MAS REAL ESTATE INC

INTEGRATED ANNUAL REPORT **2017**

"…IT HAS BEEN ANOTHER EXCEPTIONAL YEAR FOR MAS"

Adagio Aparthotel at New Waverley, Edinburgh, United Kingdom

CHAIRMAN'S STATEMENT [1]

It has been another exceptional year for MAS. Rental growth of 84% has underpinned an increase in the annual distribution per share of 30%. MAS' expansion into central and eastern Europe, in partnership with Prime Kapital, is progressing well and positions the group to continue delivering strong growth in distributions in the years ahead.

PERFORMANCE

The portfolio at year end consists of €559 million of investment property, an increase over the previous period of 79%. This growth is driving the income generation of the group and, in turn, distributions to shareholders.

INTEGRATED REPORTING

This is the third year that MAS has undertaken integrated reporting. Much care and effort has been made in presenting all relevant information in the most useful and convenient manner. As in previous reports, extensive use is made of diagrams and iconography to illustrate the points being made and interconnectivity allows readers to move quickly through the document to find information that is of relevance. I hope you find it useful and interesting to read.

CORPORATE GOVERNANCE

I am pleased to report that corporate governance in the organisation continues to operate at a very high level. MAS has made great strides as King IV is being implemented and a Governance Committee has been formalised to oversee this. Further information on the Governance Committee is contained on page 69.

MANAGEMENT

I would like to thank all the team members and MAS' key partners for their hard work and an exceptional set of results. To continue driving the group forward for stakeholders, against the backdrop of a rapidly growing portfolio and changing macro environment, is a tremendous achievement.

The outlook for the coming year remains positive. The group is well positioned to grow its portfolio and distributions through acquisition, development and asset management. I would like to thank you for your confidence as stakeholders and hope you find this report informative.

Ron Spencer
Chairman

[1] Data extracted from the pro forma management accounts on pages 140 to 147 where applicable

HOW TO USE THIS REPORT

NAVIGATION AND INTERCONNECTIVITY

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

Extensive reference is made to the group's five capitals as follows:

P — PORTFOLIO
The group's assets: investment property and other related assets.
PAGE 24

F — FUNDING
The group funds the business, through either debt or equity.
PAGE 38

R — RELATIONSHIPS
The mutually beneficial relationships with the group's many stakeholders.
PAGE 42

T — TEAM
The group's intangible human and intellectual assets, the heart of the business.
PAGE 44

S — SUSTAINABILITY
The acknowledgement of the social and natural licence that permits the group to develop and own property in the local communities in which the group operates.
PAGE 48

BUSINESS ACTIVITIES

ACQUIRE

DEVELOP

MANAGE

OPTIMISE

IR 20 — Refer to page 20 of the Integrated Annual Report

AFS N7 — Refer to note 7 of the Annual Financial Statements

Refer to www.masrei.com for further information

CP — Refer to the Company Profile for further information www.masrei.com

DEFINITIONS AND ABBREVIATIONS

Adjusted NAV	NAV less deferred taxation assets plus deferred taxation liabilities
Artisan	Artisan Real Estate Investors Limited
Attacq	Attacq Limited
BREEAM	Building Research Establishment Environmental Assessment Method
BVI	British Virgin Islands
CEE	Central and Eastern Europe
CGU	Cash Generating Unit
company	MAS Real Estate Inc.
Corona	Corona Real Estate Partners Limited
CPD	Continuing Professional Development
CSR	Corporate Social Responsibility
EBITDA	Earning Before Interest, Taxation, Depreciation and Amortisation
ERV	Estimated Rental Value
FVTPL	Fair Value Through Profit or Loss
GLA	Gross Leasable Area
group	Comprises the company and its subsidiaries
Group entities	Subsidiaries of the company
IAR	Integrated Annual Report
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
JSE	Johannesburg Stock Exchange
Karoo Fund	Karoo Investment Fund S.C.A. SICAF-SIF
LEED	Leadership in Energy and Environmental Design
LTV	Loan To Value
LuxSE	Luxembourg Stock Exchange
MAS	Comprises the company and its subsidiaries
MAS Prop	MAS Property Advisors Limited
NAV	Net Asset Value
NW Advisers	New Waverley Advisers Limited
NW Holdings	New Waverley Holdings Limited
PKM	PKM Development Limited
Sirius	Sirius Real Estate Limited
SPA	Sale and Purchase Agreements
TBD	To Be Determined
WALT	Weighted Average Lease Term
WACD	Weighted Average Cost of Debt

Adagio Aparthotel at New Waverley, Edinburgh, United Kingdom

CONTENTS

ABOUT THIS REPORT

The report has been prepared with reference to the International Integrated Reporting Council <IR> Framework's guiding principles and content elements, as well as being guided by reporting frameworks.

The following reporting frameworks have been used in the preparation of this report:
- King III Code of Corporate Governance
- BVI Business Companies Act 2004
- JSE Listings Requirements
- Rules and Regulations of the Luxembourg Stock Exchange
- IFRS

MAS' integrated annual report aims to give a holistic view of its performance, where it is going and how it intends to get there in a sustainable way. By providing a range of financial and non-financial disclosures, this report aims to enable 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

This report, presented by the Board of Directors, covers the year from 1 July 2016 to 30 June 2017. It provides an overview of both the financial position and performance of the group's subsidiaries and its associates. Emphasis has been placed on central and eastern Europe as a result of the group's commitment to the Prime Kapital development and investment joint ventures.

Commentary included on pages 1 to 69 refers to numbers extracted from the pro forma management accounts which can be found on pages 140 to 147.

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. MAS' definition of materiality has been established by reference to the International Intgrated Reporting Council <IR> Framework.

A matter is considered to be material if it could substantively affect the group's five capitals and therefore its ability to create value in the short, medium or long term.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements, which 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. Readers 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.

ASSURANCE

KPMG Audit LLC has independently audited the annual financial statements that are contained within this integrated annual report. The scope of their report can be found on pages 73 to 77.

The pro forma financial information contained within this integrated annual report comprises the pro forma management accounts on pages 140 to 147 which have been reviewed by KPMG Inc. acting as South African reporting accountants. Shareholders are advised that in order to obtain a full understanding of the nature of the reporting accountants' review engagement regarding pro forma information, they should obtain a copy of the reasonable assurance report from the company's head office.

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

RESPONSIBILITY STATEMENT

The Board of Directors and executive management acknowledge their responsibility to ensure the integrity of the integrated annual report and that they have applied their collective mind to its preparation and presentation. The Board of Directors confirms 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 of Directors on 1 September 2017.

Ron Spencer
Chairman

Lukas Nakos
Chief executive officer

Malcolm Levy
Chief financial officer

Jonathan Knight
Chief investment officer

Gideon Oosthuizen
Non-executive director

Jaco Jansen
Non-executive director

Morné Wilken
Non-executive director

Pierre Goosen
Non-executive director

Glynnis Carthy
Non-executive director

INVESTING IN RENTAL GROWTH

Nova Park, Gorzów, Poland

HIGHLIGHTS [1]

PORTFOLIO

P

84% INCREASE IN RENTAL INCOME

10% INCREASE IN NET ASSET VALUE PER SHARE

ADDED €9.71 MILLION OF PASSING RENT IN CEE

FUNDING

F

30% **INCREASE** IN ANNUAL DISTRIBUTION PER SHARE

€158 MILLION **RAISED** IN TWO OVER-SUBSCRIBED PLACEMENTS OF SHARES

80% **IMPROVEMENT** IN DAILY SHARE VOLUME

TEAM

T

APPOINTED NEW INDEPENDENT DIRECTOR

ALIGNMENT OF INTERESTS GEARED SHARE PURCHASE PLAN

RELATIONSHIPS

R

EXPANDED RELATIONSHIPS WITH DEBT LENDERS

HOSTED SUCCESSFUL INVESTOR TOUR

UK GOVERNMENT AMONG FUTURE TENANTS

SUSTAINABILITY

S

SUPPORT FOR **IKHAYA LE THEMBA** IN CAPE TOWN

SWITCHED 5,537 INCANDESCENT LAMPS TO LEDS

[1]Data extracted from the pro forma management accounts on pages 140 to 147 where applicable

RECYCLED CAPITAL FROM SIRIUS AND ALDI PORTFOLIO

INVESTED

€100 MILLION

IN PRIME KAPITAL DEVELOPMENT JV PREFERENCE SHARES

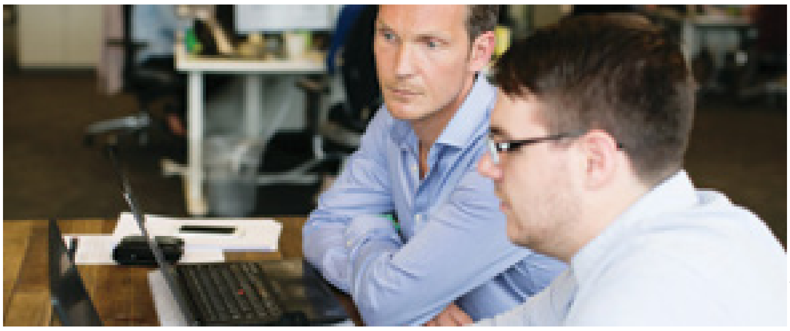
2.32%

GROUP WEIGHTED AVERAGE COST OF DEBT

€112 MILLION

OF DEBT DRAWNDOWN

CONTINUED TO INVEST IN STAFF'S PROFESSIONAL DEVELOPMENT



The Herald PROPERTY AWARDS FOR SCOTLAND 2016

in association with Burness Paull

WINNER

2017 RICS Awards

Winner

SCOTTISH PROPERTY AWARDS 2017

Commercial and Public Property

WINNER

EXTENSIVE COMMUNITY ENGAGEMENT ON IMPACT AND DESIGN OF DEVELOPMENTS

CONSERVED THE **LISTED FRONTAGE** ON EDINBURGH'S ROYAL MILE

NOVA PARK

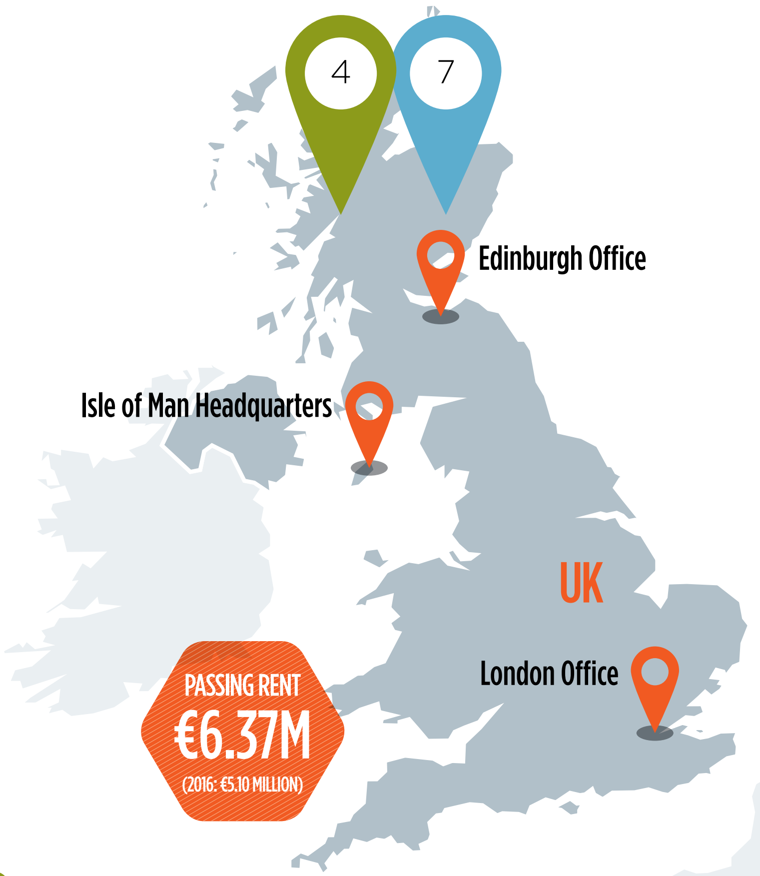
FIRST SHOPPING CENTRE IN POLAND TO RECEIVE A 'BREEAM' IN-USE EXCELLENCE CERTIFICATION

COMPANY PROFILE

MAS AND ASSOCIATE OFFICES

NUMBER OF INCOME-GENERATING PROPERTIES

NUMBER OF DEVELOPMENTS, EXTENSIONS AND LAND BANK

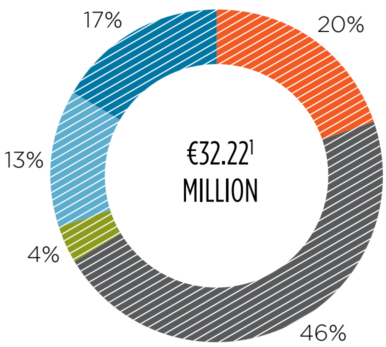


PROPERTY INVESTOR, DEVELOPER AND OPERATOR

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

PASSING RENT

- UK
- GERMANY
- SWITZERLAND
- POLAND
- BULGARIA



BUSINESS STRATEGY

MAS' strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, industrial, logistics and hotel assets 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, such as campuses leased to universities, or capital gains. The company 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 2017, the portfolio had an outstanding weighted average lease term of 10 years, occupied by tenants with strong corporate covenants.

[1]Data extracted from the pro forma management accounts on pages 140 to 147 where applicable

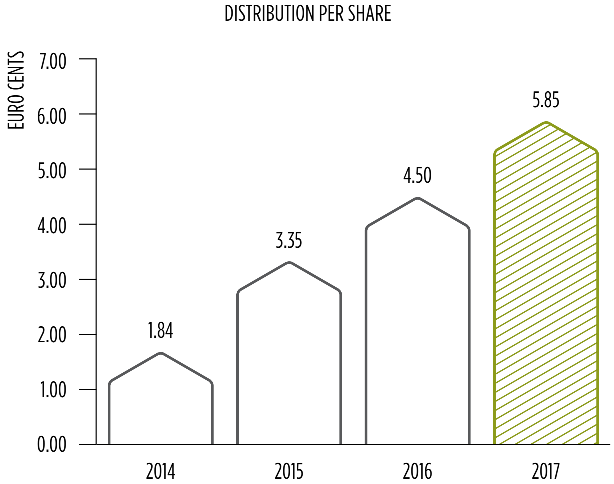
OUTLOOK

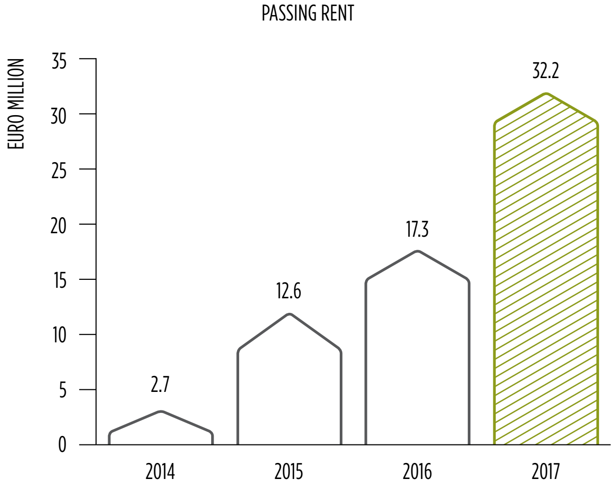
Asset prices in western Europe have increased in recent years and acquisition opportunities that offer an attractive return on equity are harder to find. MAS' focus in western Europe is now on opportunities that can deliver substantial value through active asset management, development and re-development.

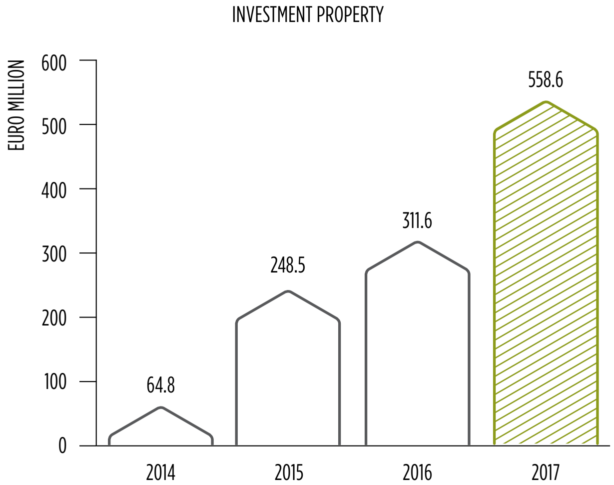
Although CEE markets have increased in price, attractive opportunities are still available and are backed by a combination of relatively high initial acquisition yields, substantial growth prospects and attractive debt terms. Even more appealing is the development market, which is supported by rapidly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

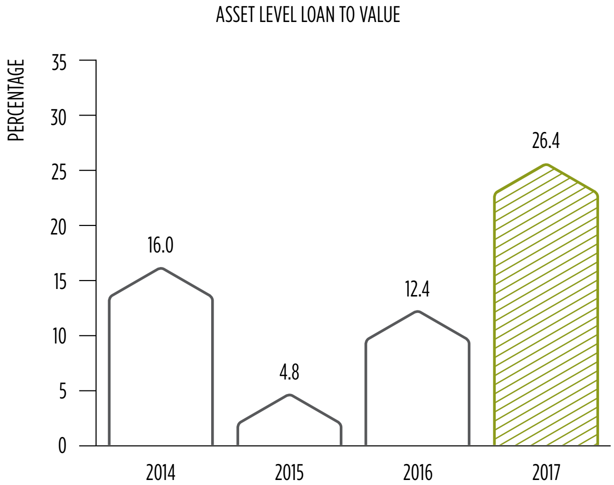
Accordingly, MAS has embarked upon expansion into the growing economies of CEE. To facilitate the expansion, MAS has partnered with Prime Kapital, a management team with exceptional development, investment and financing experience in these markets.

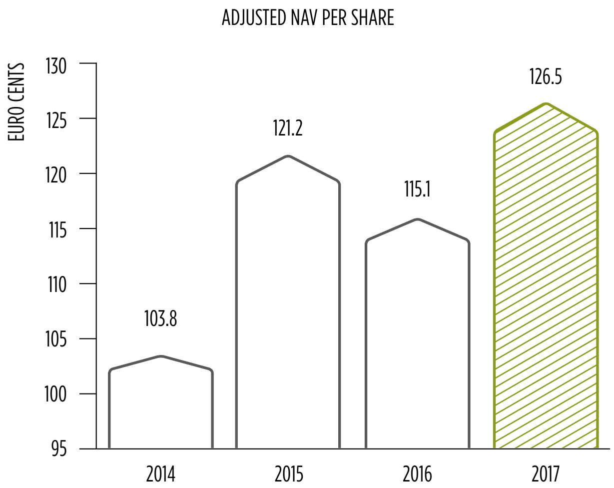
KEY METRICS [1]

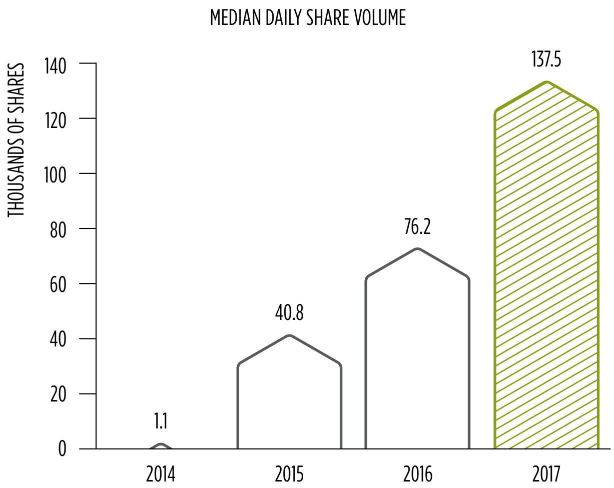












[1]Data extracted from the pro forma management accounts on pages 140 to 147 where applicable

Galleria Burgas, Burgas, Bulgaria

KEY METRICS ARE DEFINED AS FOLLOWS:

KEY METRICS[1]	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 and Land bank
Adjusted NAV per share	Capital preservation and growth	Net asset value per share, adjusted by adding back deferred tax
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.
Asset level loan to value	Gearing	External finance to gross property portfolio (including financial investments)
Median daily share volume (annual)	Liquidity of traded share	The median number of shares traded per day during the financial period on the JSE

DIRECTORS' REPORT [1]

Highlights

30%
INCREASE IN ANNUAL DISTRIBUTION PER SHARE

SIGNIFICANT VALUE FROM NEW WAVERLEY

91%
INCREASE IN INCOME-GENERATING PORTFOLIO

INCREASED COMMITMENT TO THE PRIME KAPITAL DEVELOPMENT JOINT VENTURE

10%
INCREASE IN ADJUSTED NAV PER SHARE

FINAL DISTRIBUTION

As a result of the increase in distributable earnings and strong pipeline of investments and developments, the Board of Directors has proposed a distribution of 3.19 euro cents per share in respect of the second half of the 2017 financial year. This distribution represents an increase of 20% over the 2.66 euro cents per share distribution declared in relation to the first half of the financial year and a 43% increase on the same period in the last financial year. The cumulative annual distribution per share increased from 4.50 to 5.85 euro cents per share for the 2017 financial year, an increase of 30% from 2016.

Shareholders continue to have the option to receive the distribution in cash or as a return of capital by way of an issue of new shares. Further details regarding the distribution will follow in due course.

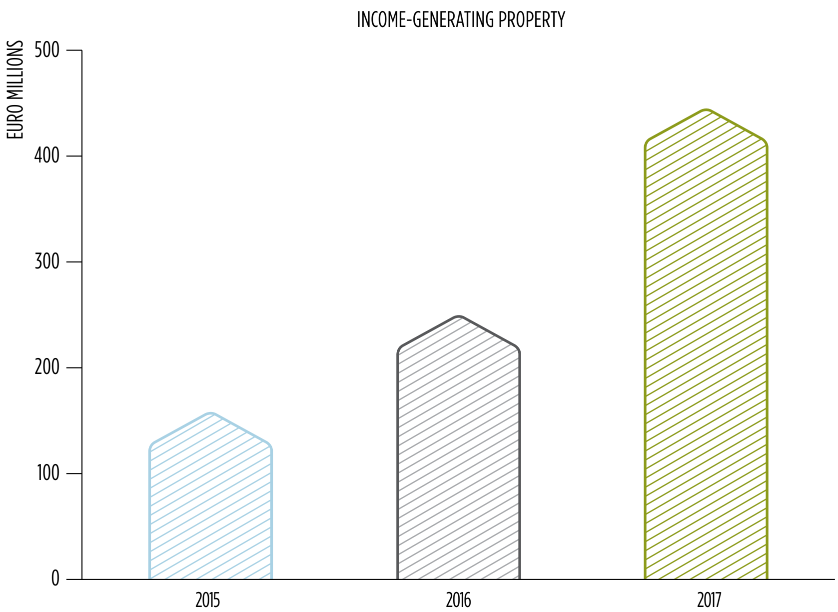
The board will consider distributing retained earnings during forthcoming financial periods as the group pursues various highly accretive property developments, both directly and through the Prime Kapital development joint venture. Once completed, these developments are expected to have a significant positive impact on per share distributions.

Given the strength of the acquisition and development pipeline, discussed in more detail below, in combination with the active deployment and re-deployment of the balance sheet, the board is of the view that the group is well placed to deliver on the targeted annual growth in distribution per share of 30% per annum over a 3 year period set out at the end of 2016, along with further growth thereafter.

DISTRIBUTABLE EARNINGS

The group achieved distributable earnings per share for the year of 4.90 euro cents, a growth of 32% over the previous year. The improvement in recurring distributable earnings per share was driven by the accretive acquisitions of investment property, the completion of assets in the development pipeline and the deployment of capital in the Prime Kapital development joint venture.

In addition, the portfolio benefitted from gains of €36.8 million in the value of investment property, driven in particular by value uplifts from the maturing New Waverley development and the value of the 25-year lease with the UK government. This has helped the adjusted NAV per share increase by 10% to 126.5 euro cents per share, despite the continued currency headwinds of a weakening sterling.



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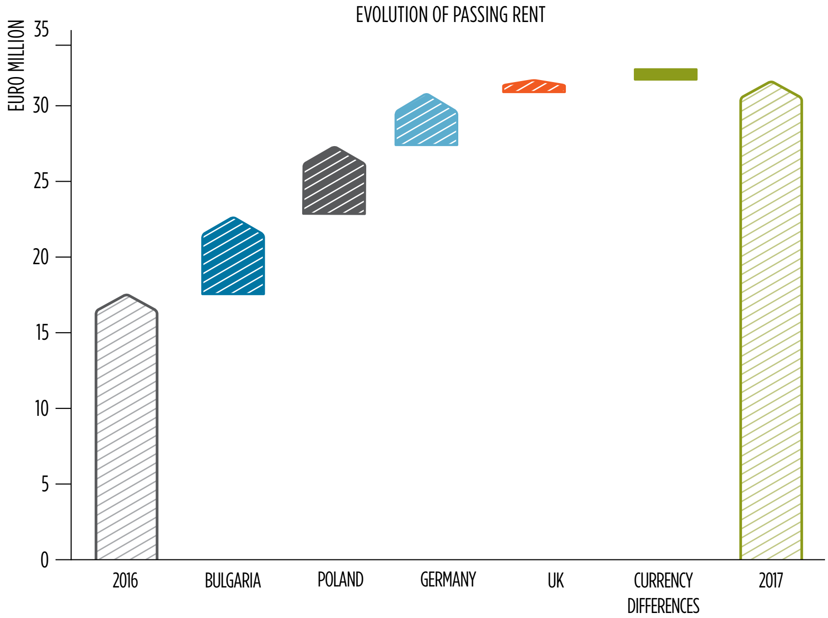


ACQUISITION AND DEVELOPMENT UPDATE

INCOME-GENERATING PORTFOLIO

The income-generating property portfolio has grown by 91%, from €242.6 million to €463.4 million at 30 June 2017. This has driven the growth in rental income of 84% from the prior year.

Acquisitions in CEE have been in terms of a long-term co-investment agreement that MAS has entered into with Prime Kapital. MAS' effective economic interest in the acquisition is the equivalent of an 80% direct participation in the performance of the malls and a 20% participation at the weighted average cost of external funding achieved by the acquisition. 30% of passing rent now derives from CEE.

NOVA PARK SHOPPING MALL, POLAND

Acquired November 2016, Prime Kapital Investment Joint Venture

Nova Park is a 32,600 square metre GLA dominant regional mall situated in Gorzów, Poland, with a catchment of 460,000 people within 60 minutes' drive. Gorzów is located in the wealthier western region of Poland, 150 kilometres from Berlin and 50 kilometres from the German border. The property has an occupancy rate of 91% and anchor tenants include Bershka, C&A, CCC, Cropp Town, Deichmann, H&M, House, Intersport, Media Expert, Mojito, New Yorker, Piotr i Pawel, Pull&Bear, Reserved, Reserved Kids, Smyk and Stradivarius.

A substantial extension is being planned which will further enhance the footfall to this shopping centre, which already dominates its local competitors, and will add further to net operating income over time through turnover linked leases.

GALLERIA PORTFOLIO, BULGARIA

Acquired May 2017, Prime Kapital Investment Joint Venture

This portfolio consists of 2 assets – the Galleria Burgas mall and the Galleria Stara Zagora mall.

Galleria Burgas is a 37,500 square metre GLA dominant shopping centre in Burgas, the 4th largest Bulgarian city with a population of 200,000. The mall benefits from a total catchment of approximately 480,000 people within 60 minutes' drive, as well as a significant number of tourists during the summer holiday season, as the city is in the vicinity of the most popular Black Sea resorts on the Bulgarian coast. The property has an occupancy rate of 99% and a broad tenant mix including international fashion and entertainment brands such as Bershka, CCC, Cinema City, Deichmann, H&M, Humanic, Ikea, Intersport, LC Waikiki, Lee Cooper, Lidl, Massimo Dutti, Oysho, Terranova and Zara. Due to strong performance and tenant demand, a significant centre extension is being considered.

Galleria Stara Zagora is a 21,300 square metre GLA dominant shopping centre in Stara Zagora, the 6th largest Bulgarian city with a population of 140,000. The mall benefits from a total catchment of approximately 400,000 people within 45 minutes' drive. The property has an occupancy rate of 95% and the tenant mix is focused primarily on fashion and entertainment, includes brands such as Bershka, Cinema City, CCC, Deichmann, DM, H&M, Intersport, Kenvelo, LC Waikiki, New Yorker, Nike, Pull&Bear and Stradivarius. The mall is in need of refurbishment and offers significant value enhancing opportunities through operational streamlining and commercial layout improvement.

ADAGIO HOTEL AND RETAIL UNITS, EDINBURGH, UK

Completed development December 2016

The 146-room Adagio hotel has frontage directly onto the Royal Mile, Edinburgh. The lease is guaranteed by both Accor and Pierre & Vacances and the completed development was handed over to the tenant in late 2016. The development also includes 5 well-located retail units, all of which are let or under offer.

MUNICH PROPERTY, GERMANY

Acquired August 2016

This 13,000 square metre GLA property, currently let to Volkswagen AG, was acquired at an initial acquisition yield of 7% and is a long-term redevelopment opportunity. MAS is already in pre-lease negotiations with various tenants and in planning discussions with the local municipality, whilst benefitting from a strong lease covenant in the interim.

EDEKA MIHA PORTFOLIO, GERMANY

Acquired August 2016

The Edeka MIHA 51,000 square metre GLA portfolio, comprises 20 supermarkets and discount food stores in north-east Germany, provides particularly strong income returns that are underpinned by low-cost debt financing, resulting in attractive income returns on equity invested. The tenant has recently made substantial investments in many of the portfolio properties, a number of which are well located in, or near to, Berlin.

DIRECTORS' REPORT (CONTINUED)

ALDI PORTFOLIO, GERMANY

Disposed June 2017

As part of the ongoing review of the portfolio, the group has started to recycle capital out of mature assets at a time when market yields are strong. In the second half of the financial year, 4 of the 5 Aldi discount food stores were sold at a profit of 14% over their carrying fair value.

DEVELOPMENTS – WESTERN EUROPE

NEW WAVERLEY PHASE II (OFFICE), EDINBURGH, UK

The signing of a 25-year lease (with a break at year 20) with the UK government for the 19,000 square metre development at New Waverley is a major achievement and represents the largest office letting in Edinburgh in over 20 years. This development, estimated to complete in June 2019, continues the momentum at the site, which will see high quality office space blend with restaurants, cafes and shops around a new public square. The site links Waverley Station with the city's iconic Royal Mile, forming part of the Old Town's UNESCO World Heritage site. During the last two years, New Waverley has delivered 400 hotel rooms, including two Whitbread hotels – a Premier Inn and a Hub by Premier Inn – and an Adagio Aparthotel overlooking the Royal Mile.

The UK government tenant essentially provides risk-free rental income, making this site particularly appealing to a large number of institutional investors and pension funds. The pre-let of the largest element of Phase Two of the New Waverley development is expected to generate higher relative rental growth for the surrounding area as footfall will increase.

