified chartered accountant with over 24 years' experience in the finance industry. Werner is based in the Isle of Man.



Werner Alberts (48)

B Com Hons (Acc), CA(SA), ACA (ICAEW)

Non-executive director (independent)

Appointment to the board:

Werner was appointed to the board as a non-executive director on 7 September 2018.

Committee memberships:

Investment

BOARD OF DIRECTORS

BOARD COMPOSITION AND EXPERIENCE

The board comprises six non-executive directors, the majority of whom are independent (including the chairman) and four executive directors. In compliance with King IV, the roles of chairman and CEO are clearly separated and there is a balance of power and authority to ensure that no one director has unfettered powers in decision making.

All directors have the skills, experience and/or qualifications required to make adequate judgements on issues of strategy, risk,

performance, resources, standards of conduct and evaluation of performance. Their varied backgrounds and experience provide a balanced mix of the knowledge required to manage the business effectively. The skills and knowledge mix of board members is comprehensive, comprising a variety of professional and experienced qualified individuals, including accountants, surveyors, chartered directors, lawyers and investment professionals. The majority of board members hold or have held other

non-executive positions which add to the skills base in terms of the value they bring from these experiences and they draw on this and their specific professional qualifications to fulfil appropriate committee roles.

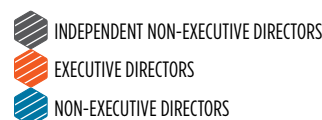
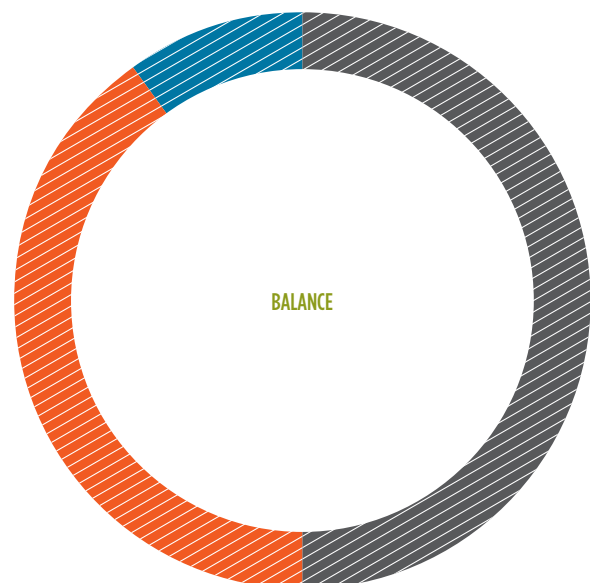
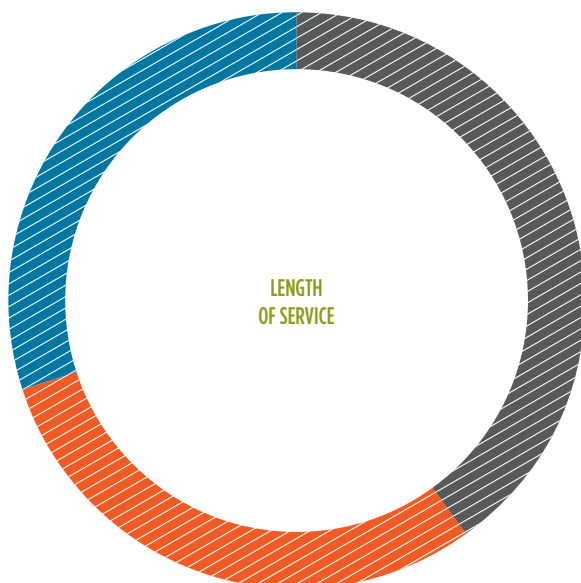
Morné Wilken, previously a non-executive director, was appointed to the role of CEO from 1 January 2018. In addition, the company announced two further appointments on 7 September 2018, to strengthen the board. Paul Osbourn joins the board as an executive director with over 20 years' experience in corporate finance and in restructuring professional services while Werner Alberts has been appointed as an additional independent non-executive director with a wealth of experience in the fields of business development, risk and compliance, internal audit and corporate finance. Werner will also bring his investment expertise to the investment committee.

Glynnis Carthy, appointed in 2017 as an independent non-executive director, has also made a substantial contribution to the board with her technical skills and experience.

While the board is satisfied with the mix of knowledge, skills and experience of its members during the

BOARD MIX AND LENGTH OF SERVICE

DIRECTOR	APPOINTMENT	STATUS	LENGTH OF SERVICE (YEARS)
Morné Wilken	12 August 2014	Executive (previously non-executive)	4.0
Malcolm Levy	16 February 2009	Executive	9.5
Jonathan Knight	12 August 2014	Executive	4.0
Paul Osbourn	7 September 2018	Executive	0.1
Ron Spencer	16 July 2009	Independent non-executive	9.0
Jaco Jansen	16 July 2009	Non-executive	9.0
Gideon Oosthuizen	16 February 2009	Independent non-executive	9.5
Pierre Goosen	12 August 2014	Independent non-executive	4.0
Glynnis Carthy	30 June 2017	Independent non-executive	1.0
Werner Alberts	7 September 2018	Independent non-executive	0.1



financial year, it recognises the increasing challenges all businesses face in many areas and continues to actively pursue candidates to further boost the capability of the board.

The board is fully committed to demonstrating the importance of good governance to the success of the business and will continue to encourage robust oversight and constructive challenges from its non-executives. It is anticipated that the addition of two new members to the board will invigorate the already healthy interaction and debate that exists amongst its members and, with the increasing focus on governance and transparency in the industry, it believes that it is well placed to drive the strategy of the business forward.

MAS will continue to engage additional technical experts in relevant fields, as appropriate, to advise and attend board meetings, to supplement its knowledge.

The board meets at least three times a year. In addition to the regular scheduled meetings of the board, ad hoc meetings are held as and when required in order to ensure the efficient discharge by the board of its duties as set out in the board charter.

This report has been prepared in accordance with the JSE Listings Requirements, Rules and Regulations of the Luxembourg Stock Exchange, King IV and other applicable regulation.

ROLES AND RESPONSIBILITIES

The board is responsible for setting the group's values, strategic objectives and investment policies for the group. It acts as a focal point for, and is the custodian of, corporate governance by managing its relationship with management, the group's shareholders and other stakeholders along sound corporate governance principles.

The board's terms of reference are set out in a written charter and it acts in accordance with its charter, the purpose of which is to set out the board's role and responsibilities as well as the requirements for its composition, meeting procedures and delegation of authority. The board charter is reviewed regularly, at least annually, and the most recent review and update was approved in May 2018 to ensure compliance with King IV.

THE BOARD'S RESPONSIBILITIES INCLUDE:

- Leading the group ethically and effectively;
- Acting as the custodian of corporate governance;
- Considering the strategy, risk, performance and sustainability of the group;
- Ensuring proper management, control and compliance of the group;
- Establishing a framework for proper internal controls and risk management;
- Ensuring that the group is, and is seen to be, a responsible corporate citizen;
- Assuming responsibility for the governance of risk, technology and information governance;
- Approving the strategy of the group which will result in sustainable outcomes;
- Ensuring compliance with appropriate laws, rules and listing requirements and consideration of adherence to non-binding rules, standards and best practice;
- Evaluating the performance of the CEO, executive directors and senior management; and
- Ensuring that individual directors adhere to satisfactory standards of conduct including disclosure of conflicts of interest and director's dealings.

All major acquisitions, disposals and financing transactions require approval by a majority of the board of MAS (BVI) Holdings Limited ("MAS BVI"), the investment decision-making subsidiary within the group, with other matters being delegated by the board to well-structured committees but without abdicating its own responsibilities. Delegation is determined by defined, formal terms of reference for each board committee and there is a delegated authority framework in place from the board and MAS BVI which provides senior management with the parameters within which they can operate. These terms of reference and the delegated authority framework are approved and regularly reviewed by the board. There are clear reporting lines to ensure that the board receives all relevant information about the business.

INDEPENDENCE OF DIRECTORS AND DIVERSITY

The continuing independence of non-executives is vital to ensuring that stakeholders best interests are achieved and the board conducted a full assessment of each non-executive director in December 2017. King IV states that length of service can affect a director's independence. Therefore the board, through its Remuneration and Nomination Committee (Rem/Nom Committee), will conduct specific independence assessments on an annual basis in respect of any non-executive director who has served for nine years or more. This will be a balanced approach that considers the added value that past experience on the board provides, together with a fresh perspective brought by more recent appointments and aims to achieve the optimum blend.

In November 2017, consideration was given to the appointment of a Lead Independent Director in terms of King IV. The board concluded that a lead independent director would not be appointed at this time, due to the continuing independence of the chairman. This will be reassessed during the 2019 financial year as the new board members settle into their roles.

MAS is an equal opportunities employer and the board is committed to workplace diversity and inclusion. It has a gender diversity policy in place which sets out the strategies it adopts to deliver a balanced gender representation across all areas of the business including the board. It recognises that the success of the group relies on having the best people, with a variety of perspectives and a broad range of experience, aligned to a common purpose and set of values in order to achieve the group's strategic objectives. Gender balance, particularly at board level, is an area for ongoing focus.

The board was delighted to welcome Glynnis Carthy during 2017 and will continue to adopt strategies to broaden the field for identification of potential female candidates for future board appointments, whilst ensuring at all times that candidates are treated equally. Achieving the most suitable blend of aptitudes, experience and qualifications to complement and balance the existing skills of the board as a whole, regardless of gender, is a priority.

BOARD OF DIRECTORS

ATTENDANCE AT BOARD MEETINGS

DIRECTOR	ATTENDANCE	%
Ron Spencer	●●●●●●	100%
Jaco Jansen	●●●●●●	100%
Gideon Oosthuizen	●●●●●●	100%
Pierre Goosen	●●●●●●	100%
Morné Wilken	●●●●●●*	80%
Malcolm Levy	●●●●●●	100%
Jonathan Knight	●●●●●●	100%
Glynnis Carthy	●●●●●●	100%

* apologies with reasons were submitted to the chairman before the meeting

CEO AND BOARD EFFECTIVENESS EVALUATION

Under the terms of the board charter, the board is responsible for appointing and evaluating the performance of the chief executive officer as well as all other executive and non-executive directors of the board. The role of the CEO is key to the success of the group. It is the CEO's responsibility to lead the business ethically, agree the group strategy, culture and values and to ensure that the resources of the group are managed effectively to achieve its targets. During the year, the board appointed Morné Wilken to the role of chief executive officer, effective from 1 January 2018 and the board is satisfied with the performance of the CEO during the period since his appointment. The terms of the CEO's contract include a notice period of three months by either party.

The chairman, supported by the Rem/Nom Committee, ensures that the board's effectiveness is reviewed regularly on both a formal and informal basis.

Directors will periodically participate in a written peer review to assess individual directors on the attributes that contribute to an effective board including, but not necessarily restricted to, strategic thinking, leadership, integrity, meeting preparation and overall contribution. The full board review and individual directors' assessments were undertaken internally in mid-2017 and the observations have been subject to ongoing monitoring and review by the board. As a result of this, and board changes during the year, the board has, through its Rem/Nom Committee, commissioned an externally-managed board culture survey in order to better understand the culture, interaction and decision-making at board level.

RE-ELECTION AND APPOINTMENT OF NEW DIRECTORS

In accordance with the company's articles of association, one third of the non-executive directors are subject to retirement by rotation and can offer themselves for re-election at the annual shareholders' meeting. The directors subject to retirement by rotation include any director who wishes to retire and not offer himself for re-election or any other of the directors which have been longest in office since their most recent appointment or re-appointment. The directors to retire on each occasion shall be determined by the composition of directors at the end of every financial year. A director's eligibility for re-election is based on the board's confirmation of their past performance and contribution to the board. The directors due for retirement at the 2018 annual shareholders' meeting, and offering themselves for re-election, are Ron Spencer and Jaco Jansen.

Both Ron Spencer and Jaco Jansen have served on the board for a period of 9 years. Ron is chairman of the board and, notwithstanding the length of term of his appointment, an assessment has been carried out to ascertain his continued independence. The conclusion of the Rem/Nom Committee is that Ron remains independent and going forward, due to his length of service in terms of King IV, his independence and position on the board will be assessed annually. The board recommends that he be re-elected at the forthcoming annual shareholders' meeting.

Jaco has been a non-executive for 9 years and following a board-wide independence assessment that was undertaken in December 2017, Jaco was re-classified as non-independent. His status as a non-independent will be reviewed on a regular basis, at least

annually and due to his continued contribution to the board, it is recommended that he be re-elected at the forthcoming annual shareholders' meeting.

The appointment of new directors is by a resolution of the directors and any such appointment is confirmed at the next annual shareholders' meeting. The Rem/Nom Committee identifies suitable candidates for board appointments in order to ensure that such appointments are made in a formal and transparent manner. With regard to the recent appointments of Paul Osbourn and Werner Alberts, the directors approved their appointment by resolution with effect from 7 September 2018. The board recommends that the recent appointments of Paul Osbourn and Werner Alberts be approved at the forthcoming annual shareholders' meeting.





EDUCATION, INDUCTION AND TRAINING OF BOARD MEMBERS

The board, through its Rem/Nom Committee, is responsible for overseeing the induction programme for new directors and a training and mentorship programme for existing board members, if applicable. The directors have a working knowledge as appropriate to the effect of applicable laws, rules, codes and standards of the group and its business. Updates and briefings on changes to risks, laws, rules and regulations, codes and standards are provided as and when necessary.

The board encourages and supports directors if they wish to undertake the Institute of Directors professional examinations.

CONFLICTS OF INTEREST

The group has updated its conflicts of interest policy during the 2018 financial year and the aim of the policy is to outline what may constitute a conflict of interest within the group, how any conflicts of interest are reported and recorded, and what steps may be taken to remove, manage or mitigate such conflicts. If a member of the board has a personal financial, economic or any other interest that might affect the members' objectivity, transparency or credibility, or knows that a related person of theirs has a personal financial, economic or any other interest in the matter, that person:

- must disclose the interest and its general nature before the matter is considered at the meeting;
- must disclose to the meeting any material information relating to the

matter, and known to him/her;

- may disclose any observations or relevant insights relating to the matter if requested to do so by the other directors;
- may remain present at the meeting, or may be asked by the chair of the board to leave the meeting after making any disclosure required;
- may not vote on the matter being considered by the board;
- is not to be regarded as being present at the meeting for determining whether sufficient number of directors are present to constitute a quorum for the meeting; and
- is not to be regarded as being present at the meeting for determining whether a resolution has sufficient support to be adopted.

BOARD OF DIRECTORS

Once an actual, potential or perceived conflict of interest has been identified and disclosed at a board or a committee meeting, it must be reported to the company secretary, who maintains and regularly updates the group conflicts of interest register. Directors and the company secretary are required to complete an annual declaration of all relevant financial, economic and other interests held by them and their related parties. Further disclosures are required whenever there are significant changes to such interests. The company secretary maintains the disclosure records and updates the conflicts of interest register as required.

The directors and the company secretary are required to declare on an annual basis that they have complied with the conflict of interest policy.

DIRECTORS' DEALINGS IN COMPANY SECURITIES

Dealing in company shares by the directors, the company secretary or any employee is set out in the group's share dealing policy and is regulated by the Rules and Regulations of the Luxembourg stock exchange, EU market abuse regulations and the JSE Listings Requirements. All directors and the company secretary must obtain approval, in writing, from the chairman prior to any deal being undertaken. In his absence, any approval must be sought from the GSEC chair. The chairman must obtain approval from the GSEC chair in relation to his personal dealings. This approval must then be forwarded to the company secretary who will maintain a register of all deals undertaken. Disclosure of any deals undertaken by directors, the company secretary, or their associates, or by an employee, or any other individual classified as "Persons Discharging Managerial Responsibility", must be made promptly and within strict timescales. Share dealing is not permitted under any circumstances in closed periods, as defined in the JSE Listing Requirements.

DIRECTORS' REMUNERATION

The board has constituted a Rem/Nom committee which is delegated with the responsibility for all aspects of executive directors' remuneration, evaluation, performance and policy and to review remuneration levels in the group. The remuneration of non-executive directors is a matter for the board, with the Committee providing an advisory role. The Committee ensures that the remuneration policy and its implementation support both the short-term and long-term objectives of the group and is structured to attract, reward and retain talented employees.

Further details and the full report of Rem/Nom Committee is included in the report on pages 68 to 82.

COMPANY SECRETARY

The board considers and satisfies itself on an annual basis as to the competence, qualifications and experience of the company secretary and the board reviews the relationship between the company secretary and its members to determine whether the company secretary has maintained an arms-length relationship with the board.

The board has direct access to the company secretary who advises on updates of regulatory rules, corporate governance matters and legislation. The company secretary has a direct and open relationship with the chairman and the non-executive members of the board and communicates frequently without influence, interference, or requiring permission from the executive directors. The company secretary is not a director of the company or of any of its subsidiaries. She does not sit on any board committees and has no major contractual relationships with the company or any director. The company secretary is a qualified chartered secretary with over thirty years' experience in the corporate governance and finance arena.

The board maintains that the company secretary's independence from management has not been compromised and it is satisfied that the company secretary has the necessary skills and experience to carry out her duties.

COMMITTEES

The board has established a number of permanent committees to assist the board in discharging its duties and responsibilities. The board delegates authority, whilst retaining accountability, to relevant board committees (and to the executive directors where appropriate) within clearly defined mandates. The Terms of Reference for each committee sets out its role, responsibilities, scope of authority and composition. Details of the current membership of each committee can be found under the governance section within the "About Us" area on our website, www.masrei.com.

The established committees are:



AUDIT AND RISK COMMITTEE ("ARC")

The audit committee and the risk committee merged under board authority in December 2017. The ARC adopted new terms of reference to ensure compliance with King IV. This committee ensures that the financial performance of the group is properly reported on and monitored and reviews internal control systems, procedures and processes and is responsible for managing the group's strategic and operational risk. This committee also oversees the external audit process. The ARC meets at least four times a year. The full report of the ARC can be found at pages 62 to 67.

REMUNERATION AND NOMINATION COMMITTEE ("REM/NOM COMM")



The Rem/Nom Committee merged under board authority in December 2017. The Rem/Nom Committee adopted new terms of reference to ensure compliance with King IV. This committee reviews and sets remuneration levels across the group, including the provision of any employee share purchase scheme and oversees the appointment of directors, evaluating the composition of the board and succession planning. The committee meets at least once a year. The full report of the Rem/Nom Committee can be found on pages 68 to 82.

GOVERNANCE SOCIAL AND ETHICS COMMITTEE ("GSEC")



The GSEC was expanded in December 2017 to include the responsibilities for social and ethics and it adopted new terms of reference to ensure compliance with King IV. The GSEC monitors and reviews compliance with all applicable legal, regulatory and listing requirements and ensures that the ethical culture and core values are ingrained across the group. The GSEC meets at least once a year. The full report of the GSEC Committee can be found on pages 83 to 85.

INVESTMENT COMMITTEE

The investment decision-making company within the group is MAS BVI. It, and its committee (the Investment Committee), receives recommendations from the Portfolio Management team of the investment advisor within the group, comprising the executive directors, none of whom sit on the board of MAS BVI.

The Investment Committee operates under formal terms of reference and its members are the executive directors as well as two of the independent non-executive directors. The Committee



meets at least twice a year on a formal basis and periodically throughout the year to consider investment pipeline recommendations, acquisition and disposal proposals, project expenditure and all other key matters relating to the investment portfolio.

CONCLUSION

The board carried out its responsibilities as set out in its charter.



The Hub by Premier Inn,
New Waverley, Edinburgh



Adagio Hotel, New Waverley, Edinburgh



The Arches, New Waverley, Edinburgh

REPORT OF THE AUDIT AND RISK COMMITTEE



GLYNNIS CARTHY

Audit and Risk Committee chair
(Independent non-executive director)

OTHER MEMBERS

Gideon Oosthuizen

(Independent non-executive director)

Pierre Goosen

(Independent non-executive director)

Ron Spencer

(Independent non-executive director)

Jaco Jansen

(Non-executive director)

As Chair of the Audit and Risk Committee (ARC or committee), I am pleased to present the committee's report for the year ended 30 June 2018.

The committee had a very busy year for several reasons:

- We maintained an extensive focus on KPMG in South Africa and considered any implications for KPMG Isle of Man in the role of auditors of the group. This resulted in us placing the audit out to tender. The committee recommended, and the board approved, the reappointment of KPMG Isle of Man (see page 66).
- During the year the board committees were reviewed which resulted in the Audit Committee and Risk Committee merging to form the Audit and Risk Committee.

The primary reason for this change is that these committees have interdependent responsibilities which can be more effectively dealt with by one committee.

- There have been extensive changes in regulation and the business environment in recent years, with the result that the role of the committee has significantly expanded.

KEY FOCUS AREAS

The committee has spent considerable time during the year on financial reporting, risk management, the review of internal controls as well as the independence, and effectiveness, of the external auditor. To achieve this, it focussed on the following areas:

The group's combined assurance model and compliance with requirements of King IV	See combined assurance - page 67
The identification, and mitigation, of risks within the group	See risk management process - page 48
An independent review of the group's assessment of its internal control process	See internal controls - page 67
Conducted a competitive audit tender process	See external auditor - page 66
Approved the appointment of KPMG Isle of Man, which included: approving the terms of engagement and audit fee; reviewing the independence, objectivity and effectiveness of KPMG Isle of Man; confirming the suitability of the audit firm and designated audit partner in compliance with the JSE Listings Requirements and approved the non-audit fees payable to KPMG Isle of Man having regard to our policy on the provision of non-audit services	See external auditor - page 66
The financial statements and financial reporting process	See significant judgement and estimation uncertainties - page 99
The key audit matters included in the audit report	See key audit matters - page 65

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

FINANCIAL PERFORMANCE

- Monitor the integrity of the group's financial statements
- Ensure the financial performance of the group is properly monitored and reported on

FINANCIAL REPORTING

- Review the group's annual and interim financial statements
- Provide advice on the financial statements and integrated annual report, and confirm that they, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's performance, business model and strategy
- Review, and challenge if necessary, the accounting policies adopted and any changes thereto
- Review, and challenge if necessary, significant financial reporting judgements and estimates
- Review the going concern statement

RISK MANAGEMENT

- Oversee the implementation of an effective policy and plan for risk management that enhances the group's ability to achieve its strategic objectives
- Assess the principal risks facing the group
- Review the dissemination of the risk management plan throughout the group and ensure this is integrated in the day-to-day activities at all levels
- Review the risk monitoring that is undertaken by management and assess its effectiveness; and
- Ensure comprehensive, timely and relevant disclosures regarding risk

INTERNAL CONTROL SYSTEMS AND PROCEDURES

- Review the systems of internal control, to ensure that adequate processes are in place and that the internal controls are operating effectively

EXTERNAL AUDIT

- Make a recommendation to the board on the appointment, reappointment and removal of the external auditor
- Oversee the relationship with the external auditor, including approval of remuneration and terms of engagement
- Meet with the external auditor to discuss its remit and any issues arising from the audit
- Oversee the external audit process and review the effectiveness of the external audit process
- Develop, and implement, a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence

INTERNAL AUDIT

- Assess the need for an internal audit function within the group

WHISTLEBLOWING

- Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters

COMPOSITION

The committee consists of four independent non-executive directors and one non-independent non-executive director who brings valuable experience and expertise to the committee. All committee members collectively had sufficient qualifications and experience to fulfil their duties. The committee confirms that MAS has established appropriate financial reporting procedures and that those procedures are operating effectively. The committee was satisfied that the chief financial officer and the finance function had the requisite expertise and experience to carry out their duties effectively.

The committee meets at least four times a year. The external auditor is invited to attend the meetings in which the condensed consolidated interim results and the annual financial statements are reviewed by the committee. The committee held 14 meetings during the year.

DIRECTOR	AUDIT COMMITTEE		AUDIT AND RISK COMMITTEE		TOTAL	
	ATTENDANCE	%	ATTENDANCE	%	ATTENDANCE	%
Glynnis Carthy	●●●●●●	100%	●●●●●●●●	100%	●●●●●●●●●●●●	100%
Jaco Jansen	●●●●●●	100%	●●●●●●●●	100%	●●●●●●●●●●●●	100%
Pierre Goosen	n/a*	n/a*	●●●●●●●●	78%	●●●●●●●●●●●●	78%
Ron Spencer	●●●●●●	100%	●●●●●●●●	100%	●●●●●●●●●●●●	100%
Gideon Oosthuizen	●●●●●●	100%	●●●●●●●●	100%	●●●●●●●●●●●●	100%

*Pierre Goosen was not a member of the Audit Committee

REPORT OF THE AUDIT AND RISK COMMITTEE

MEETINGS

The committee's areas of focus at each of the meetings were as follows:

AUDIT COMMITTEE

23 August 2017	<ul style="list-style-type: none"> - Closed door meeting between the members of the committee and the external auditor; - Review of the integrated annual report for the year ended 30 June 2017; - Assessment of the effectiveness of KPMG Isle of Man; and - Review and approval of the Audit Committee's annual work plan.
26 September 2017	<ul style="list-style-type: none"> - Discussion regarding the impact of the allegations against KPMG South Africa on the group.
28 September 2017	<ul style="list-style-type: none"> - Discussion with KPMG Isle of Man regarding the allegations against KPMG South Africa.
17 October 2017	<ul style="list-style-type: none"> - Further monitoring and discussion regarding the events unfolding in South Africa surrounding KPMG; and - Recommend a formal audit tender process.
27 November 2017	<ul style="list-style-type: none"> - Discussion and review of quarterly management accounts for the period to 30 September 2017; - Review of the group's significant judgements and estimates; and new accounting policies which arose during the period; - Assessment of the group's tax position; - Discussion and review of the group's related parties; - Review and approval of the group's combined assurance model; and - Discussion and review of the group's finance function's expertise, resources and experience.

AUDIT AND RISK COMMITTEE

11 January 2018	<ul style="list-style-type: none"> - Pre-tender discussion regarding the audit tender presentations submitted by the participating firms.
12 January 2018	<ul style="list-style-type: none"> - Audit tender presentations; - Discussion and review of the audit tender presentations; and - Resolution to recommend to the board the reappointment of KPMG Isle of Man as the group's external auditor.
19 February 2018	<ul style="list-style-type: none"> - Closed door meeting between the members of the committee and the external auditor; - Review of the condensed consolidated interim results for the six-month period ended 31 December 2017; - Review of the valuation of the group's investment property portfolio; - Review of significant judgements and estimates; and - Discussion and review of the group's related parties.
12 March 2018	<ul style="list-style-type: none"> - Review of risk registers; - Discussion and review of the risks facing the group; and - Review of committee's terms of reference.
18 April 2018	<ul style="list-style-type: none"> - Discussion regarding the events unfolding in South Africa surrounding KPMG; and - Review and approval of the year end property valuation methodology, the independent property valuers, and the valuation process.
21 May 2018	<ul style="list-style-type: none"> - Review of KPMG Isle of Man's audit plan for the year end; - Assessment of the effectiveness of KPMG Isle of Man; - Review of quarterly management accounts for the period to 31 March 2018; - Approval of the year end property valuation process; - Discussion and review of management's assessment of the JSE's proactive monitoring report; - Discussion and review of the group's processes for assessing related parties; - Review of significant judgements and estimates; - Consideration of appointing an external sustainability assurance provider; and - Overview of internal controls.
1 August 2018	<ul style="list-style-type: none"> - Review and approval of 30 June 2018 property valuations; - Discussion and review of the group's related parties; - Review and approval of 2019 budgets; and - Review of risk registers;
21 August 2018	<ul style="list-style-type: none"> - Discussion and review of the group's key risks.

28 August 2018	<ul style="list-style-type: none"> - Closed door meeting between the members of the committee and the external auditor; - Review of the integrated annual report for the year ended 30 June 2018; and - Consideration of the expertise, resources and experience of the finance function and chief financial officer.
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On a quarterly basis, the committee chair reported to the board to update the members on any key issues discussed by the committee, and to provide any recommendations.



SIGNIFICANT JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The committee assessed whether suitable accounting policies had been selected and that appropriate judgements regarding their application had been made, and whether management had made appropriate estimates. The committee paid attention to matters it considered to be important because of their impact on the group's results and particularly those which involved more complexity, judgement or estimation by management.

The committee obtained assurance from the external auditor, KPMG Isle of Man, in making the assessments about the key audit matters and the significant financial reporting issues below:




KEY AUDIT MATTERS

KEY AUDIT MATTERS HOW THE COMMITTEE ADDRESSED THE MATTER

 Valuation of investment properties	<p>The committee reviewed, and approved, the valuation methodology and process that would be applied for the year-end reporting. This included the process for selecting a reputable and experienced independent valuer for the investment property as well as the valuation process as detailed in note 17.</p> <p>The committee reviewed and discussed the valuation reports after they had been approved by the Investment Committee, with focus on the significant assumptions used in estimating fair value which are set out in note 17 of the annual financial statements.</p>
 Valuation of investment in equity accounted investee and PKM Developments preference shares	<p>The group is required to make judgements as to whether there is objective evidence that the preference shares and the investment in equity accounted investee may be impaired.</p> <p>Management has concluded that there is no objective evidence of impairment. In order to satisfy itself, the committee reviewed assessments made by management throughout the period, and scrutinised management's conclusions. Further information has been provided in the annual financial statements, please refer to notes 2 and 29.</p> <p>In addition, the committee reviewed and discussed the independent valuation reports prepared for the PKM Developments investment property portfolio.</p>

OTHER SIGNIFICANT FINANCIAL REPORTING ISSUES

OTHER SIGNIFICANT ISSUES HOW THE COMMITTEE ADDRESSED THE MATTER

 Whether the acquisition of an investment property is a business combination	<p>During the period the group acquired an investment property, namely, Uberior House, through the acquisition of the entire share capital of a holding company. Management concluded that the acquisition did not constitute a business acquisition as the group did not acquire the strategic management in relation to the investment property. After engaging with management, the committee agrees that this acquisition did not constitute a business combination.</p> <p>Further information has been provided in the annual financial statements, please refer to notes 2 and 17.</p>
 Sales of inventory property	<p>The group entered into an agreement to dispose of land at New Waverley and to develop an office that was pre-let to the UK government on a forward funding basis to Legal & General. The development has been accounted for as a continuous-sale transaction. The committee has reviewed the assessments of management, an external IFRS adviser and the external auditor and is satisfied that the transaction constitutes a continuous-sale transaction.</p> <p>Further information has been provided in the annual financial statements, please refer to notes 2 and 18.</p>
 Financial instruments	<p>The group is required to make estimations of unobservable inputs in determining the fair value of financial instruments. The most significant financial instruments relate to a development management fee and a priority participating profit dividend which are payable to New Waverley Advisers and New Waverley Holdings, refer to note 30. The significant input in the fair value of those liabilities is the fair value of the New Waverley investment property. The committee satisfied itself regarding the fair value of investment property as explained above. The committee reviewed the calculation prepared by management and consequently is satisfied that these liabilities are correctly reflected at fair value.</p>

REPORT OF THE AUDIT AND RISK COMMITTEE

EXTERNAL AUDITOR

KPMG Isle of Man was the external auditor of the group during the year. The committee is responsible for the appointment of the external auditor and oversight thereafter to ensure audit effectiveness and independence. To achieve this the committee has focused on the following key areas:

- Assessment, and continued monitoring, of the allegations against KPMG South Africa;
- Completion of a competitive audit tender process, and a recommendation to the board for the reappointment of KPMG Isle of Man as the external auditors of the group;
- Review of the scope of the annual audit plan with focus on the appropriateness of the audit plan, significant risks and materiality;
- Assessment of the effectiveness of KPMG Isle of Man in relation to its independence and audit quality;
- Consideration, and approval, of the appropriateness of the external auditor remuneration fees; and
- Further enhancement to the non-audit services policy for the group.