PRIME KAPITAL DEVELOPMENT JOINT VENTURE

The development opportunities acquired by and available to the joint venture have substantially exceeded initial expectations, with the venture now targeting in excess of €1 billion of high quality developments across CEE. In order to fund this pipeline, MAS has increased its commitment to the Prime Kapital development joint venture from €200 million up to a maximum of €350 million of preference share capital, on the same terms as the previous commitment. MAS' equity stake in the Prime Kapital development joint venture remains at 40%.

The market opportunity in CEE remains compelling, with the joint venture offering many benefits to MAS, including the following:

i. Access to high growth, euro denominated jurisdictions, with improving capital markets and investor sentiment and sufficient scale to impact significantly upon MAS' future growth potential;
ii. Access to good quality assets with higher income and capital returns, and growth in such returns, that are not readily available at this point in the cycle in western European markets;
iii. Access to an experienced team with a proven track record of delivery in the CEE market, in a manner that ensures MAS' exclusive access to them for this investment strategy (being development and redevelopment of commercial and residential real estate assets in CEE);
iv. Strong alignment of interest through Prime Kapital's long-term co-investment; and
v. Speed to market, given the experience of Prime Kapital's management team and established pipeline in this region.

The expansion of the joint venture further strengthens the relationship between Prime Kapital and MAS.

In addition, the shortage of modern, high quality residential accommodation in capital cities across CEE provides a further opportunity to benefit from high growth markets in which the purchasing power of residents is increasing strongly. The Prime Kapital team is well placed to leverage its experience in CEE to exploit this opportunity. Profits from the sale of completed residential developments will be used to support and drive distributions and distribution growth in the periods ahead.

The secured pipeline in CEE amounts to approximately €665 million and consists of the projects discussed below.

EMONIKA MIXED-USE RETAIL, OFFICE AND HOTEL DEVELOPMENT

Emonika is a large-scale development project for the construction of commercial and public logistic assets in a public-private partnership with the Slovenian Railways (SZ) and the Republic of Slovenia (RoS), in the heart of the country's capital Ljubljana. Slovenia benefits from significantly higher per capita purchasing power than other CEE countries and yet Ljubljana lacks a large modern and centrally located mall. The project entails the development of a 59,000 square metre GLA mall and 21,000 square metre GLA of A-grade offices and a hotel in addition to the re-development of the city's central train station and the development of a new central bus station in a highly visible central location, surrounded by dense residential and office elements. The site is well served by public transport and lies on the main traffic routes that connect the city centre with the main regional road and rail network. The catchment area is estimated to include a population of approximately 305,000 and 560,000 within 15 and 30 minute drives respectively.

The project benefits from an approved master plan and is highly complex from a design and regulatory perspective. The investment of significant capital by the development joint venture is conditional on, amongst others, on the conclusion of the design process, the finalisation of various agreements with SZ and the municipality of Ljubljana as well as RoS government approval. The authorities are supportive with the result that significant progress has been made.

ERA SHOPPING PARK IASI ACQUISITION OF SENIOR DEBT

The Prime Kapital development joint venture has secured the acquisition of the senior debt extended to the company owning Era Shopping Park Iasi by a syndicate of banks at a significant discount to the estimated current market value of the project. The debt acquired by the joint venture is secured with a first rank mortgage over all the project assets. Era Shopping Park Iasi is a 50,000 square metre GLA retail centre that includes a Carrefour (15,290 square metres of GLA) and a Decathlon (4,090 square

WE BELIEVE IN EVERYTHING WE DO

Chophouse at New Waverley, Edinburgh, United Kingdom

DIRECTORS' REPORT (CONTINUED)

ERA SHOPPING PARK IASI ACQUISITION OF SENIOR DEBT (CONTINUED)

metres of GLA) owner-occupied unit. The asset is currently underdeveloped and overleveraged but due to a large catchment area, very good visibility and accessibility by car and public transport, lack of expansion potential for the two competing schemes and a 140,000 square metre development land bank it is well positioned for redevelopment into a regional retail centre.

Iasi, with 321,000 inhabitants, is the second largest city in Romania, the most important industrial centre in the northeast part of the country and a major university centre. The project is located near to densely populated and rapidly growing residential areas, on the main road that connects Iasi to most major cities in the wider region.

DN1 VALUE CENTRE

During 2016 the Prime Kapital development joint venture secured a development site of approximately 41,000 square metres in Balotesti, Romania, with a view to developing a retail value centre. Since then, given the extraordinarily high demand from retailers, an additional neighbouring plot of approximately 38,000 square metres has been acquired with the intention of developing a larger centre.

Balotesti, a rapidly developing affluent residential area, is approximately 25 kilometres north of Bucharest. Conveniently situated on the DN1, a major motorway connecting the northern lakeside residential areas with Bucharest, the land plots are adjacent to Bucharest's most successful DIY outlet, Hornbach Balotesti, and the development site for a new Lidl supermarket. Catchment analysis indicates a population of 85,000 and 137,000 within 15 and 30 minute drives respectively, with per capita purchasing power well above the Bucharest average. The planned development will be integrated with the Hornbach outlet and the new planned Lidl on the adjacent sites, extending the combined 18,122 square metres of GLA of these two operators by an additional 28,000 square metres of GLA in the first phase. Lease agreements have been entered into with anchor tenants such as Carrefour (hypermarket), as well as Jysk, Noriel and Pepco. Permitting is ongoing and the first phase of the development is scheduled to open for trade during the fourth quarter of 2018.

PLOIESTI RETAIL CENTRE

The Prime Kapital development joint venture secured approximately 95,000 square metres of land in Ploiesti, Romania, with the intention of developing and operating a 25,600 square metre GLA retail value centre with a high concentration of anchor tenants. Ploiesti, with 210,000 inhabitants and the capital of Prahova County, is placed centrally in the larger urban agglomeration emerging north of Bucharest that is home to a population of approximately 750,000. The city is an important industrial centre hosting major production facilities for leading international oil, chemical and automotive players as well as an important distribution hub for the wider area. The scheme will be integrated with the existing Kaufland mini-hypermarket located next to the project site, as well as with the Lidl supermarket to be developed on an adjacent site. The planned development is located in a densely populated residential area in close proximity to the city's main train station, tram station and bus station with high visibility and very good road access. The property benefits from a catchment of 96,000 residents within walking distance and 565,000 residents within a 30 minute drive. Major anchor tenants have already expressed a strong interest in the project and consideration is being given to expanding the planned scheme.

BAIA MARE VALUE CENTRE

Approximately 63,000 sqaure metres of land has been acquired in Baia Mare with the intention of developing and operating a 22,500 square metre GLA retail value centre with a high concentration of anchor tenants.

Baia Mare, with 124,000 inhabitants, is the capital of Maramures County, one of the fastest growing regions in Romania and also a major tourist destination located close to Romania's north-western border with Hungary and Ukraine. The project location is highly visible, in the immediate vicinity of a dense residential area on the main road connecting Baia Mare with the other major cities in the wider Transylvania area and is well served by public transport. The catchment is estimated to include a population of approximately 156,000 and 219,000 within 15 and 30 minute drives respectively. A lease agreement has been entered into with Carrefour to anchor the centre with a hypermarket. A building permit is expected to be secured early in 2018 with opening scheduled for the end of 2018.

ROMAN VALUE CENTRE

Approximately 61,000 square metres of land has been secured in Roman, Romania with the intention of developing and operating a 15,000 square metre GLA retail value centre with a high concentration of anchor tenants, including the first hypermarket in the town. Roman, with 45,000 inhabitants, is the second largest city in Neamt County with a significant automotive, food and construction materials industry. Nonetheless Roman lacks a relevant retail scheme. The highly visible project site is located within walking distance from the city centre, in the immediate vicinity of the train station and the city's regional bus station. The catchment is estimated to include a population of approximately 65,000 and 100,000 within 10 and 20minute drives respectively. A lease agreement has been entered into with Carrefour to anchor the centre with a hypermarket. A building permit is expected to be secured early in 2018 with opening scheduled for the end of 2018.

KAUFLAND VALUE CENTRE EXTENSIONS

Seven land plots have been secured in various smaller cities across Romania with the intention of developing approximately 28,000 square metres of GLA of convenience value extensions to be integrated with the existing Kaufland mini-hypermarkets. Kaufland is a German discount mini-hypermarket and supermarket chain that operates in excess of 1,000 stores in Germany and several CEE countries. It has become the leading food retailer in Romania, with more than 100 well located owned and operated stores, generating over €2.2 billion in annual sales. The leasing of the first four of these developments is very advanced and the assets are expected to open for trade before the end of the 2017 calendar year.

RESIDENTIAL DEVELOPMENTS
The secured residential development pipeline consists of two large scale projects in Bucharest. The first is an 81,000 square metre site in close proximity to the new developing central business district and commercial centre in the affluent, northern part of the city on which an upmarket modern housing estate consisting of up to 550 high quality houses, townhouses and apartments is being planned. Planning is well advanced and it is expected that construction of show units will start by December 2017 with a view to be opened to the public by March 2018. The second secured project is a large-scale residential block development where up to 380 apartments will be constructed on the 15,000 square metre site in the expanding north-west of Bucharest directly adjacent to a public transport node that includes a metro station and tram stop on major public transport lines. This project is subject to zoning.

FURTHER PIPELINE
In addition to the secured pipeline, the development joint venture is currently conducting due diligence on a further €200 million of development pipeline. Further details will be made available as appropriate.

CASH MANAGEMENT AND DEBT
During the financial year the group raised €158 million via the issue of new ordinary shares in two over-subscribed private placings. As a result of acquisitions and capital expenditure on developments the group ended the financial year with €33.0 million in cash (excluding the group's share of cash held in the Prime Kapital development joint venture).

In addition, the group had €147 million of third-party debt finance in place as at 30 June 2017, having drawn-down a net amount of €112 million during the year. This leaves the asset level loan to value at 26% at 30 June 2017. Shortly after year end, a further €53 million of debt was drawn-down against the Nova Park asset and further debt is expected to be drawn on the currently ungeared Bulgarian Galleria portfolio.

DIRECTORS
Ron Spencer
(Non-executive chairman)
Lukas Nakos
(Chief executive officer)
Malcolm Levy
(Chief financial officer)
Jonathan Knight
(Chief investment officer)
Gideon Oosthuizen
(Non-executive director)
Jaco Jansen
(Non-executive director)
Morné Wilken
(Non-executive director)
Pierre Goosen
(Non-executive director)
Glynnis Carthy
(Non-executive director)

Glynnis Carthy was appointed to the Board of Directors on 30 June 2017. There were no other changes to the board during the financial year ended 30 June 2017, or to date.

TRADING STATEMENT
The group uses distribution per share as its relevant unit of measure for trading statement purposes.

MANAGEMENT ACCOUNTS
The figures referred to above have been extracted from the management accounts that can be found on pages 140 to 147 of the integrated report.

REPORTING CURRENCY
The group's results are reported in euros.

LISTINGS
MAS is listed on the Main Board of the Johannesburg Stock Exchange and the Euro MTF market of the Luxembourg Stock Exchange.

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.

Costa at New Waverley, Edinburgh
United Kingdom

CREATIVITY

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

INTEGRITY

We act responsibly in everything we do

GOALS AND RESULTS FOCUSED

We are motivated by results

COLLABORATIVE AND RESPECTFUL

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

CONVICTION

We believe in everything we do

Nova Park, Gorzow, Poland

BUSINESS MODEL

INPUT CAPITALS

- P PORTFOLIO
- F FUNDING
- T TEAM
- R RELATIONSHIPS
- S SUSTAINABILITY

BUSINESS ACTIVITIES

ACQUIRE WELL TENANTED PROPERTIES IN STRONG AND RESILIENT LOCATIONS

DEVELOP PROPERTIES TO GROW INCOME

MANAGE PORTFOLIO EFFECTIVELY TO GROW INCOME

OPTIMISE CAPITAL STRUCTURE TO ENHANCE SHAREHOLDER RETURNS

GROWING INCOME DISTRIBUTIONS ON A SUSTAINABLE BASIS

OUTPUT

PROVIDING CREATIVE SPACE FOR TENANTS TO FLOURISH

OUTCOMES

GROWTH IN THE CAPITALS TO BE RECYCLED

STRATEGY AND STRATEGIC OBJECTIVES

MAS' strategy is to generate a sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, logistics, industrial and hotel assets 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 generating recurring income, such as campuses leased to universities, 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 IN 2017	ACHIEVEMENTS
DRIVE THE ACQUISITION AND DEVELOPMENT PROGRAMME IN EUROPE	• Acquired Nova Park, the Galleria shopping malls, the Edeka MIHA portfolio and the Munich property • Completed the development of Adagio aparthotel and retail units at New Waverley • Commenced development of extensive pipeline of developments in Romania and Slovenia • Increased commitment to the Prime Kapital development joint venture up to €350 million preference shares
UNLOCK VALUE IN EXISTING PORTFOLIO	• Lettings of vacant space at Chippenham and Heppenheim Park • Cost control and planning of redevelopment at newly acquired CEE investment assets • Value uplift as new assets begin to mature at New Waverley • Disposal of 4 mature Aldi stores in Germany for a healthy profit
IMPROVE INVESTMENT PROCESS AS THE ORGANISATION GROWS	• Investment Committee restructured to strengthen team • Refined group 'strategy model', which monitors progress towards targets • Leveraged Prime Kapital relationship and experience to implement best practice • Successfully nurtured culture of openness from all parties in the investment process
GEAR THE PORTFOLIO OPTIMALLY	• €111.66 million of debt drawndown in the last year with a cost of debt of 2.14% • Group cost of funding now 2.32% • Asset level LTV of 26%, moving closer to 40%+ LTV target IR 38

PILLARS OF GROWTH

1

A strong and growing income-stream platform upon which to build, generated by the existing portfolio of income-generating properties and development properties. This is derived from a portfolio of investments in Germany, UK, Bulgaria, Poland and Switzerland with leases to strong covenants. The rents are mostly denominated in euro, Swiss franc and sterling and the income base is expected to grow via continued development and asset management initiatives.

2

Developments in CEE in partnership with Prime Kapital. MAS has invested €20 million in ordinary shares and €100 million in preference shares in this partnership at year end and committed up to a further €250 million. Strong progress has been made, with land having been acquired, and permitting currently under way on multiple schemes in various CEE countries. The partnership is expected to deliver in excess of €1 billion of new high quality and dominant assets with strong and growing income streams.

3

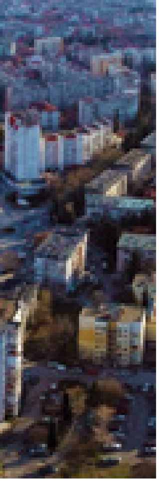
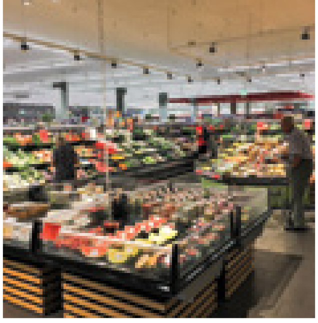
Further income-generating investments in CEE and developments in both CEE and western Europe, which will continue to enhance the portfolio's income distributions over the short and medium to long term in an environment where rental income is expected to grow strongly over time.

STRATEGIC OBJECTIVES FOR 2018	APPROACH	LOOKING AHEAD	
CONTINUE TO DRIVE THE ACQUISITION AND DEVELOPMENT PROGRAMME IN EUROPE	• Continue to secure unique investment opportunities • Focus on delivery of extensive pipeline in Romania and Slovenia with expected completion of first development in FY2018 • Further commitment to the Prime Kapital development joint venture of up to €150 million	• Stringent deal appraisal ensuring investments meet business objectives • Consider working with development partners to expedite progress on developments in western Europe • Leverage Prime Kapital relationship	P
CONTINUE TO UNLOCK VALUE IN EXISTING PORTFOLIO THROUGH ACTIVE ASSET MANAGEMENT AND CONSIDERATION OF CAPITAL REALLOCATION TO GROWTH OPPORTUNITIES	• Detailed asset management programme for each investment • Progress extensions at Nova Park and Galleria shopping malls • Cost management across the portfolio • Letting across portfolio • Disposal of Langley Park and NSQ development	• Focus on yield on realisable equity to ensure capital is optimally allocated, recycling capital to drive growth where appropriate	P
IDENTIFY KEY VALUE ADD PROCESSES AND SYSTEMS FOR IMPLEMENTATION THROUGHOUT THE 2018 FINANCIAL YEAR	• Improve investment and operational processes and structures as the organisation expands • Introduce new integrated property management and accounting system	• Improve systems • Increase formalisation of processes in line with growth of organisation • Nurture a culture of accountability and ownership to increase operational efficiency • Review group wide tax structuring in line with evolving tax legislation	T
CONTINUE TO GEAR THE PORTFOLIO TOWARDS 40% LTV TARGET	• Continue to leverage portfolio optimally • Re-finance historic debt in the portfolio	• Develop deeper banking relationships to increase gearing and reduce cost of debt	F

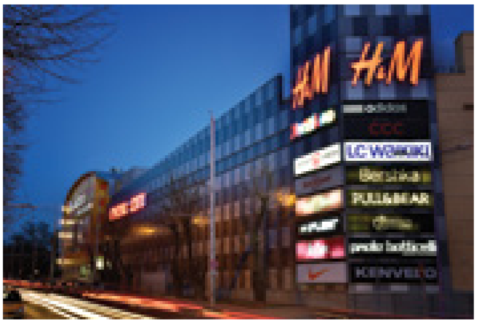
PORTFOLIO[1]

		INVESTMENT PROPERTIES 2016	INVESTMENT PROPERTIES 2017		PROGRESS
		€312M	€559M		
INCOME-GENERATING PROPERTY	PROPERTY THAT IS CURRENTLY PRODUCING INCOME AND HELD FOR THE PURPOSE OF EARNING A YIELD	€243M	€463M	+91%	• Increased passing rent by 86% • Acquisitions in western Europe: – The Edeka MIHA portfolio – Munich property • Acquisitions in central and eastern Europe: – Nova Park – Galleria Burgas and Galleria Stara Zagora • Asset level LTV now at 26% • Recycled mature assets with the disposal of 4 Aldi stores
DEVELOPMENT PROPERTY	PROPERTY THAT IS BEING DEVELOPED IN ORDER TO CREATE INCOME-GENERATING PROPERTY AT A BETTER YIELD AND QUALITY THAN CAN BE ACHIEVED BY ACQUIRING STANDING ASSETS	€25M	€45M	+79%	• Phase I at New Waverley completed • Phase II office development commenced with 25 year pre-let to UK government • Prime Kapital development joint venture – €100 million cumulative 7.5% preference shares drawndown – Commited up to a further €250 million of preference share capital – Over €1 billion development pipeline
LAND BANK	LAND PLOTS HELD FOR SCHEMES THAT HAVE EITHER NOT YET RECEIVED PERMITTING OR COMMENCED DEVELOPMENT	€44M	€51M	+15%	• Langley Park nearing disposal • North Street Quarter Phase I commencing development

[1]Data extracted from the pro forma management accounts on pages 140 to 147 where applicable





LOOKING AHEAD

- Acquisition programme to continue, with focus on CEE
- Continue to recycle mature assets
- Manage/extend/ redevelop assets to drive growth


- **New Waverley Phase II office**
  – Completion of New Waverley government office committed for June 2019
- **Prime Kapital development JV**
  – Developments completing in FY2018


- New Waverley Phase II – Residential – strong demand from developers
- Langley Park disposal expected H1
- North Street Quarter Phase I to commence FY2018



PORTFOLIO[1]

INCOME-GENERATING PROPERTY

The income-generating portfolio, which has been assembled through acquisition and development, comprises high quality retail, office, industrial, logistics and hotel properties in Germany, UK, Bulgaria, Poland and Switzerland.

WESTERN EUROPE

CP										MAS' SHARE	
	LOCATION	ASSET TYPE	OWNERSHIP	DATE ACQUIRED	CURRENCY	NO OF ASSETS	GLA (SQM)	OCCUPANCY (%)	WALT (YEARS)	BOOK VALUE (€M)	PASSING RENT (€M)
Edeka MIHA portfolio	Germany	Retail	100%	30.08.2016	EUR	20	50,964	100%	14.21	29.13	3.78
Toom portfolio	Germany	Retail	100%	2015	EUR	3	25,291	100%	11.83	29.85	2.20
Heppenheim Park	Germany	Retail	100%	2015	EUR	1	24,644	86%	8.43	28.70	2.03
Edeka Thales portfolio	Germany	Retail	100%	2016	EUR	3	21,845	96%	13.50	55.81	2.00
Bruchsal	Germany	Retail	100%	2015	EUR	1	7,103	100%	5.05	23.70	1.44
Gotha	Germany	Retail	100%	2015	EUR	1	9,442	100%	9.00	12.60	0.99
Munich	Germany	Industrial	100%	12.08.2016	EUR	1	13,090	100%	1.50	13.60	0.89
Lehrte	Germany	Retail	100%	2016	EUR	1	9,203	100%	9.61	10.30	0.76
Donaueschingen	Germany	Retail	100%	2015	EUR	1	8,235	100%	11.59	10.20	0.72
Aldi portfolio	Germany	Retail	100%	2010	EUR	1	1,306	100%	12.42	2.18	0.14
Whitbread and arches	UK	Hotel	100%	2016	GBP	1	8,868	100%	26.49	34.61	2.12
Chippenham	UK	Industrial	100%	2015	GBP	1	62,897	99%	7.27	24.90	2.00
Adagio and retail	UK	Hotel	100%	31.11.2016	GBP	1	8,499	90%	19.40	42.07	1.46
Braehead	UK	Industrial	100%	2013	GBP	1	18,476	100%	7.62	7.47	0.79
Zurich	Switzerland	Logistics	100%	2010	CHF	1	5,699	100%	7.25	15.46	1.19
TOTAL						**38**	**275,562**	**97.85%**	**12.10**	**340.58**	**22.51**

TOP 10 TENANTS BY PASSING RENT

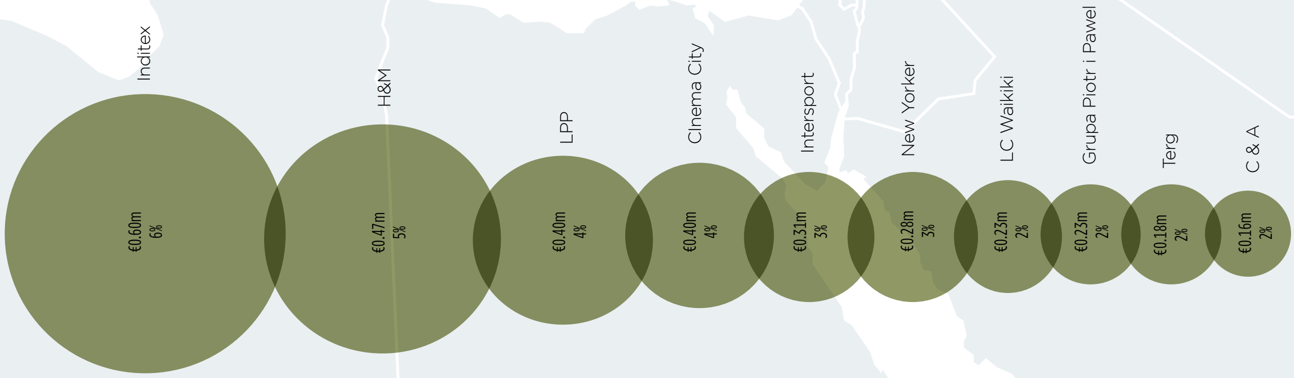
[1] Data extracted from the pro forma management accounts on pages 140 to 147 where applicable

The investment strategy emphasises the quality of income streams, which is evident from the locations and nature of the assets owned, terms of lease, and size of tenants.

CENTRAL AND EASTERN EUROPE

CP	LOCATION	ASSET TYPE	OWNERSHIP	DATE ACQUIRED	CURRENCY	NO OF ASSETS	GLA (SQM)	OCCUPANCY (%)	WALT (YEARS)	MAS' SHARE BOOK VALUE (€M)	MAS' SHARE PASSING RENT (€M)
Galleria portfolio	Bulgaria	Retail	80%	04.05.2017	EUR	2	58,772	98%	6.32	53.49	5.41
Nova Park	Poland	Retail	80%	28.11.2016	EUR	1	32,553	91%	4.69	69.30	4.30
TOTAL						**3**	**91,325**	**95%**	**5.50**	**122.79**	**9.71**

TOP 10 TENANTS BY PASSING RENT



PORTFOLIO

TOP PROPERTIES


Galleria Burgas, Burgas, Bulgaria


Galleria Stara Zagora, Stara Zagora, Bulgaria

GALLERIA BURGAS

ACQUIRED MAY 2017

The Galleria Burgas mall is a 37,500 square metre dominant shopping centre in Burgas, the 4th largest Bulgarian city with a population in excess of 200,000. It has a broad tenant mix consisting of 117 tenants including fashion and entertainment brands such as Bershka, CCC, Cinema City, Deichmann, H&M, Humanic, Ikea, Intersport, LC Waikiki, Lee Cooper, Lidl, Massimo Dutti, Oysho, Terranova and Zara). Due to strong performance and tenant demand, a significant centre extension is being considered.

GALLERIA STARA ZAGORA

ACQUIRED MAY 2017

The Galleria Stara Zagora mall is a 21,300 square metre GLA dominant shopping centre in Stara Zagora, the 6th largest Bulgarian city with a population of 140,000. The tenant mix is focused primarily on fashion and entertainment and consists of 73 tenants including brands such as Bershka, Cinema City, CCC, Deichmann, DM, H&M, Intersport, Kenvelo, LC Waikiki, New Yorker, Nike, Pull&Bear and Stradivarius. The mall is in need of refurbishment and offers significant value enhancing opportunities through operational streamlining and commercial layout improvement.

Nova Park, Gorzów, Poland

Nova Park, Gorzów, Poland

NOVA PARK

ACQUIRED NOVEMBER 2016

A dominant 32,600 squre metre GLA regional mall situated in Gorzów, Poland. Nova Park has a diversified mix of 122 high quality tenants including international and national brands Bershka, C&A, CCC, Cropp Town, Deichman, H&M, House, Intersport, Media Expert, Mojito, New Yorker, Piotr i Pavel, Pull&Bear, Reserved, Reservede Kids, Smyk and Stradivarius.

EDEKA MIHA

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 26% in Germany and operates approximately 4,100 stores under the Edeka brand.

Edeka MIHA Portfolio, Treptow, Germany

TOOM PORTFOLIO

A portfolio of 3 retail warehouses let on a long-term basis to DIY operator Toom, part of the REWE Group, a large German retail and tourism co-operative.

Toom Portfolio, Gummersbach, Germany

Premier Inn at New Waverley, Edinburgh, United Kingdom

Hub at New Waverley, Edinburgh , United Kingdom

NEW WAVERLEY WHITBREAD HOTELS AND ARCHES

The 2 hotels and associated retail units are part of the New Waverley development, a mixed-use project developed by MAS in the heart of Edinburgh, United Kingdom.

The 2 hotels are let on a long-term basis to Whitbread Group plc, a FTSE 100 company and operated under the brands Premier Inn and the Hub Premier Inn.

PORTFOLIO

DEVELOPMENT PROPERTY – MAS

SUMMARY

CP	LOCATION	TYPE	OWNERSHIP	ESTIMATED COMPLETION	CURRENCY	NO OF ASSETS	MAS' SHARE	
							BOOK VALUE (€M)	DEVELOPMENT ERV (€M)
New Waverley Phase II – Office	UK	Offices	100%	2019	GBP	1	28.26	5.25
Langley Park – Travelodge	UK	Hotel	100%	2018	GBP	1	2.66	0.41
Nova Park – Extension	Poland	Retail	80%	undisclosed	EUR	1	2.10	undisclosed
Prime Kapital Development Joint Venture (see page 32)[1]	CEE	Retail	40%	2018 - 2022	EUR	13	11.63	17.53
Total						**16**	**44.65**	**23.19**

NOVA PARK – EXTENSION

The planned extension will consolidate the centre's position as a regionally dominant mall and add to to the diversified mix of high quality tenants. The major improvements under consideration include:

- Replacement of supermarket with a hypermarket
- 6 to 7 screen cinema
- Addition of large fashion anchors
- Entertainment area
- Increase in food court offering and seating area
- Reconfiguration of entrance
- Improved layout and visibility

Nova Park, Gorzów Poland

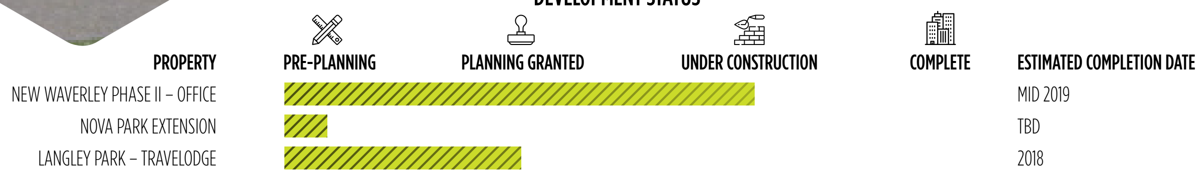
LANGLEY PARK – TRAVELODGE

A development of a 69 room hotel pre-let to Travelodge, together with a café of 186 square metres. Planning permission for this development was granted in September 2016, and construction is set to commence before the end of the calendar year.

The new 25 year hotel lease will begin on practical completion in 2018 generating an income of £313 thousand (€355 thousand) per annum with the retail unit generating an expected further £50 thousand (€57 thousand) per annum when let.

Travelodge at Langley Park, Chippenham, United Kingdom

DEVELOPMENT STATUS



[1] The figures on page 32 reflect 100% in the development joint venture, not MAS' proportionate share

NEW WAVERLEY PHASE II – OFFICE

New Waverley Phase II Office is a development of 19,000 square metres of Grade A office space pre-let to the UK government in the heart of Edinburgh. MAS is set to deliver the building by June 2019. The UK government has an option to occupy up to an additional 2,800 square metres of further office space which would be developed adjacent to the first principal office building.

More information available at www.newwaverley.com

Phase II at New Waverley, Edinburgh, United Kingdom

PORTFOLIO

DEVELOPMENT PROPERTY – PRIME KAPITAL DEVELOPMENT JV

In 2016, MAS expanded its target markets in a joint venture with experienced developers and investors Prime Kapital, to include central and eastern Europe. With more than 100 million people and €1 trillion in GDP this is a sizable growth market. CEE's growth rates have substantially outpaced those achieved in western Europe over the last 15 years, whilst the transparency and liquidity of the investment market in a large part of CEE has improved greatly, a trend which is expected to continue.

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 2017. Due to the strength of the development pipeline MAS has extended its preference share funding commitment up to a maximum of €350 million.

Return expectations are for income of between 8% - 10%, and an IRR in excess of 15%.