Several additional committee meetings occurred as a result of the allegations made against KPMG South Africa. The committee initially engaged with KPMG Isle of Man to challenge and gain clarity over how the issues had arisen and whether KPMG Isle of Man had performed any services in connection with any politically sensitive parties in South Africa. The committee continually assessed the impact on the group and recommended to the board that it include a resolution in the Annual General Meeting to appoint an external auditor only after finalisation of a formal tender process.

The committee concluded a competitive tender process which commenced in late 2017 and ended during early 2018. Given the extent of the allegations of audit failures in South Africa and the uncertainties at the time, the committee felt that it was not the appropriate time to appoint a new external auditor. Therefore, the committee decided to reappoint KPMG Isle of Man. The committee continues to monitor the situation.

The committee engaged with KPMG Isle of Man about the intended scope and materiality of the audit plan and sought further clarification as necessary. The committee also debated the appropriateness of the key audit matters identified by KPMG.

In assessing the audit firm and individual audit partners' suitability for appointment, the committee has reviewed the inspection reports on KPMG Isle of Man which were issued by the audit regulator, reviewed other relevant documents in terms of section 22.15(h) of the JSE Listings Requirements, considered the audit team's knowledge of the group, understanding of the accounting process and the extent to which the audit plan has progressed in line with expectation. The committee confirmed that the external auditor has been effective in adequately fulfilling its responsibilities and has the requisite qualifications, expertise and resources to discharge its duties.

KPMG Isle of Man has confirmed to the committee that it remains independent and has maintained the necessary internal safeguards to ensure the objectivity of the audit partner and staff. The group and the external auditor are satisfied that no relationships exist between them other than in the ordinary course of business.

The interim financial statements

have been reviewed by KPMG Isle of Man for the past three years, further increasing the committee's confidence in the integrity of the financial reporting process. The review of the interim financial statements has also meant that the committee is in regular communication with the auditor throughout the year.

The committee has reviewed the appropriateness of the fee of the external auditor in the context of the growth of the group during the year, the increased communication between the committee and external auditor, and the multi-jurisdictional nature of the audit. The committee benchmarked the fee with the fee proposals from the audit tender and concluded that the fees are commensurate with the work performed and that KPMG Isle of Man earns sufficient fees to perform a quality audit.

During the year the committee reviewed the non-audit services policy and approved a variation to the policy to include a cumulative limit of €12,500 of non-audit service fees relating to tax advice, to be incurred by the group without prior approval from the committee, with all other non-audit services still requiring committee approval at any level. Given the ad hoc nature of some immaterial non-audit service fees the committee concluded that this approach was more practical and would not impair the independence of the external auditor.

The level of non-audit fees is expected to reduce in 2019 because of the continued focus on auditors providing non-audit services and the revised non-audit services policy discussed above. The committee is satisfied that the non-audit fees do not impair KPMG's independence.

The following fees were approved during the year:

	Year ended 30 June 2018	Year ended 30 June 2017
Euro		
Interim review fee	44,384	28,248
Year-end audit fee	256,429	208,108
Non-audit fees	48,666	33,970
Total fees	349,479	270,326
Percentage of non-audit to total fees	13.93%	12.57%

COMBINED ASSURANCE

The group adopted a combined assurance model to manage risk and to ensure the effectiveness of controls, risk management procedures and governance processes. The model's lines of defence emphasise the fundamental concept of risk management and support its execution.

The model sets out and reinforces an 'everyone is responsible' tone by positioning each of the lines of defence to function effectively. The other lines of defence, as set out in the model, reinforce this tone. This creates a culture which allows the lines of defence to leverage off each other and to increase the efficiency and effectiveness of controls, risk management procedures and governance processes, which better align with the principles of King IV.

RISK MANAGEMENT

The group considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk provides an essential contribution to achieving the group's strategic and operational objectives and goals. Risk management is an integral part of the group's decision-making and day to day management and is incorporated in the strategic and operational planning processes across the group.

Managing risk is the ultimate responsibility of the Board of Directors. Without abdicating this responsibility, the board has delegated this function to the committee, which has adopted a comprehensive risk management policy. Day to day responsibility rests with the group's executive management.

The risk identification process is a two-tiered process: a top-down approach tailored to the identification of key strategic risks; and a predominantly bottom-up approach determining the key operational risks that the group is exposed to. Such risks are assessed to determine the potential impact on the group and an exercise is undertaken to measure the level of inherent risk faced by the group. Formal feedback is given to the committee and in turn to the board.

To assist with the bottom-up identification of risks, a risk register is

maintained. This is updated as risks are identified and amended if the risks or their impact, change. The committee focuses on the key risks that affect the business and these are assessed on a regular basis. A detailed review of the entire register is performed at least quarterly by the senior management team. A summary report, together with the register, is presented to the committee.

As the business grows, MAS recognises that it is vital that we invest in systems that are commensurate with size, scale and complexity of the organisation, that streamline reporting and escalation and that enhance confidence in the integrity of the underlying system. As such, an enterprise risk management software solution, which complies with international standards such as ISO31000:2009 and the COSO framework has been identified and, subject to successful completion of the proof of concept, will be implemented before the calendar year end.

External audit assists the committee and the board in assessing the effectiveness of the controls that have been implemented to control risk.

The key risks facing the organisation are identified on pages 48 to 51.

INTERNAL CONTROL

The internal control framework adopts a risk-based approach. As such, the internal controls manual focuses on the key business objectives, the associated risks and their mitigating controls, and describes how each control is evidenced. At this stage the group has not established a separate and independent internal audit function. The need for such a function or the option to outsource this function, is regularly reviewed. In the interim, it is the intention of the committee to invite an independent firm of chartered accountants to perform an annual review of the framework and the testing of controls in order to report their observations and recommendations relating to the operating effectiveness of the control framework.

In the current period, the internal audit work performed has been reviewed by external specialists. As such, PricewaterhouseCoopers LLC, Isle of Man, an independent firm of

chartered accountants, was engaged to undertake an assessment of the internal control framework and provide its observations and recommendations in respect of:

- The design effectiveness of the internal control framework;
- The design effectiveness of the key controls detailed within the framework documentation; and
- The effectiveness of the internal testing undertaken in respect of the key controls in place.

The report has been reviewed by both management and the committee and recommends certain refinements to the framework and testing approach. The new enterprise risk management software solution, referred to earlier in this report, offers audit tracking functionality, thereby streamlining both the scheduling, reporting and escalation of key control testing.

WHISTLEBLOWING

The committee is responsible for overseeing the group's whistleblowing policy, under which the group's employees have a formal framework for employees, consultants and directors to raise concerns where they believe that there is misconduct or illegal activities within the group, or where concerns over modern slavery and human trafficking exist in the business or within its supply chain. There have been no instances of whistleblowing during the year.

PRIORITIES FOR THE YEAR AHEAD

In the 2019 year, the committee will review the continuous improvement of internal controls, and risk management across the group.

This report has been prepared in accordance with the JSE Listings Requirements, Rules and Regulations of the Luxembourg Stock Exchange, King IV and other applicable regulation. The committee carried out its responsibilities as set out in its terms of reference.

On behalf of the Audit and Risk Committee.

Glynnis Carthy

Chair of the Audit and Risk Committee

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE



PIERRE GOOSEN

Remuneration and Nomination
Committee chair
(independent non-executive director)

OTHER MEMBERS

RON SPENCER

(independent non-executive director)

GIDEON OOSTHUIZEN

(independent non-executive director)

As Chair of the Remuneration and Nomination Committee (the "committee"), I am pleased to present the committee's report for the year ended 30 June 2018. This report provides an overview of how the committee is governed, its responsibilities and how the committee discharged its duties during the year. The remuneration aspects are dealt with on pages 68 to 81, followed by the nomination aspects on pages 81 to 82 of the report.

PART 1 - BACKGROUND STATEMENT

KEY FOCUS AREAS

The committee focused this year on the impact of King IV on remuneration and nomination aspects and is pleased with the changes implemented to our policies and with the increased transparency of this report. The committee also spent time this year on the following aspects:

- Resignation of the former chief executive officer and managing his exit from the business;
- Recruitment, appointment and induction of the new chief executive officer;
- Succession planning, with a number of key appointments either imminent or effective during the period;
- Approval of the remuneration report and its implementation;
- Market and peer assessment of remuneration policy;
- Recommended improvements to the remuneration policy and its implementation, with a focus on enhancing performance driven short-term incentives and the use of performance criteria in determining the long-term incentive awards;
- Introduced ancillary employee benefits, including death in service cover;

- Board effectiveness and director skills assessment;
- Cultural assessment of the board and organisation;
- Independence review of the chairman given nine-year tenure;
- Review of non-executive director remuneration and updates to terms of appointment;
- Alignment of the committee's terms of reference to King IV and review of MAS policies under the committee's remit; and
- Selection of an enterprise software solution to streamline the cascade, tracking and reporting of individuals' key performance indicators.

COMPOSITION

The committee comprises three independent non-executive directors. All committee members collectively have sufficient qualifications and experience to fulfil their duties. The chief executive officer and chief financial officer are invited to attend certain committee meetings where it is deemed appropriate, but do not participate in the voting process and are not present when their own remuneration is discussed or considered. The company secretary, Helen Cullen, acts as secretary to the committee.

The previous remuneration and nomination committees were merged in December 2017 to form the Remuneration and Nomination Committee. The committee is required to meet at least once a year. During the period since its formation to 30 June 2018, the committee held one formal meeting and prior to the merger, the nomination committee held one meeting. In addition to the above formal meetings, numerous ad hoc meetings have taken place which are not reflected in the table below, with full attendance by all members.

Attendance at the formal meetings was as follows:

DIRECTOR	NOMINATION COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Pierre Goosen	n/a	●/1
Ron Spencer	●/1	●/1
Gideon Oosthuizen	●/1	●/1
Morné Wilken	●/1	n/a

REMUNERATION ASPECTS OF THE COMMITTEE

GOVERNANCE OF THE COMMITTEE

PURPOSE

The purpose of the committee is to ensure that the remuneration policy and its implementation supports both the short-term and long-term strategic objectives of the group and is structured to attract, reward and retain employees.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The committee is responsible for the following as set out in its terms of reference:

- Determine and agree with the board the framework and policy for remuneration at all levels in the group that will promote achievement of the strategic objectives, encourage individual performance and assist in the attraction and retention of employees;
- Consider how shareholders and other stakeholder interests are taken into account when setting the remuneration policy;
- Ensure that any remuneration policy is fair, responsible, transparent and appropriately implemented and executed;
- Approve the design of any performance related pay elements of the remuneration policy, determine appropriate key performance indicators (KPIs), and ensure any awards are in line with the scheme;
- Review the outcomes of the remuneration policy, including any short and long-term incentives, to determine whether the objectives of the remuneration policy are being achieved and to ensure their continued contribution to the alignment with shareholder value;
- Ensure that all benefits, including retirement benefits, are justified and correctly valued;
- Evaluate the performance of executive and non-executive directors to determine their remuneration;
- Report to shareholders annually on behalf of the board; and
- Compliance with King IV insofar as reporting to the board and attendance at the annual shareholders' meeting is concerned.

The remuneration section of this report is set out in three parts:

- i. Part 1 contains the background statement;
- ii. Part 2 sets out the company's forward-looking remuneration philosophy and policy; and
- iii. Part 3 details the implementation of the policy as endorsed by shareholders at the 2017 annual shareholders' meeting.

Parts 2 and 3 will be put forward for separate non-binding advisory votes as required by the JSE Listings Requirements.

The group continued to grow strongly and performed well over the year with net assets attributable to shareholders increasing by 46.7%, from €582.1 million to €854.3 million at year-end. This increase in equity base facilitated strong growth in the portfolio, which in turn resulted in an increase in rental income of 35% and an increase in net operating income of 90%. This result is a highly commendable achievement. Rapid growth stretches the operating platform of any business, but the team managed this well during year and the focus in the coming period will be on growing the capability and capacity of the organisation to continue to deliver sustainable growth.

Despite a year of solid performance, no fixed pay increases or variable pay were awarded to executive directors. In coming to this decision the committee considered the long-term incentive awards granted in 2017. The 2017 long-term incentives were designed to have a staggered unlocking (vesting) profile over five and six year periods respectively and to incentivise and reward executives over the short-and longer term. In addition, the long-term incentives carry rights to distributions on the shares, less the interest due on the loans to acquire such shares (with the exception of awards made to participants under the non-salaried variant of the scheme).

SHAREHOLDER ENGAGEMENT

At the annual shareholders' meeting held on 21 November 2017, 79% of shareholders who cast their votes endorsed the 2017 remuneration policy and 82.7% endorsed the implementation of the policy during 2017. In addition, 93.1% of shareholders supported the introduction of the share purchase scheme at the shareholders' meeting on 17 February 2017.

Significant time and energy has been devoted to ensuring that increased transparency exists around the remuneration philosophy and policy, as well the level of awards made. In this regard, the committee has undertaken a detailed review of both peer and general market remuneration. The findings continue to shape and influence the policy and parameters around award levels and appropriate KPIs. The committee believes that the remuneration policy is effective in aligning individual, group and shareholder interests by providing a link between strategy, value creation, performance and reward.

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Should 25% or more of the votes cast at the next annual shareholders' meeting be recorded against either the remuneration policy resolution or the implementation resolution, then:

- The committee will engage with shareholders to ascertain the reasons for their dissenting vote.
- Executive management will make specific recommendations to the remuneration committee as to how the legitimate and reasonable objections of shareholders might be addressed, either in the group's remuneration policy or through changes on how the remuneration policy is implemented, and the committee will decide, independent of executive management, how to best adapt the current scheme to address legitimate shareholder concerns.

Many shareholders have provided favourable feedback with respect to the remuneration policy of the group and have voted accordingly at the last annual shareholders' meeting. However, in the interests of transparency, shareholder concerns or questions raised are outlined below, together with the committee's response thereto:

SHAREHOLDER QUESTIONS RAISED	RESPONSE / ACTION TAKEN
Incentive remuneration to executives should be clearly disclosed	Whilst such disclosure has always been made, the committee is satisfied that it has significantly enhanced the remuneration disclosure in line with best practice and the requirements of King IV.
Incentive remuneration should be subject to robust and stretching performance targets	As detailed further in Part 2, the short-term incentive (STI) scheme now clearly presents the financial, strategic and personal performance KPIs upon which awards are made. In addition, KPIs have also been set for awards under the LTI scheme (with the exception of new appointments where awards will be considered as part of the recruitment process and therefore not linked to KPIs).
Incentive plans that allow for loans to executives are inconsistent with best practice and should be eliminated	The long-term incentive (LTI) scheme that has been adopted is in essence a share option scheme, or share appreciation right scheme, as the loan to acquire shares is non-recourse. Accordingly, it is incorrect to view the scheme as simply a loan to executives to acquire shares. Rather, these are dividend paying options that vest over 5 or 6 years.
On early termination of employment, awards should be pro-rated and also tested for performance	Awards vest over 5 or 6 years and are therefore pro-rated for early termination, as departing employees forego unvested awards. The testing for performance is inherent in the scheme, in that the awards are essentially share options issued at market value.
STI and LTI are not adequately disclosed, detailed KPIs and the disclosure thereof is lacking	Disclosure in the current year has been significantly enhanced, in line with best practice and King IV.
Lack of LTI performance vesting conditions was queried	The LTI operates in a similar manner to a share option, or share appreciation right, scheme. Before participants stand to benefit from the LTI, the interest on the loan and the loan itself should be repaid (i.e. the exercise price must be paid). Accordingly, performance criteria are inherent in the scheme, in that forward-looking performance and the management of the group's cost of debt will have a substantial impact on the level of the award when exercised through the normal market valuation exercise, with positive performance enhancing share price at exercise and vice versa. However, going forward the KPIs will be considered as part of the award criteria, with the exception of new appointments where awards will be considered as part of the recruitment process and therefore not linked to KPIs.
The quantum and short vesting periods of the LTI were noted as a concern	<p>The structure of the scheme necessitated an emphasis to a larger award to participants at inception, with further 'top-up' awards only dependent upon performance and the need to incentivise participants beyond the 5 or 6 year vesting period. Going forward smaller annual allocations will be made. This approach mitigates the risk for shareholders, the company and executives alike by averaging in the entry point for participants into the LTI scheme and reducing the annual cost impact for shareholders and the company.</p> <p>In light of the larger awards to participants at inception of the LTI, a staggered vesting period in smaller increments over a long term (5 and 6 year periods respectively), was approved.</p> <p>No LTI awards were made in the year ended 30 June 2018.</p>

PART 2 – REMUNERATION POLICY

REMUNERATION PHILOSOPHY

MAS' remuneration philosophy is aimed at attracting, motivating and retaining the best talent available to facilitate the group meeting its strategic objectives. Remuneration is considered to four specific categories of employees and directors:

- i. Executive directors
- ii. Senior management
- iii. Employees
- iv. Non-executive directors

REMUNERATION STRUCTURE AND DESIGN

In considering the appropriate remuneration for each specific category of employee and directors, the group considers the following elements of remuneration:

TOTAL GUARANTEED PACKAGE

COMPONENT	TYPE	ELIGIBILITY	OBJECTIVE AND POLICY
Fixed	Basic salary	<ol style="list-style-type: none"> i. Executive directors (excluding non-salaried variant participants) ii. Senior management iii. Employees 	<p>The level of salary offered is intended to attract, retain, and motivate high calibre, talented individuals.</p> <p>Pay reflects both market demand and the individuals' skills, experience, responsibility and accountability. Base salaries are regularly benchmarked against the market.</p> <p>In order to align with the year-end of the group, base-salary reviews will form part of the annual staff appraisal process conducted after the annual results are available each year. Salaries are typically adjusted for inflation each year, with increases dependent upon increasing seniority, experience and demonstrated ability.</p> <p>Following approval by shareholders of the share purchase scheme on 17 February 2017, the chief financial officer at the time moved onto the non-salaried variant of the scheme with effect from that date.</p>
Fixed	Benefits (including death in service, income protection and holiday purchase scheme)	<ol style="list-style-type: none"> i. Executive directors (excluding non-salaried variant participants) ii. Senior management iii. Employees 	<p>Provide employees with security and personal flexibility to increase motivation. The policy is to provide base level benefits that reflect the market norm.</p>

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SHORT-TERM INCENTIVE

To date, STI payments to participants under the salaried variant of the share purchase scheme were the distributions received from the participants' scheme shares less the interest due on the loans received to acquire them. In addition, discretionary cash top-up payments based on individual KPIs can be awarded to participants (participants under the non-salaried variant of the scheme did not qualify for any STI payments).

Going forward, STI awards to participants on the salaried variant of the share purchase scheme will be determined using a detailed individual KPI scorecard. STI awards paid to participants will be reduced by the net distribution received in cash from the participants scheme shares.

COMPONENT	TYPE	ELIGIBILITY	OBJECTIVE AND POLICY
Variable	Cash bonus	i. Executive directors (excluding non-salaried variant participants) ii. Senior management iii. Employees	<p>The objective of the STI is to motivate and incentivise delivery of performance in the short term.</p> <p>Short term incentives are paid in cash and based on company and individual performance against pre-agreed targets during the financial year. Appraisals are done in October of each year as part of the holistic remuneration review process. Cash payments of short term incentives in excess of 50% of an individual's base salary will be deferred by 12-months and will be paid subject to the individual remaining in full-time employment with the group during and up to the end of the deferred period.</p> <p>The KPI targets for executive directors are presented in detail later in this report.</p> <p>The cash bonus award to participants on the salaried variant of the share purchase scheme, explained in detail below, is reduced by the element of distribution received from the share purchase scheme.</p> <p>Non-executive directors and non-salaried variant participants on the share purchase scheme do not participate in short-term incentive awards.</p>
Variable	Share purchase scheme distributions	i. Salaried variant of share scheme participants only	<p>The two variants of the share purchase scheme are described below. Salaried variant participants of the scheme are entitled to the distributions on the scheme shares held by participants, less the interest due on the loans to acquire such shares. Such net distributions received are offset against the cash bonus award element indicated above.</p>

LONG-TERM INCENTIVE

COMPONENT	TYPE	ELIGIBILITY	OBJECTIVE AND POLICY
Variable	Share purchase scheme awards – SALARIED VARIANT	<ul style="list-style-type: none"> i. Executive directors (excluding non-salaried variant participants) ii. Senior management 	<p>The LTI scheme is designed to ensure that participants are motivated and focused on delivering sustained long-term performance, thereby aligning their interests with those of shareholders.</p> <p>A share purchase scheme was approved by shareholders at the annual general meeting on 17 February 2017 and is the only LTI scheme currently available. This is an invitation only scheme, with participants invited to participate at a level determined by their contribution and performance against KPIs. There are two variants to the scheme – a salaried variant and a non-salaried variant. This section details the salaried variant.</p> <p>Eligible participants are given loans to acquire newly issued shares in the company at prevailing market value, with no discount. The loans attract interest at a rate equal to the group's weighted average cost of debt, and are non-recourse loans. The non-recourse nature of the loans means that the share purchase scheme is in substance a share option, or share appreciation right, scheme.</p> <p>Shares unlock (vest) equally over a 5-year period and participants are only entitled to dispose of unlocked shares. Proceeds from any disposal of unlocked shares are firstly used to repay the corresponding loan and accrued but unpaid interest, with any surplus (capital gain) being distributed to the participant.</p> <p>The total return to participants from the salaried variant of the share purchase scheme is the capital gain on unlocked shares, plus any distributions received, net of interest, on scheme shares. From the 2019 financial year, any distributions received, net of interest paid on the related loans, are deducted from the cash bonus awarded as part of the STI scheme as indicated above.</p> <p>This LTI scheme provides a strong alignment of interest, as it focuses participants on several important and carefully designed factors:</p> <ul style="list-style-type: none"> - Growing the level of the distribution on a sustainable basis; - Reducing the cost of debt in order to enhance the distribution paid - Growing the long-term value of the business, which will translate in time to appreciation in the share price; and - Retaining employees through the 5-year unlocking (vesting) period. <p>On inception of the scheme, outsize awards were made on a one-off basis to commence the LTI scheme and ensure adequate alignment of interest. Going forward, awards will only be made to existing participants on the basis of specific KPIs, which are detailed below. The quantum of new awards will be considered in light of existing awards held. Initial awards to new appointments will be considered as part of the recruitment process and therefore not be linked to KPIs.</p>

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

COMPONENT	TYPE	ELIGIBILITY	OBJECTIVE AND POLICY
Variable	Share purchase scheme awards – NON-SALARIED VARIANT	i. Executive directors – non-salaried variant participants only	<p>There is only one participant on the non-salaried variant of the share scheme. It is not anticipated that further participants will be invited to participate in the non-salaried variant of the scheme.</p> <p>As with the salaried variant of the share purchase scheme, the non-salaried variant is designed to ensure that participants are motivated and focused on delivering sustained long-term performance, aligning their interests with those of shareholders.</p> <p>Eligible participants are provided with loans to acquire newly issued shares in the company at prevailing market value, with no discount. The loans attract interest at a rate equal to the group's weighted average cost of debt and are non-recourse loans. The non-recourse nature of the loans means that the share purchase scheme is in substance a share option, or share appreciation right, scheme.</p> <p>Shares in the non-salaried variant of the scheme unlock (vest) over a 6-year period, at 15% per annum for the first 4 years and 20% for the last 2 years. Proceeds from any disposal of unlocked shares are firstly used to repay the corresponding loan and accrued but unpaid interest, with any surplus (capital gain) distributed to the participant.</p> <p>A key difference between the salaried and non-salaried variant share purchase schemes relates to the distributions on the shares. Any distributions received are first used to pay the interest on the loan, and any surplus is used to reduce the capital balance of the loan on a pro-rata basis.</p> <p>The total return to participants from the non-salaried version of the share purchase scheme is therefore the gain on unlocked (vested) shares over the amount of the loan, when exercised.</p> <p>This scheme provides a strong alignment of interest, as it focuses participants on several important and carefully designed factors:</p> <ul style="list-style-type: none"> - Growing the long-term value of the business, which will translate in time to appreciation in the share price; - Growing the level of the distribution on a sustainable basis; - Reducing the cost of debt in order to enhance the distribution paid; and - Retaining employees through the 6-year unlocking (vesting) period. <p>On inception of the scheme, a single outsize award was made on a one-off basis to provide the necessary incentive for participants to work towards value that can only be created through sustained long-term delivery.</p>
Other contractual payments	Sign on bonuses Relocation expenses	i. Executive directors only	Sign-on bonuses and relocation awards are considered on a case by case basis to ensure the company has the ability to attract senior talent into the group.
Non-contractual payments	Exit payments	i. Executive directors only	Non-contractual payments are only considered on an exceptional case by case basis for executive directors and are not common.

COMPOSITION OF REMUNERATION

i. EXECUTIVE DIRECTORS

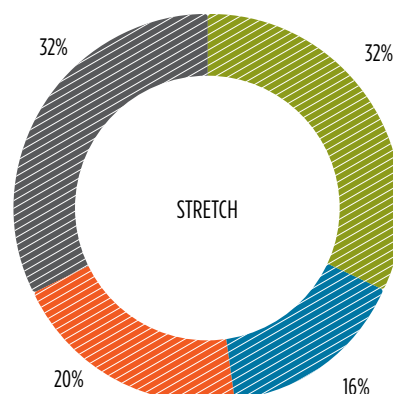
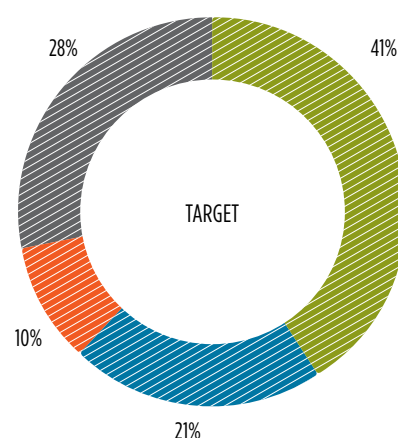
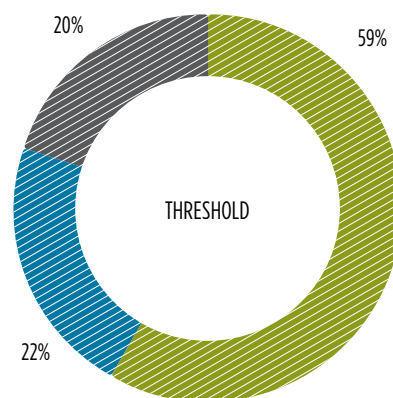
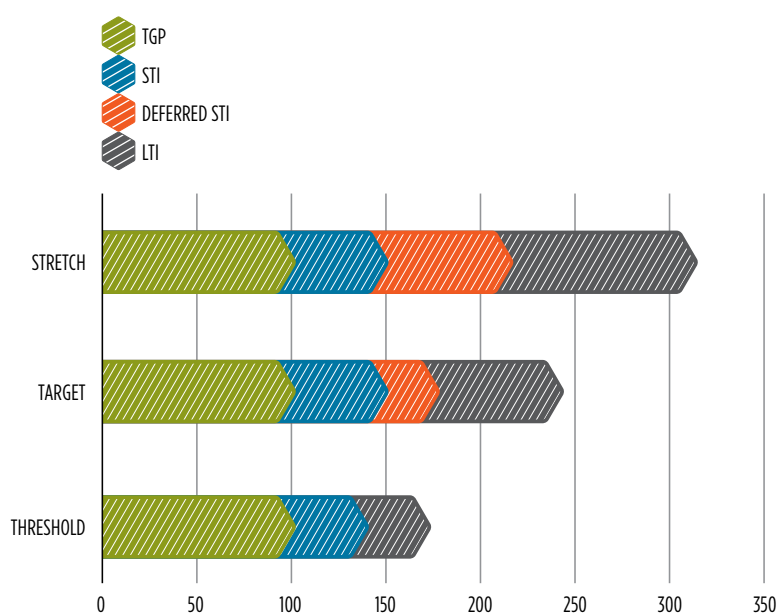
Executive director remuneration is structured to balance both the short and long-term objectives of the group and to enhance the alignment of interests with stakeholders. Remuneration is reviewed annually by the committee to ensure that the various components of total guaranteed package, short-term incentives and long-term incentives remain appropriate relative to market, the performance of the company and the performance and contribution of the individual.

As indicated above, Malcolm Levy in his capacity as chief financial officer as at 30 June 2018, is the only participant on the non-salaried variant of the share purchase scheme. Accordingly, he did not receive any guaranteed/base remuneration or short-term incentives.

As it is not the intention to make further awards under the non-salaried variant of the share purchase scheme, the discussion below relates specifically to the policy for salaried variant participants of the scheme.

PACKAGE DESIGN

Executive remuneration is weighted toward variable remuneration. Below we set out the potential executive director and prescribed officer total remuneration including total guaranteed pay (TGP), short-term incentive (STI) and long-term incentive (LTI) at different levels of performance. The graphs set out the level of remuneration at threshold performance, at targeted performance and at stretch target or outperformance for salaried directors assuming, for illustrative purposes, a base salary of €100,000 and a 75% on-target STI level (based on grading).



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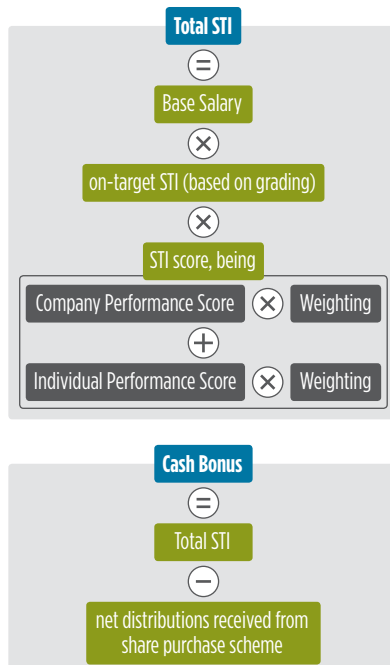
TOTAL GUARANTEED PACKAGE

Annual benchmarking takes place to compare the base packages of the executive team with the market. Benchmarking is undertaken against several peer categories, namely: European listed real estate peers, South African listed real estate peers (taking into consideration cost of living differentials) and alternative executive remuneration in the location in which the executive is employed. Increases are awarded in line with inflation and changes in the market environment, in order to retain the appropriate talent.

VARIABLE REMUNERATION – SHORT-TERM INCENTIVE

STI FORMULA:

From 2019, executives in the salaried variant of the share purchase scheme will receive a cash bonus that is the difference between the Total STI, based upon their performance scorecard according to the formula below, and the net distributions received from the share purchase scheme as described above.



ON-TARGET STI LEVEL (BASED ON GRADING) FOR PARTICIPANTS

As a policy, the on-target STI level (based on grading) will range between 50% and 100% of base salary, depending on the role and seniority of the executive.

VESTING PERCENTAGES FOR STI SCORE

Each performance metric will have a threshold, target and stretch level assigned, resulting in a score of between 50% and 150% with linear interpolation being applied between scores. The vesting of the on-target STI will therefore be modified relative to the achievement of the threshold (50%), target (100%) and stretch (150%) performance targets.