SUMMARY

							TOTAL ASSETS[1]		
CP	LOCATION	TYPE	OWNERSHIP	CURRENCY	ESTIMATED COMPLETION DATE	NUMBER OF ASSETS	BOOK VALUE (€M)	DEVELOPMENT BUDGET (€M)	ERV (€M)
RETAIL CEE DEVELOPMENTS	CEE	Retail	40%	EUR	2018 - 2022	13	29.08	476.48	43.83
OTHER CEE DEVELOPMENTS	CEE	Other	40%	EUR	2019 - 2022	3	19.06	189.11	-
TOTAL						16	48.14	665.59	43.83

[1]The figures reflect 100% in the development joint venture, not MAS' proportionate share


DN1, Boltesti, Romania


Foscani, Romania


Foscani, Romania

EMONIKA

Emonika is a mixed-use public private partnership development that includes A grade offices, a new hotel as well as the first modern mall in Ljubljana, the capital of Slovenia. The project, with a total GLA of approximately 80,000 square metres, has a highly visible central location, is surrounded by dense residential and office areas and is well served by public transport, integrated with the city's new central train and bus terminal. The mall component is designed to provide a modern retail experience with a focus on fashion and entertainment, including a multiplex cinema, restaurants, children's play area and a health and fitness club.

Emonika, Ljubljana, Slovenia

PORTFOLIO

VALUE CENTRES – ROMANIA

FOCSANI

The project is an extension of an existing Kaufland hypermarket with 6,250 square metres of GLA close to the city centre of Focsani. It is highly visible on a busy boulevard with high density residences.

Foscani, Romania

SLOBOZIA

Slobozia, Romania

The project is an extension of an existing Kaufland hypermarket with 10,200 square metres of GLA. The project site is at the intersection of the main city boulevard and city ring road, with high visibility and easy access to the most dense neighbourhood in Slobozia.

Roman, Romania

ROMAN

The development consists of a 15,000 square metre GLA retail value centre with a high concentration of anchor tenants, including the first hypermarket in town. Roman, with 45,000 inhabitants, is the second largest city in Neamt county. The highly visible project site is located within walking distance from the city centre, in the immediate vicinity of the train station and the city's regional bus station. A lease agreement has been entered into with Carrefour to anchor the centre with a hypermarket.

Baia Mare, Romania

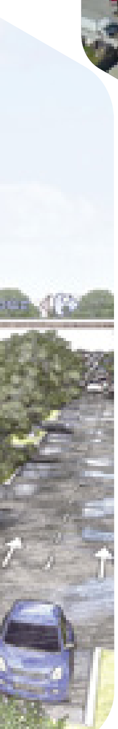
BAIA MARE

The planned development consists of a 22,500 square metre GLA retail value centre with a high concentration of anchor tenants. Baia Mare, with 124,000 inhabitants, is the capital of Maramures county. The project location is highly visible, in the immediate vicinity of a dense residential area on the main road connecting Baia Mare with the other major cities in the wider Transylvania area and is well served by public transport.

DN1, Boltesti, Romania

DN1

The project is planned on a site of approximately 79,000 squre metres in Balotesti, Romania, a rapidly developing affluent residential area located approximately 25 kilometres north of Bucharest. The planned development will be integrated with the Hornbach outlet and the new planned Lidl on the adjacent sites, extending the combined 18,122 square metres of GLA of these two operators by an additional 28,000 square metres of GLA in the first phase.



PLOIESTI

The project is planned on approximately 95,000 square metres of land in Ploiesti, Romania, with the intention of developing and operating a 25,600 square metre GLA retail value centre with a high concentration of anchor tenants. Ploiesti, with 210,000 inhabitants and the capital of Prahova County, is placed centrally in the larger urban agglomeration emerging north of Bucharest that is home to a population of approximately 750,000. The scheme will be integrated with the existing Kaufland mini-hypermarket located next to the project site, as well as with the Lidl supermarket to be developed on an adjacent site.

Ploesti, Romania

PORTFOLIO

LAND BANK

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

SUMMARY

CP	LOCATION	TYPE	OWNERSHIP	NO OF ASSETS	MAS' SHARE BOOK VALUE (€M)
North Street Quarter	UK	Residential	100%	1	20.33
Langley Park – Residential	UK	Residential	100%	2	15.03
New Waverley Phase II – Residential	UK	Residential	100%	2	7.63
Prime Kapital Development Joint Venture (see page 32)[1]	CEE	Other	40%	3	7.62
Total				**8**	**50.61**

[1]The figures on page 32 reflect 100% in the development joint venture, not MAS' proportionate share

NEW WAVERLEY PHASE II – RESIDENTIAL

New Waverley – Phase II Residential represents the residential element of the New Waverley development. More information available at www.newwaverley.com.

Phase II at New Waverley, Edinburgh, United Kingdom

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

Langley Park, Chippenham, United Kingdom

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.

420 new homes – the land is to be sold in phases to a housebuilder

1,741 square metres discount food retailer – the plot is pre-sold to the operator

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

Langley Park, Chippenham, United Kingdom

NORTH STREET QUARTER

North Street Quarter, Lewes, United Kingdom

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

7,000 square mertes of industrial space on the Malling Brooks site

New riverside walkway and public square, foot and cycle bridge

Car park

North Street Quarter, Lewes, United Kingdom

FUNDING

The group focuses on ensuring the capital structure supports shareholder returns through the optimisation of debt and equity.

2.32%

GROUP'S WEIGHTED AVERAGE COST OF DEBT

DEBT

The group reduces the cost of capital by optimising the mix of debt and equity. The group has taken advantage of the historically low cost of debt currently being experienced by gearing investment property and, where appropriate, fixing debt on assets to be held over the longer-term.

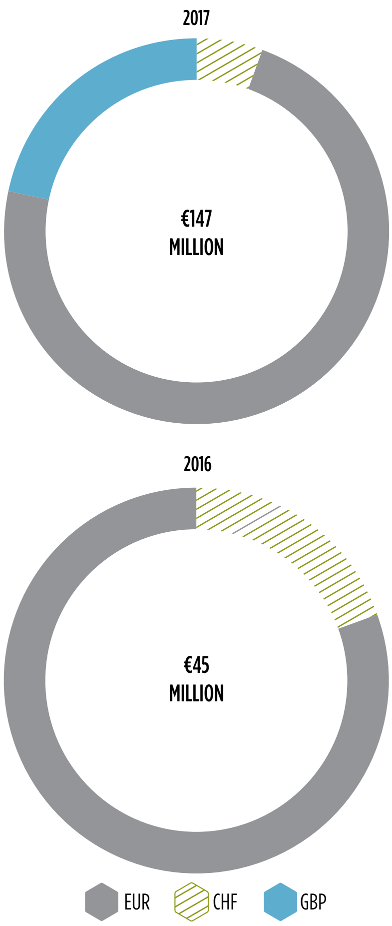
Excellent progress has been made during the year, with €111.66 million of debt drawndown at a weighted average cost of 2.14%. This brings the group's weighted average cost of debt to 2.32% at year end from 2.50% at the previous year end, and the asset level LTV to 26.4% at year end, from 12.4% previously.

AFS N24

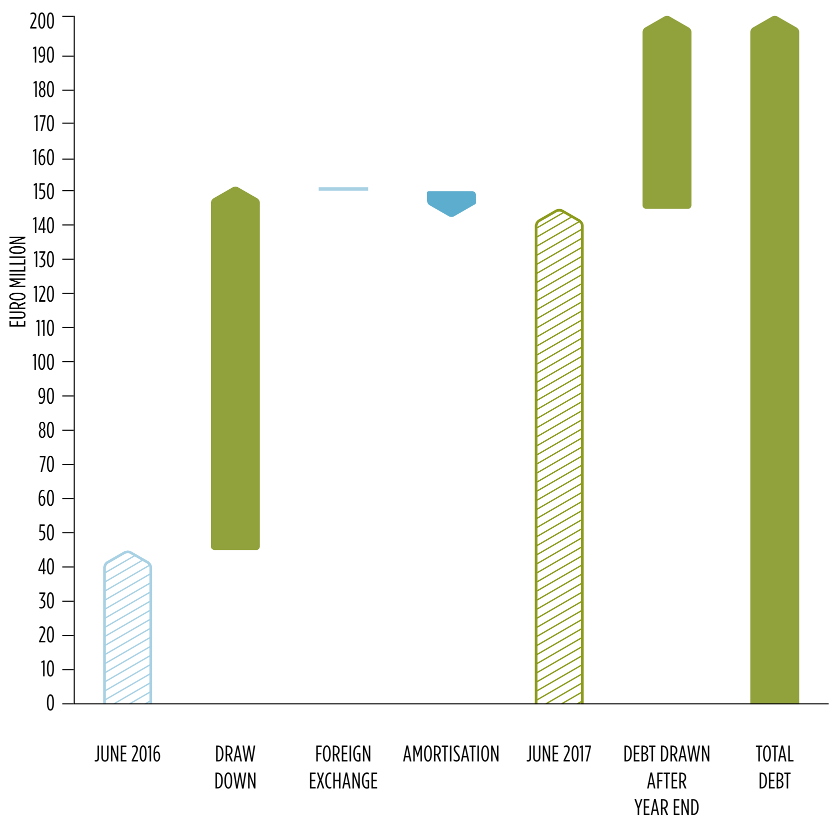
The current target range for the group is an asset level LTV of 40%. This level of debt leaves adequate flexibility without exposing the group to excessive risk.

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 while 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.

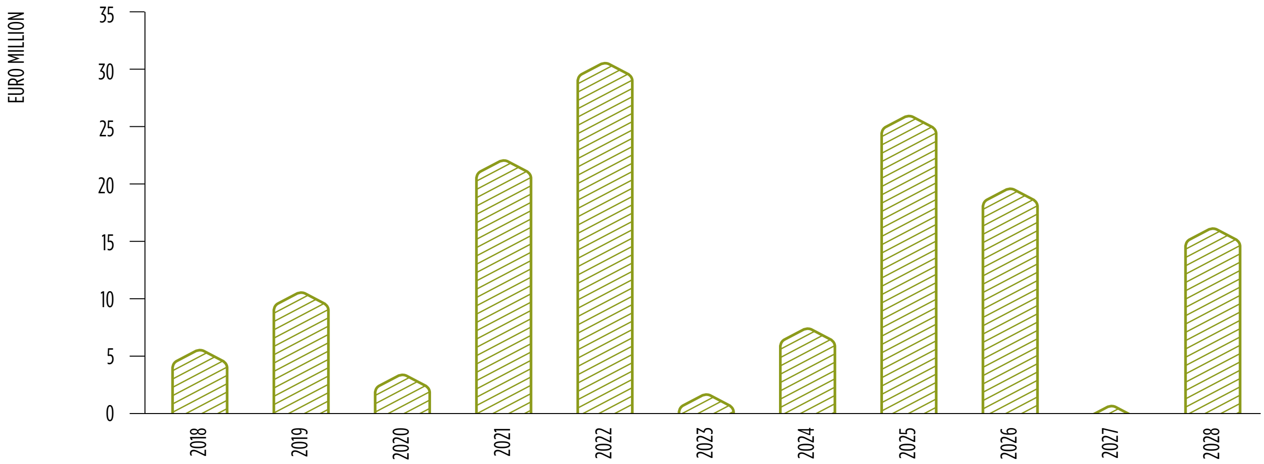
DEBT PROFILE



DEBT RECONCILIATION



AMORTISATION AND DEBT EXPIRY PROFILE



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 at floating rates. Currently 67.5% of the group's debt has been fixed.

Subsequent to year end the group has drawndown a further €53 million of debt secured against Nova Park in Poland. The group will continue to capitalise on the low cost of debt over the year ahead.

68%

OF GROUP DEBT HAS BEEN FIXED

PROGRESS

DRAWNDOWN €112 MILLION OF DEBT AT 2.14%

MANAGED INTEREST RATE EXPOSURE BY LOCKING IN FIXED RATE DEBT

DRAWNDOWN €53 MILLION OF DEBT AFTER YEAR END

REDUCED THE WEIGHTED AVERAGE COST OF DEBT TO 2.32%

LTV INCREASED TO 26%

WEIGHTED AVERAGE DEBT MATURITY OF 8 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.

FUNDING (CONTINUED)

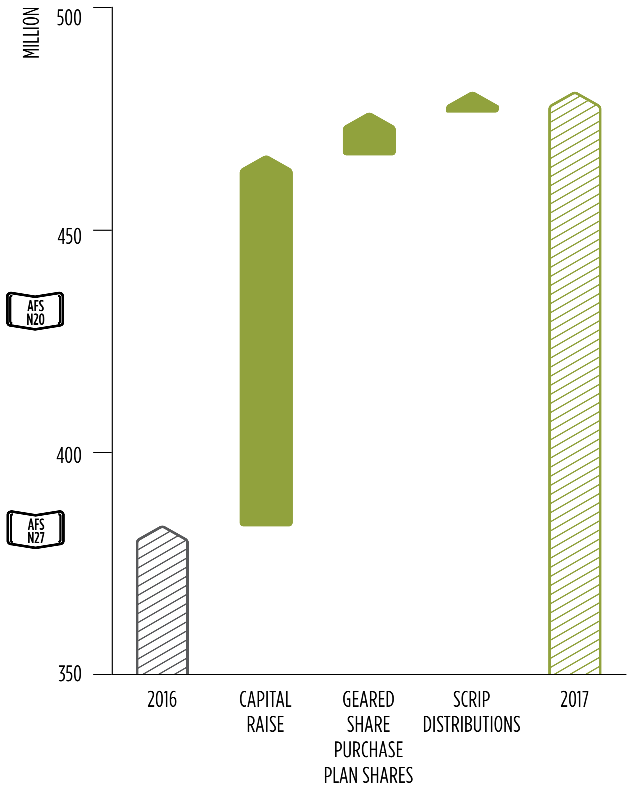
OPTIMISING THE SOURCES OF FUNDING TO DRIVE SHAREHOLDER RETURNS

EQUITY

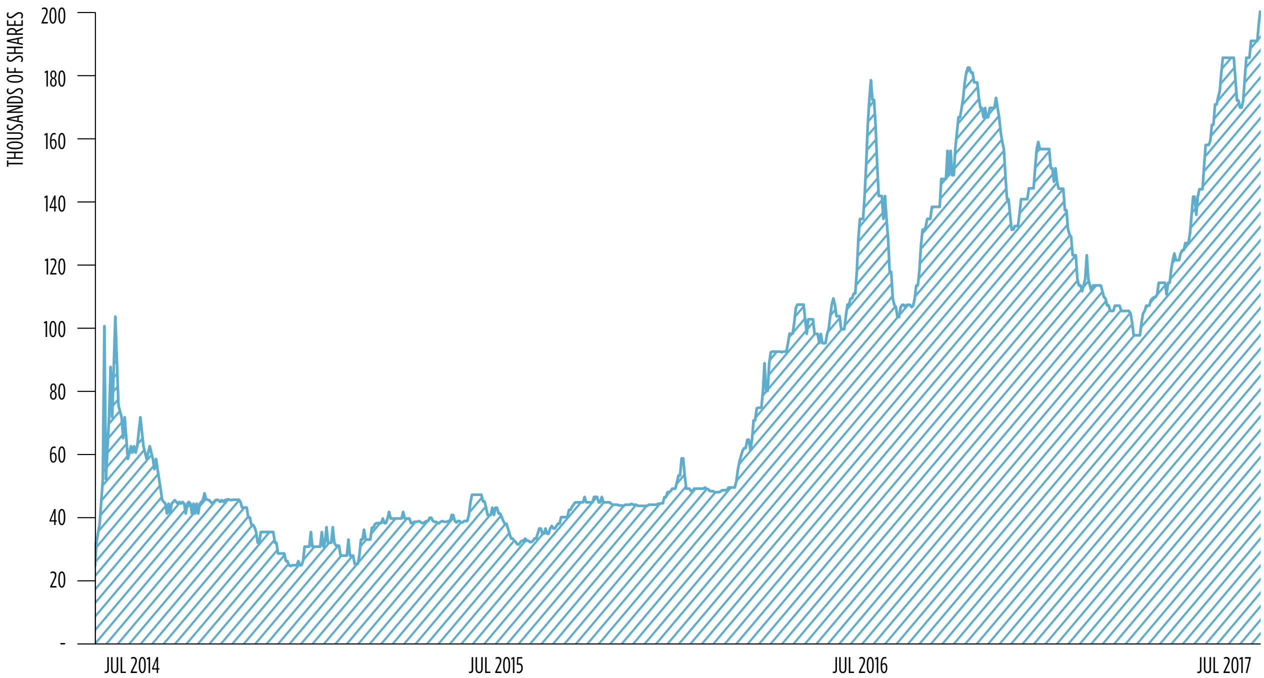
During the year the group undertook two over-subscribed share placements, raising a total of €158 million. The capital raised has been used to drive growth through the acquisition of accretive investment property, progression of developments in the portfolio and investment in the Prime Kapital development joint venture.

The liquidity of the traded share remains a key focus for management. It is pleasing to see the substantial improvement, with the 90 day median daily volume increasing 155% year-on-year to nearly 200,000 shares per day. This, in turn, is increasing the shareholder base, with the register now showing more than 7,000 shareholders. Liquidity looks set to continue to improve over the coming year.

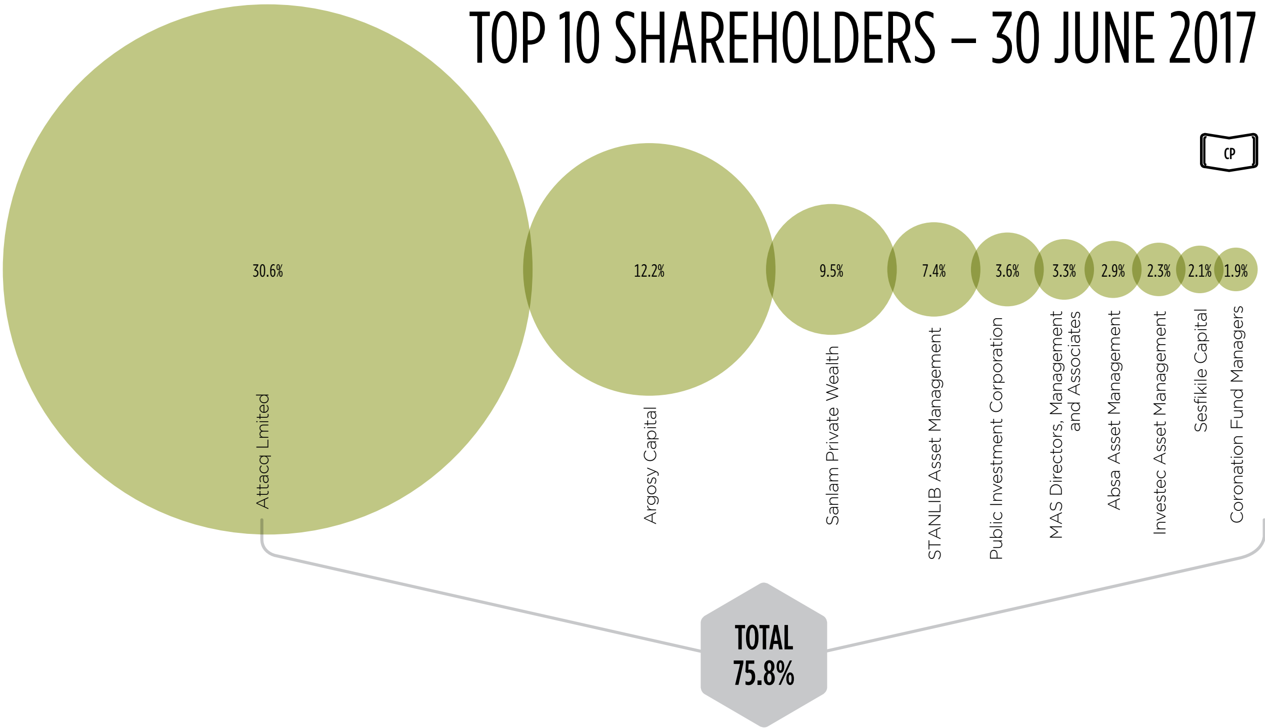
NUMBER OF SHARES IN ISSUE



90-DAY MEDIAN SHARE VOLUME



TOP 10 SHAREHOLDERS – 30 JUNE 2017



During the year a geared share purchase plan was approved by shareholders, in terms of which 12,850,000 shares were issued to plan participants at a price of €1.6386 per share, with loans provided by the group finance company at the group's weighted average cost of borrowing. This remuneration plan aligns the interests of the participants with those of the group, in order to align interests to both short-term and long-term strategic objectives. Non-executive directors do not participate in the geared share purchase plan.

PROGRESS	LOOKING AHEAD
RAISED €158 MILLION THOROUGH THE ISSUANCE OF SHARES IMPROVED 90 DAY MEDIAN SHARE VOLUME WHICH INCREASED TO NEARLY 200,000 AT YEAR END	The group will continue to optimise its funding mix as accretive opportunities in the pipeline are secured or developed.

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.

Significant progress on stakeholder engagement has been made with all stakeholders during the course of the year as a result of the implementation of some key initiatives to drive relationship capital:

- Successful investor tour of key assets in both the investment and development joint ventures;
- Partnered 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 two new debt lenders broadening the group's capital base;
- Continued to reinforce strong relationships with tenants;
- Established relationships with new tenants with strong covenants: Edeka, Volkswagen, Reserved, dm, Inditex and Ikea, amongst others; and
- Forged new relationships with brokers 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 LEVEL 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

CONTRIBUTION	COMMUNICATION AND ENGAGEMENT
PROVISION OF EQUITY FINANCIAL CAPITAL	• Investor presentations • Roadshows • Interim and annual reporting • Results conference calls • SENS • Shareholder meetings • Website • Investor tours
PROVISION OF DEBT FINANCIAL CAPITAL	• One-to-one meetings • Bespoke updates • Interim and annual reporting • Covenant reporting • Website
PROVISION OF FINANCIAL CAPITAL FROM STRONG COVENANTS	• One-to-one meetings • Site visits • Property management teams based locally
PROVISION OF SERVICES TO MEET THE GROUP'S OBJECTIVES	• One-to-one meetings • Regular feedback • Performance evaluation
EMPLOYEES PROVIDE THE TEAM CAPITAL THAT DRIVES THE BUSINESS TOWARDS ITS GOALS	• Training and development • Semi-annual performance appraisals • Newsletters/communications • Regular strategic and business updates (CEO's coffee mornings) • Regular team building events
REGULATORY FRAMEWORKS TO ASSIST IN PROVIDING CERTAINTY AND ALLOW EFFECTIVE GOVERNANCE	• 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	• Detailed community engagement with all developments through: • Community presentations • Localised updates • E-forums and press
PROVIDING THE KNOWLEDGE AND EXPERTISE TO CREATE VALUE AND GROW THE PORTFOLIO	• Development meetings • Site visits • Progress/cost reports
PLATFORM TO COMMUNICATE WITH A WIDE AUDIENCE	• Interviews for print, electronic and on-air media
ACCESS TO A WIDER RANGE OF WILLING BUYERS AND SELLERS OF REAL ESTATE	• One-on-one meetings • Site visits

PROGRESS

HOSTED SUCCESSFUL INVESTOR TOUR IN CEE

ESTABLISHED RELATIONSHIPS WITH NEW DEBT LENDERS

DELIVERED ON PROMISES AT NEW WAVERLEY

ESTABLISHED RELATIONSHIPS WITH NEW TENANTS

LOOKING AHEAD

Relationship capital increases in importance as the organisation grows and evolves. The group continues to nurture a culture that embraces the group's values. In the year ahead, continued expansion within CEE will reinforce relationship capital as one of the primary cornerstones fundamental to the group's operations.

TEAM

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

PEOPLE

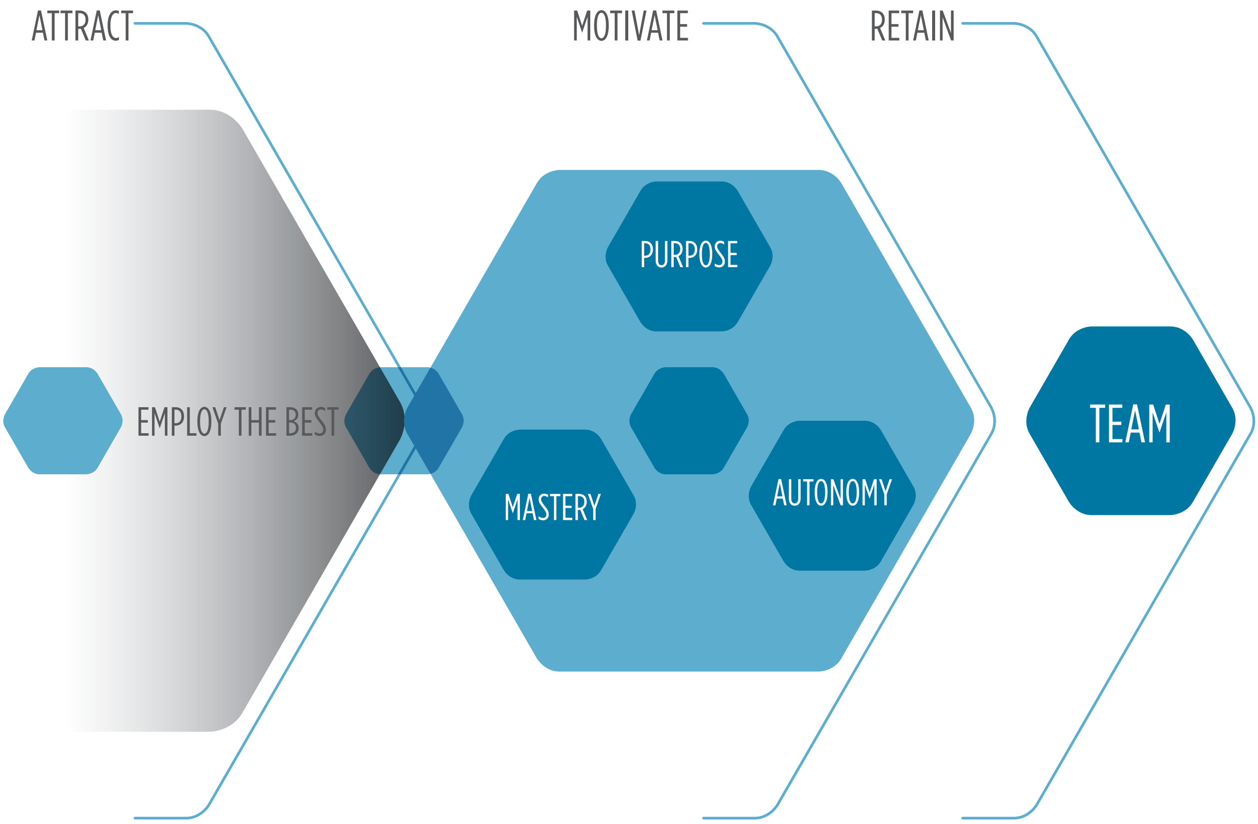
Through the continued investment in its people, MAS established a strong team with extensive knowledge and experience across its invested markets. The team is not only the people that MAS employs but also the members of the Prime Kapital team with whom a close working relationship has been forged.

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 the best people.

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

- Aligned interests of the senior management team through a geared share purchase plan;
- Welcomed Glynnis Carthy, a new Independent Non-Executive Director and chair of the Audit and Risk Committees;
- Broadened the knowledge-base by employing a Head of Tax and Finance Manager;
- Adopted a gender diversity policy;
- Implemented new training and development policy;
- Invested in continued professional development;
- Communicated openly and honestly; and
- Reinforced the culture, which emphasises a relentless drive to continued improvement.

Members of the executive management team have stakes in the business that represent a significant portion of their personal wealth. In addition, a geared share purchase plan was approved which aligns the interests of the plan participants with those of the group, in order to support the group's short-term and long-term strategic objectives.



ATTRACT
MOTIVATE
RETAIN
EMPLOY THE BEST
PURPOSE
MASTERY
AUTONOMY
TEAM

TEAM (CONTINUED)

Further details of the geared share purchase plan are available in the Remuneration Committee report on page 65. IR 65

The appointment of Glynnis Carthy adds a wealth of technical experience to the board of the company and sees MAS achieve its stated gender diversity goals to have female representation at board level.

The joint venture partnerships 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. Their 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 more than 30 core assets.

Much time has been spent with Prime Kapital to integrate the joint venture structures to ensure efficient and effective communication.

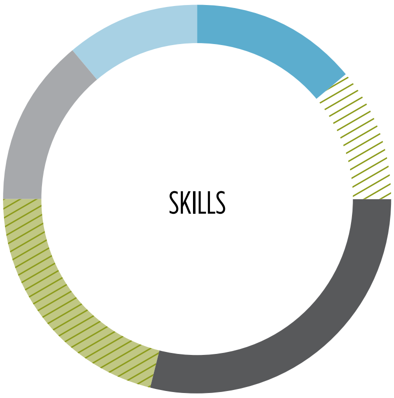
SYSTEMS AND PROCESSES

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.

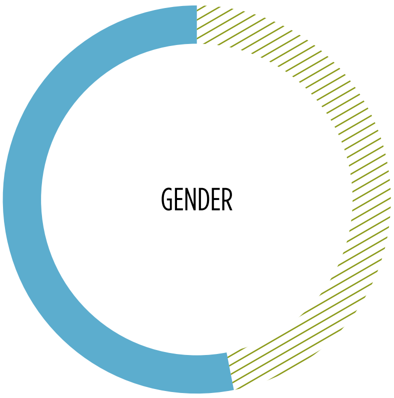
A number of initiatives have been implemented which have enhanced the systems and processes:

- Continued implementation of a property management and accounting software package
- Established a Corporate Governance committee IR 69
- Revamped group-wide delegated authority framework to reflect the group of MAS
- Implemented board pack management software.

EMPLOYEE PROFILE

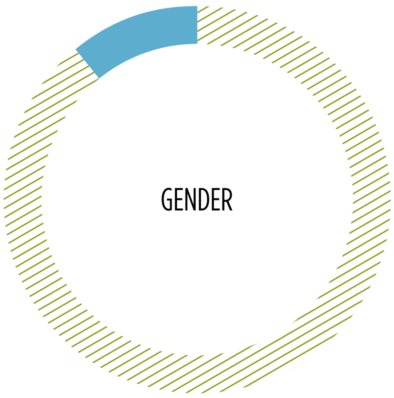


- Company secretarial
- Executive directors
- Property
- Non-executive directors
- Operations
- Finance

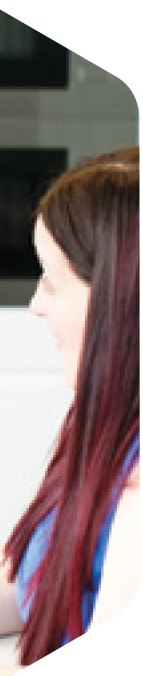


Men Women

MAS BOARD MEMBERS



Men Women



PROGRESS

INTRODUCED A GEARED SHARE PURCHASE PLAN

APPOINTED A INDEPENDENT NON-EXECUTIVE DIRECTOR

RECRUITED HEAD OF TAX AND FINANCE MANAGER

ACHIEVED GENDER DIVERSITY TARGET

CONTINUED TO INVEST IN TRAINING AND DEVELOPMENT PROGRAMME

IMPLEMENTED BOARD PACK MANAGEMENT SOFTWARE

ESTABLISHED CORPORATE GOVERNANCE COMMITTEE

LOOKING AHEAD

KEY INITIATIVES FOR THE YEAR AHEAD ARE:

- APPOINT A NEW CEO, ENSURING THAT THE TRANSITION IS SEAMLESS TO BOTH INTERNAL AND EXTERNAL STAKEHOLDERS.
- CONTINUE TO LEVERAGE OFF PRIME KAPITAL'S SIGNIFICANT EXPERIENCE IN CEE TO BUILD OUT THE PORTFOLIO.
- IMPLEMENT THE INTEGRATED PROPERTY MANAGEMENT AND ACCOUNTING SYSTEM.