STI SCORE – COMPANY AND INDIVIDUAL PERFORMANCE METRICS

The STI scorecard for executive directors comprises a combination of company (general and individual hard metrics) and individual performance soft metrics. The proposed company and individual performance metrics are as follows:

METRIC	SPECIFIC KPI	KPI TARGET	WEIGHTING
Company performance – general	Growth in distribution per share Growth in EPRA net asset value Cost-income ratio	Determined annually	50%
Company performance – individual hard metrics	KPIs specific to individual – hard metrics	Refer to page 77	30%
Individual performance – soft metrics	Board and peer review score based upon: Leadership Motivation Teamwork Soft outcomes	Board scorecard out of 10 360 degree scorecard out of 10	20%

KEY PERFORMANCE INDICATORS SPECIFIC TO INDIVIDUAL – HARD METRICS

The proposed key performance indicators to be used to assess executive management performance (hard metrics) include the following:

- CEO
 - Organic growth rate of portfolio
 - Access to and implementation of pipeline
 - Access to and implementation of indirect property deals
 - Management of joint venture relationships
 - Balance sheet optimisation
 - Responsibility for overall risk management
 - Management, implementation and improvement of corporate governance framework
 - Strategic formulation and implementation
- CFO
 - Reporting and regulatory compliance
 - Organic growth rate of portfolio
 - Forecast accuracy
 - Cash flow management
 - Balance sheet optimisation
 - Responsibility for property management and accounting system
 - Risk management framework (representing risk assessment, prioritisation and mitigation)
 - Strategic formulation and implementation
- CIO
 - Organic growth rate of portfolio
 - Access to and implementation of pipeline
 - Access to and implementation of indirect property deals
 - Balance sheet optimisation
 - Investment and asset management strategy and implementation
 - Asset level risk management
 - Strategic formulation and implementation

VARIABLE REMUNERATION – LONG-TERM INCENTIVE

AWARD POLICY AND LIMITS

The long-term incentive rewards long-term decisions that support distributions and capital growth.

As discussed above, the share purchase scheme is in substance a share option, or share appreciation right, scheme. It is anticipated that further awards will only be made using the salaried variant of the scheme and the quantum awarded will be considered on a case-by case basis, taking into consideration the quantum of existing awards as well as sign-on and recruitment needs.

An aggregate limit of 19,029,191 shares, equating to approximately 2.95% of the current issued share capital of the company applies to the share purchase scheme. 7,850,000 shares, equating to approximately 1.22% of the current issued share capital of the company have been issued to employees as part of the share purchase scheme and are outstanding.

PERFORMANCE CONDITIONS AND MEASUREMENT

The expected value, or fair value at grant date, of awards under the share scheme, will be determined as follows:



The face value of the award (amount of loan granted to acquire shares) will be determined as follows:



AWARD ALLOCATION % (BASED ON GRADING)

As a policy, a range between 50% and 100% of total guaranteed package, expressed in expected value, will be awarded annually, depending on the role and seniority of the executive. The award allocation % is adjusted by the LTI score, to incorporate historical performance in the quantum of the LTI awards.

LTI SCORE

Performance conditions are measured over a 12-month period preceding the award date and are used as award criteria to determine the LTI score. Each performance metric will have a threshold, target and stretch level assigned, resulting in a score of between 33.33% and 100% with linear interpolation being applied between scores. The LTI score will be modified relative to the achievement of the threshold (33.3%), target (66.6%) and stretch (100%) performance targets.

FACE VALUE MULTIPLIER %

As the loans granted to acquire shares under the scheme are essentially options, the Face value multiplier % is the multiplier that determines the Face value of loan to be given to a participant to transfer to that participant a right equivalent in value to the Expected value of the award (or fair value of the option). The face value multiplier takes into account the type of instrument and usual valuation criteria of an option that determine the value of the option as a fraction of the value of the stock price at issue date. As a policy, the Face value multiplier % is capped at 400%, or 4 times annual salary.

The following performance conditions, weightings and targets measured over a 12-month period preceding the award date will be used as award criteria to determine the LTI score. Linear vesting on a sliding scale will be applied between threshold and stretch performance:

SPECIFIC KPI	KPI TARGET	WEIGHTING
STI scorecard	Determined annually	20%
Growth in per annum distribution per share relative to peer group	Determined annually	30%
Annual share price performance relative to peer group	Determined annually	30%
Strategic outcomes		20%

*The peer group will be determined by the committee annually in advance.

*Linear interpolation will be applied between the above performance levels.

EXECUTIVE CONTRACTS

The main terms of the service contracts applicable to executive directors are summarised below:

PROVISION	POLICY
Contract term	Executive contracts represent continuous employment
Notice period	3 – 6 months
Termination of employment and change of control payments and/or automatic vesting of long-term incentives	Change of control provisions are covered by the share scheme and allow for full unlocking (vesting) of awards on a change of control.
Restraint of trade	1 year, standard industry restraint
Other benefits	Salaried variant participants receive death in service and income protection. There are no benefits for the non-salaried variant of the share purchase scheme.

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ii. SENIOR MANAGEMENT

Senior management remuneration is structured in a similar manner to executive remuneration, with the aim to balance both the short and long-term objectives of the group and to enhance the alignment of interests with stakeholders. Remuneration is reviewed annually by the committee to ensure that the various components of total guaranteed package, short-term incentives and long-term incentives remain appropriate relative to market, the performance of the company and the performance and contribution of the individual.

Total guaranteed package consists of base salary and benefits. As with executive directors, fixed awards are benchmarked to industry on a regular basis to ensure that pay levels remain attractive to retain key employees.

Short-term and long-term incentives also work in a manner similar to executive directors on the salaried variant of the share purchase scheme. STI awards are capped at levels appropriate to the role and seniority of the member of senior management and the level of award is based upon the appraisal outcome and the level of the performance of the group. Further share purchase scheme awards may be made to senior management, but as a policy these are limited to a loan equal to four times base salary on an annual basis.

iii. EMPLOYEES

Employees receive fixed remuneration and a cash bonus only. The cash bonus is discretionary and is based upon the appraisals of the line manager, in conjunction with the level of both individual and organisation performance. Base salary adjustments are made as employees develop, and there is a strong emphasis on growth, development and providing a flexible working environment that matches the dynamic culture of the organisation.

iv. NON-EXECUTIVE DIRECTORS

Non-executive directors receive a base fee and an additional fee for participation on the relevant sub-committees. They do not participate in the group's variable remuneration scheme, in order to avoid any potential conflict of interest and to maintain their independence. Non-executive

directors are re-imbursed for their proper and reasonable costs incurred in conducting their activities and are entitled to request expert advice and input as required to fulfil their responsibilities.

Non-executive directors are appointed subject to the provisions set out in a letter of appointment. The letter sets out, amongst other things, the term of appointment, duties and responsibilities, fees and other payments, and provisions related to termination of services.

Non-executive director fees will be benchmarked annually and adjusted for inflation as appropriate. The fees recognise the responsibilities borne by the director throughout the year, in addition to the attendance of meetings and the requirements of the relevant sub-committees. The review undertaken at the end of the 2018 financial year has indicated that non-executive director fees for the company are below market-level and have been for some time. Accordingly, an adjustment to this fee level is proposed, as outlined below.

NON-BINDING ADVISORY VOTE

Shareholders will be requested to cast a non-binding advisory vote on the aforementioned Part 2 of this report at the upcoming annual shareholders' meeting.

PART 3: IMPLEMENTATION

EXECUTIVE DIRECTORS

TOTAL GUARANTEED PACKAGE/BASE SALARY ADJUSTMENTS

None of the executive directors received any basic salary adjustments during 2018 and Malcolm Levy, in his capacity as chief financial officer, remained on the non-salaried variant of the share scheme.

2018 SHORT-TERM INCENTIVE OUTCOMES

During the 2018 financial year, no cash bonuses under the STI were made to directors, other than to the extent that dividends exceeded the group's weighted average borrowing cost on the salaried variant of the scheme.

2018 LONG-TERM INCENTIVE UNLOCKING/VESTING

During the year, the first tranche of awards to participants vested (unlocked), as follows on page 79:

Non-executive directors' fees proposed

Euro	2018	2019
Base retainer:		
Board chair	20,000	35,000
Board – other non-executive members	17,500	30,000
Plus additional fees:		
Audit Committee – chair	7,500	
Audit committee – other non-executive members	5,000	
Risk Committee – chair and other non-executive members	2,500	
Merged Audit and Risk Committee – chair		10,000
Merged Audit and Risk Committee – member		7,500
Remuneration Committee – chair and other non-executive members	1,500	
Nomination Committee – chair and other non-executive members	1,000	
Merged Remuneration and Nomination Committee – chair		5,000
Merged Remuneration and Nomination Committee – member		3,000
Social, Governance and Ethics Committee – chair		5,000
Social and Ethics Committee – other non-executive members		3,000
Investment Committee*		4,000

* €4,000 is paid annually for 5 meetings per year with a further €500 paid for each additional meeting

Schedule of unvested awards and cash flow on settlement

Names	Opening balance on 1 July 2017 (number)	Granted during 2017 (number)	Forfeited during 2017 (number)	Exercised during 2017 (number)	Closing number on 30 June 2017 (number)	Vested but unexercised during 2017 (number)	Value of receipts during 2017 ¹ €	Estimated closing fair value on 30 June 2017 ² €	Granted during 2018 (number)	Forfeited during 2018 (number)	Exercised during 2018 (number)	Closing on 30 June 2018 (number)	Vested but unexercised during 2018 (number)	Value of receipts during 2018 ^{1,3} €	Estimated closing fair value on 30 June 2018 ² €
Morné Wilken															
<i>Share purchase scheme</i>															
No awards made															
<i>Sign-on bonus³</i>															
01 January 2018	—	—	—	—	—	—	—	—	564,250	—	(113,290)	450,960	—	564,250	450,960
Malcolm Levy – non-salaried variant															
<i>Share purchase scheme</i>															
2017 SPP – tranche 1 (2018)	—	600,000	—	—	600,000	—	—	—	—	—	—	600,000	600,000	—	—
2017 SPP – tranche 2 (2019)	—	600,000	—	—	600,000	—	—	158,095	—	—	—	600,000	—	—	—
2017 SPP – tranche 3 (2020)	—	600,000	—	—	600,000	—	—	158,095	—	—	—	600,000	—	—	81,703
2017 SPP – tranche 4 (2021)	—	600,000	—	—	600,000	—	—	158,095	—	—	—	600,000	—	—	81,703
2017 SPP – tranche 5 (2022)	—	800,000	—	—	800,000	—	—	210,794	—	—	—	800,000	—	—	108,937
2017 SPP – tranche 6 (2023)	—	800,000	—	—	800,000	—	—	210,794	—	—	—	800,000	—	—	108,937
Jonathan Knight – salaried variant															
<i>Share purchase scheme</i>															
2017 SPP – tranche 1 (2018)	—	300,000	—	—	300,000	—	7,268	—	—	—	—	300,000	300,000	7,564	—
2017 SPP – tranche 2 (2019)	—	300,000	—	—	300,000	—	7,268	79,048	—	—	—	300,000	—	7,564	—
2017 SPP – tranche 3 (2020)	—	300,000	—	—	300,000	—	7,268	79,048	—	—	—	300,000	—	7,564	40,851
2017 SPP – tranche 4 (2021)	—	300,000	—	—	300,000	—	7,268	79,048	—	—	—	300,000	—	7,564	40,851
2017 SPP – tranche 5 (2022)	—	300,000	—	—	300,000	—	7,268	79,048	—	—	—	300,000	—	7,564	40,851
Helen Cullen – salaried variant															
<i>Share purchase scheme</i>															
2017 SPP – tranche 1 (2018)	—	100,000	—	—	100,000	—	2,423	—	—	—	—	100,000	100,000	2,521	—
2017 SPP – tranche 2 (2019)	—	100,000	—	—	100,000	—	2,423	26,349	—	—	—	100,000	—	2,521	—
2017 SPP – tranche 3 (2020)	—	100,000	—	—	100,000	—	2,423	26,349	—	—	—	100,000	—	2,521	13,617
2017 SPP – tranche 4 (2021)	—	100,000	—	—	100,000	—	2,423	26,349	—	—	—	100,000	—	2,521	13,617
2017 SPP – tranche 5 (2022)	—	100,000	—	—	100,000	—	2,423	26,349	—	—	—	100,000	—	2,521	13,617
Lukas Nakos – non-salaried variant															
<i>Share purchase scheme</i>															
2017 SPP – tranche 1 (2018)	—	750,000	—	—	750,000	—	—	—	—	(750,000)	—	—	—	—	—
2017 SPP – tranche 2 (2019)	—	750,000	—	—	750,000	—	—	197,619	—	(750,000)	—	—	—	—	—
2017 SPP – tranche 3 (2020)	—	750,000	—	—	750,000	—	—	197,619	—	(750,000)	—	—	—	—	—
2017 SPP – tranche 4 (2021)	—	750,000	—	—	750,000	—	—	197,619	—	(750,000)	—	—	—	—	—
2017 SPP – tranche 5 (2022)	—	1,000,000	—	—	1,000,000	—	—	263,492	—	(1,000,000)	—	—	—	—	—
2017 SPP – tranche 6 (2023)	—	1,000,000	—	—	1,000,000	—	—	263,492	—	(1,000,000)	—	—	—	—	—
TOTAL							48,454	2,437,301						50,428	544,685

Notes

1. Includes net distributions received on SPP shares during the year. Distributions in respect of non-salaried SPP participants repay capital and interest on the participants loan account, therefore no net qualifying distributions are received. Distributions in respect of salaried participants first repay interest on the participants loan account any net proceeds are received by the participant and included in net qualifying distributions.
2. The portion of the award vesting within 12 months after year-end is calculated as: (Number of awards x YE VWAP) - pro-rata balance of loan relating to that tranche. As the options are out-of-the-money at the end 2017 and 2018, these values are nil.

The portion of the award vesting more than 12 months after year-end is calculated as: Number of awards x indicative fair value per option. The fair value of the options has based upon the same assumptions and approach as the IFRS 2 grant date valuation, save for the current price and term of the option.

3. In order to secure the services of Morné Wilken on a full-time basis, the sum of €500,000 (approximately €564,250) was awarded and paid as recognition that he would forfeit in-the-money incentive scheme benefits by becoming CEO of MAS. This amount is repayable on a pro-rata basis should he cease to be employed by the company from 1 January 2018 and accordingly €16,667 (approximately €18,809) (€500,000 (approximately €564,250) divided by 30 months) is expensed monthly and recognised as a benefit paid to him. For the purpose of the sign on bonus included in the table, 1 unit equal €1.

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

2018 LONG-TERM INCENTIVES AWARDED

No LTIs were awarded during 2018.

PAYMENTS TO THE OUTGOING CHIEF EXECUTIVE OFFICER

An exit payment of £140,000, (approximately €157,794), was paid to Lukas Nakos during the period. Lukas was on the non-salaried variant of the share purchase scheme and departed before any unlocking (vesting) of shares took place. In recognition of the strategic input and assistance provided by Lukas during the period, the committee and board were of the view that it was equitable to pay Lukas the above exit payment.

SIGN-ON PACKAGE TO THE INCOMING CHIEF EXECUTIVE OFFICER

During the year, the group paid £25,000 (approximately €28,323) in relation to Morné Wilken's relocation. In addition, in order to secure the services of Morné on a full-time basis, the sum of £500,000 (approximately €564,250) was awarded and paid as recognition that he would forfeit in-the-money incentive scheme benefits by becoming chief executive officer of MAS. This amount is repayable on a pro-rata basis should he cease to be employed by the company from 1 January 2018 and accordingly £16,667 (approximately €18,809) (£500,000 (approximately

€564,250) divided by 30 months) is expensed monthly and recognised as a benefit paid to him.

TOTAL REMUNERATION

In line with the requirements of King IV, remuneration on a single figure basis paid to executive directors and prescribed officers during 2018 is disclosed below.

Single figure of remuneration:

Names		ACTUAL ¹⁰						ESTIMATED ¹¹		Total single figure of remuneration €
		Base Salary €	Fees ¹ €	Other benefits ² €	Cash Incentive ³ €	Qualifying distributions ⁶ €	Other ^{7,8} €	LTI reflected ^{4,5} €	Other ^{7,8} €	
Executive directors										
Morné Wilken	2018	178,432	10,000	28,323	—	—	113,290	—	450,960	781,005
	2017	—	20,000	—	—	—	—	—	—	20,000
Malcolm Levy	2018	—	—	—	—	—	—	—	—	—
	2017	117,656	—	—	85,290	—	—	—	—	202,946
Jonathan Knight ⁹	2018	198,258	—	—	—	30,257	—	—	—	228,515
	2017	199,010	—	—	85,290	36,341	—	—	—	320,641
Helen Cullen	2018	95,778	—	—	—	10,086	—	—	—	105,864
	2017	96,822	—	—	10,269	12,114	—	—	—	119,205
Lukas Nakos	2018	—	—	—	—	—	157,794	—	—	157,794
	2017	125,000	—	—	90,976	—	—	—	—	215,976

1. Morné Wilken earned non-executive director fees until he became an executive director with effect from 1 January 2018.

2. During the year, the group paid £25,000 (approximately €28,323) in relation to Morné Wilken's relocation.

3. Performance bonus linked to performance up to 31 December 2017, thereafter the participants moved to the share purchase scheme.

4. The 1st tranche of the SPP award made on 9 March 2017, which vests on 9 March 2018, has been included in the 2017 single figure of remuneration. The value was based on the 5 day VWAP of €15,527 as at 30 June 2017 and the outstanding balance of the loan relating to the 1st tranche at 30 June 2017.

5. The 2nd tranche of the SPP award made on 9 March 2017 which vests on 9 March 2019 has been included in the 2018 single figure of remuneration. The value was based on the 5 day VWAP of €12,932 as at 30 June 2018 and the outstanding balance of the loan relating to the 2nd tranche at 30 June 2018.

6. Net distributions relating to each participant's SPP shares received during the 2017 and 2018 financial years are only included in qualifying distributions for 2017 and 2018 respectively up to and including the year in which the underlying shares are recognised in the single figure table.

7. In order to secure the services of Morné Wilken on a full-time basis, the sum of £500,000 (approximately €564,250) was awarded and paid as recognition that he would forfeit in-the-money incentive scheme benefits by becoming CEO of MAS. This amount is repayable on a pro-rata basis on cessation of employment with the company from 1 January 2018 and accordingly £16,667 (approximately €18,809) (£500,000 (approximately €564,250) divided by 30 months) is expensed monthly and recognised as a benefit paid to him. Morné Wilken tendered his resignation and will continue employment until 14 December 2018, at which point £300,000 (approximately €338,550) will be repayable to the company.

8. During January 2018 the Board of Directors approved an exit payment of £140,000 (€157,794) to Lukas Nakos. This was in recognition of the strategic input Lukas gave during the period and the assistance provided in the CEO transition.

9. The figure in relation to Jonathan Knight relates to his services provided to MAS Real Estate Inc. for which he received a salary of €67,974 (2017: €68,232) plus the amount of €130,284 (2017: €130,778) which was paid to Corona Real Estate Partners Limited in relation to services provided to MAS Real Estate Inc. by Corona Real Estate Partners Limited under a services agreement.

10. This relates to remuneration which will not change in future periods.

11. Variable remuneration is an estimate of amounts which the executive director may be entitled to retain in the future. It may differ from the amount disclosed actually received by the executive director. The actual award received will be included in the schedule of unvested awards and cash flows on settlement in future periods.

Executive director, non-executive director and prescribed officer remuneration as prepared in terms of IFRS for the year ended 30 June 2018 is disclosed on page 156 in the annual financial statements.

SHAREHOLDING DISCLOSURES

As at 30 June 2018

Euro	Direct	Indirect	Associate	Total
Morné Wilken	284,039	—	—	284,039
Malcolm Levy	11,633	4,000,000	1,568,928 ²	5,580,561
Jonathan Knight	626,525	1,500,000	—	2,126,525
Ron Spencer	12,061	—	—	12,061
Gideon Oosthuizen	—	240,000 ¹	—	240,000
Jaco Jansen	—	—	—	—
Pierre Goosen	—	—	46,679 ²	46,679
Glynnis Carthy	—	—	—	—
Helen Cullen	14,936	500,000	—	514,936
	949,194	6,240,000	1,615,607	8,804,801

As at 30 June 2017

Euro	Direct	Indirect	Associate	Total
Lukas Nakos	85,143	5,000,000 ⁴	100,659 ³	5,185,802
Malcolm Levy	11,633	4,000,000	1,568,928 ³	5,580,561
Jonathan Knight	616,342	1,500,000	—	2,116,342
Ron Spencer	11,567	—	—	11,567
Gideon Oosthuizen	—	240,000 ¹	—	240,000
Jaco Jansen	—	—	—	—
Morné Wilken	61,804	250,280 ²	—	312,084
Pierre Goosen	—	—	44,766 ³	44,766
Glynnis Carthy	—	—	—	—
Helen Cullen	14,656	500,000	—	514,656
	801,145	11,490,280	1,714,353	14,005,778

1. Associate company

2. Associate family trust

3. Non-beneficial to director

4. 5,000,000 shares were forfeited and cancelled during the current period in respect of the share purchase scheme. Please refer to note 32 on page 141 of the annual financial statements.

There have been no changes in the shareholdings of the directors between year-end and the signature date of this report.

NON-BINDING ADVISORY VOTE

Shareholders will be requested to cast a non-binding advisory vote on the aforementioned Part 3 of this report at the upcoming annual shareholders' meeting.

NOMINATION ASPECTS OF THE COMMITTEE

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The committee is responsible for the following as set out in its terms of reference:

- Ensure that the formal and transparent process for the identification and appointment of directors to the board and the evaluation of its composition remains appropriate;
- Review the skills, knowledge and diversity of the board in light of changing business dynamics;
- Perform an annual performance assessment of the board and

individual directors;

- Ensure that formal succession plans are developed and implemented for executive and non-executive board members and senior management;
- Oversee the induction of any new directors and confirm that a programme of continuous professional development for existing directors is in place;
- Annually assess the independence status of non-executive directors to ensure their classification as independent has not been compromised or prejudiced in any way;
- Consider the performance and contribution of directors and instigate action plans where performance or contribution does not meet expectations;
- Consider the re-election of non-executive directors required to retire by rotation; and

- Find, and recommend to the board, a replacement for the chief executive officer when that becomes necessary.

PURPOSE

The purpose of the committee is to assess and ensure that the composition, skills, knowledge and diversity of the board are appropriate given the challenges and opportunities facing the business.

BOARD COMPOSITION

At year end there were eight directors on the board, of which five are non-executive. Four of the non-executive directors are independent.

Paul Osbourn and Werner Alberts joined the board on 7 September 2018. Paul Osbourn joined in an executive capacity and was appointed as chief financial officer on 2 October 2018. Paul is a Fellow of the Institute of

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

Chartered Accountants in England and Wales and comes with significant financial and corporate finance experience. Werner Alberts joined as an independent non-executive director. Werner is a qualified chartered accountant with over twenty-four years' experience in the finance industry and comes with a wealth of relevant experience and his appointment enhances the level of independent oversight on the board. Their biographies are included on pages 54 to 55.

The committee is satisfied with the performance, skills and competence of the board. An individual profile self-assessment of each board member and overall board culture review has recently been undertaken. This provides valuable insight on board dynamics and will assist to further enhance the functioning of the board and aid the evaluation of future appointees.

The interests of each independent non-executive director are monitored to ensure their independence is not compromised and a review with reference the requirements of King IV is conducted to ensure their independence remains. The committee is satisfied that Ron Spencer, Gideon Oosthuizen, Glynnis Carthy, Werner Alberts and Pierre Goosen remain independent in both character and judgement and comply with the independence requirements of King IV.

CONFLICTS OF INTEREST

Directors adhere to the conflicts of interest policy which is reviewed and approved on an annual basis and requires each director to submit a declaration of financial, economic and other interests that might affect their objectivity, at least annually and whenever a change occurs to such interests.

APPOINTMENT TERMS

All non-executive directors are provided with a letter of appointment setting out the terms of their appointment and their expected commitment to the role. Directors are not appointed for a fixed term but one third of the non-executive directors are required to retire by rotation each year and may offer themselves for re-election. An independent non-executive director holding office for

nine-years or more is subject to an independence assessment by the committee, following which any re-appointment can be recommended on a rolling one-year basis.

All directors are expected to attend board meetings of which there are at least three per annum, in addition to attendance at committee meetings of which they are a member. The board charter and the appointment letter permits a director to obtain independent advice in connection with their duties and MAS has directors and officers liability insurance in place that covers the full term of their appointment.

DIRECTORS' RE-ELECTION

One-third of the non-executive directors retire by rotation at the annual shareholders' meeting.

This year, Ron Spencer and Jaco Jansen retire by rotation. Both directors have made themselves available for re-election.

It is noted that Ron Spencer and Jaco Jansen have been on the board for nine-years. Both were evaluated by the committee as being competent directors and they dedicated sufficient time to discharge their responsibilities to the board and the committees on which they serve.

The committee further assessed the continuing independence of Ron Spencer due to his tenure of nine-years on the board and is satisfied that he remains independent in both character and judgement and complies with the independence requirements of King IV.

The committee therefore recommends Ron Spencer and Jaco Jansen for re-election. Due to Ron Spencer's existing tenure of nine-years, the committee recommends Ron's re-election for a period of one-year, at which point the board will reassess his continued independence as chairman of MAS.

CHIEF EXECUTIVE OFFICER

Morné Wilken, the current chief executive officer of the group, has resigned with effect from 14 December 2018. Morné and his family have not settled in the Isle of Man and as such Morné accepted an offer to become the chief executive officer of a listed property company based in South Africa. This gives him and his

family the opportunity to relocate back to South Africa. Upon Morné Wilken's departure, Malcolm Levy will act as interim CEO, until a permanent replacement has been appointed.

DEVELOPING PEOPLE AT MAS

The board recognises the importance of developing people and adding to the skills set on an ongoing basis. This is particularly relevant for succession planning in respect of senior positions in the group. Directors are also encouraged and supported to enhance and develop their skills and contribution to the board, for example, by completing the Institute of Directors programme.

PRIORITIES FOR THE YEAR AHEAD

In the 2019 year, the committee will review and assess the implementation of the remuneration policy and focus on the induction and integration of new members to the board.

CONSIDERATIONS OF THE COMMITTEE

This report has been prepared in accordance with the JSE Listings Requirements, Rules and Regulations of the Luxembourg Stock Exchange, King IV and other applicable regulation. The committee is satisfied that the independence and objectivity of the members has not been compromised in any way and that it has discharged its responsibilities during the period.

Pierre Goosen

Chair of the Remuneration and Nomination Committee

REPORT OF THE GOVERNANCE, SOCIAL AND ETHICS COMMITTEE



PIERRE GOOSEN

Governance, Social and Ethics Committee chair
(independent non-executive director)

OTHER MEMBERS

RON SPENCER

(independent non-executive director)

JONATHAN KNIGHT

(Executive director)

As Chair of the Governance, Social and Ethics Committee (GSEC or committee), I am pleased to present the committee's report for the year ended 30 June 2018.

The Governance Committee was expanded in December 2017 to the GSEC and this report provides an overview of how the committee is governed, its responsibilities and how the committee discharged its duties during the year.

KEY FOCUS AREAS

The committee spent time this year concentrating on the impact and integration of King IV to the business. A full review of MAS' board charter, committee terms of reference, policies and frameworks was undertaken during the year to ensure compliance with King IV. In addition, it rolled out new codes of ethics and conduct for three important components of the organisation, being directors, employees and suppliers. These codes, together with the statement on modern slavery have been successfully disseminated throughout the group and key suppliers' terms are updated on an ongoing basis to ensure continued compliance with the code and the statement.

The committee oversees the appropriateness of the King IV application register, which was a key exercise undertaken during the year. The committee also reviewed the composition and mandate of its community investment working group and the changes made have provided more autonomy to employees with regard to decision-making on specific charitable projects.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The committee is responsible for:

- Oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships;

- Oversight of compliance with applicable laws, rules, codes and standards;
- Reviewing recommendations concerning any changes with regard to compliance with the JSE Listings Requirements, the Rules and Requirements of the Luxembourg Stock Exchange and King IV on corporate governance;
- Reviewing and developing the group's Corporate Governance Framework;
- Oversight of the codes of ethics and conduct for the board, employees and suppliers and policies including conflicts of interest, whistleblowing and share dealing;
- Reviewing processes and policies around activities in the workplace generally and in property development;
- Reviewing the health and safety protocols to ensure they are appropriate throughout the business;
- Reviewing the employee handbook and ensuring that the employee policies, procedures, welfare and training are appropriate to demonstrate ethical leadership, performance and behavior at work;
- Oversight of the corporate social responsibility and charitable giving policies; and
- Ensuring that a stakeholder-inclusive approach to governance is adopted to enhance stakeholder communication and engagement.

COMPOSITION

The committee comprises two independent non-executive directors and one executive director. All committee members collectively have sufficient qualifications and experience to fulfil their duties. The committee is required to meet at least once a year. During the six-month period since its formation to 30 June 2018 the committee held two meetings. Attendance at the meetings was as follows:

DIRECTOR	GOVERNANCE, SOCIAL AND ETHICS COMMITTEE ATTENDANCE		%
Pierre Goosen	●●	100%	
Ron Spencer	●●	100%	
Jonathan Knight	●●	100%	

REPORT OF THE GOVERNANCE, SOCIAL AND ETHICS COMMITTEE

The committee's key areas of focus at each of the meetings were as follows:

DATE	MEETING
13 March 2018	<ul style="list-style-type: none"> - Review of the Corporate Governance Framework - Consideration of the King IV compliance register - Review of the updated board charter - Review UK modern slavery statement - Consideration of applicability of B-BBEE compliance requirements - Conflict of interest register review - Report on health and safety compliance audit - Charitable giving working group report and budget setting - Engagement with shareholder analysis experts with a view to improving shareholder communication and insight
25 April 2018	<ul style="list-style-type: none"> - Update committee terms of reference - Commission appointment of external King IV analysis expert - Review codes of ethics and conduct for directors, employees and suppliers - Review declarations of interest policy, guidance and consider combination of regulatory registers - Review report on subsidiary governance

KING IV READINESS AND IMPLEMENTATION

King IV readiness has been a primary focus for the committee since formation and external experts were engaged to assess and address any perceived gaps between the application of King III and King IV. The committee has overseen the implementation of the King IV application register, which is available on the company's website www.masrei.com.



ESTABLISHING AN ETHICAL CULTURE

In working towards demonstrating compliance with King IV, the board introduced codes of ethics and conduct, for directors, employees and suppliers, on the recommendation of the committee. These codes underpin the high standards of behaviour and interaction expected throughout the business and in all dealings with third party suppliers. The tone and ethical culture stems from the top and the board, acting through the committee, ensure that this culture is encouraged and maintained. Increasing the awareness of the content of the codes and aligning the expectation of behaviour from leadership through to employees and suppliers has been a focus of MAS during the last 6 months.

SUSTAINABILITY IN DEVELOPMENT AND RESPONSIBLE MANAGEMENT

With activities in the workplace and health and safety matters forming part of its responsibilities, the committee commissioned an audit of site health

and safety, engaging with an external consultant to oversee and assist MAS with the development of policies and procedures in this area for dissemination throughout our offices and property sites. The next stage of this project is well under way, and the committee receives regular reports regarding compliance with the health and safety protocols.

Acting with integrity is one of MAS' core values and ethical sourcing and ethical practices are fundamental to the business. MAS recognises that economic and other factors increase the risk of modern slavery, particularly in supply chains. MAS is committed to taking steps to reduce the risk of modern slavery and human trafficking and in this regard the committee has developed a Modern Slavery Statement which is available on the company's website at www.masrei.com. The statement explains the assessment undertaken, the actions already carried out and those to be progressed within the next 12 months, which include reaching out to partners to ensure that ethical standards are aligned.



The Investment Committee agrees the standards for the development activities within the group and the committee has tasked the Investment Committee with devising a sustainability framework to overlay the policy in respect of ethical and responsible development and property ownership.

RESPONSIBLE CORPORATE CITIZENSHIP

The committee oversees the working group established by the company to implement the community investment and charitable giving projects. It receives reports on progress and initiatives at every meeting and sets the annual budget. During the year projects included the continuation of the commitment to the Ikhyala le Themba community project in South Africa, together with participation and contributions to a variety of causes in the Isle of Man and the UK, such as the local foodbank, breast cancer support group, sepsis awareness, special care baby unit, homelessness, a charity for teenagers undergoing long-term medical care and a national charity offering practical help for those paralysed by spinal cord injury. It was pleasing to note the personal involvement of many employees in these endeavours.

STAKEHOLDER RELATIONSHIPS

Relationship capital is one of the five key capitals of MAS. The committee oversees how the business manages its stakeholder relationships, including inter alia, with its shareholders, regulatory bodies, employees, tenants and suppliers. The board recognises the importance and value of these relationships and the committee, on behalf of the board, monitors how these relationships are governed and nurtured.

The committee receives regular reports from the executive team and recommends policy enhancements where deemed necessary. Important initiatives for 2018 included the focus on suppliers' adherence to the code of conduct and Modern Slavery Statement and enhancing communication and alignment with shareholders, by engagement with investors relations experts and with a global shareholder analysis services provider. Investors' perception of overall governance within the business is particularly important to MAS and the committee has been actively involved with improving governance scores and ratings during the year by direct liaison with shareholders and third party analysts.

COMPLIANCE AND SUBSIDIARY GOVERNANCE

The monitoring of subsidiary compliance across the group was a

key focus this year and resulted in quarterly status reporting to the board on inter alia, statutory, tax and financial compliance. The committee approved a briefing paper and guidance on subsidiary governance and this has been, and continues to be, disseminated throughout the group as well as to third party services providers, setting the standard of governance and corporate compliance, both internally and with relevant suppliers. The intention is to develop this further in the next 12 months by introducing risk rated and specific spotlight corporate reviews.

Oversight of legal and regulatory compliance continues to be a principal responsibility of the committee and any amendments that could impact on the group are reported to the committee at each meeting or more frequently if necessary.

PRIORITIES FOR THE YEAR AHEAD

The committee's key areas of focus for the year ending 30 June 2019 are:

- Enhanced shareholder communication and engagement
- Focused health and safety audits
- Establishment of a sustainability framework to overlay the policy covering property development and ownership
- Implementation of enhanced subsidiary governance review programme

CONCLUSION

The committee is satisfied that it has discharged its duties under its terms of reference from the board.

Pierre Goosen

Chair of the Governance, Social and Ethics Committee

Uberior House, Edinburgh, United Kingdom



ANNUAL FINANCIAL STATEMENTS 2018

Nova Park, Gorzów, Poland





Premier Inn at New Waverley,
Edinburgh, United Kingdom

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB, the JSE Listings Requirements, the Rules and Regulations of the Luxembourg Stock Exchange and applicable legal and regulatory requirements of the BVI Business Companies Act 2004.

The financial statements are required by law to give a true and fair view of the state of affairs of the group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with International Financial Reporting Standards as issued by the IASB;
- Comply with JSE Listing Requirements and the Rules and Regulations of the Luxembourg Stock Exchange; and
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume the group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's transactions and disclose, with reasonable accuracy at any time, its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAS REAL ESTATE INC.

OPINION

We have audited the consolidated financial statements of MAS Real Estate Inc. and its subsidiaries (the "Group") set out on pages 94 to 166, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the MAS Real Estate Inc. as at 30 June 2018 and its consolidated performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as issued by the IASB.

BASIS FOR OPINION

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the Auditor's responsibilities for the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITOR, KPMG AUDIT LLC, TO THE SHAREHOLDERS OF MAS REAL ESTATE INC. (CONTINUED)

VALUATION OF INCOME-GENERATING INVESTMENT PROPERTY (€546.2M) 2017: €494.5M

Refer to note 17 for the significant accounting judgements, estimates and assumptions to the consolidated financial statements, which includes the accounting policies

THE RISK	OUR RESPONSE
<p>SIGNIFICANT ESTIMATE</p> <p>The Group's investment property portfolio, comprises of income-generating property, development property and landbanks. The income-generating investment property portfolio ("the investment portfolio"), makes up 47% of total assets by value and is considered to be the key driver of the Group's capital and revenue performance.</p> <p>The valuation of the group's income-generating investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.</p> <p>A property's valuation takes into account property-specific information such as occupancy rates, estimated rental value, risk adjusted discount rates and comparable transactions.</p> <p>Due to the significance of the income-generating investment property portfolio to the financial statements and the complexity and significant judgement applied by the directors in the valuation models, the valuation of the income-producing investment property portfolio was considered a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <p>CONTROL DESIGN:</p> <ul style="list-style-type: none"> - Evaluating controls over the valuation process. <p>TEST OF DETAILS:</p> <ul style="list-style-type: none"> - Obtaining details of each property held by the Group and setting an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the investment yields used by the directors' independent external valuation expert with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. - Verifying, on a sample basis, the accuracy of the property information supplied to the directors' independent external valuation expert by management. - Assessing the competence, capabilities and objectivity of the directors' independent external valuation expert by understanding the scope of their engagement and evaluating their qualifications; <p>BENCHMARKING ASSUMPTIONS:</p> <ul style="list-style-type: none"> - Involving our own internal valuation specialist in critically assessing the methodology used in the valuation of investment property and evaluating if it has been prepared on a comparable basis with the requirements of International Financial Reporting Standards (IFRS), as issued by the IASB; - Challenging the key assumptions used by the directors' independent external valuation expert, by benchmarking them against externally available data. This included evaluating the reasonableness of the occupancy rates, estimated rental value and risk adjusted discount rates, by comparing the discount rates used to available industry data and historical information taking into account entity specific risks. <p>ASSESSING TRANSPARENCY:</p> <ul style="list-style-type: none"> - Assessing the presentation and disclosure in respect of the income generating investment property portfolio held in the consolidated financial statements and considering whether all significant judgements, including observable and unobservable inputs, were adequately disclosed.

VALUATION OF INVESTMENT IN EQUITY ACCOUNTED INVESTEE (€23.8M) 2017: €20.2M AND PREFERENCE SHARES (€ 105M) 2017: €101.1M.

Refer to notes 20 and 29 to the consolidated financial statements, which includes the accounting policies

THE RISK	OUR RESPONSE
<p>SIGNIFICANT ESTIMATE</p> <p>The Group owns a 40% equity interest in PKM Development Limited and has also invested €100m in the entity by way of preference shares. The activity of this entity is the development of commercial investment property in Romania. A decline in the valuation of investment property would deplete the equity interest prior to impacting the recoverability of the preference share receivable.</p> <p>The valuation of commercial investment property in Romania is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.</p> <p>Due to the aggregate exposure to the equity accounted investee and the complexity and significant judgement applied in the valuation of commercial investment property in Romania, the valuation of the equity accounted investee and the valuation of the investment in preference shares was considered a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <p>TEST OF DETAILS:</p> <ul style="list-style-type: none">- Verifying the Group's 40% ownership in the equity accounted investee by inspecting the agreement between the Group and other equity holders of the investee;- Verifying the Group's €100m investment in preference shares of the equity accounted investee by inspecting the relevant agreements between the Group and the investee.- Obtaining details of each property held by the equity accounted investee in Romania and setting an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market in Romania;- Carrying out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the directors' independent external valuation expert by management of the equity accounted investee; <p>BENCHMARKING ASSUMPTIONS:</p> <ul style="list-style-type: none">- Involving our own internal valuation specialist in Romania in critically assessing the methodology used in the valuation of investment property of the equity accounted investee and evaluating if it has been prepared on a comparable basis with the requirements of International Financial Reporting Standards (IFRS), as issued by the IASB;- Challenging the key assumptions used by the management of the equity accounted investee independent external valuation expert, by benchmarking them against externally available data. This included evaluating the reasonableness of the occupancy rates, estimated rental value and risk adjusted discount rates, by comparing the discount rates used to available industry data and historical information taking into account entity specific risks. <p>ASSESSING TRANSPARENCY:</p> <ul style="list-style-type: none">- Assessing the presentation and disclosure in respect of the equity accounted investee and preference shares in the consolidated financial statements and considering whether all significant judgements were adequately disclosed.

REPORT OF THE INDEPENDENT AUDITOR, KPMG AUDIT LLC, TO THE SHAREHOLDERS OF MAS REAL ESTATE INC. (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all other information included in the Integrated Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the IASB, and for such internal controls as the directors determine is necessary to enable the preparation of consolidated financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternatives but to do so.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Nicholas

for and on behalf of KPMG Audit LLC

Statutory Auditors

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man

IM99 1HN

26 October 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Rental income	5	37,452,513	27,032,238
Service charge income and other recoveries	7	5,954,048	4,550,190
Revenue		43,406,561	31,582,428
Service charge and other property operating expenses	8	(11,073,518)	(7,598,036)
Net rental income		32,333,043	23,984,392
Sales of inventory property		26,020,940	—
Cost of sales of inventory property	18	(21,704,016)	—
Profit on sales of inventory property	6	4,316,924	—
Other income	11	8,585,032	—
Corporate expenses	12	(4,946,973)	(3,498,209)
Investment expenses	9	(1,976,096)	(281,061)
Net operating income		38,311,930	20,205,122
Fair value adjustments	10	(15,800,127)	25,592,290
Foreign currency exchange differences	13	(1,020,787)	(4,684,895)
Share of profit from equity accounted investees, net of tax	20	3,568,925	178,397
Goodwill impairment	16	(1,274,346)	—
Profit before finance costs		23,785,595	41,290,914
Finance income	14	7,975,558	1,207,196
Finance costs	14	(5,560,344)	(2,238,497)
Profit before tax		26,200,809	40,259,613
Current tax	15	(5,556,002)	(1,741,449)
Deferred tax	15	(1,311,385)	(3,942,153)
Profit for the year		19,333,422	34,576,011
Attributable to:			
Owners of the parent		16,856,306	33,587,948
Non-controlling interest	27	2,477,116	988,063
Profit for the year		19,333,422	34,576,011
Basic earnings per share (euro cents)	37	2.92	8.43
Diluted earnings per share (euro cents)	37	2.92	8.43

The notes on pages 99 to 166 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Profit for the year		19,333,422	34,576,011
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign operations – foreign currency translation differences	26	(1,207,816)	(5,371,692)
Total comprehensive income for the year		18,125,606	29,204,319
Attributable to:			
Owners of the parent		15,648,490	28,216,256
Non-controlling interest	27	2,477,116	988,063
Total comprehensive income for the year		18,125,606	29,204,319

The notes on pages 99 to 166 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

Euro	Note	As at 30 June 2018	As at 30 June 2017
<i>Non-current assets</i>			
Investment property	17	579,212,345	564,291,928
Intangible assets	16	22,592,493	23,967,355
Investment in equity-accounted investees	20	23,774,222	20,205,297
Financial assets	29	105,394,992	101,134,245
Property, plant and equipment		485,620	560,019
Deferred tax asset	15	607,179	758,055
Financial investments	19	183,052,263	—
Total non-current assets		915,119,114	710,916,899
<i>Current assets</i>			
Financial assets	29	24,507,316	66,097
Inventory property	18	1,293,501	—
Investment property held for sale	23	53,588,444	6,336,915
Trade and other receivables	21	16,148,333	8,707,035
Cash and cash equivalents	22	147,825,624	33,017,502
Total current assets		243,363,218	48,127,549
Total assets		1,158,482,332	759,044,448
<i>Equity</i>			
Share capital	24	829,250,399	557,556,273
Geared share purchase plan shares	24	(12,863,010)	(21,056,010)
Retained earnings		48,616,712	55,888,038
Share-based payment reserve	25	1,031,739	225,973
Foreign currency translation reserve	26	(11,768,119)	(10,560,303)
Equity attributable to owners of the parent		854,267,721	582,053,971
Non-controlling interest	27	2,527,202	988,063
Total equity		856,794,923	583,042,034
<i>Non-current liabilities</i>			
Interest-bearing borrowings	28	214,407,455	141,751,953
Financial liabilities	30	1,696,005	1,670,086
Deferred tax liability	15	6,139,373	4,998,374
Total non-current liabilities		222,242,833	148,420,413
<i>Current liabilities</i>			
Interest-bearing borrowings	28	28,305,652	5,461,444
Financial liabilities	30	36,121,577	11,211,990
Trade and other payables	31	14,733,264	10,816,762
Provisions		284,083	91,805
Total current liabilities		79,444,576	27,582,001
Total liabilities		301,687,409	176,002,414
Total shareholders' equity and liabilities		1,158,482,332	759,044,448
Ordinary shares in issue	24	637,493,798	467,366,299
IFRS Net Asset Value per share (euro cents)		134.0	124.5

The notes on pages 99 to 166 form part of these consolidated financial statements.

These consolidated financial statements were approved by the Board and signed on 26 October 2018 on their behalf by:

Ron Spencer
Chairman

Malcolm Levy
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Share capital	Geared share purchase plan shares (treasury shares)	Retained earnings	Share-based payment reserve	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Balance at 30 June 2016		378,530,556	—	27,503,007	—	(5,188,611)	400,844,952	—	400,844,952
<i>Comprehensive income for the year</i>									
Profit for the year		—	—	33,587,948	—	—	33,587,948	988,063	34,576,011
Other comprehensive income		—	—	—	—	(5,371,692)	(5,371,692)	—	(5,371,692)
Total comprehensive income for the year		—	—	33,587,948	—	(5,371,692)	28,216,256	988,063	29,204,319
<i>Equity transactions</i>									
Share-based payment reserve	25	—	—	—	225,973	—	225,973	—	225,973
<i>Transactions with the owners of the parent</i>									
Issue of shares	24	192,292,442	(21,056,010)	—	—	—	171,236,432	—	171,236,432
Distributions	24	(13,266,725)	—	(5,202,917)	—	—	(18,469,642)	—	(18,469,642)
Total other transactions with the owners of the parent and non-controlling interests		179,025,717	(21,056,010)	(5,202,917)	—	—	152,766,790	—	152,766,790
Balance at 30 June 2017		557,556,273	(21,056,010)	55,888,038	225,973	(10,560,303)	582,053,971	988,063	583,042,034
<i>Comprehensive income for the year</i>									
Profit for the year		—	—	16,856,306	—	—	16,856,306	2,477,116	19,333,422
Other comprehensive income		—	—	—	—	(1,207,816)	(1,207,816)	—	(1,207,816)
Total comprehensive income for the year		—	—	16,856,306	—	(1,207,816)	15,648,490	2,477,116	18,125,606
<i>Equity transactions</i>									
Share-based payment reserve	25	—	—	—	805,766	—	805,766	—	805,766
<i>Transactions with the owners of the parent</i>									
Issue of shares	24	295,836,210	—	—	—	—	295,836,210	—	295,836,210
Shares forfeited and cancelled	24	(8,193,000)	8,193,000	—	—	—	—	—	—
Distributions	24,27	(15,949,084)	—	(24,127,632)	—	—	(40,076,716)	(937,977)	(41,014,693)
Total other transactions with the owners of the parent and non-controlling interest		271,694,126	8,193,000	(24,127,632)	—	—	255,759,494	(937,977)	254,821,517
Balance at 30 June 2018		829,250,399	(12,863,010)	48,616,712	1,031,739	(11,768,119)	854,267,721	2,527,202	856,794,923

The notes on pages 99 to 166 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Cash generated from operating activities	22	34,900,798	20,478,405
<i>Adjustments:</i>			
Decrease in receivables		1,029,613	2,557,048
(Decrease)/increase in payables		(904,406)	2,520,565
Increase in provisions		192,278	—
Finance income received - interest on preference shares	14	3,602,861	—
Tax paid on operating activities	15	(3,434,495)	(1,066,198)
Net cash from operating activities		35,386,649	24,489,820
<i>Investing activities</i>			
Acquisition of investment property	17	(79,650,439)	(156,414,516)
Capitalised expenditure on investment property	17	(13,167,161)	(21,900,594)
Settlement of investment property acquisition retentions		(225,000)	(3,318,865)
Proceeds from the sale of investment property	17	24,057,746	7,999,160
Capitalised expenditure on investment property held for sale	23	(1,149,597)	—
Proceeds from the sale of investment property held for sale	23	7,353,427	—
Expenditure on inventory property		(17,676,966)	—
Proceeds from sale of inventory property		17,571,371	—
Acquisition of subsidiary net of cash acquired		—	(61,326,012)
Acquisition of PKM preference shares	29	—	(100,000,000)
Capitalised transaction costs of equity-accounted investee	20	—	(35,184)
Acquisition of property, plant and equipment		(25,627)	(34,425)
Capitalised expenditure on intangible assets		(78,679)	(222,519)
Proceeds from the sale of financial investments	19	—	47,045,042
Acquisition of financial investments	19	(199,557,215)	—
Finance cost paid - Interest incurred on bank deposits	14	(332,222)	(6,830)
Finance income received - interest earned on bank deposits	14	4,223	72,951
Settlement of financial liability		(1,093,000)	(3,327,225)
Settlement of financial asset		66,097	—
Tax paid on investing activities	15	(1,541,766)	—
Cash used in investing activities		(265,444,808)	(291,469,017)
<i>Financing activities</i>			
Proceeds from the issue of share capital	24	279,917,834	157,984,909
Proceeds from interest-bearing borrowings	28	104,067,925	111,657,786
Transaction costs relating to interest-bearing borrowings	28	(1,431,560)	(2,168,837)
Repayment of capital on interest bearing-borrowings	28	(7,350,266)	(7,098,329)
Finance cost paid - interest on interest-bearing borrowings	14,28	(4,435,102)	(2,470,916)
Distributions paid		(25,096,317)	(5,202,917)
Cash generated from financing activities		345,672,514	252,701,696
Net increase/(decrease) in cash and cash equivalents		115,614,355	(14,277,501)
Cash and cash equivalents at the beginning of the year		33,017,502	47,997,978
Effect of movements in foreign exchange rate fluctuations on cash held		(806,233)	(702,975)
Cash and cash equivalents at the end of the year	22	147,825,624	33,017,502

The notes on pages 99 to 166 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. CORPORATE INFORMATION

The Company is domiciled in the British Virgin Islands. These financial statements as at, and for the year ended, 30 June 2018 comprise the consolidated financial statements of the group.

MAS is a real estate investment group with a portfolio of real estate investments across Europe. The group aims to deliver sustainable and growing distributions to shareholders over time.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB, the JSE Listings Requirements, the Rules and Regulations of the Luxembourg Stock Exchange and applicable legal and regulatory requirements of the BVI Business Companies Act 2004.

BASIS OF MEASUREMENT

These consolidated financial statements are prepared on the historical cost basis except for the following items that are measured on the fair value basis:

- Financial instruments classified as at fair value through profit or loss FVTPL, refer to notes 29 and 30;
- Financial investments, refer to note 19;
- Share-based payments, refer to 25;
- Investment property, refer to note 17; and
- Investment property held for sale, refer to note 23

The group uses observable market data as far as it is available to measure the fair values of assets and liabilities. Fair values are categorised into different levels in a fair value hierarchy based upon the inputs used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Where the inputs used in the valuation technique fall into more than one category in the fair value hierarchy, the asset or liability is categorised into the lowest level input that is significant in the valuation of that asset or liability.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

USE OF JUDGEMENT AND ESTIMATION UNCERTAINTY

The board has made judgements, estimates and assumptions that affect the application of the group's accounting policies and the reported amounts in the financial statements. The directors continually evaluate these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based upon historical experience and on other factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions.

The key areas of judgement are:

- *Whether the acquisition of an investment property is a business combination:* The group applies judgement to the acquisition of investment property to determine whether the acquisition is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 'Business Combinations'. The acquisitions during the year were not business combinations as the group did not acquire the strategic management. For property acquisitions refer to note 17.
- *Sales of inventory property:* Once a sale agreement contract is negotiated and a sale of investment property is agreed, the group assesses whether it is a continuous-sale transaction or a sale of goods transaction. The judgement is based on the terms and conditions of the sale agreement, which are comparable to the criteria set out in IFRIC 15 'Agreements for the Construction of Real Estate' and IAS 18 'Revenue', notwithstanding that the sale of inventory property is not income that arises in the ordinary activities of the group, refer to note 18.
- *Preference shares – PKM Developments:* The group is required to make judgements whether there is objective evidence that the preference shares may be impaired. The group has concluded there is no objective evidence that the preference shares are impaired, refer to note 29.

The key areas of estimation uncertainty are:

- *Investment property and Investment property held for sale:* External property valuation experts or, where relevant, firm offers from market participants are used to determine the fair value of investment property. The external property valuation experts use recognised valuation techniques and apply the principles of IFRS 13: Fair Value Measurement. The significant methods and assumptions used by the valuers in estimating fair value are set out in notes 17 and 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

2. BASIS OF PREPARATION (CONTINUED)

USE OF JUDGEMENT AND ESTIMATION UNCERTAINTY (CONTINUED)

- *Loan commitments:* The group committed to acquire PKM Developments preference shares, refer to note 20. Judgements are made to assess the market related rate of these loan commitments. The group applies judgement in reviewing the loan commitments made and determined that the cost of funding the loan commitment is lower than the rate to be charged; accordingly the loan commitment is neither onerous nor impaired.
- *Continuous-sale transaction:* The group entered into an agreement to dispose of the land that is designated for offices at New Waverley in Edinburgh, Scotland to Legal & General and to develop the office on a forward funding basis for Legal & General. The transaction has been accounted for as a continuous-sale transaction and the following assumptions have been made to estimate the costs of completion to determine the amounts of revenue recognised:
 - Construction costs; and
 - Stage of completion.

The significant methods and assumptions are set out in note 18.

- *Financial instruments:* In determining the fair value of financial instruments and financial investments measured at fair value through profit or loss, the group is required to make estimations of unobservable inputs in determining fair value. The significant methods and assumptions used in estimating fair value are set out in note 30.

PRESENTATION CURRENCY

These consolidated financial statements are presented in euro which is the group's presentation currency.

3. ADOPTION OF NEW AND REVISED STANDARDS

The group adopted the following amendments to standards:

Amendments/improvements to standards and interpretations adopted	Description
IAS 7 (Amendments) 'Statement of Cash Flows'	- Disclosure initiatives
IAS 12 (Amendments) 'Income taxes'	- Recognition of deferred tax assets for unrealised losses
IFRS 12 (Amendments) 'Disclosure of Interests in Other Entities'	- Clarification of scope

There has been no impact on the numbers reported or to the disclosures as a result of the adoption of the amendments to these standards.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Below is a summary of amendments/improvements to standards and interpretations that are not yet effective and were not early adopted:

Amendments/improvements to standards and interpretations not yet effective	IASB effective for annual periods beginning on or after
IFRS 9 (2014) 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IAS 40 - 'Amendment to Clarify Transfers of Property to, or from, Investment Property'	1 January 2018
IFRS 16 'Leases'	1 January 2019

IFRS 9 (2014) - 'FINANCIAL INSTRUMENTS'

The group early adopted IFRS 9 (2013) in the financial year ended 30 June 2015. The changes to IFRS 9 (2014) relate to the impairment model, which is based on the premise of recognising expected credit losses and will apply to financial assets measured at amortised cost, fair value through other comprehensive income and loan commitments. The standard requires financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date to recognise 12-month expected credit losses, being the expected credit losses that result from default events that are possible within 12 months after the reporting date.

At 30 June 2018 the group held the following financial instruments that are in the scope of the impairment model: financial assets at amortised cost; cash and cash equivalents; and trade and other receivables (except prepayments). The group has assessed the potential impact resulting from the amendments and does not expect there to be any impact at this time as credit risk has not increased significantly since initial recognition and is assessed to be low, and no 12-month expected credit loss is likely. The group will adopt the new standard for the reporting period ending 30 June 2019.

IFRS 15 - 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

The standard applies to all contracts with customers except for: lease contracts, financial insurance contracts, financial instruments and non-monetary exchanges between entities in the same business.

The majority of the group's income is rental income from leases, which are in the scope of IAS 17 and will not be affected by the change in this standard.

The sale of certain assets will be affected by the change in the standard. The accounting treatment for these sales has been considered under the existing IAS 18 and IFRIC 15 as well as the new IFRS 15 standards. The same conclusions have been made. It has been concluded that revenue will be recognised over a period of time using the input method as the measure of progress - with the performance obligations being the sale of the land and the development of the building.

The group will adopt the new standard for the year ending 30 June 2019.

IAS 40 - AMENDMENT TO CLARIFY TRANSFERS OF PROPERTY TO, OR FROM, INVESTMENT PROPERTY

The amendment clarifies whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there is evidence of a change in use.

The group has assessed the impact of adopting the amendment to IAS 40 in respect of transfer to and from investment property and does not expect any impact.

The group will adopt the new amendment for the year ending 30 June 2019.

IFRS 16 - 'LEASES'

The standard applies to all lease contracts. The changes require lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, substantially unchanged from IAS 17.

The group has a number of small leases in the scope of the new standard which are required to be recognised as right-of-use assets with corresponding lease liabilities in the group's statement of financial position. The impact is deemed to be immaterial.

The group will adopt the new standard for the year ending 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

4. SIGNIFICANT GENERAL ACCOUNTING POLICIES

For specific accounting policies please refer to the corresponding notes.

FINANCIAL INSTRUMENTS

i. FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss. Financial assets are recognised when the group becomes party to the contractual terms of the asset.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets are classified as financial assets at amortised cost only if both the following criteria are met: the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is the consideration for the time value of money and credit risk associated with the principal amount outstanding.

Financial assets classified as financial assets at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

DERECOGNITION OF FINANCIAL ASSETS

The group derecognises a financial asset when the contractual terms of the asset expire.

IMPAIRMENT

A financial asset measured at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that an incurred loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as either a direct impairment against the financial asset or in the case of trade and other receivables, in an allowance account against trade and other receivables. Interest on the impaired asset continues to be recognised to the extent that it is probable that the interest will be collected.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is classified as fair value if it does not meet either criteria for classification of a financial asset at amortised cost. The group initially recognises these financial assets at fair value at the trade date and attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss in the period in which they occur.

ii. FINANCIAL LIABILITIES

The group classifies its financial liabilities into the following categories: financial liabilities at amortised cost and financial liabilities at fair value through profit or loss. Financial liabilities are recognised when the group becomes party to the contractual terms of the liability.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities are classified as financial liabilities at fair value if they are: financial liabilities that are held for trading; derivative financial instruments; financial liabilities designated as fair value; financial liabilities that arise when a transfer of a financial liability does not qualify for derecognition or when the continuing involvement applies; financial guarantees; and commitments to provide loans at a below-market interest rate.

The group may elect to designate financial liabilities as financial liabilities at fair value that would otherwise meet the criteria to be classified as a financial liability at amortised cost, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise if the financial liability were measured at amortised cost.

The group initially recognises financial liabilities at fair value at trade date and attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss in the period in which they occur.

FINANCIAL LIABILITIES AT AMORTISED COST

All financial liabilities are classified as financial liabilities at amortised cost unless they meet the criteria for classification as financial liabilities at fair value through profit or loss.

These financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION OF FINANCIAL LIABILITIES

The group derecognises a financial liability when the contractual obligations of the liability expire, for example when the obligation specified in the contract is discharged, cancelled or expires.

BORROWING COSTS

Interest-bearing borrowings are allocated to either specific or general borrowings. Specific or general borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. These are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

EMPLOYEE COSTS

Employee benefits comprise the total costs of employment to the group, mainly consisting of; salary, annual leave, employment taxes, and the current expense in relation to the geared share purchase plan. These short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

5. RENTAL INCOME

ACCOUNTING POLICY

Rental income from investment properties leased out under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental income on a straight-line basis over the term of the lease. The term of the lease is the non-cancellable period together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, there is reasonable certainty that the tenant will exercise that option.

Turnover rent is contingent on the underlying performance of the tenant, as such it is recognised as incurred.

DISCLOSURE

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Rental income	35,461,317	25,322,178
Turnover rent	1,991,196	1,710,060
	37,452,513	27,032,238

Rental income derived from the following tenants represents more than 10% of the group's rental income and is included within the income-generating segment of the group:

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Edeka MIHA AG	5,837,967	5,316,024

The future aggregate minimum rental receivable under non-cancellable operating leases, excluding turnover based and contingent rent is as follows:

Euro	As at 30 June 2018	As at 30 June 2017
No later than 1 year	39,501,963	34,403,438
Greater than 1 year and less than 5 years	135,874,939	116,200,143
Greater than 5 years	182,238,453	190,513,803
	357,615,355	341,117,384

6. PROFIT ON SALES OF INVENTORY PROPERTY

ACCOUNTING POLICY

When the group enters into a contract to sell completed property, revenue is recognised when the significant risks and rewards of ownership are transferred from the group. Where the terms of the contract represent a continuous transfer of work in progress to the purchaser, revenue is recognised using the percentage of completion method as work progresses. Continuous transfer of work in progress is applied when:

- the land on which the property is being developed is owned by the purchaser;
- the buyer carries the risks and rewards of the incomplete property; and
- when the buyer cannot put the incomplete property back to the group.

The percentage of work completed is estimated based on the costs incurred to the end of the reporting period as a proportion of total costs expected to be incurred.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Sales of inventory property		26,020,940	—
Cost of sales of inventory property	18	(21,704,016)	—
	22	4,316,924	—

During the period a total profit of €4,316,924 in relation to inventory property was recognised, which derives from the pre-let agreement and disposal of land agreement for the office component of the New Waverley development, refer to note 18.

7. SERVICE CHARGE INCOME AND OTHER RECOVERIES

ACCOUNTING POLICY

The group's service charge income and other recoveries include service charges received under operating leases and income for the recovery of direct expenses paid by the group. The income is recognised in profit or loss in the period in which it is earned and incurred.

DISCLOSURE

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Service charge income	5,711,794	4,136,662
Other recoverable expenses	242,254	413,528
	5,954,048	4,550,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

8. SERVICE CHARGE AND OTHER PROPERTY OPERATING EXPENSES

ACCOUNTING POLICY

Service charge and other property operating expenses are expenses which are incurred in relation to the properties held by the group. These expenses comprise of direct expenses in relation to income-generating properties and indirect expenses in relation to development properties and land bank. These expenses are recognised in profit or loss in the period in which they are incurred.

Employee costs which relate to the operating of investment properties are also recognised in property operating expenses to the extent that they relate to income-generating property. They are capitalised where they relate to development property.

DISCLOSURE

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Property expenses	4,291,513	4,153,918
Building repairs and maintenance	1,773,243	1,371,218
Management expense	2,619,665	1,048,072
Marketing fees	827,768	138,207
Insurance expense	627,121	499,458
Legal fees	587,102	272,005
Other expenses	347,106	115,158
	11,073,518	7,598,036

9. INVESTMENT EXPENSES

ACCOUNTING POLICY

Investment expenses relate to expenses incurred in the process of acquiring investment property and listed real estate equity securities that cannot be capitalised. These expenses are recognised in profit or loss in the period in which they are incurred.

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Transaction fees on investment property	1,216,370	281,061
Transaction fees on listed real estate equity securities	759,726	—
	1,976,096	281,061

10. FAIR VALUE ADJUSTMENTS

ACCOUNTING POLICY

Fair value adjustments comprise:

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTY

Investment property is measured at fair value at the reporting date and changes therein are recognised within fair value adjustments in profit or loss in the period in which they occur, refer to note 17.

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale is measured at fair value at the reporting date under IAS 40 and changes therein are recognised within fair value adjustments in profit or loss in the period in which they occur, refer to note 23.

FAIR VALUE ADJUSTMENTS ON FINANCIAL INVESTMENTS

Financial investments held at fair value through profit or loss are measured at fair value at the reporting date and changes therein are recognised within fair value adjustments in profit or loss in the period in which they occur, refer to note 19.