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 achieve 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 55s with care and support needs.

The group also focuses on investing in the wider community. Historically, support has been provided on an ad hoc basis. However, this year the focus was on making a sustainable difference. The group connected with Ikhaya le Themba, a community based charity operating out of Khayelitsha in Cape Town. They provide 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 3 year guaranteed minimum amount of ZAR 149,250 per annum, to be split across existing initiatives and to help launch new initiatives that can be tracked over the 3 year period. Supported initiatives include home-based care, soup kitchen, community maintenance and shack coverings, as well as new initiatives. Resilient Kids, Basic Training and Development as well as Workplace Readiness are all now underway as a result.

In February 2017, Karen Tiplady, MAS' Head of Operations, undertook a site visit to Khayelitsha to provide support. She spent time with members of the Ikhaya Le Themba team, witnessed the inaugural training session for the Resilient Kids programme, participated in one of the regular play dates for circa 400 children at a local school and attended the 85th birthday party for Felicia, the very first community carer of Ikhaya le Themba.

Approximately half of the CSR budget was allocated to Ikhaya Le Themba. A number of other initiatives in the Isle of Man and Romania are currently being considered.

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 to accommodate a local charity at New Waverley; and
- Provision for flood defences to be build at North Street Quarter;

The photovoltaic farm at Chippenham provides power to the site and generates an income. The Zurich property also makes use of photovoltaic roof panels.

Langley Park, Chippenham, United Kingdom

Environmentally friendly landfill is used at New Waverley.
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
Renewable energy (via solar panels) feature at the Parsberg Aldi store.

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 and Stara Zagora are certified LEED gold.

ECONCOMIC IMPACT

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

PROGRESS

PROVISION OF AFFORDABLE HOUSING

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

PARTNERSHIP WITH IKHAYA LE THEMBA

SUSTAINABLE ENERGY

PHOTOVOLTAIC FARM TO PROVIDE POWER

LOOKING AHEAD

KEY INITIATIVES FOR THE YEAR AHEAD ARE:

- CONTINUE TO ENGAGE WITH THE COMMUNITY ON THE IMPACT AND DESIGN OF OUR DEVELOPMENTS.
- 3 YEAR PARTNERSHIP WITH IKHAYA LE THEMBA.
- CONSIDER OTHER INITIATIVES IN THE COMMUNITIES IN WE 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:

i. A top-down approach is tailored to the identification of key strategic risks; and
ii. A predominantly bottom-up approach determines 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. Controls are designed to mitigate the assessed level of risk, which are implemented and monitored on a regular basis. Formal feedback is given to the Risk Committee and in turn to the board.

To assist with the bottom-up identification of risks, Primary and Detailed risk registers are maintained. These are updated as operational risks are identified and considered during the ordinary course of business. Both registers are reviewed by the Risk Committee at each meeting.

During 2017, the risk registers have been enhanced and a forward-looking predictor flag introduced to indicate likely changes in inherent and residual risk. Ethical Risk has also been added to the Primary Risk Register.

The board is mindful of achieving the strategic objectives in a sustainable manner and seeks to manage exposure to undue risk.

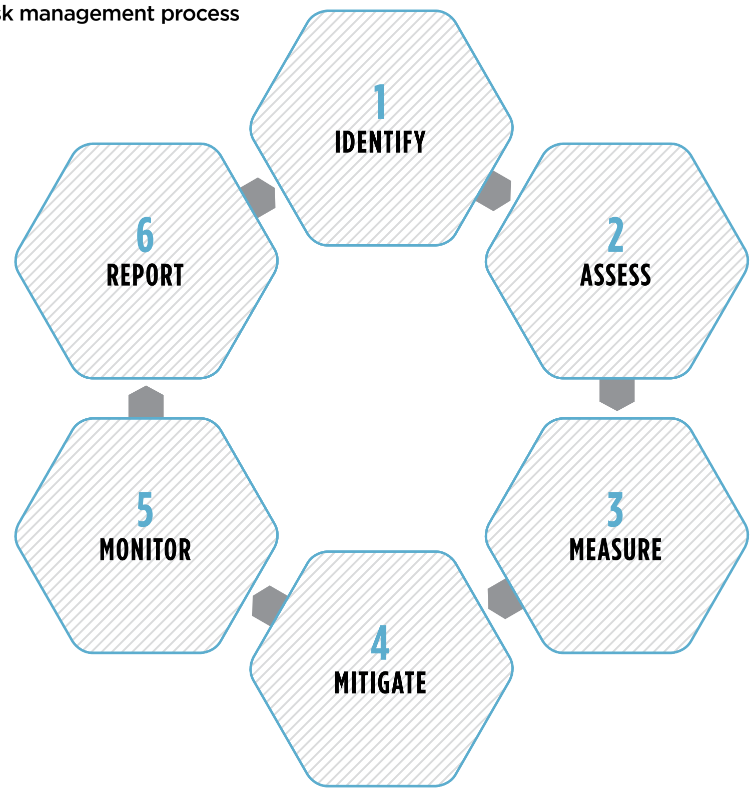
Risk management is considered to be fundamental to good management practice and a significant aspect of corporate governance.

When risks are identified, the management team categorises each risk into the relevant primary risk category. 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 52 to 53 are considered to be the primary risks of the group.

IR 52

"RISK MANAGEMENT IS CONSIDERED TO BE FUNDAMENTAL TO GOOD MANAGEMENT PRACTICE"

Risk management process



Chop House at
New Waverley, Edinburgh,
United Kingdom

KEY RISKS AND UNCERTAINTIES (CONTINUED)

MR MARKET RISK

DESCRIPTION	MITIGATION	OUTCOME
Change in the general demand and supply dynamics of the individual sub-markets in which MAS operates.	– Comprehensive investment process to acquire and develop high-quality, sustainable real estate – Detailed market research undertaken by in-house research analyst and asset managers – Diversification across geographies, sectors and tenants to limit exposure to concentrations	– Demand for real estate has been strong across the markets in which the group invests and operates. Declines in property prices, potentially instigated by rising interest rates, would impact capital values P

PR PROPERTY SPECIFIC RISK

DESCRIPTION	MITIGATION	OUTCOME
Property specific issues may arise that may be detrimental to property and shareholder value.	– Effective asset and property management – All properties insured with reputable insurers – Strong tenant covenants in place	– Expanded the resources on the ground through the group's experienced asset managers P

FR FUNDING RISK

DESCRIPTION	MITIGATION	OUTCOME
Sources of funding may become unavailable; the group may breach covenants on existing facilities; cost of funding including interest rates may increase which will reduce shareholder returns; and shareholders may be unprepared to provide additional equity.	– Strong and established relationships with funders – Effective treasury management process to ensure adequate group liquidity – Effective communication to providers of funding – Regular board consideration of group funding position – Low levels of current gearing	– Continual monitoring of debt facilities undertaken – Positive engagement with funders through multiple channels of communication – Robust treasury management process ensures gearing opportunities are executed in a timely manner and in line with stated growth trajectory F

OR OPERATIONAL RISK

DESCRIPTION	MITIGATION	OUTCOME
Breakdown of the operational system may result in loss of income, increased expenses or inaccurate information for decision-making.	– Strong and established processes for performing operational tasks – Culture of openness and transparency with respect to challenging decisions – Adequate staffing, training and development thereof – Investment into resources and implementation processes for all parts of the group	– Positive progress continues to be made in documenting internal processes – High volume of acquisitions has increased the short-term operational risk – Staffing and skill levels have increased across the group T

SR STRATEGY RISK

DESCRIPTION	MITIGATION	OUTCOME
Inappropriate or poorly executed strategy could result in loss of shareholder value.	– 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 – Detailed annual strategic review undertaken – External consultant periodically considers views of other stakeholders – Regular reviews of strategic process undertaken	– Substantial progress has been made towards the group's strategic objectives, with distributable earnings increasing strongly as the property acquisition and development programme progresses P

RG REGULATORY AND GOVERNANCE RISK

DESCRIPTION	MITIGATION	OUTCOME
Regulation changes may adversely affect the group resulting in the loss of shareholder value. The group may fail to comply with applicable regulator requirements. Systems of governance may fail resulting in inadequate stewardship of responsibilities.	– Competent and experienced staff oversee the regulatory aspects of the group – Use of stock exchange sponsors to advise on stock exchange-related matters – Internal training and development – Use of external consultants and updating advice regularly when technical input required	– The group has evolved quickly and the risk of compliance failures is initially higher than in more mature organisations. Dedicated resources are focused on managing this risk and systems of governance are operating effectively

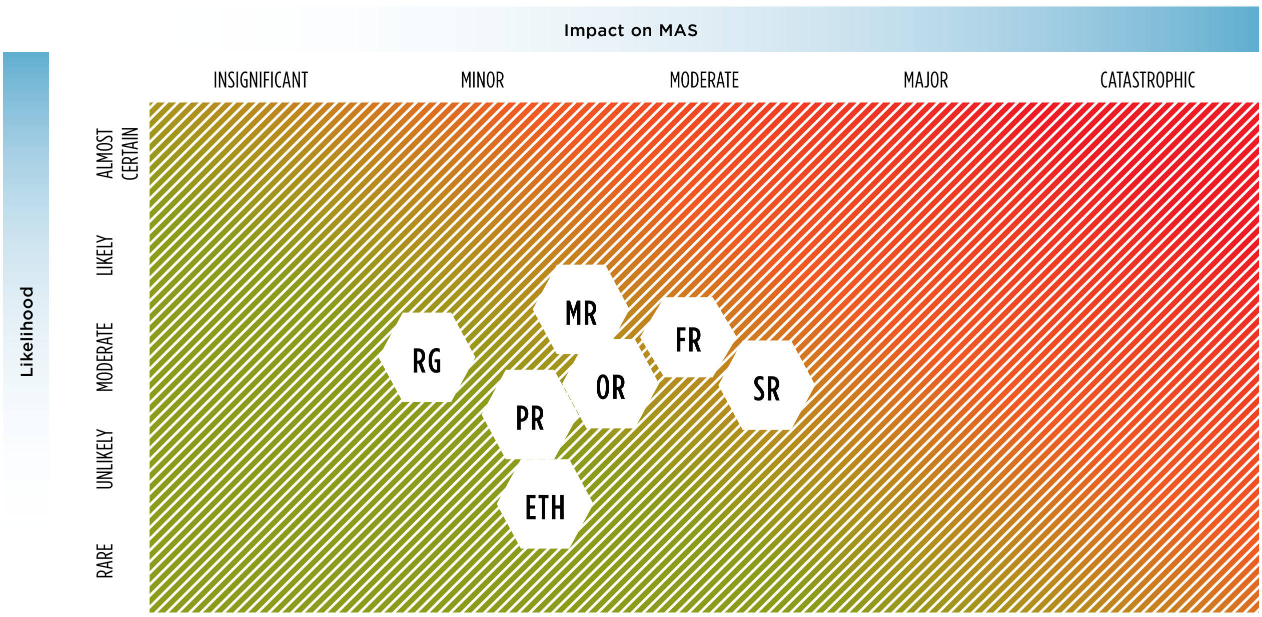
T

ET ETHICAL RISK

DESCRIPTION	MITIGATION	OUTCOME
Unexpected negative consequence of unethical actions.	– Adhere to relevant laws, policies, professional standards and ethics codes, with directors and senior managers role-modelling appropriate behaviour, such as promoting equality and guarding against discrimination – Whistleblowing policy in place – Health and Safety policies in place to safeguard the environment, health and public safety – Anti-bribery and Corruption policy in place – Social and Ethics Committee in the process of being established	– Compliant with all relevant laws, policies and professional standards

S

The heat map below provides an overview of the assessment of the residual primary risks



CORPORATE GOVERNANCE

STATEMENT OF COMMITMENT

Effective corporate governance is a critical part of MAS' strategy and its ability to function as a responsible corporate citizen.

The Board of Directors is committed to the highest standards of business integrity, ethical values and governance. The board recognises the responsibility for the group to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring sustainability, whilst safeguarding the interests of all stakeholders.

The board and its committees regularly review the 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.

A Corporate Governance Framework Handbook has been developed with this in mind and this was reviewed and approved by the board on 22 May 2017. This was published in August 2017 and provides an overview of the group's corporate governance framework and associated policies and will prove a useful induction and reference tool.

This is further supplemented by an Employee Handbook which was also developed and published in August 2017.

In 2016, MAS initiated an independent review of the group's corporate governance practices to benchmark progress, ensure that practices remain commensurate with the size and pace of growth, to highlight any potential areas for improvement or enhancement and to assess areas for focus in readiness for King IV.

The independent report was finalised in June 2017 and it recognised the group's continued commitment to strengthening the governance framework. The report provided a prioritised summary of suggestions remedial actions, opportunities to further enhance the framework, with some potential "next steps" outlined, particularly in relation to the transition from King III to King IV. Action plans in response to the areas highlighted are well progressed.

CORPORATE GOVERNANCE PRINCIPLES

MAS is listed on the Main Board of the Johannesburg Stock Exchange (JSE) and the Euro-MTF market of the Luxembourg Stock Exchange. Consequently, the group is committed to the principles of good corporate governance and the recommendations for best practice as laid down by the JSE.

The board confirms that a detailed review of all King III principles has been undertaken. A summary document detailing compliance with the 75 principles is available on the group's website www.masrei.com. This document was updated in June 2017 in line with the recommendations from the corporate governance review as referenced above.

The King IV report on Corporate Governance, released in November 2016 is on an apply and explain basis. The effective date for disclosure on the application of King IV applies to financial years starting on or after 1 April 2017. From a materiality point of view, the board is satisfied that the group has applied the principles of King IV.

The group is in the process of establishing a formal Social and Ethics Committee and finalising its terms of reference. A report outlining the application of King IV will be included in the integrated report for the year ended 30 June 2018.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ANNUAL COMPLIANCE REPORT

The JSE requires a listed company to publish its report on its compliance with section 13(G)(2) of the South African Broad-Based Black Economic Empowerment Act 53 of 2003, as amended (the "B-BBEE Act"), that it provides to the B-BBEE Commission, in the prescribed form, a report on its compliance with broad-based black economic empowerment.

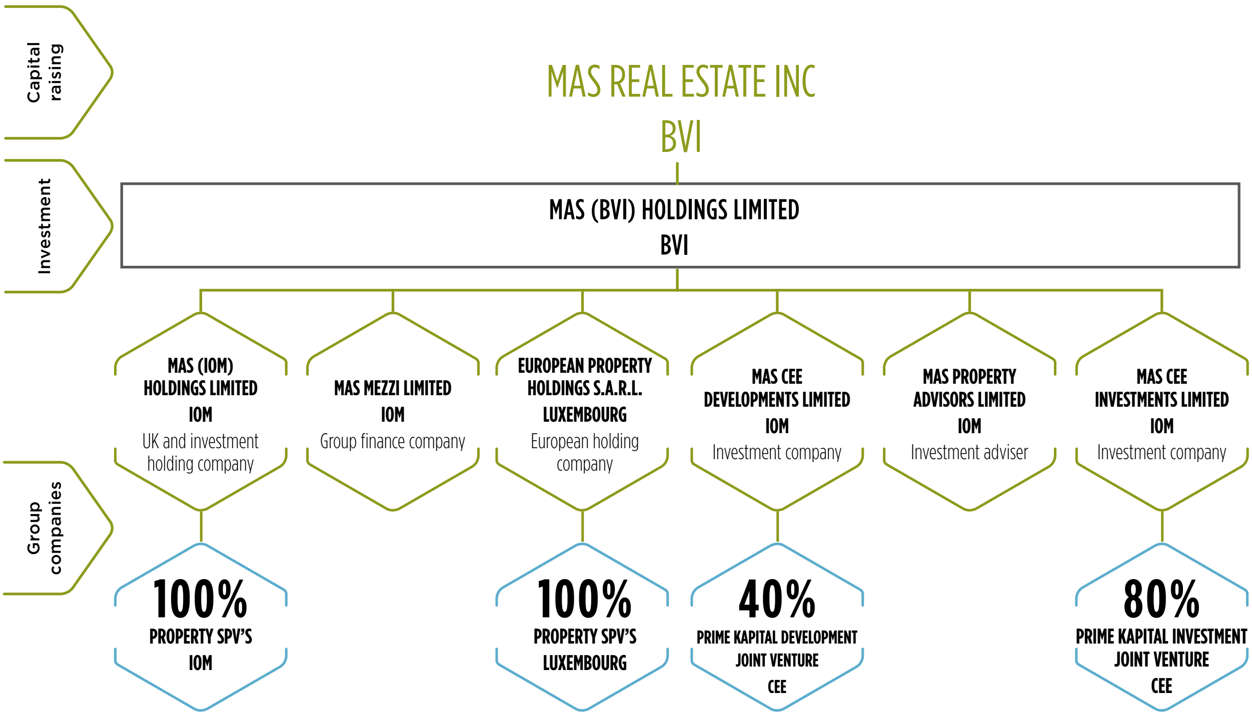
MAS is a European-focused property enterprise which owns a diversified portfolio of investment properties across western and central and eastern Europe. It is listed on the JSE but which does not conduct any business, trade or profession in the Republic of South Africa ("RSA"), either directly itself or indirectly through any subsidiary or other business.

Accordingly, it is not a Measurable Entity as contemplated under Statement 000: General Principles and the Generic Scorecard published under Notice 1019 of 2013 on 11 October 2013. Additionally, the Amended Property Sector Code on Black Economic Empowerment in terms of the B-BBEE Act (the "Property Code") published on 21 June 2017 (as read with Gazette No 40910 published on 9 June 2017), to which the company would be subject if it were a Measurable Entity, expressly provides that the Property Code does not apply to any property enterprise outside the borders of RSA.

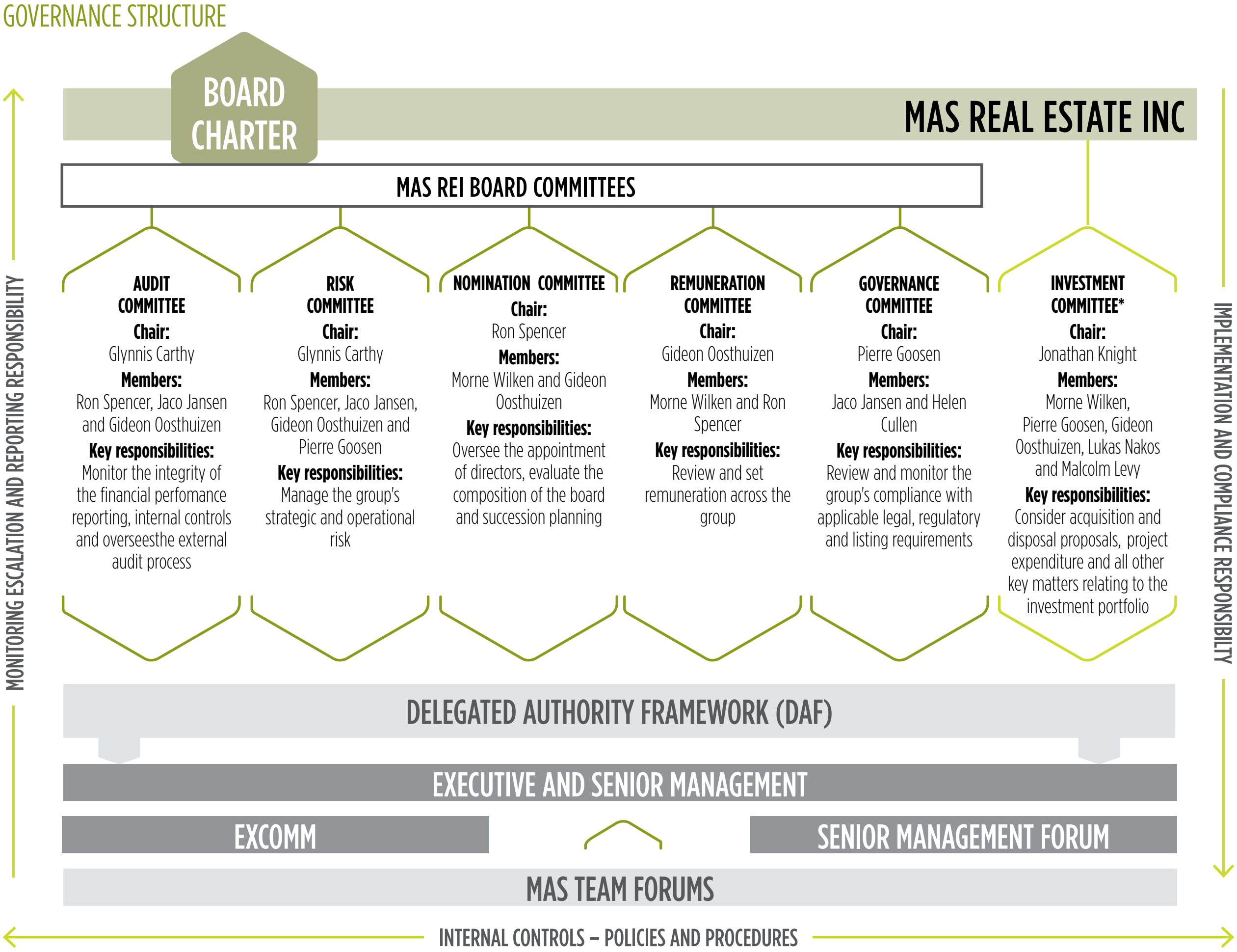
Accordingly, the Codes of Good Practice issued under section 9(1) of the B-BBEE Act cannot find application to the company.

On the basis of the above, the group intends to submit its report in the prescribed form B-BBEE 1 to the B-BBEE Commission in compliance with section 13(G)(2) of the B-BBEE Act. A copy of the form will be available on the company's website within 30 days of the publication of this report, www.masrei.com.

CORPORATE STRUCTURE



GOVERNANCE STRUCTURE



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

BOARD OF DIRECTORS

Lukas Nakos (41)

BBus.Sc

Executive director – Chief executive officier

Appointment to the board:
Lukas was appointed to the board as chief executive officer on 3 July 2008.
Committee memberships:
Investment.

Experience

Lukas is a co-founder of the group and has served as CEO since the establishment of the group. He is experienced in setting up and managing European real estate portfolios and has been involved in European real estate markets since 2002. Lukas is based in the Isle of Man.

Malcolm Levy (40)

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

Executive director – Chief financial officier

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 and has served as CFO since the establishment 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 (50)

BSc. (Hons), MRICS

Executive director – Chief investment officier

Appointment to the board:
Jonathan was appointed to the board as chief investment officer on 12 August 2014.
Committee memberships:
Investment (chair).

Experience

Jonathan joined the group as CIO in 2014. 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.

Ron Spencer (69)

C.Dir

Chairman (independent)

Appointment to the board:
Ron was appointed to the board as chairman on 16 July 2009.
Board committee memberships:
Nomination (chair), Audit, Risk and Remuneration.

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.

Gideon Oosthuizen (49)

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:
Remuneration (chair), Nomination, Risk, Audit and Investment.

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.

Jaco Jansen (44)

B.Com (Hons), CA(SA)

Non-executive director (independent)

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

Committee memberships:
Audit, Risk, and Governance.

Experience

Jaco is an independent non-executive director of MAS. Previously Jaco was 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 based in the Isle of Man.

Morné Wilken (45)

B.Eng (Ind) (Hons)

Non-executive director

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

Committee memberships:
Remuneration, Nomination and Investment.

Experience

Morné is a non-executive director of MAS. He is the CEO of Attacq Limited and has extensive experience in property development, investment, finance and corporate restructuring. Morné is based in South Africa.

Pierre Goosen (38)

B.Com(Law), LLB, MBA

Non-executive director

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

Committee memberships:
Governance (chair), Risk and Investment.

Experience

Pierre is a 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.

Glynnis Carthy (51)

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 (chair) and Risk (chair).

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.

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.

BOARD OF DIRECTORS (CONTINUED)

BOARD COMPOSITION AND EXPERIENCE

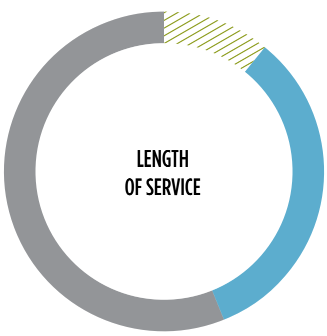
The board comprises six non-executive directors, the majority of whom are independent (including the chairman) and three executive directors. In compliance with the King III Code on Corporate Governance, the roles of chairman and CEO are clearly separated and there is a majority of non-executive directors on the board to ensure a balance of power and authority.

The board recognises the increasing challenges it faces, particularly in the areas of technical accounting standards application and corporate governance compliance in multiple jurisdictions and was delighted to welcome Glynnis Carthy as an independent non-executive director to help bridge that gap. Glynnis is a well-respected consultant specialising in technical accounting. MAS will continue to engage additional technical experts in relevant fields, as appropriate, to advise and attend board meetings to supplement its knowledge.

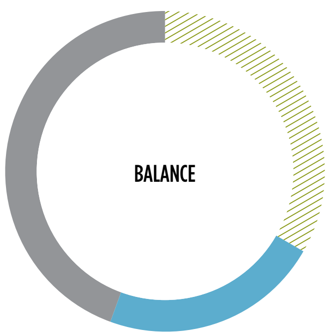
All directors have the skills, experience and qualifications required to make adequate judgements on issues of risk, strategy, performance, resources, standards of conduct and evaluation of performance. Their varied backgrounds and experience provide a balanced mix of the knowledge required to manage the business effectively. In addition to their experience, all of the directors draw on their specific professional qualifications to fulfil appropriate committee roles.

MAS is an equal opportunities employer and is determined to employ its policies in this regard to ensure that all candidates are treated equally, whilst achieving the most suitable blend of aptitudes, experience and qualification to complement and balance the existing skills of the board as a whole. Glynnis's appointment sees MAS achieve, female representation at board level well ahead of it's self-imposed timing.

DIRECTOR	APPOINTMENT	STATUS	LENGTH OF SERVICE (YEARS)
Lukas Nakos	3 July 2008	Executive	9.0
Malcolm Levy	16 February 2009	Executive	8.5
Jonathan Knight	12 August 2014	Executive	3.0
Ron Spencer	16 July 2009	Independent non-executive	8.0
Jaco Jansen	16 July 2009	Independent non-executive	8.0
Gideon Oosthuizen	16 February 2009	Independent non-executive	8.5
Morné Wilken	12 August 2014	Non-executive	3.0
Pierre Goosen	12 August 2014	Non-executive	3.0
Glynnis Carthy	30 June 2017	Independent non-executive	0.0



<3 YEARS
4-7 YEARS
7+ YEARS



EXECUTIVE DIRECTORS
NON-EXECUTIVE DIRECTORS
INDEPENDENT NON-EXECUTIVE DIRECTORS

ROLES AND RESPONSIBILITIES

The board is responsible for setting the strategic objectives and investment policies of 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 responsibilities include:

- 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 by having regard for the financial aspects of the group as well as the impact that the business operations have on the environment and the society within which the group operates;
- Assuming responsibility for the governance of risk and information technology;
- Approving the strategy of the group which will result in sustainable outcomes;
- Ensuring compliance with appropriate laws, rules and standards and consideration of adherence to non-binding rules, standards and best practice;
- Evaluating the performance of the executive directors and senior officers;
- Ensuring that individual directors adhere to satisfactory standards of conduct including disclosure of conflicts of interest and director's dealings; and
- Providing effective and ethical leadership.

The board's terms of reference are set out in a written charter which has been modelled on the recommendations for good corporate governance as laid down by King III. It sets out the following:

- Composition of the board
- Appointment and re-election of directors
- Frequency of meetings
- Conflicts of interest
- Board evaluation

- Roles and responsibilities
- Delegation
- Authority

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.

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 boards and MAS BVI providing 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. The board evaluates the effectiveness of the board committees on an annual basis.

The investment decision-making company within the group is MAS BVI. It, and its sub-committee (the Investment Committee), receives recommendations from the investment team of the investment advisor within the group, comprising Jonathan Knight, Lukas Nakos and Malcolm Levy, none of whom sit on the board of MAS BVI.

BOARD EFFECTIVENESS EVALUATION

The chairman is responsible for ensuring that the group has an effective board. Supported by the Nomination Committee, he ensures that the board's effectiveness and execution of its mandate is reviewed annually.

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.

ATTENDANCE AT BOARD MEETINGS

DIRECTOR	ATTENDANCE	%
Ron Spencer	●●●●●/5	100%
Jaco Jansen	●●●●●/5	100%
Gideon Oosthuizen	●●●●●/5	100%
Pierre Goosen	●●●●●/5	100%
Morné Wilken	●●●●●/5	100%
Lukas Nakos	●●●●●/5	100%
Malcolm Levy	●●●●●/5	100%
Jonathan Knight	●●●●●/5	100%
Glynnis Carthy	N/A	N/A

RE-ELECTION AND APPOINTMENT OF NEW DIRECTORS

In accordance with the company's articles of association, directors retire by rotation and can offer themselves for re-election at the 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 2017 annual shareholders' meeting, and offering themselves for re-election, are Morné Wilken and Pierre Goosen.

The appointment of new directors is by a resolution of the directors and any such appointment is confirmed at the shareholders' meeting. The Nomination Committee identifies suitable candidates for board appointments in order to ensure that such appointments are made in a formal and transparent manner.

EDUCATION, INDUCTION AND TRAINING OF BOARD MEMBERS

T

The board and each director has a working understanding as appropriate to the effect of applicable laws, rules, codes and standards on the group and its business. Updates and presentations on changes to applicable laws, rules, codes and standards are provided as and when necessary.

An induction programme aimed at providing an understanding of the company is conducted for all newly appointed directors and training and mentoring of board members is overseen by the Nomination Committee as and when required.

CONFLICTS OF INTEREST

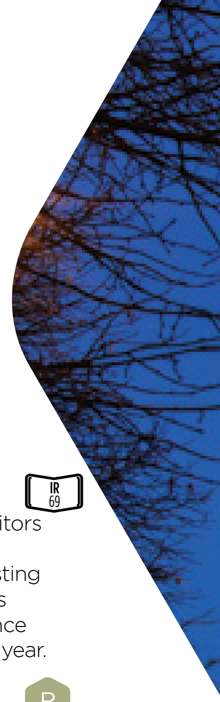
Directors must notify the chairman of any potential conflicts of interest. The chairman will then decide whether a conflict exists and provide a summary to the board. If required, the conflicted director will recuse himself from any discussions where a conflict may exist. If a director takes on any external appointments that may present a potential conflict, then this must be reported to the chair.