FAIR VALUE ADJUSTMENTS ON FINANCIAL LIABILITIES

Financial liabilities held at fair value through profit or loss are measured at fair value at the reporting date and changes therein are recognised within fair value adjustments in profit or loss in the period in which they occur, refer to note 30.

FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS

Financial assets held at fair value through profit or loss are measured at fair value at the reporting date and changes therein are recognised within fair value adjustments in profit or loss in the period in which they occur, refer to note 29.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Fair value adjustments			
(Loss)/gain on fair value of investment property		(721,387)	36,763,196
Gain on fair value of investment property held for sale		2,766,206	786,795
Loss on fair value of financial investments		(16,504,952)	(4,569,026)
Gain on fair value of financial assets		350,585	—
Loss on fair value of financial liabilities		(1,690,579)	(7,388,675)
	22	(15,800,127)	25,592,290
Detailed as follows:			
Change in fair value of investment property			
Income-generating	17	13,439,408	19,437,659
Development	17	(4,559,691)	17,325,537
Land bank	17	(9,601,104)	—
		(721,387)	36,763,196
Change in fair value of investment property held for sale			
Investment property held for sale	23	2,766,206	786,795
		2,766,206	786,795
Change in fair value of financial investments			
Listed real estate equity securities	19	(16,504,952)	—
Sirius Real Estate Limited	19	—	(4,569,026)
		(16,504,952)	(4,569,026)
Change in fair value of financial assets			
Interest rate swaps	29	350,585	—
		350,585	—
Change in fair value of financial liabilities			
Interest rate swaps	30	(123,226)	769,594
Development management fee	30	(682,956)	(1,885,457)
Priority participating profit dividend	30	(884,397)	(6,272,812)
		(1,690,579)	(7,388,675)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

11. OTHER INCOME

ACCOUNTING POLICY

Other income includes dividend income from financial investments. Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Dividend income earned on financial investments	19	8,423,423	—
Other		161,609	—
		8,585,032	—

12. CORPORATE EXPENSES

ACCOUNTING POLICY

Corporate expenses are expenses incurred that are not directly related to property. These expenses are recognised in profit or loss in the period in which they are incurred.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Employee costs		2,526,935	1,759,997
Office and administration expenses		1,288,761	1,018,974
Legal and professional		374,986	175,199
Audit and accounting fees		352,282	171,139
Investor communications		176,886	226,385
Listing fees		127,097	118,651
Depreciation	22	100,026	27,864
		4,946,973	3,498,209

13. FOREIGN CURRENCY EXCHANGE DIFFERENCES

ACCOUNTING POLICY

Transactions in foreign currencies are translated into the presentation currency of the group at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated into the presentation currency at the rates prevailing at that date.

Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated at the rate at the date the fair value was determined. Non-monetary items that are measured based on the historical cost in a foreign currency are not translated.

Foreign currency differences are recognised in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in euros using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest. Such exchange differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Foreign currency exchange differences	22	1,020,787	4,684,895

The group has loans between group entities which are eliminated on consolidation. The translation differences arising on these intra-group loans are not eliminated and are recognised in profit or loss because they are not deemed to form part of the net investment in a foreign operation.

Where intra-group loans are denominated in the non-euro functional currency of the foreign operation and are from group entities with a euro functional currency, there is no translation difference recognised in profit or loss of the foreign operation. However, there is a translation difference recognised in profit or loss of the group entity with a euro functional currency. A translation difference on the foreign operation is recognised in other comprehensive income and accumulated in the foreign currency translation reserve when the intra-group loans of the foreign operation are translated into euros, the presentation currency of the group.

Exchange gains and losses arise from the revaluation of monetary assets and liabilities. It is not the policy of the group to hedge currencies held between euro, sterling, Swiss franc, Polish zloty and Bulgarian lev. As a result, translation differences arise predominantly from the intra-group loans to foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

14. FINANCE INCOME AND FINANCE COSTS

ACCOUNTING POLICY

Finance income and finance costs include the following:

- Interest income from financial assets held at amortised cost; and
- Interest expense from financial liabilities held at amortised cost

Finance income and costs are recognised using the effective interest method.

DISCLOSURE

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Finance income			
Interest earned on preference shares	29	7,514,384	1,134,245
Amortisation of capital contribution – asset	29	456,951	—
Interest earned on bank deposits		4,223	72,951
	22	7,975,558	1,207,196
Finance costs			
Interest on interest bearing borrowings	28	(4,771,171)	(2,231,667)
Amortisation of capital contribution – liability	30	(456,951)	—
Interest incurred on bank deposits		(332,222)	(6,830)
	22	(5,560,344)	(2,238,497)

The group received €3,607,084 (2017: €72,951) of finance income during the reporting period. The amount relates to €3,602,861 (2017: €nil) of finance income received from operating activities and €4,223 (2017: €72,951) of finance income received from investing activities.

The group paid €4,767,324 (2017: €2,477,746) of finance costs during the reporting period. The amount relates to €4,435,102 (2017: €2,407,916) of finance costs paid from financing activities and €332,222 (2017: €6,830) of finance costs paid from investing activities.

15. TAX

ACCOUNTING POLICY

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the reporting period plus/minus any adjustments to the tax payable or receivable in respect of previous years. It is measured using enacted or substantively enacted tax rates at the reporting date.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the fiscal values used for tax purposes, except for the following temporary differences which are not provided for:

- Those arising from goodwill not deductible for tax purposes;
- Those arising from the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and are not part of a business combination; and
- Those arising on investments in subsidiaries and associates where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. For purposes of calculating deferred tax on investment property there is a rebuttable presumption that the carrying amount is realised through sale.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

DISCLOSURE

CURRENT TAX

The company is domiciled in the BVI and is not subject to tax in that jurisdiction. Operating subsidiaries of the group, however, are exposed to tax in the jurisdictions in which they operate and, potentially, in the jurisdictions through which the subsidiary investment companies are held.

The group's taxation includes the following:

	Year ended 30 June 2018	Year ended 30 June 2017
Euro		
Current tax	5,556,002	1,741,449
Deferred tax expense	1,311,385	3,942,153
Tax expense	6,867,387	5,683,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

15. TAX (CONTINUED)

The current tax, including under/over-provisions in respect of earlier periods, for each jurisdiction is as follows:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Applicable rate (%)	Tax Euro	Applicable rate (%)	Tax Euro
Income tax				
UK – income tax	20.0	779,132	20.0	420,835
UK – corporation tax	19.0	2,394,030	19.0	—
Germany	15.8	210,255	15.8	623,902
Poland	19.0	66,792	19.0	194,812
Switzerland	26.8	23,683	26.8	—
Netherlands	20.0	25,689	20.0	—
Withholding tax				
Poland	5.0	(281,974)	5.0	448,612
UK	20.0	144,982	20.0	—
France	30.0	2,174,252	30.0	—
Sweden	15.0	55,170	15.0	—
Wealth tax				
Switzerland	0.2	19,490	0.2	5,944
Luxembourg	0.5	(55,499)	0.5	47,344
		5,556,002		1,741,449

The UK corporation tax relates to the following sales at New Waverley, refer to note 18:

- Tax on disposal of office land of €1,581,195.
- Tax on sale of inventory property of €812,835.

The group paid €4,976,261 (2017: €1,066,198) in total tax during the reporting period. The amount relates to €3,434,495 (2017: €1,066,198) for tax paid on operating activities and €1,541,766 (2017: €nil) for tax paid on investing activities.

RECONCILIATION OF DEFERRED TAX:

	Year ended 30 June 2018	Year ended 30 June 2017
Euro		
Net deferred tax liability brought forward	4,240,319	521,449
Current year deferred tax movement	1,311,385	3,942,153
Acquisition of subsidiary – deferred tax asset	—	380,711
Disposal of investment property	—	(178,924)
Foreign currency translation difference in OCI	(19,510)	(425,070)
Net deferred tax liability carried forward	5,532,194	4,240,319

The net deferred tax liability is split as follows:

	As at 30 June 2018	As at 30 June 2017
Euro		
Deferred tax asset	607,179	758,055
Deferred tax liability	(6,139,373)	(4,998,374)
Net deferred tax liability	(5,532,194)	(4,240,319)

The group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended 30 June 2018		Year ended 30 June 2017	
	%	Euro	%	Euro
Profit before tax		26,200,809		40,259,613
Tax using the company's domestic rate	0.0	—	0.0	—
Effect of tax rates in foreign jurisdictions	(22.5)	(5,894,358)	(4.3)	(1,741,449)
Over provision in respect of prior years	1.3	338,356	0.0	—
Current tax	(21.2)	(5,556,002)	(4.3)	(1,741,449)
Change in recognised deductible temporary differences				
Revaluation of investment property	1.9	488,574	(9.4)	(3,767,882)
Other temporary differences	(6.9)	(1,799,959)	(0.4)	(174,271)
Deferred tax expense	(5.0)	(1,311,385)	(9.8)	(3,942,153)
Net tax expense	(26.2)	(6,867,387)	(14.1)	(5,683,602)

The Isle of Man domestic tax rate of 0% was considered the most meaningful rate on the basis that the profits are earned across several jurisdictions and none of those jurisdictions dominates the group's portfolio.

The other temporary differences relate to timing differences between the tax base and the carrying amount of the assets due to depreciation allowable for tax purposes and unused tax losses.

There has been no change in the applicable tax rates. The primary reason for the increase in the effective tax rate from 14.1% to 26.2% is as a result of changes in the geographical mix of profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16. INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of net identifiable assets acquired and liabilities assumed.

Goodwill impairment reviews are undertaken at each reporting date or more frequently if events or changes in circumstances indicate a potential impairment. For impairment testing, assets are grouped together into the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of the CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised on a straight-line basis over a useful life of 10 years.

DISCLOSURE

	As at 30 June 2018	As at 30 June 2017
Euro		
Goodwill	22,292,997	23,744,836
Other intangible assets	299,496	222,519
	22,592,493	23,967,355

GOODWILL

	MAS Prop	New Waverley	Total
Euro			
Balance at 30 June 2016	23,901,016	1,361,802	25,262,818
Foreign currency translation difference in OCI	(1,436,155)	(81,827)	(1,517,982)
Balance at 30 June 2017	22,464,861	1,279,975	23,744,836
Foreign currency translation difference in OCI	(171,864)	(5,629)	(177,493)
Impairment	—	(1,274,346)	(1,274,346)
Balance at 30 June 2018	22,292,997	—	22,292,997

NEW WAVERLEY

The initial goodwill arising on New Waverley was allocated to the New Waverley development CGU and represented a portion of the estimated future value above the carrying amount of the New Waverley development. At acquisition the fair value of the New Waverley development could not be reliably determined. Accordingly, it was carried at cost. As construction progressed and a fair value became reliably determinable, the group measured the investment property in the New Waverley development CGU at fair value.

An impairment test was performed at 31 December 2017, as a result of the group fair valuing the investment property in the New Waverley development CGU. The carrying amount of the CGU, which included the goodwill, exceeded its recoverable amount, which resulted in all the goodwill attributable to the CGU being impaired.

An impairment of €1,274,346 (2017: €nil) was recognised as a result of the group's impairment test of the New Waverley goodwill.

The recoverable amount of the New Waverley goodwill was calculated using the fair value less costs to sell of the New Waverley business and is classified as level 3 in the fair value hierarchy. The majority of New Waverley net assets comprise investment property and investment property held for sale. The valuation techniques have been disclosed in note 17.

MAS PROP

No impairment loss was recognised as a result of the group's annual impairment test of goodwill in relation to MAS Prop (2017: €nil).

The recoverable amount of the MAS Prop CGU was based on the value in use, using a discounted cash flow methodology. Under the investment advisory agreement MAS Prop is entitled to a fee based upon the net asset value of the group. As a result of the significant growth in the group's net asset value, the cash flows over the remaining forecast period are substantially in excess of those originally forecast at the time of acquisition. Consequently, the value in use of the MAS Prop CGU is significantly higher than the carrying value of goodwill.

All cash flows in the value in use calculation were forecast for a period of 6 years (2017: 7 years) which is more than a 5 year projection as the cash flow forecasts are prepared for the remaining term of the pre-existing investment advisory agreement. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience adjusted for anticipated net asset growth of the group and increases in operating expenses.

The following key assumptions were used to estimate value in use calculations as follows:

Inputs	As at 30 June 2018	As at 30 June 2017
Pre-tax discount rate	6.49%	6.44%
Annual increase in revenue	2.00% – 3.00%	7.00% – 9.00%
Annual increase in operating expenses	2.00% – 4.00%	4.00% – 6.00%
Budgeted period	6 years	7 years

The key assumptions were derived from the following:

PRE-TAX DISCOUNT RATE

Derived from the weighted average cost of capital of MAS Prop.

ANNUAL INCREASE IN REVENUE

Derived from the operating budgets of MAS Prop.

ANNUAL INCREASE IN OPERATING EXPENSES

Derived from the operating budgets of MAS Prop.

BUDGETED PERIOD

Derived from the remaining term of the pre-existing investment advisory agreement.

No cash flows have been assumed beyond the budgeted period, and accordingly no growth is assumed beyond the forecast period. Management has determined that a reasonably possible change to the key assumptions would not result in an impairment.

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17. INVESTMENT PROPERTY

ACCOUNTING POLICY

Investment property comprises freehold land, leasehold land, buildings and installed equipment held for the purpose of earning rental income and for capital appreciation. Investment property also includes property under construction for future use as investment property and property which has a currently undetermined use.

Investment property is treated as a long-term investment and is initially recognised at cost (including related transaction costs unless acquired as part of a business combination). It is subsequently measured at fair value, with any changes therein recognised in profit or loss. Subsequent expenditure that produces future economic benefit to the group is capitalised.

Fair value is based on a number of assumptions and inputs utilising the below methods;

- *The market approach* is based on comparing the subject asset with identical or similar assets for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon.
- *The income approach* is based on capitalisation or conversion of present and predicted income (cash flows), which may take a number of different forms, to produce a single current capital value. Among the forms taken, capitalisation of a conventional market-based income or discounting of a specific income projection can both be considered appropriate depending on the type of asset and whether such an approach would be adopted by market participants.
- *The cost approach* is based on the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction.

External valuations, where applicable, are performed by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience of valuing that type and location of investment property.

Development property and land bank are initially recognised at cost and subsequently remeasured to fair value. The fair value of development property and land bank is not always reliably determinable due to the properties being in the early stages of construction or where construction has not yet begun. Where fair value cannot be reliably determined, but the group expects that the fair value will be reliably determinable when construction is further progressed, the group measures such properties at cost less impairment until such point in time that the fair value can be reliably determined. Where fair value cannot be reliably determined and there are indicators of impairment the recoverable amount is estimated. In this situation, the recoverable amount is determined using a value in use calculation, because the fair value less costs to sell cannot be reliably determined. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Any gains or losses arising from changes in fair value are included in profit or loss. Gains or losses arising from the disposal of investment property, being the difference between the net disposal proceeds and the carrying amount, are recognised in profit or loss.

DISCLOSURE

The group's investment property comprises income-generating property, development property and land bank:

Segment	Detail
Income-generating property	Property that is currently producing income and held for the purpose of earning a yield. There may be further asset management opportunities on these properties, which could further enhance income returns.
Development property	Property that is being developed in order to create income producing property held for the purpose of earning a better yield than by acquiring standing property.
Land bank	Residential developments and land plots held for schemes that have not yet commenced.

Euro	As at 30 June 2018			As at 30 June 2017		
	Fair value	Cost	Total	Fair value	Cost	Total
Income-generating property	546,238,139	—	546,238,139	494,519,173	—	494,519,173
Development property	—	—	—	26,413,036	3,668,759	30,081,795
Land bank	32,974,206	—	32,974,206	—	39,690,960	39,690,960
	579,212,345	—	579,212,345	520,932,209	43,359,719	564,291,928

As at 30 June 2018

Euro	Note	Income- generating	Development	Land bank	Total
Opening balance		494,519,173	30,081,795	39,690,960	564,291,928
Property acquisitions		80,123,500	—	—	80,123,500
Property disposals		—	(24,057,746)	—	(24,057,746)
Transfers			(3,434,151)	3,434,151	—
Capitalised expenditure		2,890,738	2,954,116	7,322,307	13,167,161
Capitalised interest on general borrowings		—	—	569,031	569,031
Transfer to investment property held for sale	23	(43,082,065)	—	(8,246,692)	(51,328,757)
Transfer to inventory property	18	—	(1,078,030)	—	(1,078,030)
Fair value adjustment	10	13,439,408	(4,559,691)	(9,601,104)	(721,387)
Foreign currency translation difference		(1,652,615)	93,707	(194,447)	(1,753,355)
Closing balance		546,238,139	—	32,974,206	579,212,345

As at 30 June 2017

Euro	Note	Income- generating	Development	Land bank	Total
Opening balance		242,625,172	22,430,253	41,940,654	306,996,079
Property acquisitions		156,414,516	—	—	156,414,516
Property acquired in business combinations		61,330,722	—	—	61,330,722
Capitalised acquisition costs		3,993,439	—	—	3,993,439
Property disposals		(7,737,076)	(262,084)	—	(7,999,160)
Transfers		24,786,917	(23,276,980)	(1,509,937)	—
Capitalised expenditure		840,436	15,407,910	1,658,809	17,907,155
Capitalised interest on general borrowings	28	—	447,749	121,549	569,298
Transfer to investment property held for sale	23	(2,180,000)	(115,378)	—	(2,295,378)
Fair value adjustment	10	19,437,659	17,325,537	—	36,763,196
Foreign currency translation difference		(4,992,612)	(1,875,212)	(2,520,115)	(9,387,939)
Closing balance		494,519,173	30,081,795	39,690,960	564,291,928

ACQUISITIONS

On 3 May 2018 the group acquired the entire issued share capital of New Uberior House Limited, which owns two adjoining commercial buildings known as Princes Exchange and New Uberior House in Edinburgh, United Kingdom. The acquisition price was €80,123,500 but the group paid €79,650,439 as the group retained €473,061, which will be released to the vendor conditional upon future rent reviews, refer to note 30. The fair value of the net assets acquired at acquisition were: Investment property €80,123,500; trade and other receivables €141,030; cash and cash equivalents €1,502,600; and trade payables €2,223,955. The acquisition was not accounted for as a business combination as the group did not acquire the strategic management of New Uberior House Limited.

INTEREST-BEARING BORROWINGS

Bank borrowings of €242,713,107 (2017: €147,213,397) are secured against investment property, refer to note 28. The group has designated bank borrowings drawn down in the period of €104,067,925 as general borrowings (2017: €111,657,786). During the reporting period interest costs on general borrowings of €570,385 (2017: €569,298), refer to note 28, have been capitalised and are included within land bank and inventory property, refer to note 18.

CAPITAL COMMITMENTS

The group has capital commitments of €64,866,015 (2017: €78,840,105) in respect of capital expenditures contracted for at the reporting date, refer to note 39. In addition, €118,800,000 has been committed for the purchase of investment property after the reporting date, refer to note 39.

RELATED PARTIES

The group has a development management arrangement with New Waverley Advisers, a related party, for the development and construction of the New Waverley site in Edinburgh. A cumulative development management fee of €4,701,505 (2017: €4,052,171) and priority participating dividend of €6,912,756 (2017: €6,078,256) have been recognised in relation to the New Waverley development, refer to note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

17. INVESTMENT PROPERTY (CONTINUED)

MEASUREMENT OF FAIR VALUES

VALUATION PROCESS FOR LEVEL 3 INVESTMENT PROPERTY

On an annual basis the fair value of investment property is determined, where applicable, by external independent property valuation experts or, where relevant, firm offers from market participants. External valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. For details of the respective valuers used refer to page 168.

For all investment properties their current use equates to the highest and best use. The external valuations received are initially reviewed by the relevant internal asset manager and compared to the expectation of what fair value would be for individual investment properties. If the asset manager agrees with the valuation, the valuation reports are then checked by the finance team to confirm their numerical and methodological accuracy. The reports are then passed to the Portfolio Management Committee and Investment Committee for approval. Lastly, the investment property valuations are reviewed by the Audit and Risk Committee prior to the finalisation of the financial statements.

FAIR VALUE HIERARCHY

The fair value measurement of all of the group's investment properties has been categorised as level 3 in the fair value hierarchy based upon the significant unobservable inputs into the valuation technique used.

As at 30 June 2018		Fair value		
Euro	Carrying amount	Level 1	Level 2	Level 3
Income-generating property	546,238,139	—	—	546,238,139
Land bank	32,974,206	—	—	32,974,206
	579,212,345	—	—	579,212,345
As at 30 June 2017		Fair value		
Euro	Carrying amount	Level 1	Level 2	Level 3
Income-generating property	494,519,173	—	—	494,519,173
Development property	26,413,036	—	—	26,413,036
	520,932,209	—	—	520,932,209

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

As at 30 June 2018

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income-generating property	<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	<ul style="list-style-type: none"> • Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • Expected market rental growth was higher/(lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
	<i>Purchase price:</i> The valuation model takes into account the recent acquisition price no earlier than three months before the reporting date, equivalent to the amount a third party would be willing to pay.	<ul style="list-style-type: none"> • Purchase price 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • The number of the interested parties was higher/(lower) and/or, • the availability of comparable properties was lower/(higher), thus altering the acquisition price
Land bank	<i>Firm offers less costs to complete:</i> Fair value is based on the amount a third party is willing to pay less any costs to complete.	<ul style="list-style-type: none"> • Firm offer • Cost to complete 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • The number of the interested parties was higher/(lower) and/or • the availability of comparable properties was lower/(higher), thus altering the offer price • The budgeted costs to complete was lower/(higher)
	<i>Residual value method:</i> The valuation model considers the gross development value of the property based on an independent view of market values for the completed development less any costs to complete.	<ul style="list-style-type: none"> • Cost to complete • Residential unit prices • Valuation yield • Funding yield 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • The budgeted cost to complete was lower/(higher) and/or • the residential unit prices was higher/(lower),

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

17. INVESTMENT PROPERTY (CONTINUED)

As at 30 June 2017

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income-generating property	<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	<ul style="list-style-type: none"> • Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Expected market rental growth was higher/ (lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
	<i>Capitalisation rate:</i> The valuation model considers the value of the property based on actual location, size and quality of the properties taking into account market data and the capitalisation rate of future income streams at the valuation date.	<ul style="list-style-type: none"> • Capitalisation rate • Market rent 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • the capitalisation rate was lower/(higher) • the passing rent was higher/ (lower) • the market rent was higher/ (lower)
Development property	<i>Firm offers:</i> The valuation model takes into account the amount a third party is willing to pay.	<ul style="list-style-type: none"> • Firm offer 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • The number of the interested parties was higher/(lower) and or, the availability of comparable properties lower/ (higher), thus altering the offer price

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2018

INCOME-GENERATING PROPERTY

Technique	Valuation	Significant unobservable inputs					
		Discount rate		Net rental growth		Reversionary discount rate	
		Input	Sensitivity	Input	Change	Input	Change
DCF	€466,114,639	4.50%-11.75%	0.5% -0.5%	€441,185,461	2.5% -2.5%	€499,013,575	0.5% -0.5%
		Purchase price		€489,817,223	€442,139,843	5.25%-9.50%	€519,673,413
		Input	Sensitivity			Input p.a.	Change
		€80,123,499	5%	€84,129,674		€34,178,897	10% -10%
		€76,117,324				€437,771,688	
		€546,238,139					

LAND BANK

Technique	Valuation	Firm offer			Costs to complete		
		Sensitivity		Input	Sensitivity		
		Change	Valuation		Change	Valuation	
Firm offers less costs to complete	€32,974,206	5%	€34,878,944	€38,094,775	5%	€32,718,177	
		-5%	€31,069,467		-5%	€33,230,234	

As at 30 June 2017

INCOME-GENERATING PROPERTY

Technique	Valuation	Significant unobservable inputs					
		Discount rate		Net rental growth		Reversionary discount rate	
		Input %	Sensitivity	Input %	Change	Input %	Change
DCF ¹	€417,844,894	4.75%-12.00%	0.50% -0.50%	€405,583,114	2.50% -2.50%	€433,652,067	0.50% -0.50%
		Capitalisation rate		€444,334,644	€414,046,319	4.42%-9%	€394,024,086
		Input %	Sensitivity			Input p.a.	Change
		4.25%-7.00%	0.50% -0.50%	€66,628,548	€83,572,828	31,461,564	10.00% -10.00%
		€76,674,279				€401,386,474	
		€494,519,173					

DEVELOPMENT PROPERTY

Technique	Valuation	Market offer		
		Sensitivity		Valuation
		Input	Change	
Market transaction	€26,413,036	€26,413,036	5% -5%	€27,733,687 €5,092,384

¹ DCF less costs to complete

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

18. INVENTORY PROPERTY

ACCOUNTING POLICY

Inventory property is measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to make the sale. The cost of inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

DISCLOSURE

Euro	Note	As at 30 June 2018	As at 30 June 2017
Opening balance		—	—
Development expenditure		21,918,133	—
Disposals (recognised in cost of sales of inventory property)	6	(21,704,016)	—
Transfer from investment property	17	1,078,030	—
General borrowings capitalised		1,354	—
Closing balance		1,293,501	—

On 13 July 2017 the group entered into a lease with the UK Government ("the Pre-let Agreement") for the office component of the New Waverley development in Edinburgh, Scotland ("the Pre-let Office"). The Pre-let Agreement encompasses a lease with a UK Government guarantee, for a term of 25 years commencing upon practical completion of the development.

Under the terms of the Pre-let Agreement, the group is obligated to pay £21,593,520 (approx. €24,368,287) for the office fit-out when the UK Government takes occupation of the Pre-let Office. This is referred to as the capital contribution to the UK Government in relation to the office fit-out ("capital contribution"). The group is also committed to granting the UK Government a rent-free period of 7 months.

On 17 October 2017, the group entered into an agreement to dispose of the office land at New Waverley to Legal & General ("Disposal of Land") and to develop the Pre-let Office on a forward-sold basis for Legal & General ("the Forward Funding Agreement"). In terms of the Forward Funding Agreement, the group has sold the rights and obligations of the Pre-let Agreement to Legal & General. Therefore, Legal & General has acquired the land, the Pre-let Agreement and the obligations for the rent-free period and the capital commitment from MAS and appointed MAS to develop the Pre-let Office under the Forward Funding Agreement. The Forward Funding Agreement provides for funds to be drawn down by the group, as developer, from Legal & General against development costs incurred. The group received £20,841,671 (€23,490,647) for the sale of the office land.

The amounts relating to the rent-free period and the capital contribution are included in the development costs and are funded by Legal & General under the Forward Funding Agreement subject to there being sufficient developer profits. Accordingly, the group has recognised:

- a financial liability of €24,507,316 due to the UK Government in respect of the capital contribution, refer to note 30; and a financial asset of €24,507,316 due from Legal & General in respect of the capital contribution, refer to note 29. The financial liability and financial asset have not been offset because the offsetting criteria in IAS 32 – Financial Instruments: Presentation, have not been met.
- a financial liability due to Legal & General in respect of the reimbursement of a pre-negotiated lease incentive, payable to the purchaser; and financial asset due from Legal & General in respect of the reimbursement. The financial liability and a financial asset have been offset because the offsetting criteria in 'IAS 32 – Financial Instruments: Presentation' have been met. The group expects to settle these financial instruments on a net basis under the terms of the Forward Funding Agreement.

The financial assets and financial liabilities referred to above have been discounted at a market related interest rate as they are only due upon practical completion. This has resulted in the recognition of finance income and finance expense as the amortisation of the capital contribution on financial assets and financial liabilities respectively, refer to note 14.

Although the Forward Funding Agreement is not a typical construction contract, the legal terms are such that the development project undertaken by the group on behalf of Legal & General represents a continuous transfer of work in progress to Legal & General. Accordingly, this aspect of the accounting for the Forward Funding Agreement has been determined by applying IAS 11 by analogy even though the contract is not part of the normal operations of the group. Income is recognised based on the stage of completion. The stage of completion is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction. Development expenditure incurred in respect of inventory property is recognised in profit or loss and classified as cost of sales of inventory property.

Included in the development costs in the Forward Funding Agreement is the land and buildings transaction tax ("LBTT") on the office land sale. The group is obliged to settle these costs with Legal & General on practical completion and may use the funding provided by Legal & General to do so, subject to there being sufficient developer profits. The financial liabilities due to Legal & General in respect of the LBTT have been offset by the financial asset due from Legal & General in respect of the funding available under the Forward Funding Agreement. The group expects to settle these financial instruments on a net basis under the terms of the Forward Funding Agreement.

19. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Financial investments have been classified as fair value through profit or loss under IFRS 9. Accordingly, they are measured at fair value at the reporting date with changes in fair value recognised in profit or loss.

Financial investment	As at 30 June 2018		
	Share price (Euro)	Number of shares	Fair value (Euro)
Eurocommercial Properties NV	36.36	497,333	18,083,028
Unibail – Rodamco Westfield SE	188.55	264,618	49,893,724
British Land Company PLC	7.60	1,625,000	12,350,045
Covivio SA	89.10	150,300	13,391,730
Hufvudstaden AB	12.28	1,083,000	13,295,975
Klepierre SA	32.25	1,626,364	52,450,239
Land Securities Group PLC	10.82	1,115,000	12,063,076
Mercialys SA	14.91	772,934	11,524,446
			183,052,263

There were no financial investments held as at 30 June 2017.

On 21 November 2017 the group invested in a portfolio of listed real estate equity securities in order to generate a return on euro deposits awaiting investment into new acquisition opportunities and avoid negative interest on euro cash deposits.

RECONCILIATION OF FINANCIAL INVESTMENTS AT FAIR VALUE

As at 30 June 2018

	Note	As at 30 June 2018	As at 30 June 2017
Euro			
Opening balance		—	51,614,068
Purchases		199,557,215	—
Disposal		—	(47,045,042)
Fair value adjustment	10	(16,504,952)	(4,569,026)
Closing balance		183,052,263	—

During the year dividend income of €8,423,423 (2017: €nil) was received and €8,423,423 (2017: €nil) was recognised as other income, refer to note 11.

The financial instrument and fair value disclosures are in notes 33 and 34.

FAIR VALUE HIERARCHY

The following table shows the carrying amount and fair value of the group's investments in the fair value hierarchy:

As at 30 June 2018

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Listed real estate equity securities	183,052,263	183,052,263	—	—
	183,052,263	183,052,263	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

20. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

ACCOUNTING POLICY

Equity accounted investees comprise investments in associates. Associates are entities in which the group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but does not result in control or joint control of those entities.

Interests in associates are initially recognised at cost including transaction costs. Subsequently, they are accounted for using the equity method. The group recognises its share of profit or loss and other comprehensive income of the associate from the date on which significant influence commences, until the date on which significant influence ceases.

The group's share of interest charge by the group to the associate and capitalised against qualifying assets that are not subsequently measured at fair value in the equity accounted investee is deducted from its share of earnings in the equity accounted investee.

Unrealised losses on transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

Interests in associates are assessed for impairment if there is an impairment indicator. An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

DISCLOSURE

Euro	As at 30 June 2018	As at 30 June 2017
PKM Developments	23,774,222	20,205,297

RECONCILIATION OF INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Euro	As at 30 June 2018	As at 30 June 2017
Opening balance	20,205,297	19,991,716
Share of profit, net of tax	3,568,925	178,397
	23,774,222	20,170,113
Capitalised acquisition costs	—	35,184
Closing balance	23,774,222	20,205,297

The group has an investment in PKM Developments Limited, a development property group which develops investment property predominately in Romania and other central and eastern European countries. PKM Developments is an associate of the group, MAS owns 40% of the ordinary shares and therefore has significant influence over the entity. The remaining 60% of the ordinary shares of PKM Developments are owned by Prime Kapital, who acts as the developer.