DIRECTORS' DEALINGS IN SECURITIES

Dealing in company shares by the directors and the company secretary is regulated by the Rules and Regulations of the Luxembourg stock exchange and the JSE Listings Requirements. The group has adopted a policy on directors' dealings which includes the approval of the chairman before dealing, the operation of prohibited periods when relevant and the imposition of closed periods between the end of a financial period and the release of results. All director's dealings are recorded in the Directors' Dealings Register which is maintained by the company secretary.

DIRECTORS' REMUNERATION

The board has constituted a Remuneration Committee which is delegated with the responsibility for all aspects of directors' remuneration, evaluation, performance and policy and also to review remuneration at all levels in the group. The Remuneration Committee ensures that the mix of fixed and variable pay, in cash, shares and other increments, meets MAS' needs and strategic objectives to maintain the optimum alignment of interest.



BOARD OF DIRECTORS (CONTINUED)

COMPANY SECRETARY

The board considers and satisfies itself on an annual basis as to the competence, qualifications and experience of the company secretary. The company secretary's professional membership of the Institute of Chartered Secretaries and Administrators remains current, with an up-to-date CPD record. The board has considered this and is satisfied that the company secretary has the necessary skills and experience to carry out her duties.

The board reviews the relationship between the company secretary and the board members on an annual basis in order to determine whether the company secretary has maintained an arms-length relationship with the board of directors. The board maintains that the company secretary's independence from management has not been compromised and she is not a director of the company, a material shareholder of the company, albeit she is a participant in the recently launched geared share purchase plan, and has not entered into any major contractual relationships with the company or any director. 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. This enables her to speak freely with the non-executive directors on any matters within her duties and responsibilities.

The board has direct access to the company secretary who advises on updates of regulatory rules, corporate governance matters and legislation.

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. Minutes are distributed in a timely manner following the meeting.

The established committees are:

AUDIT

IR 62

Ensures that the financial performance of the group is properly reported on and monitored and reviews internal control systems, procedures and processes. This committee also oversees the external audit process. The Audit Committee meets at least three times a year.

RISK

IR 64

In line with global best practice, the Audit and Risk Committee were split into two separate committees in 2015. The Risk Committee is responsible for managing the group's strategic and operational risk. The Primary and Detailed (operational) Risk Registers are updated and reviewed at every Risk Committee. The Risk Committee meets at least twice a year.

REMUNERATION

IR 65

Reviews and sets remuneration levels across the group, including the provision of any employee share purchase plan. This committee was established in 2015. The Remuneration Committee meets at least once a year.

NOMINATION

IR 68

Established in 2015, the Nomination Committee oversees the appointment of directors, evaluating the composition of the board and succession planning. The Nomination Committee meets at least once a year.

GOVERNANCE

IR 69

The Governance Committee monitors and reviews compliance with all applicable legal, regulatory and listing requirements. This committee was established in 2016. The Governance Committee meets at least once a year.

INVESTMENT

P

Considers acquisition and disposal proposals, project expenditure and all other key matters relating to the investment portfolio. The Investment Committee was previously a sub-committee of the Investment Advisor, MAS Property Advisors Limited. However, a preference for debate on properties to be held at the MAS BVI level, has necessitated that the Investment Committee be reconstituted as a committee of MAS (BVI) Holdings Limited. As such, this committee was established in June 2017. The Investment Committee meets at least ten times a year.

SOCIAL AND ETHICS

The company is in the process of establishing a formal Social and Ethics Committee and finalising its terms of reference. A full report will be included in the Integrated Report for the year ending 30 June 2018.

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

COMMITTEE EFFECTIVENESS EVALUATION

Each board committee will evaluate its effectiveness in carrying out the duties specified in its mandate. The Committee Duties control sheet is updated and reviewed at every meeting, with a formal review on an annual basis.

ATTENDANCE AT COMMITTEE MEETINGS

DIRECTOR	AUDIT COMMITTEE	RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE
Ron Spencer	●●●/3	●●/2	●●/2	●●/2	N/A	N/A
Jaco Jansen	●●●/3	●●/2	N/A	N/A	●●/2	N/A
Gideon Oosthuizen	●●●/3	●●/2	●●/2	●●/2	N/A	●/1
Pierre Goosen	N/A	●●/2	N/A	N/A	●●/2	●/1
Morné Wilken	N/A	N/A	●●/2	●●/2	N/A	●/1
Lukas Nakos	N/A	N/A	N/A	●●/2	N/A	●/1
Malcolm Levy	N/A	N/A	N/A	N/A	N/A	●/1
Jonathan Knight	N/A	N/A	N/A	N/A	N/A	●/1
Glynnis Carthy	N/A	N/A	N/A	N/A	N/A	N/A

Galleria Stara Zagora, Stara Zagora, Bulgaria


Galleria Burgas, Burgas Bulgaria

REPORT OF THE AUDIT COMMITTEE

JACO JANSEN
Outgoing Chair of the Audit Committee

GLYNNIS CARTHY
Incoming Chair of the Audit Committee

OTHER MEMBERS
Ron Spencer, Jaco Jansen and Gideon Oosthuizen

COMPOSITION

The Audit Committee comprises four independent non-executive directors. All committee members collectively have sufficient qualifications and experience to fulfil their duties including an understanding of financial and sustainability reporting; internal financial controls; external audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the group.

The committee considers and satisfies itself on an annual basis as to the expertise and experience of the group's chief financial officer. The committee has considered this and is satisfied that the chief financial officer has the requisite expertise and experience.

The committee meets at least three times a year.

KEY ROLES AND RESPONSIBILITIES

The Audit Committee is responsible for:

- Ensuring the financial performance of the group is properly monitored and reported on;
- Reviewing the group's annual and interim financial statements and significant financial issues, internal control systems and procedures;
- Overseeing the external audit process which includes nomination of the group's external auditor and approval of their remuneration;
- Reviewing, at least annually, the systems of internal control, to ensure that adequate processes are in place and operating effectively;
- Reviewing and challenging if necessary the accounting policies adopted and any changes thereto;
- Reviewing the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- Meeting at least annually with the external auditor to discuss its remit and any issues arising from the audit.

FOR THE YEAR ENDED 30 JUNE 2017

The group welcomes Glynnis Carthy as the newly appointed Audit Committee chair. Glynnis is a seasoned technical accounting expert and is a member of the Financial Reporting Investigations Panel of the JSE; a committee member of SAICA's Accounting Practices Committee; and provider of IFRS and certain JSE Listings Requirements related training.

The principal responsibility of the Audit Committee is to ensure that the group's financial performance is properly monitored, controlled and reported on. The committee provides additional comfort to the board with regard to the efficacy of the financial information used by directors to discharge their responsibilities. In addition, the committee is responsible for ensuring the integrity and appropriateness of the internal control systems.

INITIATIVES UNDERTAKEN IN THE CURRENT YEAR INCLUDED THE FOLLOWING:

- Reviewing and recommending for approval the interim and annual financial statements;
- Reviewing the processes undertaken to ensure that the financial statements reflect a true and fair view of the state of affairs;
- Meeting with the external auditor, without management present, to discuss the results of audit work and accounting treatments undertaken;
- Reviewing the results and effectiveness of the internal control system process;
- Reviewing the whistle-blowing policy; and
- Considering the JSE Proactive Monitoring Process letters dated 15 February 2016 and 13 February 2017 and taking appropriate action.

All responsibilities were diligently undertaken by the committee in the current year.

SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATES

The preparation of the financial statements requires significant judgements and estimates to be made. The group is an investment property business and accordingly the most important of these in the current year relate to the valuation of the investment property, investment in equity accounted investees and share based payments. These correspond with the key audit matters reported on by the external auditor on pages 73 to 77 in the annual financial statements:

AFS N14

– **Investment property:**
The valuation of investment property is determined by independent property valuation experts, except where fair value cannot be reliably determined. The property valuation experts use recognised valuation techniques and apply the principles of IFRS 13. The significant methods and assumptions used by the valuers in estimating fair value are set out in note 14 of the annual financial statements.

Where there is not a reliably determinable fair value the group recognises the investment property at cost and considers whether any impairment is necessary. The directors have assessed the value of development property and no impairment has been made.

AFS N16

– **Investment in equity accounted investees:**
Interests in associates are accounted for using the equity method and assessed for impairment if there is an impairment indicator. The financial information of the associate used in estimating the value is set out in note 16 of the annual financial statements.

The directors have assessed the value and no impairment has been made.

AFS N27

– **Share based payments:**
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 and have been accounted for under IFRS 2.

The significant methods and valuation assumptions are set out in note 27 of the annual financial statements.

INDEPENDENCE AND EFFECTIVENESS OF THE EXTERNAL AUDITOR

KPMG Audit LLC ("KPMG"), the current external auditor of the group, was appointed in 2009 and has indicated a willingness to continue in office. KPMG 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.

In the previous year, Simon Nicholas replaced the previous audit partner as part of the standard audit partner rotation processes.

The auditor has reviewed the interim financial statements for the last two 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 constant communication with the auditor throughout the year.

The following fees were paid/ accrued for during the year:

EURO	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2016
Interim audit fee	26,500	53,491*
Year end audit fee	174,500	125,098
Non-audit fees	35,058	—
Total fees	**236,058**	**178,589**

* The interim audit for the half year ended 31 December 2014 was carried out in the year ended 30 June 2016 and therefore the cost was incurred in the year ended 30 June 2016 along with the interim audit fee for the half year ended 31 December 2015.

Audit fees have increased in line with the complexity and size of the group which has meant that there is an increased involvement of audit and accounting experts during the audit.

In assessing the auditor's effectiveness, the committee has 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 is comfortable that the external auditor has been effective in adequately fulfilling its responsibilities and has the requisite qualifications, expertise and resources to discharge its duties.

INTEGRATED ACCOUNTING AND PROPERTY MANAGEMENT SYSTEM

The group is finalising the implementation of an integrated property management and accounting system. This system is expected to bring considerable benefits and efficiencies to the group. However, its implementation will also involve risks that need to be managed as the implementation progresses.
The committee is satisfied that management has implemented the appropriate safeguards to address the risks associated with the implementation of the new system.

Jaco Jansen CA (SA)
Chair of the Audit Committee

REPORT OF THE RISK COMMITTEE

JACO JANSEN
Outgoing Chair of the Risk Committee

GLYNNIS CARTHY
Incoming Chair of the Risk Committee

OTHER MEMBERS
Ron Spencer, Gideon Oosthuizen, Pierre Goosen and Jaco Jansen

COMPOSITION

The Risk Committee comprises five non-executive directors, of whom four are independent.

The committee meets at least twice a year.

KEY ROLES AND RESPONSIBILITIES

The Risk Committee is responsible for ensuring that:

- An effective policy and plan for risk management is implemented that will enhance the group's ability to achieve its strategic objectives;
- The risk management plan is disseminated throughout the group and integrated in the day-to-day activities at all levels;
- Close liaison is maintained with the Audit Committee to exchange information relevant to risk;
- Risk monitoring is undertaken by management and its effectiveness assessed;
- Disclosure regarding risk is comprehensive, timely and relevant; and
- Derivatives are only used for hedging rather than speculative purposes.

RISK MANAGEMENT PROCESS

The group faces risks that could disrupt its strategic and operational objectives. It has therefore developed a risk management process so as to take better informed decisions and maximise the chances of achieving its strategic and operational objectives.

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 routine management and is incorporated in the strategic and operational planning processes at all levels 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 Risk Committee, which has adopted a comprehensive risk management policy as described on pages 50 to 53. IR 50

The risk identification process is a two-tiered process: a top-down approach is tailored to the identification of key strategic risks; and a predominantly bottom-up approach determines the key operational risks that the group is exposed to. Such risks are assessed to determine the potential impact on the organisation and an exercise is undertaken to measure the level of inherent risk faced by the group. Controls are designed to mitigate the assessed level of risk, which are implemented and monitored on a regular basis. Formal feedback is given to the Risk Committee, and in turn to the board.

To assist with the bottom-up identification of risks, an operational risk register is maintained, detailing both the primary and more granular risks facing the business. This is updated as operational risks are identified and considered during the ordinary course of business. This register is reviewed by the Risk Committee at each meeting.

External audit serves to assist the Risk Committee and the board in assessing the effectiveness of the controls that have been implemented to control risk. However, at this stage the group has not established an internal audit function. It is considered unnecessary for an organisation at MAS's present stage of development, but the need for such a function is continually reviewed.

The key risks facing the organisation are identified on pages 52 to 53. IR 52

Jaco Jansen CA (SA)
Chair of the Risk Committee

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION
The Remuneration Committee consists of three non-executive directors, two of whom are independent.

The committee meets at least once a year.

PURPOSE OF THE REMUNERATION COMMITTEE
The purpose of the Remuneration Committee is to ensure that the remuneration of the group supports both the short-term and long-term strategic objectives of the group.

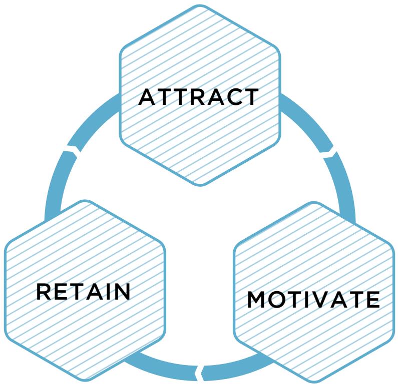
KEY ROLES AND RESPONSIBILITIES
The Remuneration Committee is responsible for:

- Reviewing and setting the remuneration for all levels of the group;
- Considering and reviewing the establishment of, and participation in, the geared share purchase plan;
- Overseeing the establishment of a remuneration policy that will promote achievement of the strategic objectives and encourage individual performance;
- Reviewing the outcomes of the remuneration policy to determine whether its objectives are being achieved;
- Ensuring that all benefits, including retirement benefits, are justified and correctly valued;
- Evaluating the performance of the chief executive and other executive directors, to determine their remuneration as well as that of non-executive directors; and
- Regularly reviewing incentive schemes to ensure their continued contribution to management's alignment with shareholder value.

REMUNERATION PHILOSOPHY
The philosophy regarding remuneration is aimed to attract, motivate and retain the best talent available in order to facilitate the group meeting its strategic objectives.

During the year, a geared share purchase plan was approved by shareholders and implemented by the directors in conjunction with the Remuneration Committee. This plan aligns the interests of the participants with those of the group, in order to support the group's short-term and long-term strategic objectives.

In terms of the rules of the geared share purchase plan, a loan to acquire



plan shares is offered to participants on either a salaried variant or non-salaried variant. Salaried variant participants will continue to receive basic salary and normal employment benefits from the group as well as a participation in the geared share purchase plan, with the surplus of distributions received from the shares, over the cost of interest on the loans, being paid to participants semi-annually. Non-salaried variant participants, upon acceptance of the loans in terms of the geared share purchase plan, ceased immediately to receive any further remuneration or employment benefits from the group and received the loans to acquire plan shares under the geared share purchase plan, with the surplus of distributions received from the shares over the cost of interest on the loans being applied to amortise the loan. The loans to acquire the plan shares accrue interest at the weighted average cost of borrowing of the group. Upon issuance of the plan shares, the participant pledges and cedes all plan shares to the company as security for repayment of the loan. The plan shares will unlock to participants in the Salaried Variant over five years, and in the Non-Salaried Variant over six years.

The plan stems from the philosophy regarding fixed and variable remuneration.

IR 66

GIDEON OOSTHUIZEN
Chair of the Remuneration Committee

OTHER MEMBERS
Morné Wilken and Ron Spencer

REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)

COMPONENT	TYPE	PHILOSOPHY
Fixed	Basic salary	The purpose of basic salary is to retain the right people for the job. The level of salary offered is intended to retain high-calibre individuals, with an appropriate degree of expertise and experience.
Variable	Short-term incentive (STI)	The purpose of STI is to reward performance that supports the group's key strategic priorities. The level of STI reflects both group performance and the contribution of the executive team in terms of annually tailored targets.
Variable	Long-term incentive (LTI)	LTI is designed to ensure that participants are focused on sustained long-term performance, aligning their interests with those of shareholders.

The committee considers that the above geared share purchase plan balances short, medium and long-term incentives appropriately.

REMUNERATION DISCLOSURES

DIRECTORS AND KEY MANAGEMENT

Director remuneration for the year ended 30 June 2017 is as follows:

Year ended 30 June 2017

EURO	ROLE	BASIC SALARY	BENEFITS	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE	TOTAL
Lukas Nakos	CEO	125,000	–	181,952	–	**306,952**
Malcolm Levy	CFO	117,656	–	170,580	–	**288,236**
Jonathan Knight	CIO	68,232	–	85,290	–	**153,522**
Ron Spencer	Chair	30,000	–	–	–	**30,000**
Gideon Oosthuizen	NED	27,500	–	–	–	**27,500**
Jaco Jansen	NED	27,500	–	–	–	**27,500**
Morné Wilken	NED	20,000	–	–	–	**20,000**
Pierre Goosen	NED	20,000	–	–	–	**20,000**
Glynnis Carthy	NED	–	–	–	–	**–**
Helen Cullen	Company Secretary	96,822	–	20,538	–	**117,360**
		532,710	–	**458,360**	–	**991,070**

Year ended 30 June 2016

EURO	ROLE	BASIC SALARY	BENEFITS	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE	TOTAL
Lukas Nakos	CEO	209,248	–	166,092	166,092	**541,432**
Malcolm Levy	CFO	196,170	–	155,711	155,711	**507,592**
Jonathan Knight	CIO	78,468	–	77,856	77,856	**234,180**
Ron Spencer	Chair	30,000	–	–	–	**30,000**
Gideon Oosthuizen	NED	27,500	–	–	–	**27,500**
Jaco Jansen	NED	27,500	–	–	–	**27,500**
Morné Wilken	NED	20,000	–	–	–	**20,000**
Pierre Goosen	NED	20,000	–	–	–	**20,000**
Glynnis Carthy	NED	–	–	–	–	**–**
Helen Cullen	Company Secretary	102,662	–	20,925	–	**123,587**
		711,548	–	**420,584**	**399,659**	**1,531,791**

In addition, the following loans were made to individuals under the terms of the geared share purchase plan:

Year ended 30 June 2017

EURO	ROLE	VARIANT	LOAN AT GROUP WACD	DATE OF AWARD	NUMBER OF SHARES ACQUIRED	IFRS 2 OPTION EXPENSE
Lukas Nakos	CEO	No salary	8,193,000	9 March 2017	5,000,000	–
Malcolm Levy	CFO	No salary	6,554,400	9 March 2017	4,000,000	149,237
Jonathan Knight	CIO	Salaried	2,457,900	9 March 2017	1,500,000	66,238
Helen Cullen	Company Secretary	Salaried	819,300	9 March 2017	500,000	22,079
Other participants	Various	Salaried	3,031,410	9 March 2017	1,850,000	81,694

Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. Corona Real Estate Partners paid Jonathan Knight a basic salary of €68,232 during the year (2016: €78,468).

All non-executive directors are appointed in terms of letters of appointment.

The schedule upon which non-executive directors' fees are based, with effect from 1 January 2015, is as follows:

EURO	BASE LEVEL
Base retainer:	
Board chair	20,000
Board – other non-executive members	17,500
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
Remuneration Committee – chair and other non-executive members	1,500
Nomination Committee – chair and other non-executive members	1,000

EMPLOYEES OTHER THAN DIRECTORS

The group strives to ensure that the remuneration of all staff below executive level is structured fairly and aims to achieve the same objectives as with executive directors. Employees receive market related salaries, with discretionary bonuses being awarded annually for exceptional performance. To ensure the overall remuneration package remains competitive and attractive, the group has introduced Death in Service Benefit, Income Protection and a Flexible Holiday Scheme on 1 July 2017.

Training and development is considered to be a vital component in motivating and retaining staff. To this end, detailed semi-annual reviews of all staff are undertaken to assess their performance over the preceding period and to set objectives for the next period. Base salary adjustments are typically in line with inflation, unless the performance of the staff member warrants a larger, or smaller, increase. Staff members are encouraged and incentivised to continually develop their knowledge and expertise at both professional and educational levels.

All staff members are appointed in terms of written employment contracts, the notice period of which varies depending upon the seniority of each member.

SHAREHOLDING DISCLOSURES

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**

As at 30 June 2016

EURO	DIRECT	INDIRECT	ASSOCIATE	TOTAL
Lukas Nakos	85,143	—	100,659[3]	**185,802**
Malcolm Levy	11,633	1,568,928[2]	—	**1,580,561**
Jonathan Knight	523,371	74,000	—	**597,371**
Ron Spencer	11,370	—	—	**11,370**
Gideon Oosthuizen	254,505	—	—	**254,505**
Jaco Jansen	—	—	—	**—**
Morné Wilken	55,784	234,818[2]	—	**290,602**
Pierre Goosen	—	—	3,113,529[3]	**3,113,529**
Glynnis Carthy	—	—	—	**—**
Helen Cullen	14,406	—	—	**14,406**
	956,212	**1,877,746**	**3,214,188**	**6,048,146**

1. Associate company
2. Associate family trust
3. Non-beneficial to director

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

Gideon Oosthuizen
Chair of the Remuneration Committee

REPORT OF THE NOMINATION COMMITTEE

RON SPENCER
Chair of the Nomination Committee

OTHER MEMBERS
Morné Wilken and Gideon Oosthuizen

COMPOSITION
The Nomination Committee comprises three non-executive directors, one of whom is non-independent.

The committee meets at least once a year.

KEY ROLES AND RESPONSIBILITIES
The Nomination Committee is responsible for:

- Establishing a formal and transparent process for the identification and appointment of directors to the board and the evaluation of its composition;
- Ensuring the development of a formal succession plan for the board, the chief executive and senior management;
- Overseeing the development of a formal induction programme for new directors and a continuing professional development programme for existing directors;
- Ensuring that directors receive briefings on changes in risks, laws and the environment in which the group operates; and
- Considering, and recommending to the board, a replacement for the chief executive when necessary.

FOR THE YEAR ENDED 30 JUNE 2017
The primary responsibility of the Nomination Committee is to assess the availability of skills on the board and to determine when appointments and retirements are appropriate.

In addition to this key responsibility, the committee also undertakes an annual performance evaluation of the board, the committees and individual directors. This is a process that is underway now that the year end has passed. The committee is also currently focused on reviewing succession planning as well as leadership and talent development.

COMPOSITION OF THE BOARD
There are currently nine directors on the board, of which six are non-executive. Four of the non-executive directors are independent.

Glynnis Carthy joined the board on 30 June 2017, following an extensive search focused on strengthening the skills, experience and diversity of the board. She takes over from Jaco Jansen as chair of the Audit and Risk Committees.

RENEWAL OF APPOINTMENTS
One-third of the directors retire by rotation at the shareholders' meeting. This year, Morné Wilken and Pierre Goosen retire by rotation. They have declared themselves available for re-election.

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. Bespoke skills self-assessments aimed at directors, and at the board as a collective, have recently been introduced, the outcome of which will help shape our ongoing induction and training programme. Induction has further been strengthened with the introduction of the Corporate Governance Framework Handbook and the Employee Handbook, both of which provide a useful overview and aide-memoire for new and existing staff.

NEW CEO
Lukas Nakos has indicated his intention to step down from his role in the near term. The Nomination Committee is well progressed in recruiting a suitable replacement that will carry on from where Lukas has left off.

Ron Spencer
Chair of the Nomination Committee

REPORT OF THE GOVERNANCE COMMITTEE

COMPOSITION

The Governance Committee comprises two non-executive directors and the company secretary.

The committee was established in 2016 and meets at least once a year.

KEY ROLES AND RESPONSIBILITIES

The Governance Committee is responsible for;

- Reviewing and approving changes to the group's Corporate Governance Framework;
- Monitoring the group's compliance with all applicable legal, regulatory, best practice and listing requirements;
- Reviewing the Conflicts of Interest and Insider List registers; and
- Making recommendations concerning any changes or additional actions needed to comply with any proposed changes in legislation, regulation, listing regulations or codes of practice.

FOR THE YEAR ENDED 30 JUNE 2017

King IV readiness has been a key focus for the committee in recent months and action plans are well progressed to implement this on a timely basis.

An independent corporate governance review was commissioned at the end of 2016 to assess the quality of our corporate governance framework. The findings were particularly encouraging and the best practice suggestions and enhancements are being implemented.

Significant time has been invested in documenting the company corporate governance framework into a formal handbook and this will prove a useful induction tool and reference point for all staff.

Whilst social and ethics matters are considered on an ongoing basis and feature in discussions at all of the committees, a formal Social and Ethics Committee is in the process of being established given that this is now a mandatory requirement for JSE Main Board listed entities. As such, a full report of the Social and Ethics Committee will be included in the Integrated Report for the year ending 30 June 2018.

Pierre Goosen
Chair of the Governance Committee

PIERRE GOOSEN

Chair of the Governance Committee

OTHER MEMBERS

Jaco Jansen and Helen Cullen

ANNUAL FINANCIAL STATEMENTS 2017

Premier Inn at New Waverley, Edinburgh, United Kingdom

Premier Inn at New Waverley, Edinburgh, United Kingdom

CONTENTS

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.

REPORT OF THE INDEPENDENT AUDITOR, KPMG AUDIT LLC, 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 78 to 136, which comprise the consolidated statement of financial position as at 30 June 2017, 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 2017 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.

VALUATION OF INVESTMENT PROPERTY (€564.3M)

Refer to note 14 for the significant accounting judgements, estimates and assumptions to the consolidated financial statements, which includes the accounting policies

THE KEY AUDIT MATTER	HOW THIS MATTER WAS ADDRESSED IN OUR AUDIT
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 65.2% of total assets by value and is considered to be the key driver of the Group's capital and revenue performance. The Group's accounting policy in note 14 states that the value of the income-generating investment property is determined by independent external valuation experts using discounted cash flow models. The data used in these models includes significant unobservable inputs including, amongst other things, occupancy rates, estimated rental value, risk adjusted discount rates and comparable transactions. Due to the significance of the investment property to the financial statements and the complexity and significant judgement applied by the directors in the valuation models, the valuation of investment property was considered a key audit matter.	Our audit procedures included, among others, the following: • assessing the competence, capabilities and objectivity of the directors' independent external valuation expert by understanding the scope of their engagement and evaluating their qualifications; • involvement of our own internal specialist in critically assessing the methodology used in the valuation of investment property and evaluating if it complies with the requirements of International Financial Reporting Standards (IFRS), as issued by the IASB; • evaluating the basis of preparation of the property valuation reports against the Group's methodology for valuing investment property; • challenging the key assumptions used by the directors' independent external valuation expert, by considering the data available in the investment property market, recalculating the impact of movement in exchange rates on the investment property portfolio;

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

VALUATION OF INVESTMENT PROPERTY (€564.3M) (CONTINUED)

Refer to note 14 for the significant accounting judgements, estimates and assumptions to the consolidated financial statements, which includes the accounting policies

THE KEY AUDIT MATTER	HOW THIS MATTER WAS ADDRESSED IN OUR AUDIT
	• 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 comparing the estimated rental value and occupancy rates to historical information and industry data taking into account entity specific risks; • recalculating all specified valuation workings • evaluating the reasonableness of the fair value determined by comparing the fair value to comparable transactions in the market. • assessing the presentation and disclosure in respect of the investment portfolio held in the consolidated financial statements and considered whether all significant judgements, observable and unobservable inputs were adequately disclosed.

VALUATION OF SHARE OPTION (€0.2M)

Refer to note 27 for the accounting policies, significant accounting judgements, estimates and assumptions and note 21 for the notes to the consolidated financial statements

THE KEY AUDIT MATTER	HOW THIS MATTER WAS ADDRESSED IN OUR AUDIT
During the year the Group established two geared share purchase plans - a Salaried and a Non-Salaried purchase plan ("share option plan"). In terms of these share option plans, the Group granted senior management and executive directors (the participants) loans to acquire shares issued by the company. The implementation of the share option plans require that a fair value of the options awarded to the participants be determined at grant date. The group has used the Black-Scholes-Merton model to calculate the fair value. Key assumptions used in determining the fair value of the options at grant date include the exercise price, expected share price volatility and risk free rate. As this is an unusual transaction for the Group, this required significant judgement by the director's in evaluating the nature of the scheme resulting in the valuation model used in fair value of the options at grant date. This was therefore considered to be a key audit matter.	Our procedures over the share option schemes included, among others: • inspecting the terms of the geared purchase plans and determining the classification of the share option scheme in accordance with IFRS 2 Share based payments; • involvement of our own internal valuation specialist as part of the audit team, to evaluate the suitability and the integrity of the share option valuation model (Black-Scholes Merton model); • challenging the assumptions used in determining the fair value of the share options at grant date by assessing the exercise price, expected share price volatility and the risk free rate against independently observable inputs and to our own assessments of certain key inputs; • testing the mathematical accuracy of the share option valuation, shares awarded and expense recognition during the vesting periods of the awards granted; • assessing the adequacy of disclosures with regard to share based payments in the consolidated financial statements

INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS (€20.2M)

Refer to note 2 for the significant accounting judgements, estimates and assumptions and note 16 for the notes to the consolidated financial statements, which includes the accounting policies

THE KEY AUDIT MATTER	HOW THIS MATTER WAS ADDRESSED IN OUR AUDIT
During the year ended 30 June 2017, the Group committed to provide preference share funding to one of its investees, PKM Development Limited (PKM), in which it holds a 40% interest. The option to acquire preference share equity in the investee was exercised during the current year and a further commitment to provide funding was agreed. As the Group holds a minority stake in the investee and provides additional preference share funding to the investee, the Group was required to evaluate the extent to which it controls or exerts significant influence over the investee. As the group holds a material investment in the equity accounted investment the recoverability of they year end carrying value and share of profit or loss required assessment at the year end.	Our procedures over the investment in equity accounted investments included, among others: • inspecting the terms and conditions of the preference share funding provided to the entity and any rights that may impact upon the ownership or control of the investee; • inspecting the agreements between the Group and other equity holders of the investee with regard to the management and activities of the investee entity in accordance with IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures; • including the use of property specialists in the jurisdictions of activities of the investee entity to critically assess the carrying value of development investment property, any relevant changes in the property market and ensuring that these movements are reflected in the valuation of investment property held by the entity; • recalculating the equity accounting of the investment in associate in the consolidated financial statements including impact of foreign exchange rates; and • the assessment of whether or not the Group controls the investee was considered a significant event during the current financial year, combined with the assessment of the carrying value and share of profit or loss of the equity accounted investment at the year end resulted in significant work effort from the audit team, therefore the investment in equity accounted investment was considered a key audit matter

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.

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Simon Nicholas.

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

1 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Rental income	4	27,032,238	14,203,699
Service charge income and other recoveries	5	4,550,190	2,047,322
		31,582,428	**16,251,021**
Service charge and other property operating expenses	6	(7,598,036)	(4,036,748)
Net rental income		**23,984,392**	**12,214,273**
Other income	8	—	2,355,381
Corporate expenses	9	(3,498,209)	(3,188,770)
Investment expenses		(281,061)	(2,159,964)
Net operating income		**20,205,122**	**9,220,920**
Fair value adjustments	7	25,592,290	6,431,719
Exchange differences	10	(4,684,895)	(12,913,210)
Share of profit/(loss) from equity accounted investees, net of tax	16	178,397	(31,908)
Profit before finance costs		**41,290,914**	**2,707,521**
Finance income	11	1,207,196	392,801
Finance costs	11	(2,238,497)	(773,765)
Profit before taxation		**40,259,613**	**2,326,557**
Current taxation	12	(1,741,449)	(684,749)
Deferred taxation	12	(3,942,153)	(143,776)
Profit for the year		**34,576,011**	**1,498,032**
Attributable to:			
Owners of the group		33,587,948	1,498,032
Non-controlling interest	23	988,063	—
Profit for the year		**34,576,011**	**1,498,032**
Earnings per share (euro cents)	33	8.43	0.49
Diluted earnings per share (euro cents)	33	8.43	0.49

The notes on pages 83 to 136 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Profit for the year		**34,576,011**	**1,498,032**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences, net of tax	22	(5,371,692)	(12,387,307)
Total comprehensive income/(loss) for the year		**29,204,319**	**(10,889,275)**
Attributable to:			
Owners of the group		28,216,256	(10,889,275)
Non-controlling interest		988,063	—
Total comprehensive income/(loss) for the year		**29,204,319**	**(10,889,275)**

The notes on pages 83 to 136 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

Euro	Note	As at 30 June 2017	As at 30 June 2016
Non-current assets			
Intangible assets	13	23,967,355	25,262,818
Investment property	14	564,291,928	306,996,079
Investment in equity accounted investees	16	20,205,297	19,991,716
Financial instruments	25	101,134,245	—
Property, plant and equipment		560,019	241,083
Deferred taxation asset	12	758,055	721,292
Total non-current assets		**710,916,899**	**353,212,988**
Current assets			
Financial investments	15	—	51,614,068
Derivative financial instruments	25	66,097	—
Trade and other receivables	17	8,707,035	11,264,083
Cash and cash equivalents	18	33,017,502	47,997,978
Assets held for sale	19	6,336,915	3,515,237
Total current assets		**48,127,549**	**114,391,366**
Total assets		**759,044,448**	**467,604,354**
Equity			
Share capital	20	557,556,273	378,530,556
Geared share purchase plan shares	20	(21,056,010)	—
Retained earnings		55,888,038	27,503,007
Share-based payment reserve	21	225,973	—
Foreign currency translation reserve	22	(10,560,303)	(5,188,611)
Equity attributable to owners of the group		**582,053,971**	**400,844,952**
Non-controlling interest	23	988,063	—
Total equity		**583,042,034**	**400,844,952**
Non-current liabilities			
Interest bearing borrowings	24	141,751,953	43,227,831
Financial instruments	25	1,670,086	5,396,943
Deferred taxation liability	12	4,998,374	1,242,741
Total non-current liabilities		**148,420,413**	**49,867,515**
Current liabilities			
Interest bearing borrowings	24	5,461,444	1,350,764
Financial instruments	25	11,211,990	7,146,090
Trade and other payables	26	10,816,762	8,296,197
Provisions		91,805	98,836
Total current liabilities		**27,582,001**	**16,891,887**
Total liabilities		**176,002,414**	**66,759,402**
Total shareholders' equity and liabilities		**759,044,448**	**467,604,354**
Actual number of shares in issue	20	467,366,299	348,625,219

The notes on pages 83 to 136 form part of these consolidated financial statements.

These consolidated financial statements were approved by the board of directors and signed on 1 September 2017 on their behalf by:

Ron Spencer
Chairman

Malcolm Levy
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

Euro	Note	Share capital	Geared share purchase plan shares	Retained earnings	Share-based payment reserve	Foreign currency translation reserve	Equity attributable to owners of the group	Non-controlling interest	Total equity
Balance at 30 June 2015		**305,671,992**	**–**	**40,269,910**	**–**	**7,198,696**	**353,140,598**	**–**	**353,140,598**
Comprehensive income for the year									
Profit for the year		–	–	1,498,032	–	–	**1,498,032**	–	**1,498,032**
Other comprehensive income		–	–	–	–	(12,387,307)	**(12,387,307)**	–	**(12,387,307)**
Total comprehensive income for the year		**–**	**–**	**1,498,032**	**–**	**(12,387,307)**	**(10,889,275)**	**–**	**(10,889,275)**
Transactions with the owners of the group									
Issue of shares	20	72,858,564	–	–	–	–	**72,858,564**	–	**72,858,564**
Distributions	20	–	–	(14,264,935)	–	–	**(14,264,935)**	–	**(14,264,935)**
Total transactions with the owners of the group		**72,858,564**	**–**	**(14,264,935)**	**–**	**–**	**58,593,629**	**–**	**58,593,629**
Balance at 30 June 2016		**378,530,556**	**–**	**27,503,007**	**–**	**(5,188,611)**	**400,844,952**	**–**	**400,844,952**
Comprehensive income for the year									
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**
Equity transactions									
Share-based payment reserve	21	–	–	–	225,973	–	**225,973**	–	**225,973**
Total equity transactions		–	–	–	**225,973**	–	**225,973**	–	**225,973**
Transactions with the owners of the group									
Issue of shares	20	192,292,442	(21,056,010)	–	–	–	**171,236,432**	–	**171,236,432**
Distributions	20	(13,266,725)	–	(5,202,917)	–	–	**(18,469,642)**	–	**(18,469,642)**
Total transactions with the owners of the group		**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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

The notes on pages 83 to 136 form part of these consolidated financial statements.

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Profit for the year		**34,576,011**	**1,498,032**
Adjustments for:			
Depreciation	9	27,864	35,535
Provisions		—	98,836
Share-based payment expense	27	245,419	—
Fair value adjustments	7	(25,592,290)	(6,431,719)
Exchange differences	10	4,684,895	12,913,210
Finance income	11	(1,207,196)	(392,801)
Finance costs	11	2,238,497	773,765
Share of (profit)/loss from equity accounted investees	16	(178,397)	31,908
Taxation expense	12	5,683,602	828,525
Changes in:			
Trade and other receivables		2,557,048	(6,736,280)
Trade and other payables		2,520,565	3,500,837
Cash generated from operating activities		**25,556,018**	**6,119,848**
Taxation paid	12	(1,066,198)	(310,994)
Net cash from operating activities		**24,489,820**	**5,808,854**
Investing activities			
Acquisition of investment property	14	(156,414,516)	(37,439,245)
Capitalised acquisition costs on investment property	14	(3,993,439)	(4,578,229)
Capitalised expenditure on investment property	14	(17,907,155)	(38,016,628)
Settlement of investment property acquisition retentions	25	(3,318,865)	(255,755)
Proceeds from the sale of investment property	14	7,999,160	1,814,850
Acquisition of subsidiary net of cash acquired	28	(61,326,012)	—
Acquisition of PKM preference shares	25	(100,000,000)	—
Acquisition of equity accounted investee	16	—	(20,000,000)
Capitalised transaction costs of equity accounted investee	16	(35,184)	(23,624)
Acquisition of property, plant and equipment		(34,425)	(263,591)
Capitalised expenditure on intangible assets		(222,519)	—
Issue of short term loans receivable	32	—	(18,920,000)
Proceeds from the sale of financial investments	15	47,045,042	40,376,739
Proceeds from the repayment of short term loans receivable	32	—	19,918,247
Interest paid on cash and equivalents	11	(6,830)	(3,522)
Interest received	11	72,951	392,801
Settlement of financial liability	25	(3,327,225)	—
Cash used in investing activities		**(291,469,017)**	**(56,997,957)**
Financing activities			
Proceeds from the issue of share capital	20	157,984,909	37,676,095
Proceeds from interest bearing borrowings	24	111,657,786	30,550,000
Transaction costs related to interest bearing borrowings	24	(2,168,837)	(412,345)
Repayment of interest bearing borrowings	24	(7,098,329)	(922,638)
Interest paid on interest bearing borrowings	24	(2,470,916)	(827,855)
Distributions paid	20	(5,202,917)	(7,238,795)
Cash generated from financing activities		**252,701,696**	**58,824,462**
Net (decrease)/increase in cash and equivalents		**(14,277,501)**	**7,635,359**
Cash and cash equivalents at the beginning of the year		47,997,978	45,111,775
Effect of movements in exchange rate fluctuations on cash held		(702,975)	(4,749,156)
Cash and cash equivalents at the end of the year	18	**33,017,502**	**47,997,978**

The notes on pages 83 to 136 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. REPORTING ENTITY

The company is domiciled in the British Virgin Islands. These financial statements as at, and for the year ended, 30 June 2017 comprise the consolidated financial statements of MAS Real Estate Inc (the "company") and its subsidiaries (together 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 are prepared on a going concern basis and 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 FVTPL (see note 25);
- Share-based payments (see note 27);
- Investment property (see note 14); and
- Assets held for sale (see note 19).

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

In the preparation of these consolidated financial statements the directors have 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 as follows:

- **Investment property:** Except where fair value cannot be reliably determined the valuation of investment property is determined by external property valuation experts or where relevant, firm offers from market participants looking to acquire the assets. 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 note 14.

  Where fair value is not reliably determinable, the group uses costs less impairment. The directors have assessed the value of investment property held at cost and no impairment has been recognised.
- **Financial instruments:** In determining the fair value of financial instruments and financial investments 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 25.
- **Investment in equity accounted investee:** The group recognises an investment in associate when there is significant influence over the investee. Judgements are made to assess the extent of influence it has over its investments and whether there is significant influence. Where the group has significant influence but not control, the investee is recognised as an investment in associate (see note 16).
- **Loan commitments:** The group has loan commitments to an equity accounted investee (see note 16). Judgements are made to assess the market related rate of loan commitments. Loan commitments at a market related rate are not in the scope of IFRS 9, rather IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, until such time as the impairment guidance in IFRS 9 becomes effective. The group applied judgement in reviewing the loan commitment made to PKM Deveopment Limited ("PKM") 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.
- **Impairments:** The group annually reviews the recoverable amount of CGUs to which goodwill has been allocated. The group uses assumptions in determining the recoverable amount, which is an estimate and may differ from actual results in the future (see note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

2. BASIS OF PREPARATION (CONTINUED)

- Taxation: The group is subject to income tax across the jurisdictions where it operates. There are assumptions made in the computation of the provision for taxation across the operating subsidiaries (see note 12).
- Deferred taxation: The group recognises deferred taxation assets to the extent that there are forecast future taxable profits against which the carry forward tax losses can be used. Judgements and estimations are made to assess the future taxable profits of the group (see note 12).
- Determination of 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 group has determined the acquisitions of Galleria Burgas EAD and Galleria – Stara Zagora EAD were business combinations because the group acquired the business operations (see note 28). The group has determined all other acquisitions of investment property in the current and prior year were not business combinations, rather acquisitions of investment property assets (see note 14).
- Business combinations: The group recognises business combinations when it obtains control of an entity. The group applies judgement when determining the fair value of the opening balances in the acquired entities primary statements.
- Share-based payments: Under the terms of the geared share purchase plan, participants are granted loans to acquire shares, with recourse limited to the shares acquired. These are treated as options under IFRS2: Share-based Payment. The fair value at grant date is measured by use of a Black-Scholes Merton model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, dividends and behavioural considerations (see note 27).

PRESENTATION CURRENCY

These consolidated financial statements are presented in euro which is the company's functional currency.

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
Disclosure initiative (Amendments to IAS 7)	1 January 2017
Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Amendments resulting from Annual Improvements 2014-2016 cycle	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 (2014) Financial Instruments*	1 January 2018
Classification and measurement of share-based payment transactions (Amendments to IFRS 2)	1 January 2018
IFRS 16 Leases	1 January 2019

* The group early adopted IFRS 9 (2013) in the financial year ending 30 June 2015. All other new standards and amendments will be adopted in the year that they first become effective for the group.

3. 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 provisions 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.

The group may classify financial assets that meet the criteria to be classified as financial assets at amortised cost as financial assets at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise if the financial asset were measured at amortised cost.

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

IMPAIRMENT

A financial asset not carried at fair value 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 which can be estimated reliably.

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 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

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 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.

DERECOGNITION OF FINANCIAL ASSETS

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

ii. FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES AT FAIR VALUE

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.

These financial liabilities are initially recognised at fair value plus any directly attributable transactions costs at the settlement date. 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, i.e. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

3. SIGNIFICANT GENERAL ACCOUNTING POLICIES (CONTINUED)

SERVICE CHARGES AND OTHER PROPERTY OPERATING EXPENSES

Service charge and other property operating expenses are costs incurred in relation to operating investment property. These expenses are recognised in profit or loss in the period in which they are incurred within service charge and other property operating expenses.

Employee benefits which relate to the operating of investment properties are also recognised in service charge and other property operating expenses to the extent that they relate to income-generating property and capitalised where they relate to development property. Employee benefits comprise salary, annual leave 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.

CORPORATE EXPENSES

Corporate expenses are company specific costs which are incurred in relation to the company's listing and the group's structuring, these costs are not incurred in relation to operating investment property. These expenses are recognised in profit or loss in the period in which they are incurred.

4. 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. The un-expensed direct costs are held as receivables within trade and other receivables in the statement of financial position.

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.

DISCLOSURE

Rental income of €27,032,238 was generated for the year ended 30 June 2017 (2016: €14,203,699). Included in rental income is contingent rent of €1,710,060 (2016:€nil)

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 2017**
Edeka MIHA AG	5,316,024

Euro	**Year ended 30 June 2016**
Toom Baumarkt GMBH	2,227,811
Bauhaus GmbH and Co KG	1,644,562
	3,872,373

The future aggregate minimum rental receivable under non-cancellable operating leases is as follows:

Euro	**As at 30 June 2017**	**As at 30 June 2016**
No later than 1 year	34,403,438	18,796,482
Greater than 1 year and less than 5 years	116,200,143	71,729,913
Greater than 5 years	190,513,803	157,873,608
	341,117,384	**248,400,003**

5. SERVICE CHARGE INCOME AND OTHER RECOVERIES

ACCOUNTING POLICY

The group's service charge income and other recoveries includes service charges received under operating leases and income for the recovery of direct expenses recoverable by the group. The income is recognised in the profit and loss in the period in which it relates.

DISCLOSURE

The group's service charge income and other recoveries comprise:

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Service charge income	4,136,662	1,635,983
Recoverable expenses	413,528	411,339
	4,550,190	**2,047,322**

6. SERVICE CHARGE AND OTHER PROPERTY OPERATING EXPENSES

ACCOUNTING POLICY

The group's service charge expense and other property operating expenses are expenses which are incurred in relation to the properties held by the group. These expenses are recognised in the profit or loss in the period in which they are incurred.

DISCLOSURE

The group's service charge and other property operating expenses comprise:

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Property expenses	4,153,918	1,000,002
Building repairs and maintenance	1,371,218	1,177,128
Management expense	1,048,072	746,372
Insurance expense	499,458	288,174
Legal fees	272,005	588,173
Marketing fees	138,207	45,961
Other expenses	115,158	190,938
	7,598,036	**4,036,748**

7. 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.

FAIR VALUE ADJUSTMENTS ON ASSETS HELD FOR SALE

Assets held for sale 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.

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.

FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS

Financial instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

7. FAIR VALUE ADJUSTMENTS (CONTINUED)

DISCLOSURE

The group's fair value adjustments comprise the following:

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Fair value adjustments			
Gain/(loss) on fair value of investment property		36,763,196	(3,088,606)
Gain on assets held for sale		786,795	—
(Loss)/gain on fair value of financial investments		(4,569,026)	12,938,105
(Loss) on fair value of financial instruments		(7,388,675)	(3,417,780)
		25,592,290	**6,431,719**
Detailed as follows:			
Fair value of investment property			
Income-generating	14	19,437,659	(1,764,630)
Development	14	17,325,537	(2,103,869)
Land bank	14	—	779,893
		36,763,196	**(3,088,606)**
Fair value movement in assets held for sale			
Langley Park – retail unit		(16,730)	—
New Waverley – retail unit		803,525	—
	19	**786,795**	**—**
Fair value of financial investments			
Karoo Fund	15	—	6,130,579
Sirius	15	(4,569,026)	6,807,526
		(4,569,026)	**12,938,105**
Fair value of financial instruments			
Zurich interest rate swap	25	520,083	(301,857)
Aldi portfolio interest rate swap	25	249,511	(191,737)
Attacq Limited financial liability	25	—	(4,032,584)
New Waverley Development management fee	25	(1,885,457)	(1,092,047)
New Waverley Priority participating profit dividend	25	(6,272,812)	2,200,445
		(7,388,675)	**(3,417,780)**

8. OTHER INCOME

ACCOUNTING POLICY

The group's other income includes dividend income from financial investments and other miscellaneous income not directly attributable to net rental income. Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

DISCLOSURE

The group's other income comprises:

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Dividend income earned on financial investments	15	–	1,717,829
EMI release fee		–	637,552
		–	**2,355,381**

During the prior year the group received total dividends of €1,717,829 from its financial investment in Sirius (see note 15) (2017: nil).

During the prior year, Sauchiehall entered into an agreement with EMI to release it from certain guarantees in return for consideration of the sum of £487,000 (€637,552). As a result of a foreign exchange loss of €47,726 (2017: €nil) the EMI release fee outstanding balance due at 30 June 2016 was €589,826 (2017:nil) (see note 17). The outstanding balance of £487,000 was received by the group in July 2016.

9. CORPORATE EXPENSES

ACCOUNTING POLICY

Corporate expenses are non-property related expenses incurred by the group. These expenses are recognised in the profit or loss in the period in which they are occurred.

DISCLOSURE

The group's corporate expenses comprise:

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Employee benefits	1,759,997	2,283,256
Administration expenses	1,118,196	416,160
General expenses	592,152	453,819
Amortisation and depreciation	27,864	35,535
	3,498,209	**3,188,770**

10. EXCHANGE DIFFERENCES

ACCOUNTING POLICY

Transactions in foreign currencies are translated into the functional 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 functional currency at the rates prevailing at that date.

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

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, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's foreign currency translation reserve. Such exchange differences are recognised in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

10. EXCHANGE DIFFERENCES (CONTINUED)

DISCLOSURE

The group has loans between group entities which are eliminated on consolidation, the foreign exchange differences arising on these intra-group loans are not eliminated and are recognised in profit or loss because they are not deemed to be a 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 foreign exchange movement recognised in profit or loss of the foreign operation, but there is a foreign exchange movement recognised in the profit or loss of the group entity with a euro functional currency. A foreign exchange movement 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 presentational 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, exchange differences arise predominantly from the intra-group loans to foreign operations. In the current year, this totalled a loss of €4,684,895 (2016: €12,913,210 (loss)).

11. FINANCE INCOME AND FINANCE COSTS

ACCOUNTING POLICY

The group's 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.

Interest income and expense are recognised using the effective interest method.

DISCLOSURE

The group's finance income and finance costs comprise:

Euro	Note	Year ended 30 June 2017	Year ended 30 June 2016
Finance income			
Interest earned on bank deposits at amortised cost		72,951	9,538
Interest earned on preference shares at amortised cost	25	1,134,245	—
Interest earned on loans at amortised cost		—	383,263
		1,207,196	**392,801**
Finance costs			
Interest paid on bank on interest bearing borrowings at amortised cost	24	(2,231,667)	(770,243)
Other finance costs		(6,830)	(3,522)
		(2,238,497)	**(773,765)**

During the year €100,000,000 of PKM preference shares were acquired by the group (see note 25). Included within finance income is interest income from the PKM preference shares of €1,134,245 (2016: nil).

12. TAXATION

ACCOUNTING POLICY

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

CURRENT TAXATION

Current taxation comprises the expected tax payable or receivable on the taxable income or loss for the year and 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 TAXATION

Deferred taxation 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 taxation 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 taxation 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 computing deferred taxation on investment property there is a rebuttable presumption that the carrying amount is realised through sale.

A deferred taxation 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 TAXATION

The company is domiciled in the BVI and is not subject to taxation in that jurisdiction. Operating subsidiaries of the group, however, are exposed to taxation in the jurisdictions in which they operate and, potentially, in the jurisdictions through which the investment companies are incorporated, as follows:

	Year ended 30 June 2017		Year ended 30 June 2016	
Euro	Applicable rate	Taxation	Applicable rate	Taxation
Income taxation				
UK	20.0%	420,835	20.0%	324,054
Germany	15.8%	623,902	15.8%	311,461
Poland	19.0%	194,812	19.0%	—
Romania	16.0%	—	16.0%	—
Bulgaria	10.0%	—	10.0%	—
Switzerland	26.8%	—	26.8%	—
Withholding tax				
Poland	5.0%	448,612	5.0%	—
Wealth taxation				
Switzerland	0.2%	5,944	0.2%	3,544
Luxembourg	0.5%	47,344	0.5%	45,690
		1,741,449		**684,749**

The effective tax rate was 14.12% (2016: 35.61%). There has been no change in the applicable tax rate.

The group utilises SPV investment companies in the Grand Duchy of Luxembourg for investment properties located in Germany and Switzerland. Double tax treaties with Switzerland and Germany allow corporate income taxation to be levied on the group's taxable profits only to the extent that these are not taxed in the jurisdiction where the investment property is located.

In Switzerland, the group is liable for cantonal and federal taxes, in addition to a wealth tax. For the years ended 30 June 2017 and 2016 the Swiss portfolio was in a taxable loss position as a result of capital allowances on the property, and hence no income tax is payable. However, a wealth tax payable of €5,944 (2016: €3,544) has been accrued.

The group paid €1,066,198 (2016: €310,994) in taxation during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

12. TAXATION (CONTINUED)

RECONCILIATION OF DEFERRED TAXATION:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Net deferred taxation liability brought forward		(521,449)	(406,631)
Acquisition of subsidiary – deferred taxation asset	28	(380,711)	—
Sale of investment property		178,924	—
Current year deferred taxation movement		(3,942,153)	(143,776)
Foreign currency translation difference in OCI		425,070	28,958
Net deferred taxation liability carried forward		**(4,240,319)**	**(521,449)**

The deferred taxation liability results from the following types of differences:

Euro	As at 30 June 2017	As at 30 June 2016
Deferred taxation on temporary differences between accounting and fiscal value of investment property	758,055	721,292
Deferred taxation asset	**758,055**	**721,292**
Deferred taxation on temporary differences between accounting and fiscal value of investment property	(4,998,374)	(1,242,741)
Deferred taxation liability	**(4,998,374)**	**(1,242,741)**
Net deferred taxation liability	**(4,240,319)**	**(521,449)**

RECONCILIATION OF EFFECTIVE TAXATION RATE

Euro	Year ended 30 June 2017		Year ended 30 June 2016	
Profit before taxation	**40,259,613**		**2,326,557**	
Taxation using the company's domestic rate	0.00%	—	0.00%	—
Effect of taxation rates in foreign jurisdictions	(4.33)%	(1,741,449)	(29.43)%	(684,749)
Current taxation expense	**(4.33)%**	**(1,741,449)**	**(29.43)%**	**(684,749)**
Change in recognised deductible temporary differences				
- Revaluation of investment property	(9.36)%	(3,767,882)	(7.99)%	(185,826)
- Change in taxation base	(0.43)%	(174,271)	1.81%	42,050
Deferred taxation expense	**(9.79)%**	**(3,942,153)**	**(6.18)%**	**(143,776)**
Net tax expense	**(14.12)%**	**(5,683,602)**	**(35.61)%**	**(828,525)**

13. 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. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised immediately in profit or loss.

Goodwill impairment reviews are undertaken at each reporting period end 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 cash generating units ("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 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 reducing 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

The group's intangible assets comprise:

Euro	As at 30 June 2017	As at 30 June 2016
Goodwill	23,744,836	25,262,818
Other intangible assets	222,519	—
	23,967,355	**25,262,818**

Other intangible assets consists of costs capitalised on the implementation of a new property management and accounting system. This system is currently in the process of implementation and therefore is an asset not yet available for use.

GOODWILL

Reconciliation of the group's carrying amount of goodwill:

Euro	MAS Prop	New Waverley 10 Limited	Total
Cost			
Balance at 30 June 2015	**27,768,955**	**1,582,184**	**29,351,139**
Foreign currency translation difference in OCI	(3,867,939)	(220,382)	(4,088,321)
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**
Accumulated impairment losses			
Balance at 30 June 2015	**—**	**—**	**—**
Balance at 30 June 2016	**—**	**—**	**—**
Balance at 30 June 2017	**—**	**—**	**—**
Carrying amount			
Balance at 30 June 2015	**27,768,955**	**1,582,184**	**29,351,139**
Balance at 30 June 2016	**23,901,016**	**1,361,802**	**25,262,818**
Balance at 30 June 2017	**22,464,861**	**1,279,975**	**23,744,836**

The goodwill arising on New Waverley 10 Limited was allocated to the New Waverley development and represents a portion of the estimated future value above the current carrying amount of the New Waverley development.

IMPAIRMENT

The group's recoverable amounts of its CGUs are determined to be value in use as it is greater than fair value less costs to sell.

NEW WAVERLEY 10 LIMITED

No impairment loss was recognised as a result of the group's annual impairment test of goodwill in relation to New Waverley 10 Limited (2016: €nil).

The recoverable amount of the New Waverley 10 Limited CGU has been determined based on management's best estimate for the remaining element of the site which is currently under development. Management has determined that a reasonably possible change to the key assumptions would not result in an impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

13. INTANGIBLE ASSETS (CONTINUED)

MAS PROP

No impairment loss was recognised as a result of the group's annual impairment test of goodwill in relation to MAS Prop (2016: €nil).

The recoverable amount of the MAS Prop CGU was based on the value in use, as determined using a discounted cash flow method. The cash flows were forecast for a period of 7 years (2016: 8 years), which is 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 expense.

The following key assumptions were used in the impairment assessment:

Inputs	As at 30 June 2017	As at 30 June 2016
Pre-tax discount rate	6.44%	6.68%
Annual increase in revenue	7.00% – 9.00%	7.00% – 11.00%
Annual increase in operating expenses	4.00% – 6.00%	4.00% – 6.00%
Budgeted period	7 years	8 years

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.

OTHER INTANGIBLE ASSETS

No amortisation has been recognised on other intangible assets because these have not yet been brought into use. There has been no need to impair them.

14. 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.

Investment properties are treated as long-term investments and are initially recognised at cost (including related transaction costs unless acquired as part of a business combination) and are subsequently measured at fair value, with any changes therein recognised in profit or loss. Subsequent additions that produce future economic benefits to the group are capitalised.

Fair value is based on active market prices, adjusted, if necessary for differences in nature, location, and tenant, amongst other items. If this information is not available, the group uses alternative valuation methods such as discounted cash flows. 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 becomes reliably determinable. 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 value in use, because the fair value less costs to sell is not reliably determinable. 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 the 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.

General and specific borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of investment property that meets the definition of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the asset is substantially ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings used for development purposes or, at the average rate in respect of that part of the development cost financed out of general funds.

All costs directly associated with the purchase and construction of a property are capitalised.

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	Land plots held for schemes that have not yet commenced.

The carrying amount of the group's investment property is as follows:

	As at 30 June 2017			As at 30 June 2016		
Euro	Fair value	Cost	Total	Fair value	Cost	Total
Income-generating property	494,519,173	—	**494,519,173**	242,625,172	—	**242,625,172**
Development property	26,413,036	3,668,759	**30,081,795**	17,927,863	4,502,390	**22,430,253**
Land bank	—	39,690,960	**39,690,960**	—	41,940,654	**41,940,654**
	520,932,209	**43,359,719**	**564,291,928**	**260,553,035**	**46,443,044**	**306,996,079**

As at 30 June 2017

Euro	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 acquisitions as part of business combinations (see note 28)	61,330,722	—	—	**61,330,722**
Capitalised acquisition costs	3,993,439	—	—	**3,993,439**
Property disposal	(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 (see note 24)	—	447,749	121,549	**569,298**
Transfer to assets held for sale (see note 19)	(2,180,000)	(115,378)	—	**(2,295,378)**
Fair value adjustment (see note 7)	19,437,659	17,325,537	—	**36,763,196**
Foreign currency translation reserve	(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**

As at 30 June 2016

Euro	Income-generating	Development	Land bank	Total
Opening balance	**164,390,518**	**42,907,443**	**41,240,845**	**248,538,806**
Property acquisitions	37,439,245	—	—	**37,439,245**
Capitalised retentions (see note 25)	1,370,755	—	—	**1,370,755**
Capitalised acquisition costs	4,578,229	—	—	**4,578,229**
Property disposal	(1,814,850)	—	—	**(1,814,850)**
Transfer	43,937,100	(43,937,100)	—	**—**
Capitalised expenditure	749,693	31,356,543	5,910,392	**38,016,628**
Capitalised financial liability (see note 25)	—	—	3,327,225	**3,327,225**
Capitalised interest on general borrowings (see note 24)	—	28,452	354	**28,806**
Fair value adjustment (see note 7)	(1,764,630)	(2,103,869)	779,893	**(3,088,606)**
Transfer to assets held for sale (see note 19)	—	—	(3,515,237)	**(3,515,237)**
Foreign currency translation reserve	(6,260,888)	(5,821,216)	(5,802,818)	**(17,884,922)**
Closing balance	**242,625,172**	**22,430,253**	**41,940,654**	**306,996,079**

The fair value movement of investment property was €36,763,196 (2016:€3,088,606 loss) for the year, of which €912,710 (€nil) relates to realised fair value movements on the sale of some of the Aldi portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

14. INVESTMENT PROPERTY (CONTINUED)

OPERATING LEASES

Investment properties are subject to operating leases. The group's investment property portfolio generated €27,032,238 (2016: €14,203,699) in rental income and €4,550,190 (2016: €2,047,322) in service charge income (see note 5) and other recoveries with service charge and other property expenses of €7,598,036 (2016: €4,036,748) being recognised in profit or loss (see note 6).

INTEREST BEARING BORROWINGS

Bank borrowings of €147,213,397 (2016: €44,578,595) are secured against investment property (see note 24). The group has designated bank borrowings drawndown in the period of €111,657,786 as general borrowings (2016: €30,550,000). During the year interest costs on general borrowings of €569,298 (2016: €28,806) (see note 24) have been capitalised and are included within development property and land bank

CAPITAL COMMITMENTS

The group has capital commitments of €78,840,105 (2016: €9,536,867) in respect of capital expenditures contracted for at the reporting date (see note 35).

RELATED PARTIES

The group has a development management arrangement with the developer New Waverley Advisers, a related party, for the development and construction of the New Waverley site in Edinburgh. A cumulative development management fee of €4,052,171 (2016: €2,367,448) and priority participating dividend of €6,078,256 (2016: €nil) have been recognised in relation to the New Waverley development (see notes 25 and 32). During the year, the group recognised a fair value adjustment in relation to the development management fee of €1,885,457 (2016: €1,092,047) and the priority participating profit dividend of €6,272,812 (2016: -€2,200,445).

The group has capitalised costs incurred from related parties amounting to €13,036,726 (2016: €27,117,356) during the year, see note 32.

DEFERRED CONSIDERATION

On the acquisition of Heppenheim retail park, Bruchsal and Edeka Thales portfolio, the group retained a portion of the purchase price per the respective sales and purchase agreement. These retentions will be released to the vendors at such time as they complete the retention activities. These amounts have been accounted for as deferred consideration.

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. 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 138.

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.