In addition to the investment in the ordinary shares, and the investment in PKM Developments 7.5% preference shares, the group intends to fund up to a further €250,000,000 over 3 years through the investment in additional 7.5% preference shares to be issued by PKM Developments, refer to note 39. The preference shares issued by PKM Developments are not considered to be part of the long-term interest that the group has in PKM Developments.

The following table summarises the financial information of PKM Developments as included in its own financial statements:

Euro	As at 30 June 2018	As at 30 June 2017
Statement of financial position – PKM Developments		
Non-current assets	138,511,061	48,139,879
Current assets	41,864,316	105,905,277
Total assets	180,375,377	154,045,156
Non-current liabilities	109,468,016	101,134,247
Current liabilities	9,311,602	2,544,687
Total liabilities	118,779,618	103,678,934
Net assets	61,595,759	50,366,222
Percentage ownership interest	40%	40%
Un-adjusted group share of net assets	24,638,304	20,146,489
Elimination of preference share interest capitalised on qualifying assets carried at cost	(922,890)	—
Net assets attributable to the group	23,715,414	20,146,489
Capitalised costs	58,808	58,808
Carrying amount	23,774,222	20,205,297

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Statement of profit or loss and other comprehensive income – PKM Developments		
Revenue	2,258,220	2,009
Fair value adjustments	16,372,691	—
Other income	2,128	284,363
Corporate expenses	(719,216)	(131,992)
Investment expenses	(2,601,061)	(1,235)
Finance income	144,260	190,867
Finance costs	(36,808)	(13,739)
Translation differences	(31,399)	115,719
Tax expense	(4,159,274)	—
Total profit	11,229,541	445,992
Percentage ownership interest	40%	40%
Total profit and other comprehensive income attributable to the group	4,491,816	178,397
Elimination of preference share interest capitalised on qualifying assets carried at cost	(922,891)	—
Group's share of profit	3,568,925	178,397

PKM Developments has no other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

21. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

The group's trade and other receivables include financial instruments and non-financial instruments. The financial instruments are classified as financial assets at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments. The non-financial instruments include prepayments and VAT.

DISCLOSURE

Euro	As at 30 June 2018	As at 30 June 2017
Receivable from sale of inventory property	8,470,911	—
Receivables from lessees	4,384,629	4,964,146
VAT receivable	1,141,499	947,766
Prepayments	1,009,668	854,941
Other	799,070	940,235
Dividends receivable	322,240	—
Property retentions held in escrow	20,316	500,000
Collateral receivable	—	499,947
	16,148,333	8,707,035

The receivable from sale of inventory property relates to the New Waverley development and comprises €4,132,645 relating to development costs receivable under the Forward Funding Agreement, which has been paid post year end, and €4,338,266 relating to profit receivable under the Forward Funding Agreement, which will be paid on completion of the development, refer to note 18.

The financial instrument and fair value disclosures are in notes 33 and 34.

22. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

The group's cash and cash equivalents are financial instruments and are classified as financial assets at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments

DISCLOSURE

Euro	As at 30 June 2018	As at 30 June 2017
Bank balances	147,825,624	33,017,502

The financial instrument and fair value disclosures are in notes 33 and 34.

RECONCILIATION OF CASH GENERATED FROM OPERATING ACTIVITIES:

Euro	Note	Year ended 30 June 2018	Year ended 30 June 2017
Profit for the year		19,333,422	34,576,011
<i>Adjustments for:</i>			
Depreciation	12	100,026	27,864
Share-based payment expense		805,766	245,419
Fair value adjustments	10	15,800,127	(25,592,290)
Exchange differences	13	1,020,787	4,684,895
Finance income	14	(7,975,558)	(1,207,196)
Finance costs	14	5,560,344	2,238,497
Share of profit from equity accounted investees	20	(3,568,925)	(178,397)
Goodwill impairment	16	1,274,346	—
Tax expense	15	6,867,387	5,683,602
Profit on sales of inventory property	6	(4,316,924)	—
Cash generated from operating activities		34,900,798	20,478,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

23. INVESTMENT PROPERTY HELD FOR SALE

ACCOUNTING POLICY

Investment property is classified as held for sale if it is highly probable that the carrying value of the property will be recovered primarily through its sale rather than through continuing use, and the following criteria are met:

- Management has intent and a plan to sell;
- The asset is available for immediate sale and an active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification as held for sale;
- The asset is being actively marketed for a reasonable sale price in relation to its fair value; and
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The measurement requirements of IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations', do not apply to investment property, as such investment property continues to be measured at fair value once transferred to investment property held for sale, in accordance with group's accounting policy for investment property.

DISCLOSURE

	As at 30 June 2018	As at 30 June 2017
United Kingdom		
- Hotel	42,528,044	1,137,200
- Retail	—	3,019,715
- Land bank	11,060,400	—
	53,588,444	4,156,915
Germany		
- Retail	—	2,180,000
	53,588,444	6,336,915

RECONCILIATION OF THE GROUP'S INVESTMENT PROPERTY HELD FOR SALE:

	Note	As at 30 June 2018	As at 30 June 2017
Opening balance		6,336,915	3,515,237
Transfer from investment property	17	51,328,757	2,295,378
Disposals		(7,353,427)	—
Capitalised expenditure		1,149,597	—
Retention release		(275,000)	—
Fair value adjustment	10	2,766,206	786,795
Foreign currency translation difference		(364,604)	(260,495)
Closing balance		53,588,444	6,336,915

MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

The fair value measurement of all the group's investment property held for sale has been categorised as level 3 in the fair value hierarchy based upon the significant unobservable inputs into the valuation technique used.

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

The table in note 17 shows the valuation techniques used in measuring the fair value of investment property and investment property held for sale, as well as the significant unobservable inputs used.

24. SHARE CAPITAL AND GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

ACCOUNTING POLICY

ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

The group's policy is to maintain a strong capital base to allow sustainable growth in the development of the group.

GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

Geared purchase plan shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. When geared share purchase plan shares are sold or issued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised within share capital.

DISCLOSURE

The ordinary share capital of the company has no par value. The reconciliation of share capital is as follows:

	Share capital		Geared share purchase plan shares (treasury shares)		Total	
	Number of Shares	Euro	Number of shares	Euro	Number of Shares	Euro
Balance at 30 June 2016	348,625,219	378,530,556	—	—	348,625,219	378,530,556
Issued during the period						
- Issue of share capital	108,974,358	157,984,909	—	—	108,974,358	157,984,909
- Geared share purchase plan shares	12,850,000	21,056,010	(12,850,000)	(21,056,010)	—	—
- Distributions reinvested	9,766,722	13,251,523	—	—	9,766,722	13,251,523
	480,216,299	570,822,998	(12,850,000)	(21,056,010)	467,366,299	549,766,988
Distributed during the year						
- Scrip distributions	—	(13,266,725)	—	—	—	(13,266,725)
Balance at 30 June 2017	480,216,299	557,556,273	(12,850,000)	(21,056,010)	467,366,299	536,500,263
Issued during the period						
- Issue of share capital	160,299,409	279,917,834	—	—	160,299,409	279,917,834
- Distributions reinvested	9,828,090	15,918,376	—	—	9,828,090	15,918,376
- Shares forfeited and cancelled	(5,000,000)	(8,193,000)	5,000,000	8,193,000	—	—
	645,343,798	845,199,483	(7,850,000)	(12,863,010)	637,493,798	832,336,473
Distributed during the year						
- Scrip distributions	—	(15,949,084)	—	—	—	(15,949,084)
Balance at 30 June 2018	645,343,798	829,250,399	(7,850,000)	(12,863,010)	637,493,798	816,387,389

On 28 September 2017 the group issued 77,541,988 shares at an issue price of €1.63 (ZAR25.50) as part of an accelerated book build, raising cash of €125,926,058. On 6 December 2017 a further 82,757,421 shares were issued by the group at an issue price of €1.90 (ZAR31.00) as part of a further accelerated book build, raising cash of €154,764,328. The group incurred expenses of €772,552 in relation to shares issued during the period, which were offset against share capital.

In the prior year on 29 July 2016 the group issued 25,641,026 shares at an issue price of €1.24 (ZAR19.50) as part of an accelerated book build, raising cash of €31,781,847. On 30 March 2017 a further 83,333,332 shares were issued by the group at an issue price of €1.53 (ZAR21.00) as part of a further accelerated book build, raising cash of €127,145,970. The group incurred expenses of €942,908 in relation to shares issued during the period, which were offset against share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

24. SHARE CAPITAL AND GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

GEARED SHARE PURCHASE PLAN SHARES

	As at 30 June 2018	As at 30 June 2017
Opening balance	12,850,000	—
Geared share purchase plan shares issued	—	12,850,000
Geared share purchase plan shares forfeited	(5,000,000)	—
Closing balance	7,850,000	12,850,000

On 15 June 2017 it was announced that Lukas Nakos, the former CEO, would be leaving the group. Lukas Nakos ceased to be a director on 31 December 2017, with a condition of his departure being his exit from the geared share purchase plan with no vesting of shares occurring, refer to note 32 for cancelled shares. On 24 April 2018, the group cancelled all of Lukas Nakos' 5,000,000 shares in relation to the geared share purchase plan. The shares were forfeited and cancelled in accordance with the terms of the rules of the MAS share purchase scheme.

Refer to note 36 for further information on the lump sum amount paid to Lukas Nakos.

Distributions on the geared share purchase plan shares are referred to in note 32.

DISTRIBUTIONS

The holders of the company's shares are entitled to distributions as declared and to one vote per share at general meetings of the company. Distributions of the company can be paid from retained earnings and share capital in accordance with the BVI Business Companies Act 2004.

The following distributions were paid by the group:

Year ended 30 June 2018

Euro	Scrip	Cash	Total	Distribution per share (euro cents)
11 November 2017	10,424,724	6,957,823	17,382,547	3.19
6 April 2018	5,524,360	17,169,809	22,694,169	3.58

Year ended 30 June 2017

Euro	Scrip	Cash	Total	Distribution per share (euro cents)
2 November 2016	7,994,090	352,016	8,346,106	2.23
30 March 2017	5,272,635	4,850,901	10,123,536	2.66

The directors are pleased to propose a final distribution to shareholders of 4.03 euro cents per share (2017: 3.19 euro cents per share).

25. SHARE-BASED PAYMENT RESERVE

ACCOUNTING POLICY

Refer to note 32 for the accounting policy for share-based payment arrangements.

DISCLOSURE

Reconciliation of geared share purchase plan:

Euro	As at 30 June 2018	As at 30 June 2017
Opening balance	225,973	—
Recognised during the year	902,386	319,248
Non-forfeitable distribution	(96,620)	(93,275)
	805,766	225,973
Closing balance	1,031,739	225,973

SHARE BASED PAYMENT ARRANGEMENTS

The remaining term of the loans at 30 June 2018 was 8.69 years (2017: 9.69 years).

Refer to note 36 for further disclosures of the share-based payment expense included in key management compensation and directors' remuneration.

26. FOREIGN CURRENCY TRANSLATION RESERVE

ACCOUNTING POLICY

Refer to note 13 for the accounting policy for foreign currency translation reserve.

DISCLOSURE

The group recognised a foreign currency translation loss of €1,207,816 (2017: €5,371,692 loss) resulting in a foreign currency translation deficit at the reporting date of €11,768,119 (2017: €10,560,303 deficit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

27. NON-CONTROLLING INTEREST

ACCOUNTING POLICY

The group recognises the non-controlling interests in the net assets of consolidated subsidiaries separately from the group's interest, within equity. Profits or losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

DISCLOSURE

Euro	As at 30 June 2018	As at 30 June 2017
Opening balance	988,063	—
Share of profit for the year	2,477,116	988,063
Distribution to NCI	(937,977)	—
Closing balance	2,527,202	988,063

The non-controlling interest relates to the participation by Prime Kapital in the co-investment venture entered into with the group. This co-investment arrangement is focused on investing in income-generating properties in CEE. Under the terms of the co-investment agreement, Prime Kapital's effective economic interest is equivalent to a 20% direct participation in the co-investment venture, less the interest cost on the participation funding that is provided by MAS. The effective interest on this participation funding is equivalent to the weighted average cost of external funding achieved by the co-investment venture.

During the period, Prime Kapital received a dividend of €937,977 (2017: €nil) in relation to its participation in the co-investment venture.

28. INTEREST-BEARING BORROWINGS

ACCOUNTING POLICY

The group's interest-bearing borrowings are financial instruments and are classified as financial liabilities at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

The carrying amount of the group's interest-bearing borrowings was as follows:

Euro	As at 30 June 2018	As at 30 June 2017
Non-current		
UK	50,650,037	30,284,516
German	108,187,711	103,478,073
Swiss	7,211,257	7,989,364
CEE	48,358,450	—
	214,407,455	141,751,953
Current		
UK	23,272,484	1,489,732
German	2,707,840	3,614,901
Swiss	337,116	356,811
CEE	1,988,212	—
	28,305,652	5,461,444
	242,713,107	147,213,397

The carrying value of interest-bearing borrowings approximates the fair value.

Included within current UK interest-bearing borrowing is €22,225,094 of debt which is associated with investment property classified as held for sale.

RECONCILIATION OF THE GROUP'S CARRYING AMOUNT OF INTEREST-BEARING BORROWINGS:

Euro	Note	As at 30 June 2018	As at 30 June 2017
Opening balance		147,213,397	44,578,595
Changes from financing cash flows		90,850,997	99,919,704
Proceeds from interest-bearing borrowings		104,067,925	111,657,786
Transaction costs related to interest-bearing borrowings		(1,431,560)	(2,168,837)
Repayment of interest-bearing borrowings		(7,350,266)	(7,098,329)
Interest paid		(4,435,102)	(2,470,916)
Finance costs		5,341,556	2,800,965
Finance costs – expense	14	4,771,171	2,231,667
Finance costs – general borrowings capitalised		570,385	569,298
Foreign currency translation difference		(692,843)	(85,867)
Closing balance		242,713,107	147,213,397

Interest from general borrowings of €570,385 (2017: €569,298) was capitalised during the year at a capitalisation rate of 2.60% (2017: 2.65%).

The financial instrument and fair value disclosures are in notes 33 and 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

28. INTEREST-BEARING BORROWINGS (CONTINUED)

FIXED AND VARIABLE DEBT

The group is subject to both fixed and variable interest rates on its interest-bearing borrowings:

	As at 30 June 2018	As at 30 June 2017
Euro		
Fixed/hedged debt	199,289,452	112,857,253
Floating rate debt	43,423,655	34,356,144
	242,713,107	147,213,397

SUMMARY OF INTEREST BEARING BORROWING TERMS AND COVENANTS

As at 30 June 2018

BORROWING TERMS

Jurisdiction	Currency	Weighted average remaining term of debt	Weighted average interest rate	Significant terms and conditions
UK				
- Floating/hedged debt	GBP	3.44 years	1.70% + 3M UK Libor ¹	<ul style="list-style-type: none"> - All loans were utilised to purchase properties or to invest in shares of property owning entities - Some loans have covenants - All loans are secured against specific properties
German				
- Fixed debt	EUR	7.09 years	1.87%	
Swiss				
- Hedged debt	CHF	7.00 years	1.29% + 3M Swiss Libor ¹	
CEE				
- Hedged debt	EUR	6.58 years	2.50%+12M Euro Libor ¹	

¹The group has entered into interest rate swaps to hedge some of the group's exposure to the applicable Libor, refer to note 29 and 30 for further information.

As at 30 June 2017

BORROWING TERMS

Jurisdiction	Currency	Weighted average remaining term of debt	Weighted average interest rate	Significant terms and conditions
UK				
- Floating debt	GBP	3.83 years	2.00% + 3M UK Libor ²	<ul style="list-style-type: none"> - All loans were utilised to purchase properties or to invest in shares of property owning entities - Some loans have covenants - All loans are secured against specific properties
German				
- Fixed debt	EUR	8.24 years	1.38%	
- Hedged debt	EUR	12.26 years	0.95% + 3M Euro Libor ²	
Swiss				
- Hedged debt	CHF	8.01 years	1.29% + 3M Swiss Libor ²	

²The group has entered into interest rate swaps to hedge some of the group's exposure to the applicable Libor, refer to note 29 and 30 for further information.

COVENANTS

The group was compliant with its loan covenants during the current and prior reporting periods.

29. FINANCIAL ASSETS

ACCOUNTING POLICY

The group's financial assets are classified as financial assets at amortised cost and financial assets at fair value through profit or loss. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Euro	Note	As at 30 June 2018	As at 30 June 2017
Non-current assets			
Preference shares – PKM Developments		105,045,768	101,134,245
Interest rate swap		349,224	—
		105,394,992	101,134,245
Current assets			
Forward currency contract		—	66,097
Capital contribution	18	24,507,316	—
		24,507,316	66,097
		129,902,308	101,200,342

PREFERENCE SHARES – PKM DEVELOPMENTS

In 2017, the group invested €100,000,000 to acquire 7.5% preference shares in PKM Developments. The preference share asset is held at amortised cost.

CAPITAL CONTRIBUTION

As described in note 18, a financial asset and corresponding financial liability have been recognised in respect of the capital contribution due from Legal & General, and due to the UK Government, under the terms of the Pre-Let Agreement. Both the financial asset and financial liability are held at amortised cost, refer to note 33.

INTEREST RATE SWAP

The group entered into an interest rate swap on 9 May 2018. The interest rate swap is held at fair value, with any changes in fair value recognised in profit or loss in the period in which it occurs.

RECONCILIATION OF THE GROUP'S FINANCIAL ASSETS HELD AT AMORTISED COST:

Euro	PKM Developments preference shares	Capital contribution	Total
Balance at 30 June 2016	—	—	—
Purchase of shares	100,000,000	—	100,000,000
Finance income	1,134,245	—	1,134,245
Balance at 30 June 2017	101,134,245	—	101,134,245
Capital contribution	—	24,052,119	24,052,119
Finance income	7,514,384	—	7,514,384
Distribution received	(3,602,861)	—	(3,602,861)
Finance income – amortisation of capital contribution	—	456,951	456,951
Foreign currency translation reserve	—	(1,754)	(1,754)
Balance at 30 June 2018	105,045,768	24,507,316	129,553,084

RECONCILIATION OF THE GROUP'S FINANCIAL ASSETS HELD AT FVTPL:

Euro	Note	Interest rate swaps
Balance at 30 June 2016		—
Balance at 30 June 2017		—
Fair value adjustment	10	350,585
Foreign currency translation difference in other comprehensive income		(1,361)
Balance at 30 June 2018		349,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

30. FINANCIAL LIABILITIES

ACCOUNTING POLICY

The group's financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Euro	Note	As at 30 June 2018	As at 30 June 2017
Non-current liabilities			
Interest rate swaps		1,222,944	1,170,086
Deferred consideration		473,061	500,000
		1,696,005	1,670,086
Current liabilities			
Capital contribution	18	24,507,316	—
Priority participating profit dividend	17	6,912,756	6,078,256
Development management fee	17	4,701,505	4,052,171
Interest rate swap		—	1,081,563
		36,121,577	11,211,990
		37,817,582	12,882,076

FINANCIAL LIABILITIES AT AMORTISED COST

CAPITAL CONTRIBUTION

As described in note 18, a financial liability and corresponding financial asset have been recognised in respect of the capital contribution due from Legal & General, and due to the UK Government, under the terms of the Pre-let Agreement. Both the financial asset and financial liability are held at amortised cost, refer to note 33.

DEFERRED CONSIDERATION

Where settlement of any part of cash consideration is deferred, deferred consideration is classified as a financial liability and is held at amortised cost. The amounts payable in the future are discounted to their present value if the impact of discounting is material.

During the year the group paid €225,000 of the deferred consideration in relation to Heppenheim Park. The remaining deferred consideration amount of €275,000 was released due to the vendor not completing the agreed retention works. The deferred consideration was originally recognised as part of the purchase price of the asset, and accordingly, the €275,000 release of the retention has been recognised as a fair value adjustment to investment property in profit or loss.

On the acquisition of Uberior House, the group retained a portion of the purchase price per the sale and purchase agreement, which will be released to the vendor conditional upon future rent reviews.

RECONCILIATION OF THE GROUP'S FINANCIAL LIABILITIES HELD AT AMORTISED COST:

Euro	Note	Deferred consideration	Capital contribution
Balance at 30 June 2016		2,203,865	—
Purchase price released		(1,703,865)	—
Balance at 30 June 2017		500,000	—
Purchase price released		(500,000)	—
Purchase price retained		473,061	—
Capital contribution	14	—	24,052,119
Finance cost – amortisation of capital contribution	14	—	456,951
Foreign currency translation reserve		—	(1,754)
Balance at 30 June 2018		473,061	24,507,316

FINANCIAL LIABILITIES AT FVTPL

RECONCILIATION OF THE GROUP'S FINANCIAL LIABILITIES HELD AT FVTPL:

Euro	Note	Interest rate swaps	Development management fee	Priority participating profit dividend
Balance at 30 June 2016		3,029,495	2,367,448	—
Fair value adjustment	10	(769,594)	1,885,457	6,272,812
Foreign currency translation difference recognised in other comprehensive income		(8,252)	(200,734)	(194,556)
Balance at 30 June 2017		2,251,649	4,052,171	6,078,256
Fair value adjustment	10	123,226	682,956	884,397
Foreign currency translation difference recognised in other comprehensive income		(58,931)	(33,622)	(49,897)
Settlement		(1,093,000)	—	—
Balance at 30 June 2018		1,222,944	4,701,505	6,912,756

FAIR VALUE HIERARCHY

The following table shows the carrying and fair value of the group's financial liabilities held at fair value in the fair value hierarchy:

As at 30 June 2018

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Non-current liabilities				
Interest rate swaps	1,222,944	—	1,222,944	—
	1,222,944	—	1,222,944	—
Current liabilities				
Development management fee	4,701,505	—	—	4,701,505
Priority participating profit dividend	6,912,756	—	—	6,912,756
	11,614,261	—	—	11,614,261

As at 30 June 2017

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Non-current liabilities				
Interest rate swaps	1,170,086	—	1,170,086	—
	1,170,086	—	1,170,086	—
Current liabilities				
Development management fee	4,052,171	—	—	4,052,171
Priority participating profit dividend	6,078,256	—	—	6,078,256
Interest rate swaps	1,081,563	—	1,081,563	—
	11,211,990		1,081,563	10,130,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

30. FINANCIAL LIABILITIES (CONTINUED)

INTEREST RATE SWAPS

The group has hedged some of the interest rate exposure on the interest-bearing borrowings using interest rate swaps, refer to note 28. These interest rate swaps are classified as FVTPL. Accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss. During the period the remaining Aldi store in the Aldi portfolio was sold, consequently the interest-bearing borrowings secured against the portfolio were repaid and the interest rate swap was settled on 6 July 2017.

DEVELOPMENT MANAGEMENT FEE AND PRIORITY PARTICIPATING PROFIT DIVIDEND

The group has a development management agreement with New Waverley Advisers and New Waverley Holdings ("the developer") under which a fee and a priority participating profit dividend is payable to the developer in relation to the development of the New Waverley site in Edinburgh, refer to note 17. Under the terms of the agreement, MAS is entitled to a 7.5% annualised preferred return on invested capital. The developer then earns one third of this annualised return and thereafter is entitled to a fee or profit dividend that together approximate 25% of any further development profit.

These financial liabilities were designated and classified on initial recognition as FVTPL. Accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss. There has been no change to the fair value of the financial liabilities as a result of the group's own credit risk.

LEVEL 2 FINANCIAL LIABILITIES

VALUATION TECHNIQUES AND UNOBSERVABLE INPUTS

The following table shows the valuation technique used to measure financial liabilities held at fair value as well as the unobservable inputs used for level 2 financial liabilities.

As at 30 June 2018 and 30 June 2017

Financial liability	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Interest rate swaps	The fair value is based on discounting future cash flows using the interest rate swap curves plus the historic charged credit margin at the dates when the cash flows will take place.	<ul style="list-style-type: none"> • 3-month EUR/GBP/CHF LIBOR • Swap rate • Notional loan value • Fixed rate of interest 	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> • 3-month Euro libor/Swiss libor was higher/ (lower) • Swap rate was lower/ (higher) • Notional loan value was lower/ (higher) • Fixed rate of interest was lower/ (higher)

LEVEL 3 FINANCIAL LIABILITIES

VALUATION PROCESS OF LEVEL 3 FINANCIAL LIABILITIES

The fair value of the level 3 financial liabilities in respect of New Waverley Advisers Limited and New Waverley Holdings Limited is calculated semi-annually. The investment property valuation process, refer to note 17, is part of this valuation process as the financial liability is derived from the fair value of New Waverley investment property.

VALUATION TECHNIQUES AND UNOBSERVABLE INPUTS

The following table shows the valuation technique used to measure financial instruments held at fair value as well as the significant unobservable inputs used for level 3 financial instruments:

As at 30 June 2018 and as at 30 June 2017

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Development management fee and priority participating profit dividend	<i>Gross development value:</i> Fair value is based on the value of the properties in the New Waverley development.	<ul style="list-style-type: none"> • Value of investment property 	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> • Value of investment property was higher/(lower)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2018

Financial liability	Technique	Valuation	Gross development value		
			Sensitivity		
			Input (Euro)	% Change	Valuation
Development management fee	Gross development value	4,701,505	46,457,049	+5.00	4,936,580
				-5.00	4,466,430
Priority participating profit dividend	Gross development value	6,912,756	46,457,049	+5.00	7,258,394
				-5.00	6,567,118

As at 30 June 2017

Financial liability	Technique	Valuation	Gross development value		
			Sensitivity		
			Input (Euro)	% Change	Valuation
Development management fee	Gross development value	4,052,171	40,521,708	+5.00	4,254,779
				-5.00	3,849,562
Priority participating profit dividend	Gross development value	6,078,256	40,521,708	+5.00	6,382,169
				-5.00	5,774,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

31. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

The group's trade and other payables include financial instruments and non-financial instruments. The financial instruments are classified as financial liabilities at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments. The non-financial instruments include: deferred income, income tax and VAT.

DISCLOSURE

The group's trade and other payables comprise:

	As at 30 June 2018	As at 30 June 2017
Euro		
Construction payables	4,551,993	1,229,375
Trade payables	4,524,420	6,722,430
Deferred income	1,904,870	854,603
Current tax payable	1,599,942	1,020,201
VAT payable	1,765,052	984,790
Other	386,987	5,363
	14,733,264	10,816,762

Construction payables relate to amounts owed to developers from the construction of the group's development properties. The financial instrument and fair value disclosures are in notes 33 and 34.

32. SHARE-BASED PAYMENT ARRANGEMENTS

ACCOUNTING POLICY

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. A corresponding increase is recognised in the share-based payment reserve.

Non-forfeitable distributions paid as part of the share-based payment awards are included within the fair value at the grant date of the share-based payment.

Options are forfeited if the employee leaves the group before the options vest.

DISCLOSURE

The group has two geared share purchase plans – a Salaried and a Non-Salaried purchase plan. In terms of these, the group granted participants a loan to acquire shares issued by the company. The loans accrue interest at the weighted average cost of debt of the group. If distributions are declared, the participants are entitled to distributions on all their shares, irrespective of vesting. A portion of any distribution received must be used to settle the interest that accrued on the loan. Recourse on the loans is limited to the value of the shares acquired plus any unpaid interest accrued, and the shares are pledged as security for repayment of the loan.

Salaried plan participants continue to receive basic salary and normal employment benefits from the group. The participants are entitled to retain the surplus of any distributions received on their shares less the cost of interest on the loans.

The non-salaried variant participant ceased to receive any remuneration or employment benefits from the group from 9 March 2017. The participant does not receive any distributions on the participants shares – instead the distributions are applied, firstly, to reduce the interest cost on the loans and, thereafter, to reduce the loan balance.

The key terms and conditions related to participation in the plans are as follows:

	Grant date	Shares				Initial term of loan	
		Number	Issue price	Vesting period	Vesting conditions	Interest rate	Initial term
Salaried variant	9 March 2017	3,850,000	€1.64	20% annually	Service until vesting dates	WACD of the group 2.60%	10 years
Non-salaried variant	9 March 2017	4,000,000	€1.64	15% annually for 4 years, and then 20% annually	Service until vesting dates	WACD of the group 2.60%	10 years
		7,850,000					

The total number of shares issued in relation to the geared share purchase plan is 7,850,000 (2017: 12,850,000) as at 30 June 2018. Since the grant date, 5,000,000 shares have been forfeited, refer to note 24.

The loans to acquire shares are, in substance, call options in terms of IFRS 2: 'Share-based Payments'. The options were valued at the grant date. The cost thereof is recognised over the vesting period as an employment benefit, with a corresponding increase in the share-based payment reserve. During the year €902,386 (2017: €319,248) was recognised in the share-based payment reserve in relation to the options, refer to note 25.

As the options relate to multiple service periods, the awards have a graded vesting pattern whereby each tranche relating to a particular service period is recognised as an expense in profit or loss over that service period.

MEASUREMENT OF FAIR VALUE

The fair value of the options of the Salaried and Non-salaried share option plans have been determined by using the Black-Scholes-Merton model. The participants' service related vesting conditions have not been considered in the valuation of the options. Instead, the expense has been recognised based on the group's estimate of shares that will eventually vest.

The valuation assumptions used to measure the grant date fair value of the options of the equity settled share-based payments were as follows:

Salaried and Non-salaried plan	As at grant date
Share price at grant date	€1.64
Exercise price	€2.10
Expected volatility	21.16%
Risk free rate	0.43%
Expected distribution	0.00%
Time to expiration	10 years
Fair value of option	€0.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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32. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

As participants are effectively entitled to distributions, or distribution equivalents, between grant date and exercise date, the options are valued as if no distributions will be paid on the underlying share. The input for expected distributions is accordingly zero. In addition, the interest on the loan effectively increases the exercise price of the option from €1.64 to €2.10.

Expected volatility has been based upon the evaluation of the company's historic volatility and market conditions to determine the future implied volatility of the company's share price over the term of the options in the geared purchase plans.

RECONCILIATION OF OUTSTANDING LOAN AND SHARES

The number of shares and the loan value of the employee incentive plans were as follows:

As at 30 June 2018

	Non-Salaried purchase plan			Salaried purchase plan		
	Number of shares	Weighted average share price	Weighted average loan per share	Number of shares	Weighted average share price	Weighted average loan per share
Opening outstanding balance	9,000,000	€1.5750	€1.6270	3,850,000	€1.5750	€1.6512
Forfeited	(5,000,000)	—	—	—	—	—
Interest	—	—	€0.0392	—	—	€0.0426
Interest repayment	—	—	(€0.0417)	—	—	(€0.0448)
Capital repayment	—	—	(€0.0260)	—	—	—
Share price movement	—	(€0.2667)	—	—	(€0.2667)	—
Closing outstanding balance	4,000,000	€1.3083	€1.5985	3,850,000	€1.3083	€1.6490
Exercisable	666,667	€1.3083	€1.5985	770,000	€1.3083	€1.6490

As at 30 June 2017

	Non-Salaried purchase plan			Salaried purchase plan		
	Number of shares	Weighted average share price	Weighted average loan per share	Number of shares	Weighted average share price	Weighted average loan per share
Opening outstanding balance	—	—	—	—	—	—
Granted	9,000,000	€1.6386	€1.6386	3,850,000	€1.6386	€1.6386
Interest	—	—	€0.0150	—	—	€0.0150
Interest repayment	—	—	(€0.0024)	—	—	(€0.0024)
Capital repayment	—	—	(€0.0242)	—	—	—
Share price movement	—	(€0.0636)	—	—	(€0.0636)	—
Closing outstanding balance	9,000,000	€1.5750	€1.6270	3,850,000	€1.5750	€1.6512
Exercisable	—	—	—	—	—	—

The remaining term of the loans as at 30 June 2018 was 8.69 years (2017: 9.69 years). The call options on the vested and unvested shares are out of the money at 30 June 2018.