FAIR VALUE HIERARCHY

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

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

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**

As at 30 June 2016		**Fair value**		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Income-generating property	242,625,172	–	–	242,625,172
Development property	17,927,863	–	–	17,927,863
	260,553,035	**–**	**–**	**260,553,035**

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. During the year, the group changed its valuation technique on the completed New Waverley properties from discounted cash flows to capitalisation rate as it believes this results in a more accurate fair value for these properties.

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	*Discounted cash flows:* 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.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/(decrease) if: • 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)
	Capitalisation rate: 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.	• Capitalisation rate • Market rent • Passing rent	The estimated fair value would increase/(decrease) if: • the capitalisation rate was lower/(higher) • the passing rent was higher/ (lower) • the market rent was higher/ (lower)
Development property	*Firm offers:* The valuation model takes into account the amount a third party is willing to pay.	• Offers	The estimated fair value would increase/(decrease) if: • The number of the interested parties was higher/(lower) • The availability of comparable properties lower/ (higher)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

14. INVESTMENT PROPERTY (CONTINUED)

As at 30 June 2016

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income-generating property	*Discounted cash flows:* 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.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/(decrease) if: • 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)
Development property	*Discounted cash flows less cost to complete:* The discounted cash flow is determined on the same basis as income-generating properties based on the completed development property. Costs to complete as determined by external quantity surveyors are deducted from the discounted cash flow.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate • Costs to complete • Completion date	The estimated fair value would increase/(decrease) if: • 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) • The costs to complete were lower/(higher) • Completion date was earlier/ (later)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2017

INCOME-GENERATING PROPERTY

		Significant unobservable inputs											
		Discount rate			Net rental growth			Reversionary discount rate			Estimated Rental Value		
			Sensitivity			Sensitivity			Sensitivity			Sensitivity	
Technique	Valuation	Input %	Change	Valuation	Input %	Change	Valuation	Input %	Change	Valuation	Input p.a	Change	Valuation
DCF[1]	417,844,894	4.75%-12.00%	0.50% -0.50%	405,583,114 444,334,644	1.%-6.75%	2.50% -2.50%	433,652,067 414,046,319	4.42%-9%	0.50% -0.50%	394,024,086 418,742,092	31,461,564	10.00% -10.00%	444,161,124 401,386,474

		Capitalisation rate		
			Sensitivity	
Technique	Valuation	Input %	Change	Valuation
Capitalisation rate	76,674,279	4.25%-7.00%	0.50% -0.50%	66,628,548 83,572,828
	494,519,173			

DEVELOPMENT PROPERTY

		Market offer		
			Sensitivity	
Technique	Valuation	Input	Change	Valuation
Market transaction	26,413,036	26,413,036	5% -5%	27,733,687 25,092,384

As at 30 June 2016

INCOME-GENERATING PROPERTY

		Significant unobservable inputs											
		Discount rate			Net rental growth			Reversionary discount rate			Estimated Rental Value		
			Sensitivity			Sensitivity			Sensitivity			Sensitivity	
Technique	Valuation	Input %	Change	Valuation	Input %	Change	Valuation	Input %	Change	Valuation	Input p.a	Change	Valuation
DCF[1]	242,625,172	4.40%-7.50%	0.50% -0.50%	236,197,023 255,037,746	7.00%	2.50% -2.50%	258,029,045 237,489,590	0.00%-8.25%	0.50% -0.50%	219,833,854 231,776,329	44,803,837	10.00% -10.00%	255,783,647 235,430,655

DEVELOPMENT PROPERTY

		Significant unobservable inputs					
		Discount rate			Costs to complete		
			Sensitivity			Sensitivity	
Technique	Valuation	Input %	Change	Valuation	Input	Change	Valuation
DCF[1]	17,927,863	5.75%	0,50% -0,50%	15,871,033 20,347,663	9,536,867	10,00% -10,00%	20,226,673 15,629,053

1. DCF less costs to complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

15. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

Financial investments have been classified as fair value through profit or loss ("FVTPL"). Accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss. Refer to note 3 for the group's general accounting policy for financial instruments.

DISCLOSURE

The carrying amount of the group's financial investments was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
Sirius	**–**	**51,614,068**

During the year the group recognised €nil in dividends from the investment in Sirius (2016: €1,717,829) (see notes 8 and 17). On 22 August 2016, the group sold 60,000,000 shares in Sirius for €29,282,323. As a result the group's shareholding in Sirius decreased to 4.3%. On 21 September 2016, the remaining 36,474,895 shares in Sirius were disposed of for €17,762,719.

RECONCILIATION OF FINANCIAL INVESTMENTS AT FAIR VALUE

As at 30 June 2017

Euro	Note	Karoo Fund	Sirius	Total
Opening balance		**–**	**51,614,068**	**51,614,068**
Disposal		–	(47,045,042)	**(47,045,042)**
Fair value movement	7	–	(4,569,026)	**(4,569,026)**
		–	**–**	**–**

As at 30 June 2016

Euro	Note	Karoo Fund	Sirius	Total
Opening balance		**67,221,894**	**14,951,843**	**82,173,737**
Cash redemptions		(40,376,739)	–	**(40,376,739)**
Receipt of shares from in-specie redemption		(29,834,661)	29,834,661	**–**
Fair value movement	7	6,130,579	6,807,526	**12,938,105**
Foreign currency translation difference in OCI		(3,141,073)	20,038	**(3,121,035)**
		–	**51,614,068**	**51,614,068**

The financial instrument and fair value disclosures are in notes 29 and 30.

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 2016		Fair value		
Euro	Carrying amount	Level 1	Level 2	Level 3
Sirius	51,614,068	51,614,068	–	–
	51,614,068	**51,614,068**	**–**	**–**

VALUATION TECHNIQUES AND UNOBSERVABLE INPUTS

At 30 June 2016, all inputs into the valuation are observable as the Sirius financial investment is listed. The group did not hold any shares in Sirius at 30 June 2017.

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

ACCOUNTING POLICY

Equity accounted investees comprise investments in associates. Associates are entities in which the group has significant influence over the financial and operating policies. Significant influence 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 policies.

Interests in associates are initially recognised at cost including transaction costs. Subsequently, they are accounted for using the equity method. In terms of this, 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. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses 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

The carrying amount of the group's investments in equity accounted investees was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
PKM Development Limited	**20,205,297**	**19,991,716**

RECONCILIATION OF INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Euro	As at 30 June 2017	As at 30 June 2016
Opening balance	**19,991,716**	—
Acquisition	—	20,000,000
Capitalised acquisition costs	35,184	23,624
	20,026,900	**20,023,624**
Share of profit/(loss), net of tax	178,397	(31,908)
Closing balance	**20,205,297**	**19,991,716**

The group has an investment in PKM Development Limited ("PKM"), a development property group which develops investment property predominately in Romania and other central and eastern European countries. PKM Development 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 Development are owned by Prime Kapital, who acts as the developer.

MAS has committed to fund PKM Development through 7.5% cumulative preference shares issued by PKM Development ("PKM Preference Shares"). On 6 April 2017 and 19 May 2017, the group provided €30,000,000 and €70,000,000 respectively to acquire 7.5% preference shares in PKM Development, see note 25. At the year end the group had a commitment to fund an additional €100,000,000 through the PKM Preference Shares. At the dates of the commitments management determined that the cost of funding the loan commitments is lower than the rates to be charged, accordingly the loan commitments are neither onerous nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

Euro	As at 30 June 2017	As at 30 June 2016
Statement of financial position – PKM Development		
Non-current assets	48,139,879	2,697,078
Current assets	105,905,277	47,496,624
Total assets	**154,045,156**	**50,193,702**
Non-current liabilities	101,134,247	—
Current liabilities	2,544,687	273,474
Total liabilities	**103,678,934**	**273,474**
Net assets	**50,366,222**	**49,920,228**
Percentage ownership interest	40%	40%
Group share of net assets	**20,146,489**	**19,968,092**
Capitalised costs	58,808	23,624
Carrying amount	**20,205,297**	**19,991,716**

Euro	For the year ended 30 June 2017	For the period ended 30 June 2016
Statement of profit or loss – PKM Development		
Revenue	2,009	—
Corporate expenses	(131,992)	(36,756)
Finance income	190,867	100,828
Other income	284,363	—
Finance costs	(13,739)	(38,392)
Exchange differences	115,719	—
Investment expenses	(1,235)	(105,450)
Total profit/(loss)	**445,992**	**(79,770)**
Percentage ownership interest	40%	40%
Group's share of profit/(loss)	**178,397**	**(31,908)**

PKM Development has no other comprehensive income.

17. 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 3 for the group's general accounting policy for financial instruments. The non-financial instruments include prepayments and VAT.

DISCLOSURE

The group's trade and other receivables comprise:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Receivables from lessees		4,964,146	344,109
VAT receivable		947,766	1,866,772
Other		940,235	1,345,111
Prepayments		854,941	3,746,679
Property retentions held in escrow (Bruchshal)	25	500,000	2,115,000
Collateral receivable		499,947	—
Dividends receivable		—	1,256,586
EMI release fee receivable	8	—	589,826
		8,707,035	**11,264,083**

The financial instrument and fair value disclosures are in notes 29 and 30.

18. 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 3 for the group's general accounting policy for financial instruments

DISCLOSURE

Euro	As at 30 June 2017	As at 30 June 2016
Bank balances	**33,017,502**	**47,997,978**

The financial instrument and fair value disclosures are in notes 29 and 30.

19. ASSETS HELD FOR SALE

ACCOUNTING POLICY

Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through their sale rather than through continuing use, and the following criteria are met:

- Management is committed to 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.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. However, the measurement provisions of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations do not apply to investment property, which continues to be measured at fair value in accordance with group's accounting policy for investment property.

DISCLOSURE

The carrying amount of the group's assets held for sale were as follows:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Opening balance		3,515,237	—
Transfer from investment property	14	2,295,378	3,515,237
Fair value adjustment	7	786,795	—
Foreign currency translation reserve		(260,495)	—
Closing balance		**6,336,915**	**3,515,237**

On 31 March 2016 the group entered into a contract to sell 1,741 square meters of vacant land at Langley Park for £1,950,000 (approximately €2,217,540) to a leading discount supermarket. The sale will complete on satisfaction of certain conditions within the sale and purchase agreement which include ground works. These are expected to complete before the end of the calendar year. The ground works are expected to cost £44,605 (approximately €50,725) which have been deducted from the purchase price.

On 18 March 2016 the group entered into a contract to sell Cannongate Ventures, vacant land at New Waverley, for £1,000,000 (approximately €1,137,200) to a hotel operator. The sale is subject to the vendors being granted planning permission to develop the hotel.

The Pavilion at New Waverley is being actively marketed for sale by management. The estimated sales price is £750,000 (approximately €852,900).

On 27 June 2017 the group sold all but one of properties in the Aldi portfolio in Germany (see note 14). The remaining property is held for sale and is held at its fair value being €2,180,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

19. ASSETS HELD FOR SALE (CONTINUED)

MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

The fair value measurement of all the group's asset 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.

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

As at 30 June 2017

Euro	Carrying amount	Fair value Level 1	Level 2	Level 3
Langley Park – retail unit	2,166,815	–	–	2,166,815
New Waverley – hotel	1,137,200	–	–	1,137,200
New Waverley – retail unit	852,900	–	–	852,900
Aldi Parlsberg – single store	2,180,000	–	–	2,180,000
	6,336,915	**–**	**–**	**6,336,915**

As at 30 June 2016

Euro	Carrying amount	Fair value Level 1	Level 2	Level 3
Langley Park – retail unit	2,305,337	–	–	2,305,337
New Waverley – hotel	1,209,900	–	–	1,209,900
	3,515,237	**–**	**–**	**3,515,237**

At 30 June 2017 and 30 June 2016 Langley park and New Waverley properties are reported under the operating segment, land bank property and development property respectfully. Aldi Parlsberg is reported under the operating segment, income-generating property.

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table shows the valuation technique used in measuring the fair value of assets held for sale, as well as the significant unobservable inputs used.

Asset held for sale	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Aldi Parlsberg – single store	*Discounted cash flows:* The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, 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.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/ (decrease) if: • 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)
Langley Park – retail New Waverley – hotel New Waverley – retail	Firm offers: The valuation model takes into account the amount a third party is willing to pay.	• Offers	The estimated fair value would increase/(decrease) if: • The number of the interested parties was higher/(lower) • The availability of comparable properties lower/(higher)

20. SHARE CAPITAL AND GEARED PURCHASE PLAN 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 net of any taxation effects.

The group's policy is to maintain a strong capital base to allow sustainable development. Management monitors the return on capital as well as the distributions made to shareholders.

GEARED PURCHASE PLAN SHARES

The 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 taxation effects. When the geared 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:

	Note	Number of shares	Share capital Euro
Balance at 30 June 2015		**291,787,889**	**305,671,992**
Issued during the year			
- Scrip distributions		5,671,745	7,026,140
- Settlement of Attacq liability	25	21,317,449	28,156,329
- Issue of share capital		29,848,136	37,676,095
		56,837,330	**72,858,564**
Balance at 30 June 2016		**348,625,219**	**378,530,556**
Issued during the year			
- Issue of share capital		108,974,358	157,984,909
- Geared purchase plan shares	27	12,850,000	21,056,010
- Distributions reinvested		9,766,722	13,251,523
		131,591,080	**192,292,442**
Distributed during the year			
- Scrip distributions		–	(13,266,725)
		–	**(13,266,725)**
		480,216,299	**557,556,273**
Geared purchase plan shares (unissued)		(12,850,000)	(21,056,010)
Balance at 30 June 2017		**467,366,299**	**536,500,263**

Distributions reinvested represent scrip dividends paid out of share capital.

CAPITAL RAISE

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 pursuant to a general authority to issue shares for cash and a vendor consideration payment. 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 pursuant to a general authority to issue shares for cash and a vendor consideration payment. During the year the group incurred €942,908 (2016: €225,212) in expenses in relation to issuing shares. These were offset against share capital.

In the prior year the group issued 21,317,449 shares at an issue price of €1.32 (ZAR 22.46) on 11 March 2016 to Attacq, a related party of the group, in settlement of the financial liability due to Attacq in relation to the Karoo Fund (see notes 15 and 25). On 7 April 2016 the group issued a further 29,848,136 shares at an issue price of €1.27 (ZAR 22.00) as part of an accelerated book build, raising cash of €37,676,095. Of these shares 21,639,899 shares were an issue of shares for cash and 8,208,237 were a vendor consideration placement.

GEARED PURCHASE PLAN SHARES

On 14 March 2017, the group issued 12,850,000 shares as part of an employee purchase plan (see note 27). Distributions on the geared purchase plan shares are referred to in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

20. SHARE CAPITAL (CONTINUED)

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 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
	13,266,725	**5,202,917**	**18,469,642**	**4.89**

Year ended 30 June 2016

Euro	Scrip	Cash	Total	Distribution per share (euro cents)
11 November 2015	3,241,806	3,177,518	**6,419,324**	2.20
8 April 2016	3,784,334	4,061,277	**7,845,611**	2.27
	7,026,140	**7,238,795**	**14,264,935**	**4.47**

The directors are pleased to propose a final distribution to shareholders for the period from 1 January to 30 June of 3.19 euro cent per share (2016: 2.23 euro cents per share).

21. SHARE-BASED PAYMENT RESERVE

ACCOUNTING POLICY

Refer to note 27 for the accounting policy for share-based payment arrangements.

DISCLOSURE

On 14 March 2017, the group issued 12,850,000 shares as part of a geared purchase plan (see note 27).

RECONCILIATION OF GEARED SHARE PURCHASE PLAN:

Euro	As at 30 June 2017	As at 30 June 2016
Opening balance	–	–
Share-based payment expense	319,248	–
Salaried variant non-forfeitable distribution	(93,275)	–
Closing balance	**225,973**	**–**

22. FOREIGN CURRENCY TRANSLATION RESERVE

ACCOUNTING POLICY

The financial statements of entities that use a functional currency other than euros are translated into euros at the reporting date. The assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated using the exchange rates at the reporting date. Items in the consolidated statement of comprehensive income and consolidated statement of cash flows are translated into euro using the actual rates or average rates if they approximate the actual rate of exchange.

The resulting translation adjustments are recorded in other comprehensive income and accumulated in the foreign currency translation reserve. Cumulative translation adjustments are recognised in profit or loss upon partial or complete disposal of a foreign operation.

DISCLOSURE

The group recognised a foreign currency translation loss of €5,371,692 (2016: €12,387,307 (loss)) resulting in a foreign currency translation deficit at the reporting date of €10,560,303 (2016: €5,188,611 (deficit)).

The tax on foreign currency translation differences in other comprehensive income is €nil (2016: €nil).

23. NON-CONTROLLING INTEREST

ACCOUNTING POLICY

The group recognises the non-controlling interests ("NCI") in the net assets of consolidated subsidiaries separately from the group's interest, within equity. Profits/(losses) of subsidiaries attributable to NCI are allocated to the NCI even if this results in a debit balance being recognised for the NCI.

DISCLOSURE

The carrying amount of the group's NCI was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
Prime Kapital CEE Property Investment Management Limited	**988,063**	**—**

RECONCILIATION OF NCI

Euro	As at 30 June 2017	As at 30 June 2016
Opening balance	**—**	**—**
Share of profit for the year	988,063	—
Closing balance	**988,063**	**—**

On 20 September 2016, the group aquired 80% of the ordinary share capital of a newly incorporated entity PKM CEE Investments Limited ("PKM CEE") for the consideration of €80. The remaining 20% of the share capital of PKM CEE was issued to Prime Kapital CEE Property Investment Management Ltd, a non-controlling interest for the consideration of €20. The shares of PKM CEE carry equal voting rights, such that the group has 80% of the voting rights and control over PKM CEE. At the date of acquisition PKM CEE had no assets or liabilities. PKM CEE was incorporated initially to purchase investment property in central and eastern Europe.

In November 2016 PKM CEE acquired a retail shopping mall in Poland, Nova Park, for €88,640,688. In April 2017, PKM CEE further acquired two shopping malls in Bulgaria known as the Galleria portfolio. The profit attributable to NCI is disclosed in the consolidated statement of profit or loss, the equity attributable to NCI of €988,063 is disclosed in the consolidated statement of financial position.

24. 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 3 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 2017	As at 30 June 2016
Non-current		
UK investment property	30,284,516	—
German investment property	103,478,073	34,833,306
Swiss investment property	7,989,364	8,394,525
	141,751,953	**43,227,831**
Current		
UK investment property	1,489,732	—
German investment property	3,614,901	991,886
Swiss investment property	356,811	358,878
	5,461,444	**1,350,764**
	147,213,397	**44,578,595**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

24. INTEREST BEARING BORROWINGS (CONTINUED)

Interest bearing borrowings are held at amortised cost, accordingly interest is charged to profit or loss using the effective interest rate. These liabilities have been classified as amortised cost because the group does not hold them for trading purposes.

Reconciliation of the group's carrying amount of interest bearing borrowings:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Opening		**44,578,595**	**15,747,889**
Drawndown		111,657,786	30,550,000
Capitalised transaction costs		(2,168,837)	(412,345)
Capital repayment		(7,098,329)	(922,638)
Finance costs		2,231,667	770,243
General borrowings capitalised	14	569,298	28,806
Interest paid		(2,470,916)	(827,855)
Foreign currency translation difference in OCI		(85,867)	(355,505)
Closing balance		**147,213,397**	**44,578,595**

Interest from general borrowings of €569,298 (2016: €28,806) was capitalised in investment property during the year at a capitalisation rate of 2.56% (2016: 2.65%) (see note 14).

The financial instrument and fair value disclosures are in notes 29 and 30.

SUMMARY OF INTEREST BEARING BORROWING TERMS AND COVENANTS

As at 30 June 2017

BORROWING TERMS

Jurisdiction	Weighted average remaining term of debt (years)	Currency	Weighted average annual capital repayment (Euro)	Weighted average margin	Base rate
UK investment property					
- Variable debt	3.83	GBP	772,904	2.00%	3M UK Libor
German investment property					
- Fixed debt	8.24	EUR	327,015	1.83%	n/a
- Variable debt	12.26	EUR	95,130	0.95%	3M Euro Libor
Swiss investment property					
- Variable debt	8.01	S.Fr	358 ,878	1.29%	3M Swiss Libor

COVENANTS

Lender	Weighted average debt service cover ratio	Weighted average interest cover	Weighted average loan to value
UK investment property			
- Variable debt	n/a	150%	65%
German investment property			
- Fixed debt	141%	n/a	73%
- Variable debt	n/a	n/a	n/a
Swiss investment property			
- Variable debt	n/a	n/a	n/a

As at 30 June 2016

BORROWING TERMS

Jurisdiction	Weighted average remaining term of debt (years)	Currency	Weighted average annual capital repayment (Euro)	Weighted average margin	Base rate
German investment property					
- Fixed debt	12.24	EUR	280,537	2.45%	n/a
- Variable debt	13.26	EUR	391,916	0.95%	3M Euro Libor
Swiss investment property					
- Variable debt	9.00	S.Fr	358,878	1.29%	3M Swiss Libor

COVENANTS

Lender	Weighted average debt service cover ratio	Weighted average loan to value
German investment property		
- Fixed debt	140%	72.5%
- Variable debt	n/a	n/a
Swiss investment property		
- Variable debt	n/a	n/a

The group complied with its loan covenants during the current and prior years.

The interest-bearing borrowings of the group have been secured against investment property (see note 14).

25. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The group's financial instruments are classified as financial assets and financial liabilities at amortised cost and financial assets and financial liabilities at fair value. Refer to note 3 for the group's general accounting policy for financial instruments.

DISCLOSURE

The carrying amount of the group's financial instruments are classified as follows:

	As at 30 June 2017			As at 30 June 2016		
Euro	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
Non-current assets						
Financial instruments	—	101,134,245	**101,134,245**	—	—	**—**
	—	**101,134,245**	**101,134,245**	**—**	**—**	**—**
Current assets						
Derivative financial instruments	66,097	—	**66,097**	—	—	**—**
	66,097	**—**	**66,097**	**—**	**—**	**—**
Non-current liabilities						
Derivative financial instruments	1,170,086	—	**1,170,086**	3,029,495	—	**3,029,495**
Financial liabilities	—	500,000	**500,000**	2,367,448	—	**2,367,448**
	1,170,086	**500,000**	**1,670,086**	**5,396,943**	**—**	**5,396,943**
Current liabilities						
Derivative financial instruments	1,081,563	—	**1,081,563**			
Financial liabilities	10,130,427	—	**10,130,427**	3,327,225	3,818,865	**7,146,090**
	11,211,990	**—**	**11,211,990**	**3,327,225**	**3,818,865**	**7,146,090**

The financial instrument and fair value disclosures are in notes 29 and 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS HELD AT AMORTISED COST

AMORTISED COST ASSETS

The carrying amount of the group's financial asset at amortised cost was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
PKM Preference Shares	**101,134,245**	**—**

On 6 April 2017 and 19 May 2017, the group provided €30,000,000 and €70,000,000 respectively to acquire 7.5% preference shares in PKM Development Limited (see note 16). The group has committed to fund a further €100,000,000 (see note 35).

RECONCILIATION OF FINANCIAL ASSETS HELD AT AMORTISED COST:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Opening		**—**	**—**
PKM Preference Shares		100,000,000	—
Interest income	11	1,134,245	—
Closing		**101,134,245**	**—**

AMORTISED COST LIABILITIES

The carrying amount of the group's deferred consideration was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
Bruchsal	—	1,615,000
Heppenheim Park	500,000	883,865
Edeka Thales Portfolio	—	1,320,000
	500,000	**3,818,865**

On the acquisition of the Heppenheim Park, Bruchsal and Edeka Thales Portflio, the group retained a portion of the purchase price per the relevant sale and purchase agreements, which will be released to the vendor at such time that they complete the agreed retention works/activities.

These amounts have been capitalised within investment property (see note 14). Retentions held in escrow at the year end were €500,000 (2016: €2,115,000) (see note 17).

RECONCILIATION OF FINANCIAL LIABILITIES HELD AT AMORTISED COST:

Euro	As at 30 June 2017	As at 30 June 2016
Opening	**3,818,865**	**2,703,865**
Purchase price retained	—	1,370,755
Purchase price released	(3,318,865)	(255,755)
Closing	**500,000**	**3,818,865**

FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

FAIR VALUE ASSETS

The carrying amount of the group's financial assets held at fair value was as follows:

Euro	As at 30 June 2017	As at 30 June 2016
Assets		
Derivative financial instruments		
Forward currency contract	66,097	—
	66,097	**—**

RECONCILIATION OF DERIVATIVE FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

ASSETS

Euro	Forward currency contract	Total
Balance at 30 June 2015	—	**—**
Balance at 30 June 2016	—	**—**
Fair value adjustment capitalised as part of Investment property acquisition costs	66,097	**66,097**
Balance at 30 June 2017	**66,097**	**66,097**

The group entered into a Polish Zloty forward contract to hedge the exposure on VAT receivable in relation to the Nova Park acquisition. The hedging instrument is classified as FVTPL, accordingly it is measured at fair value at the reporting date with changes in fair value being recognised within investment property capitalised acquisition costs.

FAIR VALUE LIABILITIES

The carrying amount of the group's financial liabilities at fair value were as follows:

Euro	Note	As at 30 June 2017	As at 30 June 2016
Liabilities			
Derivative financial instruments			
Aldi portfolio interest rate swap		1,081,563	1,331,074
Zurich interest rate swap		1,170,086	1,698,421
		2,251,649	**3,029,495**
Financial liabilities			
Development management fee	32	4,052,171	2,367,448
Santon financial liability		—	3,327,225
Priority participating profit dividend	32	6,078,256	—
		10,130,427	**5,694,673**

DERIVATIVE FINANCIAL INSTRUMENTS

The group has hedged the interest rate exposure on the interest bearing borrowings (see note 24), from Credit Suisse and Sparkasse. These hedging instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

RECONCILIATION OF DERIVATIVE FINANCIAL INSTRUMENTS

Euro	Aldi portfolio interest rate swap	Zurich interest rate swap	Total
Balance at 30 June 2015	**1,139,337**	**1,464,198**	**2,603,535**
Fair value adjustment (see note 7)	191,737	301,857	**493,594**
Foreign currency translation difference in OCI	—	(67,634)	**(67,634)**
Balance at 30 June 2016	**1,331,074**	**1,698,421**	**3,029,495**
Fair value adjustment (see note 7)	(249,511)	(520,083)	**(769,594)**
Foreign currency translation difference in OCI	—	(8,252)	**(8,252)**
Balance at 30 June 2017	**1,081,563**	**1,170,086**	**2,251,649**

The Aldi portfolio interest rate swap was settled on 6 July 2017.

FINANCIAL LIABILITIES

RECONCILIATION OF FINANCIAL LIABILITIES HELD AT FAIR VALUE:

Euro	Attacq financial liability	Santon financial liability	New Waverley development management fee	New Waverley priority participating profit dividend	Total
Balance at 30 June 2015	**26,378,571**	**—**	**1,576,779**	**2,365,168**	**30,320,518**
Recognised on grant of planning permission	—	3,327,225	—	—	**3,327,225**
Fair value adjustment (see note 7)	4,032,584	—	1,092,047	(2,200,445)	**2,924,186**
Settlement	(28,156,329)	—	—	—	**(28,156,329)**
Foreign currency translation difference in OCI	(2,254,826)	—	(301,378)	(164,723)	**(2,720,927)**
Balance at 30 June 2016	**—**	**3,327,225**	**2,367,448**	**—**	**5,694,673**
Fair value adjustment (see note 7)	—	—	1,885,457	6,272,812	**8,158,269**
Settlement	—	(3,327,225)	—	—	**(3,327,225)**
Foreign currency translation difference in OCI	—	—	(200,734)	(194,556)	**(395,290)**
Balance at 30 June 2017	**—**	**—**	**4,052,171**	**6,078,256**	**10,130,427**

NEW WAVERLEY DEVELOPMENT MANAGEMENT FEE AND NEW WAVERLEYPRIORITY PARTICIPATING PROFIT DIVIDEND

These financial liabilities are classified as FVTPL. This reduces the accounting mismatch by matching the movement in the fair value of the financial liabilities with the fair value movement on the related investment property, both recognised directly in profit or loss.

The group has a development management agreement with the developer under which the developer provides services in procuring the construction of the New Waverley site in Edinburgh. Under the terms of this agreement, a fee is payable to the developer for its services with that fee being in two parts. Under the terms of a shareholders' agreement between the shareholders of New Waverley 10, shareholders are entitled to a 7.5% annualised return on invested capital. The first part of the fee payable to the developer is an amount equal to one third of the annualised return payable to the group. The second part of the fee payable to the developer is linked to the value of the site following development with the developer entitled to a fee broadly equal to 25% of the value of the developed site less both costs of development and the annualised return to shareholders on invested capital. This second part of the fee is only payable once the group has received its return on capital meaning that, in effect, the developer will receive a fee broadly equal to 25% of any capital gain.

SANTON FINANCIAL LIABILITY

The terms of the revenue sharing agreement with Santon required the group to pay Santon £2,750,000 (approximately €3,327,225 (see note 14) on receipt of implementable planning permission. On 10 December 2015 the South Downs National Park Authority's planning committee approved, in principle, the plans to develop the North Street Quarter development in Lewes. Final uncontested written planning permission was granted on 8 July 2016 and the liability was settled.

FAIR VALUE HIERARCHY

The following table shows the carrying and fair value of the group's financial instruments held at fair value in the fair value hierarchy:

As at 30 June 2017

Euro	Carrying amount	Fair value Level 1	Level 2	Level 3
Financial assets				
Forward currency contract	66,097	—	66,097	—
	66,097	**—**	**66,097**	**—**
Derivative financial liabilities				
Aldi portfolio interest rate swap	1,081,563	—	1,081,563	—
Zurich interest rate swap	1,170,086	—	1,170,086	—
Financial liabilities				
New Waverley development management fee	4,052,171	—	—	4,052,171
New Waverley priority participating profit dividend	6,078,256		—	6,078,256
	12,382,076	**—**	**2,251,649**	**10,130,427**

As at 30 June 2016

Euro	Carrying amount	Fair value Level 1	Level 2	Level 3
Derivative financial liabilities				
Aldi portfolio interest rate swap	1,331,074	—	1,331,074	—
Zurich interest rate swap	1,698,421	—	1,698,421	—
Financial liabilities				
New Waverley development management fee	2,367,448	—	—	2,367,448
Santon financial liability	3,327,225	—	—	3,327,225
	8,724,168	**—**	**3,029,495**	**5,694,673**

LEVEL 2 FINANCIAL INSTRUMENTS

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 unobservable inputs used for level 2 financial instruments.

As at 30 June 2017 and 30 June 2016

Financial instrument	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.	• 3 month Swiss libor/Euro libor • Swap rate • Notional loan value • Fixed rate of interest	The estimated fair value would increase/ (decrease) if: • 3 month Swiss libor/Euro 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 INSTRUMENTS

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 (see note 14) is part of this valuation process as a consequence of the financial liability to New Waverley Advisers Limited and New Waverley Holdings Limited being derived from the fair value of New Waverley investment property. The fair value of the financial liability is calculated and based on the fair value of the New Waverley investment property. The fair value is then reviewed by the finance manager and chief financial officer.