Refer to note 36 for further disclosures of the share-based payment expense included in key management compensation and directors' remuneration.

33. ACCOUNTING CLASSIFICATION AND FAIR VALUES

As at 30 June 2018

Euro	Note	FVTPL				Amortised cost	Non-financial instruments	Total
		Level 1	Level 2	Level 3	Total FVTPL			
Financial assets								
Non-current financial investments	19	183,052,263	—	—	183,052,263	—	—	183,052,263
Non-current financial assets	29	—	349,224	—	349,224	105,045,786	—	105,394,992
Current financial asset	29	—	—	—	—	24,507,316	—	24,507,316
Trade and other receivables	21	—	—	—	—	13,997,166	2,151,167	16,148,333
Cash and cash equivalents	22	—	—	—	—	147,825,624	—	147,825,624
Financial liabilities								
Non-current financial liabilities	30	—	1,222,944	—	1,222,944	473,061	—	1,696,005
Non-current interest-bearing borrowings	28	—	—	—	—	214,407,455	—	214,407,455
Current financial liabilities	30	—	—	11,614,261	11,614,261	24,507,316	—	36,121,577
Current interest-bearing borrowings	28	—	—	—	—	28,305,652	—	28,305,652
Trade and other payables	31	—	—	—	—	9,463,400	5,269,864	14,733,264
		—	1,222,944	11,614,261	12,837,205	277,156,884	5,269,864	295,363,953

As at 30 June 2017

Euro	Note	FVTPL				Amortised cost	Non-financial instruments	Total
		Level 1	Level 2	Level 3	Total FVTPL			
Financial assets								
Non-current financial assets	29	—	—	—	—	101,134,245	—	101,134,245
Current financial assets	29	—	66,097	—	66,097	—	—	66,097
Trade and other receivables	21	—	—	—	—	6,404,381	2,302,654	8,707,035
Cash and cash equivalents	22	—	—	—	—	33,017,502	—	33,017,502
		—	66,097	—	66,097	140,556,128	2,302,654	142,924,879
Financial liabilities								
Non-current financial liabilities	30	—	1,170,086	—	1,170,086	500,000	—	1,670,086
Non-current interest-bearing borrowings	28	—	—	—	—	141,751,953	—	141,751,953
Current financial instruments	30	—	1,081,563	10,130,427	11,211,990	—	—	11,211,990
Current interest-bearing borrowings	28	—	—	—	—	5,461,444	—	5,461,444
Trade and other payables	31	—	—	—	—	7,957,167	2,859,595	10,816,762
		—	2,251,649	10,130,427	12,382,076	155,670,564	2,859,595	170,912,235

The group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables and payables and interest-bearing borrowings because their carrying amounts are a reasonable approximation of fair values. The disclosures for level 2 and level 3 can be found in the relevant note to each line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT

OVERVIEW

The group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market price risk
- Interest rate risk: fair value interest rate risk and cash flow interest rate risk
- Foreign exchange risk
- Credit risk

LIQUIDITY RISK – The risk that the group will encounter difficulty meeting its obligations associated with its financial liabilities that arises when the maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The group has internal procedures focused on ensuring the efficient but prudent use of cash and availability of working capital. The liquidity risk inherent in the business is mainly as a result of the tenant risk in the property portfolio. Should a tenant default, liquidity risk may result in the inability of the group to cover the interest and capital payments. As a result, adequate cash buffers are maintained, and tenant strength is reviewed on a continual basis. The group intends to invest up to a further €250,000,000 in PKM Developments, refer to note 39. The group has no significant concentration of liquidity risk on the basis that the group holds all cash and cash equivalents on demand.

The following are the contractual maturities, including interest payments:

As at 30 June 2018

Euro	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	39	242,754,299	30,103,744	160,807,972	—	433,666,015
- Investment property		118,800,000	—	—	—	118,800,000
- Inventory property		23,954,299	30,103,744	10,807,972	—	64,866,015
- Preference shares – PKM Developments		100,000,000	—	150,000,000	—	250,000,000
Interest-bearing borrowings		6,732,069	6,225,490	30,293,331	229,009,978	272,260,868
Trade and other payables		14,733,264	—	—	—	14,733,264
Financial instruments		—	36,121,577	473,061	1,222,944	37,817,582
- Current financial liabilities		—	36,121,577	—	—	36,121,577
- Non-current financial liabilities		—	—	473,061	—	473,061
- Non-current derivative financial instruments		—	—	—	1,222,944	1,222,944
		264,219,632	72,450,811	191,574,364	230,232,922	758,477,729

As at 30 June 2017

Euro	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	39	8,436,573	118,867,033	51,536,499	—	178,840,105
- Investment property		8,436,573	18,867,033	51,536,499	—	78,840,105
- Preference shares – PKM Developments		—	100,000,000	—	—	100,000,000
Interest bearing borrowings		4,898,417	3,604,308	21,278,990	138,679,395	168,461,110
Trade and other payables		10,816,762	—	—	—	10,816,762
Financial instruments		1,081,563	10,130,427	500,000	1,170,086	12,882,076
- Current financial liabilities		—	10,130,427	—	—	10,130,427
- Non-current financial liabilities		—	—	500,000	—	500,000
- Current derivative financial instruments		1,081,563	—	—	—	1,081,563
- Non-current derivative financial instruments		—	—	—	1,170,086	1,170,086
		25,233,315	132,601,768	73,315,489	139,849,481	371,000,053

MARKET PRICE RISK – The risk that the market price of an investment or financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates, market factors specific to the security or its issuer or factors generally affecting all such investments.

The risk to the group arises due to an imbalance between demand and supply for the relevant investments and financial instruments in the portfolio, which could potentially result in a disorderly market. The concentration of market risk is mitigated through the regular monitoring of the share price of financial investments.

The assets and liabilities affected by market price risk are as follows:

Euro	As at 30 June 2018	As at 30 June 2017
Assets		
Financial investments	183,052,263	—
Derivative financial instruments	349,224	66,097
	183,401,487	66,097
Liabilities		
Financial liabilities	11,614,261	10,130,427
Derivative financial instruments	1,222,944	2,251,649
	12,837,205	12,382,076

At 30 June 2018, if market prices at that date had been 5% (2017: 5%) higher/lower with all other variables held constant, post-tax profit for the year would have been €8,528,214 (2017: €729,023) higher/lower. This sensitivity analysis assumes that all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK – A significant part of the funding of the group's portfolio derives from debt. Debt is managed on an active basis, sometimes hedging against adverse movements in interest rates. Details of the hedging arrangements of the group are disclosed in note 29.

The carrying value of assets and liabilities affected by interest risk are as follows:

Euro	As at 30 June 2018					As at 30 June 2017				
	Fixed rate	Variable	No exposure	Non-financial instruments	Total	Fixed rate	Variable	No exposure	Non-financial instruments	Total
Assets										
Financial assets	349,224	24,507,316	—	105,045,768	129,902,308	—	—	66,097	101,134,245	101,200,342
Trade and other receivables	—	—	13,997,166	2,151,167	16,148,333	—	—	8,707,035	—	8,707,035
Cash and cash equivalents	—	147,825,624	—	—	147,825,624	—	33,017,502	—	—	33,017,502
	349,224	172,332,940	13,997,166	107,196,935	293,876,265	—	33,017,502	8,773,132	101,134,245	142,924,879
Liabilities										
Interest bearing borrowings	199,289,452	43,423,655	—	—	242,713,107	112,857,253	34,356,144	—	—	147,213,397
Financial instruments	1,222,944	24,980,377	11,614,261	—	37,817,582	2,251,649	500,000	10,130,427	—	12,882,076
- Derivative financial instruments	1,222,944	—	—	—	1,222,944	2,251,649	—	—	—	2,251,649
- Financial liabilities	—	24,980,377	11,614,261	—	36,594,638	—	500,000	10,130,427	—	10,630,427
Trade and other payables	—	—	14,733,265	—	14,733,265	—	7,951,805	2,864,957	—	10,816,762
	200,512,396	68,404,032	26,347,526	—	295,263,954	115,108,902	42,807,949	12,995,384	—	170,912,235

FAIR VALUE SENSITIVITY FOR FIXED-RATE INSTRUMENTS

The group does not account for any fixed rate interest bearing borrowings at fair value through profit or loss and the group does not designate derivative financial instruments as hedging instruments. Therefore, a change in interest rates on fixed rate interest-bearing borrowings would not affect profit or loss.

CASH FLOW SENSITIVITY FOR VARIABLE RATE INSTRUMENTS

At 30 June 2018, if interest rates at that date had been 25 basis points higher/lower (2017: 25 basis points) with all other variables held constant, post-tax profit for the year would have been €330,003 (2017: €49,106) lower/higher, arising mainly as a result of the higher/lower interest expense on variable borrowings. This sensitivity analysis assumes that all other variables remain constant.

FOREIGN EXCHANGE RISK – The group is exposed to currency risk because it holds both assets and liabilities denominated in currencies other than euro, the presentation currency. It is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

As at 30 June 2018 the group had the following currency exposures:

CURRENCY RISK EXPOSURES

	GBP	CHF	ZAR	USD	PLN	SEK	BGN
Closing exchange rate	0.8861	1.1569	16.0514	1.1658	4.3725	10.4560	1.9560

FINANCIAL INSTRUMENTS - ASSETS

Financial investments

Foreign currency	21,633,249	—	—	—	—	139,022,719	—
Euro equivalent	24,413,121	—	—	—	—	13,295,975	—

Financial instruments

Foreign currency	22,026,176	—	—	—	—	—	—
Euro equivalent	24,856,540	—	—	—	—	—	—

Trade and other receivables

Foreign currency	10,736,098	53,258	—	—	3,909,118	—	3,508,951
Euro equivalent	12,115,687	46,036	—	—	894,015	—	1,794,098

Cash and cash equivalents

Foreign currency	15,417,936	844,729	154,061	14,623	1,546,070	—	5,479,690
Euro equivalent	17,399,141	730,184	9,598	12,544	353,586	—	2,801,721

FINANCIAL INSTRUMENTS - LIABILITIES

Financial instruments

Foreign currency	32,427,681	1,054,990	—	—	1,359,909	—	—
Euro equivalent	36,594,639	911,933	—	—	311,011	—	—

Interest bearing borrowings

Foreign currency	65,513,444	8,732,500	—	—	—	—	—
Euro equivalent	73,931,921	7,548,373	—	—	—	—	—

Trade and other payables

Foreign currency	8,764,932	53,924	—	—	1,338,840	—	3,790,847
Euro equivalent	9,891,226	46,612	—	—	306,193	—	1,938,229

Total net financial (liability)/asset exposure

Foreign currency	(36,892,598)	(8,943,427)	154,061	14,623	2,756,439	139,022,719	5,197,794
Euro equivalent	(41,633,297)	(7,730,698)	9,598	12,544	630,397	13,295,975	2,657,590

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For the year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2017 the group had the following currency exposures:

CURRENCY RISK EXPOSURES

	GBP	CHF	ZAR	USD	PLN
Closing exchange rate	0.8794	1.0930	14.9254	1.1412	4.2265

FINANCIAL INSTRUMENTS - ASSETS

Financial instruments

Foreign currency	—	—	—	—	279,362
Euro equivalent	—	—	—	—	66,097

Trade and other receivables

Foreign currency	2,794,851	39,650	—	—	—
Euro equivalent	3,178,304	36,276	—	—	—

Cash and cash equivalents

Foreign currency	2,628,385	512,562	22,241	821	122
Euro equivalent	2,989,000	468,943	1,518	720	29

FINANCIAL INSTRUMENTS - LIABILITIES

Financial instruments

Foreign currency	10,783,254	1,278,922	—	—	—
Euro equivalent	12,262,716	1,170,086	—	—	—

Interest bearing borrowings

Foreign currency	27,952,244	9,122,500	—	—	—
Euro equivalent	31,787,292	8,346,175	—	—	—

Trade and other payables

Foreign currency	3,948,749	55,448	108,433	—	—
Euro equivalent	4,490,517	50,729	7,265	—	—

Total net (liability)/asset exposure

Foreign currency	(37,261,011)	(9,904,658)	(86,192)	821	279,484
Euro equivalent	(42,373,221)	(9,061,771)	(5,747)	720	66,126

As at 30 June 2018, if the euro had strengthened/weakened against other currencies used by the group with all other variables held constant, post-tax profit for the period would have been:

Euro	Movement	30 June 2018		30 June 2017	
		Profit or loss		Profit or loss	
		Strengthening	Weakening	Strengthening	Weakening
GBP	5%	2,081,665	(2,081,665)	2,114,749	(2,114,749)
CHF	5%	386,535	(386,535)	453,089	(453,089)
ZAR	10%	(960)	960	606	(606)
USD	5%	(627)	627	(36)	36
PLN	5%	(31,520)	31,520	(3,306)	3,306
SEK	5%	(664,799)	664,799	—	—
BGN ¹	0%	—	—	—	—
		1,770,294	(1,770,294)	2,565,102	(2,565,102)

This sensitivity analysis assumes that all other variables, particularly interest rates, remain constant.

¹ The Bulgarian Lev is fixed to the euro exchange rate therefore there was no currency risk exposure.

CREDIT RISK – The group is exposed to credit risk primarily as a result of its banking relationships, trade receivables owed by tenants, listed real estate equity securities and the investment in the PKM Developments preference shares. In addition, the credit exposure arises due to potential default on derivative instruments if the counterparty defaults as a result of a deteriorating credit rating. Credit risk is initially monitored by management with reference to external credit ratings.

The carrying amount of financial assets represents the maximum credit risk exposure, as follows:

Euro	As at 30 June 2018			As at 30 June 2017				
	Credit risk exposure	No exposure	Non-financial instruments	Total	Credit risk exposure	No exposure	Non-financial instruments	Total
Non-current financial assets								
Financial investments	183,052,263	—	—	183,052,263	—	—	—	—
Financial instruments	105,394,992	—	—	105,394,992	101,134,245	—	—	101,134,245
	288,447,255	—	—	288,447,255	101,134,245	—	—	101,134,245
Current financial assets								
Financial instruments	—	24,507,316	—	24,507,316	66,097	—	—	66,097
Trade and other receivables	13,997,166	—	2,151,167	16,148,333	6,904,328	1,802,707	—	8,707,035
Cash and cash equivalents	147,825,624	—	—	147,825,624	33,017,502	—	—	33,017,502
	161,822,790	24,507,316	2,151,167	188,481,273	39,987,927	1,802,707	—	41,790,634
	450,270,045	24,507,316	2,151,167	476,928,528	141,122,172	1,802,707	—	142,924,879

Management reviews the credit quality on a quarterly basis by reviewing management accounts, including those of PKM Developments. Cash and cash equivalents are held with banks and financial institution counterparties which are rated B+ or better by Moody's rating agency. The share price of the listed real estate equity securities is monitored by management on a regular basis. The credit quality of trade and other receivables is reviewed by MAS Prop as investment advisors to the group, no impairment indications have been found. If there are any significant changes to credit quality these are escalated to the Audit and Risk Committee.

There is no significant concentration credit risk with respect to trade and other receivables as the group does not place reliance on one single counterparty. The group reviews the financial status and risk profile of its tenants and has found no impairment indications. No financial assets are impaired and none are past due dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

35. OPERATING SEGMENTS

ACCOUNTING POLICY

Segment results that are reported to the executive board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly central costs that relate to the group structure and operations not related to specific investments. In addition, unallocated items in the consolidated statement of financial position relate predominantly to cash that has not been allocated to specific investments.

The risks and rewards faced by the group relate primarily to the business segment of the assets and therefore this forms the basis of the reporting segment.

DISCLOSURE

Reportable segment	Description
Income-generating property	Property that is currently producing income and held for the purpose of earning a yield. There may be further asset management opportunities on these properties, which could further enhance income returns.
Development property	Property that is being developed in order to create income producing property held for the purpose of earning a better yield than by acquiring standing property.
Land bank and other strategic assets	Residential developments and land plots held for schemes that have not yet commenced, and listed real estate equity securities.
Corporate	Consists of the cash holdings outside of the other reporting segments and goodwill.

The executive management team analyses the performance and position of the group by aggregating the group into the four reportable segments. These reportable segments have different risk profiles and generate revenue/income from different sources. Accordingly, it allows the executive management team to make better informed strategic decisions for the group. Management reports are prepared and reviewed on a quarterly basis by the executive management team to facilitate this process.

As at and for the year ended 30 June 2018

Euro	Reportable segments				Total
	Income-generating property	Development property	Land bank and other strategic assets	Corporate	
Statement of profit or loss					
External revenue	43,010,408	—	396,153	—	43,406,561
Segment profit/(loss) before tax	37,329,217	9,938,530	(18,696,118)	(2,370,820)	26,200,809
Finance income	3,744	7,971,335	479	—	7,975,558
Interest earned on preference shares	—	7,514,384	—	—	7,514,384
Finance costs	(4,944,538)	(456,951)	—	(158,855)	(5,560,344)
Current tax	(788,830)	(2,394,030)	(2,369,785)	(3,357)	(5,556,002)
Deferred tax	(3,730,148)	2,418,763	—	—	(1,311,385)
Investment in equity-accounted investee	—	3,568,925	—	—	3,568,925
Other material non-cash items					
- Fair value adjustments	12,357,437	(5,388,602)	(22,921,758)	152,796	(15,800,127)
- Exchange differences	(837)	—	—	(1,019,950)	(1,020,787)
- Goodwill impairment	—	—	—	(1,274,346)	(1,274,346)
- Depreciation	(85,088)	—	—	(14,938)	(100,026)
Statement of financial position					
Segment non-current assets	548,602,766	105,010,649	216,150,430	21,581,047	891,344,892
Investment in equity-accounted investee	—	23,774,222	—	—	23,774,222
- Segment current assets	72,949,162	37,001,253	15,532,543	117,880,260	243,363,218
Segment non-current liabilities	(222,239,291)	—	—	(3,542)	(222,242,833)
Segment current liabilities	(47,772,895)	(29,887,847)	(1,419,996)	(363,838)	(79,444,576)

As at and for the year ended 30 June 2017

Euro	Reportable segments				Total
	Income-generating property	Development property	Land bank and other strategic assets	Corporate	
Statement of profit or loss					
External revenue	31,532,298	—	34,632	15,498	31,582,428
Inter-segment revenue	—	—	—	—	—
Segment profit/(loss) before tax	49,460,087	872,805	(5,003,657)	(5,069,622)	40,259,613
Finance income	1,350	1,134,247	16	71,583	1,207,196
Finance costs	(2,235,473)	—	—	(3,024)	(2,238,497)
Current tax	(1,749,449)	—	—	—	(1,749,449)
Deferred tax	(3,942,153)	—	—	—	(3,942,153)
Investment in equity-accounted investee	—	178,397	—	—	178,397
Other material non-cash items					
- Fair value adjustments	30,161,319	—	(4,569,029)	—	25,592,290
- Exchange differences	(819,456)	18	—	(3,865,457)	(4,684,895)
- Depreciation	(23,977)	(1,963)	(1,924)	—	(27,864)
Statement of financial position					
Segment non-current assets	495,615,079	152,701,312	39,690,960	22,909,548	710,916,899
Investment in equity accounted investee	—	20,205,297	—	—	20,205,297
- Segment current assets	20,171,923	1,708,107	2,347,199	23,900,320	48,127,549
Segment non-current liabilities	147,306,309	881,180	232,924	—	148,420,413
Segment current liabilities	14,450,775	11,975,661	545,684	609,881	27,582,001

Where assets/liabilities and income/expense are shared by reportable segments they are allocated to each respective reportable segment based on a rational driver of use or ownership of the asset/liabilities, income/expense.

GEOGRAPHICAL INFORMATION

The group invests in investment property in Europe. The geographical information below analyses the group's rental income and service charge income and other recoveries and non-current assets by the company's country of domicile and the jurisdiction in which the underlying assets are held: Western Europe (UK, Germany and Switzerland) and Central and Eastern Europe (Poland, Bulgaria and Romania) as a result of the investment in associate, refer to note 20.

Revenue

Euro	Year ended 30 June 2018	Year ended 30 June 2017
BVI	—	—
Western Europe	24,865,399	25,328,584
CEE	18,541,162	6,253,844
	43,406,561	31,582,428

Non-current assets

Euro	As at 30 June 2018	As at 30 June 2017
BVI	204,633,310	—
Western Europe	414,204,311	433,123,317
CEE	296,281,493	277,793,582
	915,119,114	710,916,899

DIRECT AND INDIRECT INVESTMENT RESULTS

In order to provide information of relevance to investors and a meaningful basis of comparison for users of the financial information, a statement of direct and indirect investment results for the year ended 30 June 2018 has been prepared and presented below. It allocates the IFRS result between direct and indirect investment result respectively.

The directors consider that the distribution statement is useful in interpreting the performance of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

35. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2018

STATEMENT OF DIRECT AND INDIRECT INVESTMENT RESULT

	Direct investment result	Indirect investment result	Total IFRS
Euro			
Rental income	37,452,513	—	37,452,513
Service charge income and other recoveries	5,954,048	—	5,954,048
	43,406,561	—	43,406,561
Service charge and other property operating expenses	(11,073,518)	—	(11,073,518)
Net rental income	32,333,043	—	32,333,043
Sales of inventory property	—	26,020,940	26,020,940
Cost of sales of inventory property	—	(21,704,016)	(21,704,016)
Profit on sale of inventory property	—	4,316,924	4,316,924
Other income	8,585,032	—	8,585,032
Corporate expenses	(4,946,973)	—	(4,946,973)
Investment expenses	—	(1,976,096)	(1,976,096)
Net operating income	35,971,102	2,340,828	38,311,930
Fair value adjustments	—	(15,800,127)	(15,800,127)
Foreign currency exchange differences	—	(1,020,787)	(1,020,787)
Share of profit from equity accounted investee, net of tax	—	3,568,925	3,568,925
Goodwill impairment	—	(1,274,346)	(1,274,346)
Profit/(loss) before net financing costs	35,971,102	(12,185,507)	23,785,595
Finance income	7,975,558	—	7,975,558
Finance costs	(5,560,344)	—	(5,560,344)
Profit/(loss) before tax	38,386,316	(12,185,507)	26,200,809
Current tax	(2,979,626)	(2,576,376)	(5,556,002)
Deferred tax	—	(1,311,385)	(1,311,385)
Profit/(loss) for the period	35,406,690	(16,073,268)	19,333,422
Attributable to:			
Owners of the parent	34,078,183	(17,221,877)	16,856,306
Non-controlling interest	1,328,507	1,148,609	2,477,116

DISTRIBUTABLE EARNINGS AND BASIS OF DISTRIBUTION

	Year ended 30 June 2018
Euro	
Direct investment result distributable to shareholders	34,078,183
Company specific adjustments	
Net attributable profit on sales of inventory property ¹	2,628,067
Distributable earnings before effect of shares issued during the period	36,706,250
Weighted average number of shares in issue	577,814,866
Distributable earnings per share (euro cents per share)	6.35
Distributable earnings before effect of shares issued during the period	36,706,250
Adjustment relating to shares issued during the period	3,772,061
Distributable earnings (after adjustment for shares issued during the period)	40,478,311
Closing number of shares in issue	637,493,798

¹ The profit on sales of inventory property during the year was €4,316,924 (2017: €nil). The tax recognised on these sales was €812,835 (2017: €nil), refer to note 15, giving a net amount of profit of €3,504,089 (2017: €nil). The group has recognised 75% (2018: €2,628,067; 2017: €nil) of this balance as distributable earnings as approximately 25% of profit is payable to the developer, refer to note 30.

	Six-month period ended 31 December 2017	Six-month period ended 30 June 2018	Year ended 30 June 2018
Euro cents			
Distributable earnings per share	2.70	3.65	6.35
Adjustment from reserves per share	0.88	0.38	1.26
Distribution per share	3.58	4.03	7.61

RECONCILIATION OF CASH FROM OPERATIONS TO DIRECT INVESTMENT RESULT

Euro	Year ended 30 June 2018
Net cash from operating activities	35,386,649
Finance cost	(5,560,344)
Finance cost	(5,560,344)
Finance income	4,372,697
Finance income	7,975,558
Finance income received – interest on preference shares	(3,602,861)
Tax	454,869
Tax expense	(2,979,626)
Tax paid	3,434,495
Non-cash items	(905,792)
Depreciation	(100,026)
Share based payment expenses	(805,766)
Working capital movement	(317,485)
Decrease in receivables	(1,029,613)
Decrease in payables	904,406
Increase in provisions	(192,278)
Other	1,976,096
Investment expenses	1,976,096
TOTAL DIRECT INVESTMENT RESULT	35,406,690
<i>Attributable to:</i>	
Owners of the parent	34,078,183
Non-controlling interest	1,328,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

35. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2017

STATEMENT OF DIRECT AND INDIRECT INVESTMENT RESULT

	Direct investment result	Indirect investment result	Total IFRS
Euro			
Rental income	27,032,238	—	27,032,238
Service charge income and other recoveries	4,550,190	—	4,550,190
	31,582,428	—	31,582,428
Service charge and other property operating expenses	(7,597,216)	(820)	(7,598,036)
Net rental income	23,985,212	(820)	23,984,392
Sales of inventory property	—	—	—
Cost of sales of inventory property	—	—	—
Profit on sale of inventory property	—	—	—
Other income	—	—	—
Corporate expenses	(3,253,610)	(244,599)	(3,498,209)
Investment expenses	—	(281,061)	(281,061)
Net operating income/(loss)	20,731,602	(526,480)	20,205,122
Fair value adjustments	—	25,592,290	25,592,290
Foreign currency exchange differences	—	(4,684,895)	(4,684,895)
Share of profit from equity-accounted investee, net of taxation	132,602	45,795	178,397
Goodwill impairment	—	—	—
Profit before net financing costs	20,864,204	20,426,710	41,290,914
Finance income	1,207,196	—	1,207,196
Finance costs	(2,238,497)	—	(2,238,497)
Profit before tax	19,832,903	20,426,710	40,259,613
Current tax	(1,741,449)	—	(1,741,449)
Deferred tax	—	(3,942,153)	(3,942,153)
Profit for the period	18,091,454	16,484,557	34,576,011
Attributable to:			
Owners of the parent	17,899,178	15,688,770	33,587,948
Non-controlling interest	192,276	795,787	988,063

DISTRIBUTABLE EARNINGS AND BASIS OF DISTRIBUTION

	Year ended 30 June 2017
Euro	
Direct investment result distributable to shareholders	17,899,178
Company specific adjustments	
Sirius earnings	1,137,215
Capitalisation of borrowing costs	240,658
Other adjustments	438,407
Distributable earnings before effect of shares issued during the period	19,715,458
Weighted average number of shares in issue ¹	402,059,173
Distributable earnings per share (euro cents per share)	4.90
Distributable earnings before effect of shares issued during the period	19,715,458
Adjustment relating to shares issued during the period	3,832,529
Distributable earnings (after adjustment for shares issued during the period)	23,547,987
Closing number of shares in issue ¹	480,216,299

	Six-month period ended 31 December 2016	Six-month period ended 30 June 2017	Year ended 30 June 2017
Euro cents			
Distributable earnings per share	2.27	2.63	4.90
Adjustment from reserves per share	0.39	0.56	0.95
Distribution per share	2.66	3.19	5.85

¹ In the prior period, distributable earnings per share was calculated on the total number of shares in issue, which includes the geared share purchase plan shares. In the current period, the IFRS approach of treating the geared share purchase plan shares as unissued treasury shares is adopted.

RECONCILIATION OF CASH FROM OPERATIONS TO DIRECT INVESTMENT RESULT

Euro	Year ended 30 June 2017
Net cash from operating activities	24,489,820
Finance cost	(2,238,497)
Finance cost	(2,238,497)
Finance income	1,207,196
Finance income	1,207,196
Tax	(675,251)
Tax expense	(1,741,449)
Tax paid	1,066,198
Non-cash items	104,738
Depreciation	(27,864)
Share based payment expenses	(245,419)
Earnings in associate	132,602
IFRS 2 expenses	245,419
Working capital movement	(5,077,613)
Decrease in receivables	(2,557,048)
Increase in payables	(2,520,565)
Other	281,061
Investment expenses	281,061
TOTAL DIRECT INVESTMENT RESULT	18,091,454
<i>Attributable to:</i>	
Owners of the parent	17,899,178
Non-controlling interest	192,276

EPRA NAV

The European Public Real Estate Association (EPRA) is an organisation that promotes, develops and represents the European public real estate sector. EPRA sets out best practice reporting guidelines on a number of financial and operational performance indicators relevant to the real estate sector. As the business of the group matures, the board intends to adopt the EPRA performance measures on a comprehensive basis. However, as the business goes through the current stage of rapid change and growth, some of the metrics are currently considered not to be relevant. Initially, EPRA NAV and EPRA NAV per share have been computed, which provides an industry standard methodology for the computation of the net asset value per share of the group.

RECONCILIATION OF IFRS NAV TO EPRA NAV

Euro	Note	As at 30 June 2018	As at 30 June 2017
Equity attributable to owners of the parent		854,267,721	582,053,971
<i>Adjustments for:</i>			
Fair value of interest rate swaps		873,720	2,251,649
Deferred tax asset		(607,179)	(758,055)
Deferred tax liability		6,139,373	4,998,374
NCI in respect of the above adjustments		(616,418)	(102,479)
EPRA NAV		860,057,217	588,443,460
Fully diluted number of shares		637,556,656	467,366,299
Closing number of shares		637,493,798	467,366,299
Effect of share options	37	62,858	—
EPRA NAV per share (euro cents)		134.90	125.91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

36. RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The group has no ultimate controlling party but is controlled by its ordinary shareholders in aggregate.

KEY MANAGEMENT – TRANSACTIONS

Year ended 30 June 2018

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Sub total	IFRS 2 option expense	Total
Morné Wilken ¹		188,432	141,613			330,045		330,045
	CEO	178,432	141,613	—	—	320,045	—	320,045
	Former NED	10,000	—	—	—	10,000	—	10,000
Malcolm Levy	CFO	—	—	—	—	—	425,758	425,758
Jonathan Knight ²	CIO	67,974	—	—	—	67,974	164,354	232,328
Ron Spencer	Chairman	30,000	—	—	—	30,000	—	30,000
Gideon Oosthuizen	NED	27,500	—	—	—	27,500	—	27,500
Jaco Jansen	NED	25,000	—	—	—	25,000	—	25,000
Pierre Goosen	NED	22,500	—	—	—	22,500	—	22,500
Glynnis Carthy	NED	27,500	—	—	—	27,500	—	27,500
Helen Cullen	Company Secretary	95,778	—	—	—	95,778	66,441	162,219
Lukas Nakos ³	Former CEO	—	157,794	—	—	157,794	—	157,794
		484,684	299,407	—	—	784,091	656,553	1,440,644

¹ During the year, the group paid £25,000 (approximately €28,323) in relation to Morné Wilken's relocation. In addition, in order to secure the services of Morné Wilken on a full-time basis, the sum of £500,000 (approximately €564,250) was awarded and paid as recognition that he would forfeit in-the-money incentive scheme benefits by becoming CEO of MAS. This amount is repayable on a pro-rata basis should he cease to be employed by the company from 1 January 2018 and accordingly £16,667 (approximately €18,809) (£500,000 (approximately €564,250) divided by 30 months) is expensed monthly and recognised as a benefit paid to him.

² Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. The total remuneration paid to Corona in relation to services provided to MAS by Jonathan Knight was €130,284 (2017: €216,068). Jonathan Knight received a salary of €67,974 (2017: €68,232) from Corona.

³ During January 2018 the Board of Directors approved an exit payment of £140,000 (€157,794) to Lukas Nakos.

Year ended 30 June 2017

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Sub total	IFRS 2 option expense	Total
Lukas Nakos	CEO	125,000	—	181,952	—	306,952	—	306,952
Malcolm Levy	CFO	117,656	—	170,580	—	288,236	149,237	437,473
Jonathan Knight	CIO	68,232	—	85,290	—	153,522	66,238	219,760
Ron Spencer	Chairman	30,000	—	—	—	30,000	—	30,000
Gideon Oosthuizen	NED	27,500	—	—	—	27,500	—	27,500
Jaco Jansen	NED	27,500	—	—	—	27,500	—	27,500
Morné Wilken	NED	20,000	—	—	—	20,000	—	20,000
Pierre Goosen	NED	20,000	—	—	—	20,000	—	20,000
Glynnis Carthy	NED	—	—	—	—	—	—	—
Helen Cullen	Company Secretary	96,822	—	20,538	—	117,360	22,079	139,439
		532,710	—	458,360	—	991,070	237,554	1,228,624

KEY MANAGEMENT – SHAREHOLDINGS

As at 30 June 2018

Euro	Direct	Indirect	Associate	Total
Morné Wilken	284,039	—	—	284,039
Malcolm Levy	11,633	4,000,000	1,568,928 ²	5,580,561
Jonathan Knight	626,525	1,500,000	—	2,126,525
Ron Spencer	12,061	—	—	12,061
Gideon Oosthuizen	—	240,000 ¹	—	240,000
Jaco Jansen	—	—	—	—
Pierre Goosen	—	—	46,679 ²	46,679
Glynnis Carthy	—	—	—	—
Helen Cullen	14,936	500,000	—	514,936
	949,194	6,240,000	1,615,607	8,804,801

¹ Associate company

² Non-beneficial to director

5,000,000 shares have been forfeited and cancelled during the year in respect of the geared share purchase plan, refer to note 32. No new shares have been issued during the year to 30 June 2018 and the number of shares in the scheme at year end is 7,850,000.

As at 30 June 2017

Euro	Direct	Indirect	Associate	Total
Lukas Nakos	85,143	5,000,000	100,659 ³	5,185,802
Malcolm Levy	11,633	4,000,000	1,568,928 ³	5,580,561
Jonathan Knight	616,342	1,500,000	—	2,116,342
Ron Spencer	11,567	—	—	11,567
Gideon Oosthuizen	—	240,000 ¹	—	240,000
Jaco Jansen	—	—	—	—
Morné Wilken	61,804	250,280 ²	—	312,084
Pierre Goosen	—	—	44,766 ³	44,766
Glynnis Carthy	—	—	—	—
Helen Cullen	14,656	500,000	—	514,656
	801,145	11,490,280	1,714,353	14,005,778

¹ Associate company

² Associate family trust

³ Non-beneficial to director

There has been no change in the shareholding of the directors or key management from 30 June 2018 to the date of approval of these annual financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

36. RELATED PARTIES (CONTINUED)

OTHER RELATED PARTY TRANSACTIONS:

Euro	Note	for the year ended		for the year ended		assets/ (liabilities) as at	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
NW Advisers							
- On-charged development costs		—	(293)	2,287,409	12,860,460	—	(214,680)
- Development management fee¹		(682,957)	(1,684,723)	—	—	(4,701,505)	(4,052,171)
		(682,957)	(1,685,016)	2,287,409	12,860,460	(4,701,505)	(4,266,851)
NW Holdings							
- Development profit participation fee¹		(1,042,368)	(6,078,256)	—	—	(6,912,757)	(6,078,256)
		(1,042,368)	(6,078,256)	—	—	(6,912,757)	(6,078,256)
Corona							
- Legal and professional expenses		(804,187)	(889,482)	132,549	176,266	(124,474)	(83,857)
		(804,187)	(889,482)	132,549	176,266	(124,474)	(83,857)
Artisan							
- On-charged administrative expenses		46,946	(13,583)	—	—	—	—
		46,946	(13,583)	—	—	—	—
PKM Developments							
- Equity accounted investee	20	3,568,925	178,397	—	—	23,774,222	20,205,297
- Preference shares – PKM Developments	29	7,514,384	1,134,245	—	—	105,045,768	101,134,245
		11,083,309	1,312,642	—	—	128,819,990	121,339,542
Momats							
- Directors Fee and Legal and professional expenses		12,621	—	—	—	2,180	—
		12,621	—	—	—	2,180	—
		8,613,364	(7,353,695)	2,419,958	13,036,726	117,083,434	110,910,578

¹ Differences between the income/(expense) and the corresponding receivable/(payable) related to foreign exchange movements recognised in other comprehensive income.

KEY MANAGEMENT

Key management consists of the executive and non-executive directors as well as the company secretary.

RELATED PARTY RELATIONSHIPS

ARTISAN

Artisan is a real estate management company, the board of which comprises four directors, two of which are common with MAS.

NW HOLDINGS

NW Holdings is a real estate development holding company and is a 60% owned subsidiary of Artisan. As such it is controlled by Artisan. Refer to note 30.

NW ADVISERS

NW Advisers is a real estate developer and is a 100% owned subsidiary of New Waverley Holdings. As such it is controlled by Artisan. Refer to note 30.

CORONA

Corona is a real estate management company with five staff members and is owned 100% by Jonathan Knight who is the chief investment officer of the group.

Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. The total remuneration paid to Corona in relation to services provided to MAS by Jonathan Knight was €130,284 (2017: €216,068). Jonathan Knight received a salary of €67,974 (2017: €68,232) from Corona.

PKM DEVELOPMENTS

PKM Developments is an associate of the group and MAS owns 40% of the ordinary shares, refer to note 20.

In 2017, the group provided €100,000,000 to acquire 7.5% preference shares in PKM Developments, refer to note 29. The group has committed to fund up to a further €250,000,000 over the next three years.

MOMATS

Momats provides BVI corporate services and is a director of MAS BVI (Holdings) Limited and MAS CEE Investments Limited, 100% owned subsidiaries of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

37. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

ACCOUNTING POLICY

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

DISCLOSURE

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Euro	Year ended 30 June 2018	Year ended 30 June 2017
Profit for the year attributable to the owners of the group	16,856,306	33,587,948

WEIGHTED-AVERAGE NUMBER OF ORDINARY SHARES

	Note	Year ended 30 June 2018	Year ended 30 June 2017
Opening issued ordinary shares	24	467,366,299	348,625,219
Effect of shares issued for capital raise		105,128,974	44,608,360
Effect of shares issued for scrip distributions		5,319,593	5,023,402
Weighted-average number of ordinary shares		577,814,866	398,256,981

The shares issued as part of the geared share purchase plans are not included in the calculation of the weighted-average number of ordinary shares as they are deemed to be unissued (treasury shares).

BASIC EARNINGS PER SHARE

	Year ended 30 June 2018	Year ended 30 June 2017
Profit attributable to ordinary shareholders (euro)	16,856,306	33,587,948
Weighted-average number of ordinary shares	577,814,866	398,256,981
Basic earnings per shares (euro cents)	2.92	8.43

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share has been based on the following weighted-average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted-average number of ordinary shares (basic)	577,814,866	398,256,981
Effect of share options	62,858	—
Weighted-average number of ordinary shares (diluted)	577,877,724	398,256,981

DILUTED EARNINGS PER SHARE

	Year ended 30 June 2018	Year ended 30 June 2017
Profit attributable to ordinary shareholders (euro)	16,856,306	33,587,948
Weighted-average number of ordinary shares	577,877,724	398,256,981
Diluted earnings per share (euro cents)	2.92	8.43

At 30 June 2018, options on 5,080,000 shares were excluded from the diluted weighted-average number of ordinary shares because their effect would have been anti-dilutive.

The average market value of the company's shares for the purpose of calculating the dilutive effect of the share options was based on quoted market prices for the period during which the options were outstanding.

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

ACCOUNTING POLICY

Headline earnings is derived from basic earnings adjusted for re-measurements that relate to the capital platform of the group per Circular 4/2018 issued by the South African Institute of Chartered Accountants.

DISCLOSURE

Headline earnings and headline earnings per share was as follows:

Euro	Note	Year ended 30 June 2018		Year ended 30 June 2017	
		Gross	Net	Gross	Net
<i>Profit attributable to ordinary shareholders</i>		16,856,306	16,856,306	33,587,948	33,587,948
Adjusted for:					
Fair value loss/(gain) on investment property	17	721,387	232,813	(36,763,196)	(32,995,314)
Fair value gain on investment property in associate		(6,179,920)	(3,878,272)	—	—
Fair value gain on investment property held for sale	23	(2,766,206)	(2,766,206)	(786,795)	—
Goodwill impairment	16	1,274,346	1,274,346	—	—
Headline earnings		9,905,913	11,718,987	(3,962,043)	(592,634)
<i>Basic headline earnings per share</i>					
Weighted-average number of ordinary shares (basic)		577,814,866	577,814,866	398,256,981	398,256,981
Headline earnings per share (euro cents)		1.71	2.03	(0.99)	0.15
<i>Diluted headline earnings per share</i>					
Weighted-average number of ordinary shares (diluted)		577,877,724	577,877,724	398,256,981	398,256,981
Diluted headline earnings per share (euro cents)		1.71	2.03	(0.99)	0.15

The JSE Listings Requirements require the calculation of headline earnings and diluted headline earnings per share and the disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share, as required by IAS 33 – 'Earnings per Share'. Disclosure of headline earnings is not an IFRS requirement. The directors do not use headline earnings or headline earnings per share in their analysis of the group's performance, and do not consider it to be a useful or relevant metric for the group. The directors make no reference to headline earnings or headline earnings per share in their commentaries, instead, the directors use distributable earnings as a measure, refer to note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

38. SIGNIFICANT SHAREHOLDERS

The significant shareholders of the group are:

	Number of shares as at 30 June 2018	Percentage of shares as at 30 June 2018
Attacq Limited	146,818,251	22.75%
Argosy	55,841,264	8.65%
Public Investment Corporation	49,504,171	7.67%
	252,163,686	39.07%
	Number of shares as at 30 June 2017	Percentage of shares as at 30 June 2017
Attacq Limited	146,818,251	30.57%
Argosy	58,550,056	12.19%
STANLIB Asset Management	35,577,283	7.40%
	240,945,590	50.16%

39. CAPITAL COMMITMENTS

INVENTORY PROPERTY

The group entered into contracts for the construction and development of the New Waverley office, refer to note 18. These contracts will give rise to committed expenses of £53,092,275 (approximately €59,914,632) (2017: £69,328,267 (approximately €78,840,105) over the next 12 months, which will be capitalised as part of the New Waverley development.

The group entered into contracts for the construction and development of Travelodge at Langley. These contracts will give rise to committed expenses of £4,387,579 (approximately €4,951,383) (2017: £nil) over the next 12 months, which will be capitalised as part of the Langley development.

INVESTMENT PROPERTY

The group entered into a sale and purchase agreement ("SPA") to acquire the entire share capital of a special purpose vehicle that owns the retail centre known as Militari Shopping Centre ("Militari"), located in Bucharest, Romania. The sale was completed on 5 July 2018 for a purchase price of €95,000,000, only €93,800,000 is payable as at the reporting date and the remaining amount of €1,200,000 is payable upon fulfilment of certain conditions precedent to the SPA.

The group entered into a sale and purchase agreement ("SPA") to acquire a retail park and a neighbourhood value centre, both located in Braunschweig, Germany. The sale was completed on 1 August 2018 for a purchase price of €25,000,000.

INVESTMENT IN EQUITY ACCOUNTED INVESTEE

The group has committed to fund PKM Developments through 7.5% cumulative preference shares issued by PKM Developments. During the current year, the group committed to funding up to a total of €350,000,000 (2017: €350,000,000). The outstanding commitment at the reporting date was €250,000,000 (2017: €100,000,000) which is expected to be funded over the next 3 years. The loan commitments have been reviewed and are not considered to be onerous at the reporting date.

40. EVENTS AFTER THE REPORTING DATE

ACQUISITION AND DISPOSAL OF INVESTMENT PROPERTY

On 5 July 2018 the group acquired the share capital of a special purpose vehicle that owns the retail centre known as Militari Shopping Centre ("Militari") for the purchase price of €95,000,000. Militari is located in Bucharest, Romania and has a passing rent of €7,380,000.

On 1 August 2018 the group acquired a retail park and a neighbourhood value centre, both located in Braunschweig, Germany for the purchase price of €25,000,000. Braunschweig has a passing rent of €1,510,000.

On 12 October 2018 the group entered into an agreement for the sale of the Whitbread and Arches properties which comprise the Premier Inn and Hub by Premier Inn hotels and associated retail units for £38,000,000 (approximately €43,400,000). The disposal is subject to MAS finalising third-party arrangements by 31 October 2018, and upon disposal the group will be required to make a contribution of up to £150,000 (approximately €171,000) towards external works on one of the properties.

OTHER INVESTMENTS

On 1 October the group invested a further €35,000,000 in PKM Development preference shares, bringing the total amount invested in PKM Development preference shares to €135,000,000.

As at 22 October 2018 the groups listed real estate equity securities had a fair value of €164,706,783.

DRAWDOWN OF INTEREST BEARING BORROWINGS

On 27 September 2018 and 2 October 2018 respectively, the group entered into two loan agreements with a combined facility of €27,325,000. The weighted average term of the combined facility is 5 years at a fixed interest rate of 1.92% per annum. These facilities have been secured against the income-generating properties and have been classified as general borrowings.

APPOINTMENTS AND RESIGNATIONS

On 7 September 2018, the group appointed two directors to the board, being Paul Osbourn and Werner Alberts.

On 2 October 2018 shareholders were advised that Morné Wilken tendered his resignation as a director and Chief Executive Officer ("CEO") of the group. Morné will continue to serve as CEO until 14 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

41. OTHER JSE DISCLOSURES

UNAUDITED PROPERTY PROFILE

Property	Property address	Type	Rentable area (sqm)	Vacancy area (sqm)	Passing rent per sqm (Euro)	WALT
Bulgaria						
Galleria portfolio – Burgas	Yanko Komitov Str. 6, Burgas, Bulgaria	Retail	38,222	2,810	138.4	5.9
Galleria portfolio – Stara Zagora	Ulitsa Han Asparuh 30, Stara Zagora, Bulgaria	Retail	25,147	2,273	85.1	3.8
Germany						
Bruchsal	Kaiserstrasse 66, Bruchsal, Germany	Retail	7,103	—	205.8	4.1
Donaueschingen	Bregstrasse, Donaueschingen, Germany	Retail	8,235	—	87.4	10.6
Edeka portfolio – Miha	Heidelberger Straße 90, Berlin, Germany	Retail	1,674	—	173.8	13.2
Edeka portfolio – Miha	Flankenschnze 32, Berlin, Germany	Retail	1,432	—	170.4	13.2
Edeka portfolio – Miha	Waldring 190, 110, Haldensleben, Germany	Retail	1,470	—	88.4	13.2
Edeka portfolio – Miha	Bahnhofstraße 12, Holzminden, Germany	Retail	1,924	—	129.4	13.2
Edeka portfolio – Miha	Alte Poststraße 1, Müllrose, Germany	Retail	1,676	—	155.7	13.2
Edeka portfolio – Miha	Erlenweg 3, Nebra, Germany	Retail	1,423	—	98.4	13.2
Edeka portfolio – Miha	Händlerstraße 1-2, Zepernick-Panketal, Germany	Retail	1,656	—	140.7	13.2
Edeka portfolio – Miha	Rudolf-Breitscheid-Straße 193, Potsdam, Germany	Retail	2,012	—	119.9	10.2
Edeka portfolio – Miha	Platz des Friedens 10, Sandersdorf, Germany	Retail	1,630	—	130.7	13.2
Edeka portfolio – Miha	Goethepromenade 13, Gröningen, Germany	Retail	1,170	—	78.6	13.3
Edeka portfolio – Miha	Adolf-Meyer-Straße 15, Neinburg, Germany	Retail	989	—	100.1	13.3
Edeka portfolio – Miha	Marktstraße 6, Oldisleben, Germany	Retail	965	—	113.0	13.3
Edeka portfolio – Miha	Hallesche Straße 51 A, Raguhn, Germany	Retail	859	—	101.3	13.3
Edeka portfolio – Miha	Bahnhofstraße 21, Sangerhausen, Germany	Retail	888	—	102.5	13.3
Edeka portfolio – Miha	Hauptstraße 29, Thale-Neinstedt, Germany	Retail	709	—	112.8	13.3
Edeka portfolio – Miha	Am Wiesenhof 147-148, Wilelmshaven, Germany	Retail	995	—	85.4	13.3
Edeka portfolio – Miha	August-Bebel-Damm 25, Magdeburg, Germany	Retail	8,428	—	38.0	13.3
Edeka portfolio – Miha	Otto-von-Guericke-Straße 1A, Magdeburg, Germany	Retail	6,455	—	46.5	13.3
Edeka portfolio – Miha	Westringstraße 179, 181, 193, Dölzig-Schkeuditz, Germany	Retail	9,167	—	40.9	13.3
Edeka portfolio – Miha	Vor dem Weiherbusch 9, Soltau-Tetendorf, Germany	Retail	5,442	—	36.8	13.3
Edeka portfolio – Thales	Alte Schmelze 23, 65201 Wiesbaden	Retail	11,502	—	105.2	12.5
Edeka portfolio – Thales	In der Teichmatt 6, 79689 Maulburg	Retail	4,435	—	78.9	12.5
Edeka portfolio – Thales	Rudolf-Diesel-Strasse 6, 72250 Freudenstadt	Retail	5,908	925	74.5	12.5
Gotha	Schubert-strsse 20, Gotha, Germany	Retail	9,442	—	105.0	8.0
Heppenheim retail park	Tiergartenstrasse 7, Heppenheim, Germany	Retail	16,978	—	111.1	9.5
Lehrte	Germaniastrasse 18, Lehrte, Germany	Retail	9,203	—	82.5	8.6
Munich	Wasserburger, Landstraße 133, Munich	Industrial	13,090	—	67.7	5.5
Toom Portfolio – Frankenthal	Eisenbahnstrasse 77, Frankenthal, Germany	Retail	7,452	—	73.8	10.8
Toom Portfolio – Gummersbach	Vollmerhauser Strasse 36, Gummersbach, Germany	Retail	10,937	—	100.6	10.8
Toom Portfolio – Nordhausen	Hallesche Strasse 141, Nordhausen, Germany	Retail	6,902	—	79.7	10.8

Property	Property address	Type	Rentable area (sqm)	Vacancy area (sqm)	Passing rent per sqm (Euro)	WALT
Poland						
Nova Park	Przemysłowa 2, 66-400 Gorzów Wielkopolski, Poland	Retail	32,683	1,201	179.9	4.3
Switzerland						
Zurich	Mulbachstrasse 41, Zurich, Switzerland	Logistics	5,699	—	197.8	6.3
United Kingdom						
Adagio	New Waverley, Edinburgh (NW), United Kingdom	Hotel/retail	8,499	880	180.3	18.4
Braehead	Old Govan Road, Glasgow (BL), United Kingdom	Industrial	18,476	—	42.6	6.6
Chippenham	Langley Park, Chippenham (CL), United Kingdom	Industrial	39,839	3,476	46.8	7.1
Langley park	Langley Park, Chippenham (LPL), United Kingdom	Residential/Hotel	9,184	5,751	9.2	1.0
Whitbread and Arches	New Waverley, Edinburgh (NW), United Kingdom	Hotel/retail	8,868	—	239.8	25.2
New Uberior House	9 Earl Grey Street, Edinburgh, United Kingdom	Office	14,718	—	318.1	7.5
North Street Quarter	Phoenix Works, Lewes, United Kingdom	Residential	15,273	7,112	22.6	0.8

UNAUDITED PROPERTY PROFILE

UNAUDITED GEOGRAPHICAL PROFILE

Jurisdiction	Rentable area (sqm)	Rental income (Euro)	Vacancy area (sqm)	Passing rent per sqm (Euro)
Bulgaria	63,369	8,162,439	5,083	117.3
Germany	162,151	14,758,093	925	100.2
Poland	32,683	5,887,000	1,201	179.9
Switzerland	5,699	1,163,780	—	197.8
UK	114,935	7,481,201	17,551	98.0
	378,837	37,452,513	24,760	110.8¹

UNAUDITED SECTOR PROFILE

Sector	Rentable area (sqm)	Rental income (Euro)	Vacancy area (sqm)	Passing rent per sqm (Euro)
Hotel	15,272	3,259,753	—	216.3
Industrial	65,299	2,830,342	8,542	38.7
Logistics	18,789	2,049,472	—	107.1
Office	16,918	757,736	685	285.2
Residential	16,099	370,870	7,444	19.2
Retail	246,460	28,184,340	8,089	117.6
	378,837	37,452,513	24,760	110.8¹

¹ Total passing rent divided by total rentable area.

UNAUDITED PORTFOLIO YIELD

Yield	%
Average annualised property yield	7.17

Rental escalations are predominantly index linked or as a percentage of inflation and are not reliably determinable. Accordingly, the group has not provided a weighted average rental escalation profile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

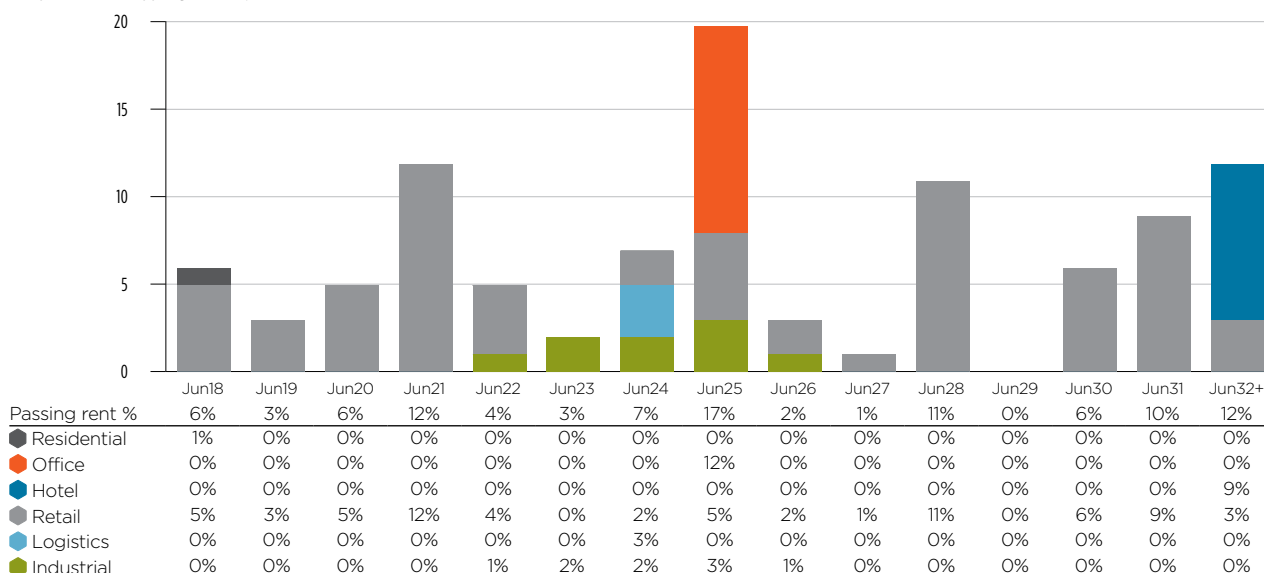
For the year ended 30 June 2018

UNAUDITED TENANT PROFILE

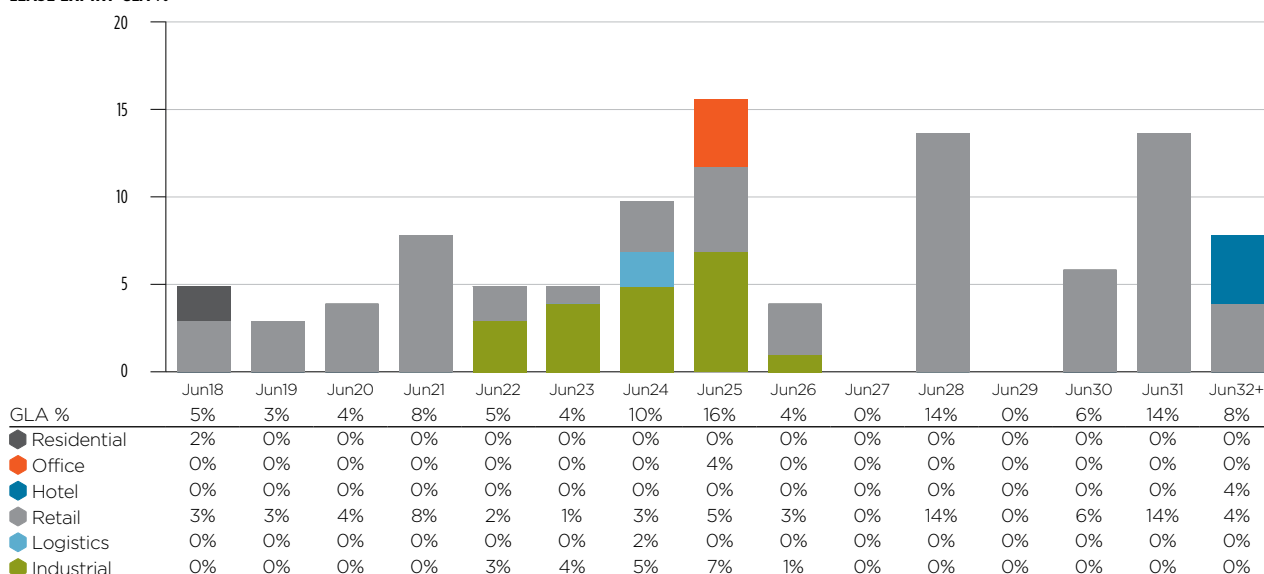
Category	Number
A	76
B	151
C	439
	666

"A": large national tenants, large listed tenants, government and major franchisees;
 "B": national tenants, listed tenants, franchisees, medium to large professional firms; and
 "C": other

LEASE EXPIRY PASSING RENT %



LEASE EXPIRY GLA %



SHAREHOLDING DISCLOSURES

MAS Real Estate Inc. (the “company”)

Public and non-public	No of shareholders	Percentage of total	No of shares	Percentage of total
Public	10,033	99.84%	487,870,746	75.60%
Non-public				
Significant shareholders	1	0.01%	146,818,251	22.75%
Directors and their associates	11	0.11%	8,804,801	1.36%
Share scheme participants	4	0.04%	1,850,000	0.29%
Total shareholders	10,049	100%	645,343,798	100%

MAJOR SHAREHOLDERS

Name	Number of shares as at 30 June 2018	Percentage of shares as at 30 June 2018
Attacq Limited	146,818,251	22.75%
Argosy	55,841,264	8.65%
Public Investment Corporation	49,504,171	7.67%
	252,163,686	39.07%

Name	Number of shares as at 30 June 2017	Percentage of shares as at 30 June 2017
Attacq Limited	146,818,251	30.57%
Argosy	58,550,056	12.19%
STANLIB Asset Management	35,577,283	7.40%
	240,945,590	50.16%

COMPANY INFORMATION AND ADVISORS

REGISTERED OFFICE IN THE BVI

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COMPANY SECRETARY

Helen Cullen ACIS
(Associate of the Institute of
Chartered Secretaries &
Administrators)

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Montagu Evans LLP
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SHAREHOLDER INFORMATION

Registered in the British Virgin Islands	Company number 1750199
JSE share code	MSP
SEDOL (EMTF)	B96VLJ5
SEDOL (JSE)	B96TSD2
ISIN	VGG5884M1041
LEI code	213800T1TZPGQ7HS4Q13
Number of shares in issue as at 30 June 2018	645,343,798

DEFINITIONS AND ABBREVIATIONS

BVI	British Virgin Islands
CEE	Central and Eastern Europe
CGU	Cash-generating unit
Company	MAS Real Estate Inc.
Development property	Property that is being developed in order to create income-producing property held for the purpose of earning a better yield than by acquiring standing property
Direct investment result	The underlying earnings of the group that derive from investment into property and related assets and entities. This includes: net rental income, dividends received, finance income on preference shares, and the related taxation and non-controlling interest adjustments. This excludes: profit on sales of inventory property, exchange differences, changes in fair value, goodwill impairment, investment/transaction expenses not capitalised, related taxation and non-controlling interest adjustments, and deferred taxation. Other adjustments may be made in order to reflect the underlying earnings of the group
Distributable earnings	Distributable earnings is the Direct investment result, adjusted for company specific adjustments made to reflect the underlying earnings of the group. This final number is adjusted for the dilutionary impact of shares issued during the period
Distributable earnings per share	Distributable earnings before the impact of shares issued during the period divided by the basic weighted average number of shares in issue
Distribution per share	The distribution per share to be paid to shareholders as determined by the directors at their discretion. The group's policy is to pay out all distributable earnings per share on a semi-annual basis, as well as capital or other profits as the directors may, at their discretion determine
EPRA	European Public Real Estate Association
EPRA Net Asset Value	IFRS net assets adjusted for the dilutive impact of share options, deferred taxation on property and derivative valuations and the mark-to-market of effective cash flow hedges and related adjustments, as prescribed by EPRA
EPRA NAV per share	EPRA Net Asset Value divided by the IFRS diluted number of shares in issue at the end of the period
ERV	Estimated rental value
FVTPL	Fair value through profit and loss
GLA	Gross leasable area
Group	MAS Real Estate Inc. and its subsidiaries
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the IASB
IFRS NAV per share	IFRS Net Asset Value divided by the IFRS basic number of shares in issue at the end of the period. For clarity this excludes the geared share purchase plan shares
Income-generating property	Property that is currently producing income and held for the purpose of earning a yield. There may be further asset management opportunities on these properties, which could further enhance income returns

Indirect investment result	The earnings of the group that do not relate to underlying operational activities. This includes the earnings excluded from the Direct investment result, including profit on sales of inventory property, exchange differences, changes in fair value, goodwill impairment, investment/transaction expenses not capitalised, related taxation and non-controlling interest adjustments, and deferred taxation
Investment property	Income-generating property, Development property and Land-Bank
IOM	Isle of Man
JSE	Johannesburg Stock Exchange
King IV	King IV Code of Corporate Governance
KPMG Isle of Man	KPMG Audit LLC
Land bank	Land plots held for schemes that have not yet commenced and residential developments
Land bank and inventory	Land plots held for schemes that have not yet commenced, residential developments and Inventory property
Lease incentives	Incentives offered to lessees to enter into a lease, typically in the form of a rent-free period or cash contribution towards fit-out costs
LEED	Leadership in Energy Environmental Design
Loan to value (LTV)	Loan to value (LTV) is the ratio of the nominal value of debt net of cash and equivalents to the aggregate value of property assets, including investment property held for sale, equity accounted investments, preference share investments and listed investments (REIT portfolio)
LuxSE	Luxembourg Stock Exchange
Median daily share volume	The median number of shares traded per day during the financial period on the JSE
NAV	Net asset value
NOI	Net Operating Income
PKM Developments	PKM Development Limited
REIT	Investment in listed real estate equity securities
Scrip distribution	Distributions elected to be received in the form of shares in the company, typically paid as a return of capital
WE	Western Europe
WALT	Weighted average lease term across the portfolio weighted by passing rent
WACD	Weighted average cost of debt

NOTES

[illegible]



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