The fair value in respect of the Santon financial liability is based on the contractual amount adjusted by the risk adjusted discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

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 2017

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
New Waverley development management fee and New Waverley priority participating profit dividend	*Gross development profit:* Fair value is based on the value of the properties in New Waverley development. See note 14 for the valuation technique in respect of New Waverley.	• Value of investment property	The estimated fair value would increase/(decrease) if: • Value of investment property was higher/(lower)

30 June 2016

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
New Waverley development management fee and New Waverley priority participating profit dividend	*Gross development profit:* Fair value is based on the value of the properties in New Waverley development. See note 14, for the valuation technique in respect of New Waverley.	• Value of investment property	The estimated fair value would increase/(decrease) if: • Value of investment property was higher/(lower)
Santon financial liability	*Discounted cash flows:* The valuation model considers the present value of net cash flows based on the contractual amount. The expected net cash flows are discounted using the risk-adjusted discount rate.	• Risk adjusted interest rates • Contracted amount	The estimated fair value would increase/(decrease) if: • Contracted amount was higher/(lower) • Risk adjusted discount rate was lower/(higher)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2017

Financial liability	Technique	Valuation	Gross development value		
				Sensitivity	
			Input (Euro)	Change %	Valuation
Development management fee	Gross development profit	4,052,171	40,521,708	+5.00	4,254,779
				-5.00	3,849,562
Priority participating profit dividend	Gross development profit	6,078,256	40,521,708	+5.00	6,382,169
				-5.00	5,774,343

As at 30 June 2016

Financial liability	Technique	Valuation	Gross development value		
				Sensitivity	
			Input (Euro)	Change %	Valuation
Development management fee	Gross development profit	2,367,448	9,766,360	+5.00	2,466,304
				-5.00	1,879,129
Priority participating profit dividend	Gross development profit	—	9,766,360	+5.00	97,365
				-5.00	—

For the Santon financial liability the risk adjusted discount rate in the prior year was nil on the basis that the financial liability was due to be settled eight days after the prior year end and therefore the valuation would not be effected by an increase/decrease in the risk adjusted discount rate.

26. 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 3 for the group's general accounting policy for financial instruments. The non-financial instruments include: deferred income, income taxation and VAT.

DISCLOSURE

The group's trade and other payables comprise:

Euro	As at 30 June 2017	As at 30 June 2016
Trade payables	6,722,430	3,382,531
Construction payables	1,229,375	3,881,404
Current taxation payable	1,020,201	373,755
VAT payable	984,790	233,305
Deferred income	854,603	425,202
Other	5,363	—
	10,816,762	**8,296,197**

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 29 and 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

27. SHARE-BASED PAYMENT ARRANGEMENTS

ACCOUNTING POLICY

Equity-settled share-based payments to participants 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 expected to be paid as part of the share-based payment awards are included within the fair value at the grant date of the share-based payment.

DISCLOSURE

On 9 March 2017, the group established two geared purchase plans: a Salaried; and a Non-Salaried purchase plan. In terms of these, the group has 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 market 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 other employment benefits from the group in addition to participating in the employee purchase plan. The participants are entitled to retain the surplus of any distributions received on their shares less the cost of interest on the loans.

Non-salaried variant participants ceased to receive any remuneration or employment benefits from the group from 9 March 2017. These participants do not receive any distributions on their 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:

		Shares				Loan	
	Grant date	Number	Issue price	Vesting period	Vesting conditions	Interest rate	Term
Salaried variant	9 March 2017	3,850,000	€1.6386	20% annually	Service until vesting dates	WACD of the group, currently 2.32%	10 years
Non-salaried variant	9 March 2017	9,000,000	€1.6386	15% annually for 4 years, and then 20% annually	Service until vesting dates	WACD of the group, currently 2.32%	10 years
		12,850,000					

The total number of shares issued in relation to the geared share purchase plan is 12,850,000 (2016:nil) (see note 20 and note 21).

The loans to acquire shares are, in substance, accounted for as call options in terms of IFRS 2: Share-based Payments. The options were valued on 9 March 2017 being 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 €319,248 (2016: €nil) was recognised in the share-based payment reserve in relation to the options (see note 21).

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 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 participant's service related vesting condition has 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
Share price at grant date	€1.6386
Exercise price	€2.0967
Implied volatility	21.16%
Risk free rate	0.43%
Expected distribution	0.00%
Time to expiration	10 years
Fair value of option at grant date	**€0.3136**

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 €1.6386 to €2.0967.

Implied 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 purchase plans were as follows:

As at 30 June 2017

	Non-Salaried purchase plan			Salaried purchase plan		
	Number of shares	**Share price**	**Weighted average loan per share**	**Number of shares**	**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 loan outstanding per share at 30 June 2017 for the Salaried purchase plan and Non-Salaried purchase plan was €1.6512 (2016: nil) and €1.6270 (2016: nil) respectively. The remaining term of the loan was 9.69 years (2016: nil).

On 15 June 2017 it was announced that Lukas Nakos, CEO, would be leaving the group. The vesting conditions have been assessed as being unlikely to be met. Accordingly, no expense has been recognised in this regard.

The total expense recognised in employment benefits was €245,419 (2016: €nil).

Refer to note 32 for further disclosures of the share-based payment expense included in key management compensation and directors' remuneration.

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28. ACQUISITION OF SUBSIDIARIES

ACCOUNTING POLICY

CONSOLIDATION PROCEDURES

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. 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.

CHANGES IN CONTROL WITHOUT LOSS OF CONTROL

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the fair value of consideration paid or received and the movement in non-controlling interests for such transactions is recognised in equity attributable to the owners of the parent.

LOSS OF CONTROL

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss.

Any interest retained in the former subsidiary is measured at fair value at the date control was lost. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

BUSINESS COMBINATIONS

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest rate and costs to issue equity which are recognised within equity.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If a gain on bargain purchase arises, the application of IFRS 3 is reassessed. Thereafter the excess is recognised immediately in profit or loss.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

DISCLOSURE

On 5 May 2017, the group acquired 100% of the shares and the voting interests of Galleria Burgas EAD ("Burgas") and Galleria – Stara Zagora EAD ("Stara Zagora") (together referred to as the "Galleria portfolio", or "the acquistion").

The acquisiton was made to gain control over the operations of investment properties, namely Galleria Burgas and Galleria Stara Zagora, both located in Bulgaria. The entities each held and operated a single investment property.

The acquisition is part of the group's strategy and continued investment into central and eastern Europe to enhance the group's distributions.

From the date of acquisition to 30 June 2017, the Galleria portfolio contributed rental income of €1,222,457 and profit of €5,022,368. If the Galleria portfolio acquisition had occurred on 1 July 2016, management estimates that the consolidated rental income would have been €7,967,799 and consolidated profit for the year would have been €7,038,626. In determining these amounts, management has assumed that the fair value adjustment of the Galleria portfolio's net assets at acquisition would have been the same at 1 July 2016 as they were on 5 May 2017.

CONSIDERATION TRANSFERRED

The following table summarises the acquisition date fair value of the consideration transferred for the Galleria portfolio:

Euro	Total
Cash	**63,961,342**

ACQUISITION RELATED COSTS

The group incurred acquisition-related costs of €16,845 on legal and due diligence fees. These costs have been included in profit or loss within investment expenses.

IDENTIFIED ASSETS ACQUIRED AND LIABILITIES ASSUMED

The following table summarises the fair value of assets and liabilities that were acquired at the date of acquisition:

Euro	Total
Investment property (see note 14)	61,330,772
Trade and other receivables	1,508,173
Trade and other payables	(1,132,222)
Deferred tax liability (see note 12)	(380,711)
Net assets excluding cash	**61,326,012**
Cash and cash equivalents	2,635,330
Net assets	**63,961,342**

The gross contracted value of trade and other receivables of the Galleria portfolio at acqusitions was €1,710,540. Of this management does not expect to receive €202,367.

No goodwill arose on the acquisitions because the consideration paid was equal to the fair value of assets acquired and liabilities assumed.

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29. ACCOUNTING CLASSIFICATION AND FAIR VALUES

		Financial instruments				Carrying amount		
			Fair value					
Euro	Note	FVTPL	Level 1	Level 2	Level 3	Amortised cost	Non-financial instruments	Total
As at 30 June 2017								
Financial assets								
Non-current financial instruments	25	–	–	–	–	101,134,245	–	**101,134,245**
Derivative financial instruments	25	66,097	–	66,097	–	–	–	**66,097**
Trade and other receivables	17	–	–	–	–	6,404,381	2,302,654	**8,707,035**
Cash and cash equivalents	18	–	–	–	–	33,017,502	–	**33,017,502**
		66,097	**–**	**66,097**	**–**	**140,914,134**	**2,302,654**	**142,924,879**
Financial liabilities								
Non-current financial instruments	25	1,170,086	–	1,170,086	–	500,000	–	**1,670,086**
Non-current interest bearing borrowings	24	–	–	–	–	141,751,953	–	**141,751,953**
Current financial instruments	25	11,211,990	–	1,081,563	10,130,427	–	–	**11,211,990**
Current interest bearing borrowings	24	–	–	–	–	5,461,444	–	**5,461,444**
Trade and other payables	26	–	–	–	–	7,957,167	2,859,595	**10,816,762**
		12,382,076	**–**	**2,251,649**	**10,130,427**	**155,670,564**	**2,859,595**	**170,912,235**
As at 30 June 2016								
Financial assets								
Current financial investments	15	51,614,068	51,614,068	–	–	–	–	**51,614,068**
Trade and other receivables	17	–	–	–	–	5,650,632	5,613,451	**11,264,083**
Cash and cash equivalents	18	–	–	–	–	47,997,978	–	**47,997,978**
		51,614,068	**51,614,068**	**–**	**–**	**53,648,610**	**5,613,451**	**110,876,129**
Financial liabilities								
Non-current financial instruments	25	5,396,943	–	3,029,495	2,367,448	–	–	**5,396,943**
Current financial instruments	25	3,327,225	–	–	3,327,225	3,818,865	–	**7,146,090**
Non-current Interest bearing borrowings	24	–	–	–	–	43,227,831	–	**43,227,831**
Current Interest bearing borrowings	24	–	–	–	–	1,350,764	–	**1,350,764**
Trade and other payables	26	–	–	–	–	7,263,935	1,032,262	**8,296,197**
		8,724,168	**–**	**3,029,495**	**5,694,673**	**55,661,395**	**1,032,262**	**65,417,825**

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.

30. 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 €100,000,000 in PKM Development (see note 35). The group has no significant concentration of liquidity risk on the basis that the group holds all cash and cash equivalents on demand.

As at 30 June 2017

Euro	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments (see note 35)	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**
- Investment in equity accounted investee	—	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**
- Financial liabilities	—	10,130,427	500,000	—	**10,630,427**
- Derivative financial instruments	1,081,563	—	—	1,170,086	**2,251,649**
	25,233,315	**132,601,768**	**73,315,489**	**139,849,481**	**371,000,053**

As at 30 June 2016

Euro	1-6 months	6-12 months	1-3 years	>3 years	Total
Interest bearing borrowings	1,351,206	1,349,366	6,922,025	46,321,379	**55,943,976**
Trade and other payables	7,263,935	—	—	—	**7,263,935**
Financial instruments	5,531,090	1,615,000	2,367,448	3,029,495	**12,543,033**
- Financial liabilities	5,531,090	1,615,000	2,367,448	—	**9,513,538**
- Derivative financial instruments	—	—	—	3,029,495	**3,029,495**
	14,146,231	**2,964,366**	**9,289,473**	**49,350,874**	**75,750,944**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 investments.

The risk to the group relates 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 2017	As at 30 June 2016
Assets		
Current financial investments	—	51,614,068
Current derivative financial instruments	66,097	—
	66,097	**51,614,068**
Liabilities		
Non-current derivative financial instruments	2,251,649	3,029,495
Non-current financial liabilities	10,130,427	2,367,448
	12,382,076	**5,396,943**

At 30 June 2017, if market prices at that date had been 5% (2016: 5%) higher/lower with all other variables held constant, post-tax profit for the year would have been €729,023 (2016: €2,310,856) higher/lower. This sensitivity analysis assumes that all other variables remain constant.

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 25.

The carrying value of assets and liabilities affected by interest risk are as follows:

	As at 30 June 2017				As at 30 June 2016			
Euro	Fixed rate	Variable	No exposure	Total	Fixed rate	Variable	No exposure	Total
Assets								
Derivative financial instruments	—	—	66,097	**66,097**	—	—	—	**—**
Trade and other receivables	—	—	8,707,035	**8,707,035**	—	5,650,632	5,613,451	**11,264,083**
Cash and cash equivalents	—	33,017,502	—	**33,017,502**	—	47,997,978	—	**47,997,978**
	—	**33,017,502**	**8,773,132**	**41,790,634**	**—**	**53,648,610**	**5,613,451**	**59,262,061**
Liabilities								
Interest bearing borrowings	112,857,253	34,356,144	—	**147,213,397**	41,316,322	3,262,273	—	**44,578,595**
Financial instruments	2,251,649	500,000	10,130,427	**12,882,076**	3,029,495	3,818,865	5,694,673	**12,543,033**
- Derivative financial instruments	2,251,649	—	—	**2,251,649**	3,029,495	—	—	**3,029,495**
- Financial liabilities	—	500,000	10,130,427	**10,630,427**	—	3,818,865	5,694,673	**9,513,538**
Trade and other payables	—	7,951,805	2,864,957	**10,816,762**	—	7,263,935	1,032,262	**8,296,197**
	115,108,902	**42,807,949**	**12,995,384**	**170,912,235**	**44,345,817**	**14,345,073**	**6,726,935**	**65,417,825**

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 2017, if interest rates at that date had been 25 basis points higher/lower (2016: 100 basis points) with all other variables held constant, post-tax profit for the year would have been €49,106 (2016: €64,649) 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 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 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
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
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2016 the group had the following currency exposures:

CURRENCY RISK EXPOSURES

	GBP	CHF	ZAR	USD
Closing exchange rate	0.8265	1.0867	16.4461	1.1102
Assets				
Trade and other receivables				
Foreign currency	3,070,731	364,378	—	—
Euro equivalent	3,715,343	335,307	—	—
Cash and cash equivalents				
Foreign currency	2,548,362	1,037,100	57,479	8,114
Euro equivalent	3,083,318	954,357	3,495	7,309
Liabilities				
Financial instruments				
Foreign currency	4,706,730	1,845,709	—	—
Euro equivalent	5,694,773	1,698,453	—	—
Interest bearing borrowings				
Foreign currency	—	9,512,501	—	—
Euro equivalent	—	8,753,567	—	—
Trade and other payables				
Foreign currency	7,110,988	474,670	2,847,702	—
Euro equivalent	8,603,736	436,799	173,154	—
Total net (liability)/asset exposure				
Foreign currency	**(6,198,625)**	**(10,431,402)**	**(2,790,223)**	**8,114**
Euro equivalent	**(7,499,848)**	**(9,599,155)**	**(169,659)**	**7,309**

As at 30 June 2017, 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:

		30 June 2017		30 June 2016	
		Profit or loss		Profit or loss	
Euro	Movement	Strengthening	Weakening	Strengthening	Weakening
GBP	5%	2,114,749	(2,114,749)	357,136	(357,136)
CHF	5%	453,089	(453,089)	457,103	(457,103)
ZAR	10%	606	(606)	15,424	(15,424)
USD	5%	(36)	36	(347)	347
PLN	5%	(3,306)	3,306	—	—
		2,565,101	**(2,565,101)**	**829,316**	**(829,316)**

This sensitivity analysis assumes that all other variables particularly interest rates remain constant.

CREDIT RISK – The group is exposed to credit risk primarily as a result of its banking relationships and trade receivables owed by tenants. In addition, the credit exposure relates 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. Any significant changes in credit rating are referred to the Risk Committee in accordance with the group's risk policy.

The carrying amount of financial assets represents the maximum credit risk exposure, as follows:

	As at 30 June 2017			As at 30 June 2016		
Euro	Credit risk Exposure	No exposure	Total	Credit risk Exposure	No exposure	Total
Non-current financial assets						
Financial instruments	101,134,245	—	**101,134,245**	—	—	**—**
	101,134,245	**—**	**101,134,245**	**—**	**—**	**—**
Current financial assets						
Derivative financial instruments	66,097	—	**66,097**	—	—	**—**
Financial investments	—	—	**—**	51,614,068	—	**51,614,068**
Trade and other receivables	6,904,328	1,802,707	**8,707,035**	5,650,632	5,613,451	**11,264,083**
Cash and cash equivalents	33,017,502	—	**33,017,502**	47,997,978	—	**47,997,978**
	39,987,927	**1,802,707**	**41,790,634**	**105,262,678**	**5,613,451**	**110,876,129**
	141,122,172	**1,802,707**	**142,924,879**	**105,262,678**	**5,613,451**	**110,876,129**

Financial instruments include the PKM preference shares, management review the credit quality on a quarterly basis by reviewing management accounts. Cash and cash equivalents are held with bank and financial institution counterparties which are rated B+ or better by Moody's rating agency. Trade and other receivables credit quality is reviewed by management and no impairment indications have been found. If there are any significant changes to credit quality these are escalated to the Investment 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 have 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 2017

31. 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 group structuring 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

The group's chief operating decision maker is determined to be the executive management team. During the prior year the segmentation to monitor group performance was refined. Performance is now considered as follows:

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 angles 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	Land plots held for schemes that have not yet commenced.
Corporate	Consists of the cash holdings outside of the other reporting segments and goodwill on the acquisition of MAS Prop.

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 2017

Euro	Reportable segments Income-generating property	Development property	Land bank and other strategic assets	Corporate	Total
Statement of profit or loss					
External rental income	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 cost	(2,235,473)	—	—	(3,024)	**(2,238,497)**
Depreciation	(23,977)	(1,963)	(1,924)	—	**(27,864)**
Current taxation	(1,749,449)	—	—	—	**(1,741,449)**
Deferred taxation	(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)**
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**

As at and for the year ended 30 June 2016

Euro	Reportable segments Income-generating property	Development property	Land bank and other strategic assets	Corporate	Total
Statement of profit or loss					
External rental income	15,370,255	11,090	709,469	160,207	**16,251,021**
Inter-segment revenue	—	—	—	—	**—**
Segment profit/(loss) before tax	6,221,242	(1,007,358)	4,375,190	(7,262,517)	**2,326,557**
Finance income	—	57	383,370	9,374	**392,801**
Finance cost	(770,243)	—	—	(3,522)	**(773,765)**
Depreciation	—	—	—	(35,535)	**(35,535)**
Current taxation	(684,749)	—	—	—	**(684,749)**
Deferred taxation	(143,776)	—	—	—	**(143,776)**
Other material non-cash items					
- Fair value adjustments	(1,478,331)	(995,471)	8,905,521	—	**6,431,719**
- Exchange differences	(93,783)	196	(5,835,877)	(6,983,746)	**(12,913,210)**
Statement of financial position					
Segment non-current assets	243,509,575	43,798,848	42,003,549	23,901,016	**353,212,988**
- Investment in equity accounted investee	—	19,991,716	—	—	**19,991,716**
Segment current assets	19,124,497	1,479,407	52,750,489	41,036,973	**114,391,366**
Segment non-current liabilities	47,500,067	2,367,448	—	—	**49,867,515**
Segment current liabilities	8,051,526	4,813,814	3,683,792	342,755	**16,891,887**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

31. OPERATING SEGMENTS (CONTINUED)

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: Germany, UK, Bulgaria, Poland, Switzerland and now Romania as a result of the investment in associate during the year, see note 16.

Rental income and service charge income and other recoveries

Euro	Year ended 30 June 2017	Year ended 30 June 2016
BVI	—	—
Germany	17,041,915	9,332,689
UK	7,073,814	5,674,973
Bulgaria	1,527,194	—
Poland	4,726,650	—
Switzerland	1,212,855	1,243,359
	31,582,428	**16,251,021**

Non-current assets

Euro	As at 30 June 2017	As at 30 June 2016
BVI	—	—
Germany	214,648,055	149,481,292
UK	203,013,452	164,250,144
Poland	156,488,393	—
Romania/Slovenia (Prime Kapital development joint venture and PKM Preference Shares)	121,305,189	19,991,716
Switzerland	15,461,810	19,489,836
	710,916,899	**353,212,988**

32. 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 2017

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	125,000	—	181,952	—	**306,952**
Malcolm Levy	CFO	117,656	—	170,580	—	**288,236**
Jonathan Knight	CIO	68,232	—	85,290	—	**153,522**
Ron Spencer	Chairman	30,000	—	—	—	**30,000**
Gideon Oosthuizen	NED	27,500	—	—	—	**27,500**
Jaco Jansen	NED	27,500	—	—	—	**27,500**
Morné Wilken	NED	20,000	—	—	—	**20,000**
Pierre Goosen	NED	20,000	—	—	—	**20,000**
Glynnis Carthy	NED	—	—	—	—	**—**
Helen Cullen	Company Secretary	96,822	—	20,538	—	**117,360**
		532,710	**—**	**458,360**	**—**	**991,070**

The short-term incentive relates to services provided from 1 January 2016 to 31 December 2016.

Euro	Role	Variant	Loan at group WACD	Date of award	Number of shares acquired	IFRS 2 option expense
Lukas Nakos	CEO	No salary	8,193,000	9 March 2017	5,000,000	—
Malcolm Levy	CFO	No salary	6,554,400	9 March 2017	4,000,000	149,237
Jonathan Knight	CIO	Salaried	2,457,900	9 March 2017	1,500,000	66,238
Helen Cullen	Company Secretary	Salaried	819,300	9 March 2017	500,000	22,079
			18,024,600		**11,000,000**	**237,554**

Year ended 30 June 2016

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	209,248	—	166,092	166,092	**541,432**
Malcolm Levy	CFO	196,170	—	155,711	155,711	**507,592**
Jonathan Knight	CIO	78,468	—	77,856	77,856	**234,180**
Ron Spencer	Chairman	30,000	—	—	—	**30,000**
Gideon Oosthuizen	NED	27,500	—	—	—	**27,500**
Jaco Jansen	NED	27,500	—	—	—	**27,500**
Morné Wilken	NED	20,000	—	—	—	**20,000**
Pierre Goosen	NED	20,000	—	—	—	**20,000**
Glynnis Carthy	NED	—	—	—	—	**—**
Helen Cullen	Company Secretary	102,662	—	20,925	—	**123,587**
		711,548	**—**	**420,584**	**399,659**	**1,531,791**

KEY MANAGEMENT – SHAREHOLDINGS

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] Accociate company
[2] Associate family trust
[3] Non-beneficial to director

As at 30 June 2016

Euro	Direct	Indirect	Associate	Total
Lukas Nakos	85,143	—	100,659[2]	**185,802**
Malcolm Levy	11,633	1,568,928[1]	—	**1,580,561**
Jonathan Knight	523,371	74,000	—	**597,371**
Ron Spencer	11,370	—	—	**11,370**
Gideon Oosthuizen	254,505	—	—	**254,505**
Jaco Jansen	—	—	—	**—**
Morné Wilken	55,784	234,818[1]	—	**290,602**
Pierre Goosen	—	—	3,113,529[2]	**3,113,529**
Helen Cullen	14,406	—	—	**14,406**
	956,212	**1,877,746**	**3,214,188**	**6,048,146**

[1] Associate family trust
[2] Non-beneficial to director

There has been no change in the shareholding of the directors or key management from 30 June 2017 to the date of this integrated annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

32. RELATED PARTIES (CONTINUED)

OTHER RELATED PARTY TRANSACTIONS:

Euro	Note	Income/(expenses) for the year ended 30 June 2017	Income/(expenses) for the year ended 30 June 2016	Capitalised for the year ended 30 June 2017	Capitalised for the year ended 30 June 2016	Balances assets/(liabilities) as at 30 June 2017	Balances assets/(liabilities) as at 30 June 2016
NW Advisers							
- Oncharged development costs	14	(293)	—	12,860,460	27,117,356	(214,680)	(1,069,607)
- Development management fee[1]	14, 25	(1,684,723)	(1,092,047)	—	—	(4,052,171)	(2,367,448)
		(1,685,016)	**(1,092,047)**	**12,860,460**	**27,117,356**	**(4,266,851)**	**(3,437,055)**
NW Holdings							
- Development profit participation fee[1]	14, 25	(6,078,256)	2,200,445	—	—	(6,078,256)	—
		(6,078,256)	**2,200,445**	**—**	**—**	**(6,078,256)**	**—**
Corona							
- Legal and professional expenses		(889,482)	(850,180)	176,266	—	(83,857)	(41,984)
		(889,482)	**(850,180)**	**176,266**	**—**	**(83,857)**	**(41,984)**
Attacq							
- Karoo Fund financial liability	25	—	(4,032,584)	—	—	—	—
- Interest income from loan receivable		—	383,263	—	—	—	—
		—	**(3,649,321)**		**—**	**—**	**—**
Artisan							
- Oncharged administrative expenses		(13,583)	51,962	—	—	—	41,255
		(13,583)	**51,962**	**—**	**—**	**—**	**41,255**
PKM Development							
- Investment in equity accounted investees	16	178,397	(31,908)	—	—	20,205,297	19,991,716
- PKM Preference Shares	25	1,134,245	—	—	—	101,134,245	—
		1,312,642	**(31,908)**			**121,339,542**	**19,991,716**
		(7,353,695)	**(3,371,049)**	**13,036,726**	**27,117,356**	**110,910,578**	**16,553,932**

[1] Differences between the income/(expense) and the corresponding receivable/(payable) related to foreign exchange movements recognised in OCI.

KEY MANAGEMENT
Key management consists of the executive and non-executive directors as well as the company secretary.

ARTISAN
Artisan is a real estate management company. Lukas Nakos and Malcolm Levy, the chief executive officer and chief financial officer of the group respectively, were able to exert significant influence over Artisan as directors of Salt Properties Limited, a minority shareholder. An associate of Malcolm Levy was also a shareholder of Salt Properties Limited during the year.

At the year end, the board of Artisan comprises four directors, two of whom are common to MAS, being Jaco Jansen and Pierre Goosen. Malcolm Levy resigned as a director of Artisan during the year.

On 30 June 2017 Salt Properties Limited was no longer a shareholder of Artisan.

NW ADVISERS
NW Advisers is a real estate developer and is a 100% owned subsidiary of NW Holdings which is a 60% owned subsidiary of Artisan, as such is controlled by Artisan which is a related party of the group.

During the year NW Advisers on-charged expenses in relation to the development of New Waverley which amounted to €12,860,460 (2016: €27,117,356). These have been capitalised as part of the New Waverley development within investment property (see note 14). These on-charges were charged to the group in accordance with the development management agreement and are on an arm's length basis.

In addition, the group has provided for a development management fee of €4,052,171 (2016: €2,367,448) as a result of the revaluation of the three pre-let hotels at the New Waverley development (see note 25). This fee is in accordance with the development management agreement and is on an arm's length basis.

NW HOLDINGS
NW Holdings is a real estate developer and is a 60% owned subsidiary of Artisan. As such it is controlled by Artisan which is a related party of the group.

At the reporting date the group provided for the New Waverley priority participating profit dividend of €6,078,256 (2016:€nil) as a result of the revaluation of the New Waverley development (see note 25). The fee is in accordance with the development management agreement and is on an arm's length basis.

CORONA
Corona is a real estate management company with seven staff, and is owned by Jonathan Knight as the sole shareholder. Jonathan Knight is also chief investment officer of the group.

During the year, the group used the professional services of Corona and incurred expenses of €889,482 (2016: €850,180), which were charged to the group on an arm's length basis. Professional services fees are expensed in profit or loss within investment expenses and service charge and other property operating expenses. Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. Corona Real Estate Partners paid Jonathan Knight a basic salary of €68,232 during the year (2016: €78,468).

ATTACQ
Attacq is a significant shareholder in the company and has significant influence over the group.

On 30 November 2015, the group entered into a short-term loan agreement with Attacq. The group provided for €18,920,000 over a maximum term of 3 months and a minimum term of 1 month with early repayment permitted thereafter without penalty, subject to interest of 8% per annum. The group took two forms of security, firstly the amount payable to Attacq under the Karoo Fund transaction of €29,112,780 and Attacq's shares in the company owning Nova Aventis (Stenham European Shopping Centre Fund (Guernsey) to the value of €22,931,521). The loan was repaid in full on 29 February 2016. Interest of €nil (2016: €383,263) was received on the loan.

The short-term loan receivable was classified as a financial asset at amortised cost. Accordingly on initial recognition it was recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The group purchased the Karoo Fund from Attacq in 2013 for an all share consideration of €34,199,731 (see note 15). Under the purchase agreement of the Karoo Fund, Attacq was entitled to a contingent adjustment (the "Adjustment") in the consideration paid to it by the group. This contingent adjustment was dependent upon the value at which the Karoo Fund redeemed. On 31 January 2016 the group's remaining shares in the Karoo Fund were redeemed. The group received an in-specie redemption of 64,540,371 shares in Sirius and €2,577,304 cash in exchange for €32,411,907 being the group's share of the Karoo Fund's net asset value at 31 January 2016. The final redemption triggered the settlement of the Attacq financial liability (see note 25) from whom the group acquired the investment, through the issuance of MAS shares. Under the purchase agreement the MAS adjustment shares were issued at a price per share equal to the 30-day volume weighted average price of MAS shares at each point the Karoo Fund was realised. Accordingly, 21,317,449 shares were issued to Attacq in settlement of the Attacq financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

32. RELATED PARTIES (CONTINUED)

PKM DEVELOPMENT

In 2016, the group invested €20,000,000 in PKM Development. PKM Development is an associate of the group and MAS owns 40% of the ordinary shares (see note 16). The group's share of the associate profit for the year of €178,397 (2016: €31,908 loss) was recognised in profit or loss.

On 6 April 2017 and 19 May 2017, the group provided €30,000,000 and €70,000,000 respectfully to acquire 7.5% preference shares in PKM Development (see note 25). The group has committed to fund a further €100,000,000 (see note 35). The group received interest income of €1,134,245 (2016: €nil) on the preference shares during the year.

33. 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 2017	Year ended 30 June 2016
Profit for the year attributable to the owners of the group	**33,587,948**	**1,498,032**

WEIGHTED-AVERAGE NUMBER OF ORDINARY SHARES

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Opening issued ordinary shares	**348,625,219**	**291,787,889**
Effect of shares issued for capital raise	44,608,360	5,871,764
Effect of shares issued related to the settlement of the Attacq liability	—	6,465,128
Effect of shares issued for scrip distributions	5,023,402	2,281,979
Weighted-average number of ordinary shares	**398,256,981**	**306,406,760**

The shares issued as part of the geared share purchase plan are not included in the calculation of the weighted-average number of ordinary shares as they are deemed to be unissued in accordance with IFRS2: Share-based Payment.

BASIC EARNINGS PER SHARE

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Profit attributable to ordinary shareholders	**33,587,948**	**1,498,032**
Weighted-average number of ordinary shares	398,256,981	306,406,760
Basic earnings per shares (euro cents)	**8.43**	**0.49**

There are no dilutionary instruments in issue and therefore basic earnings and diluted earnings are the same. The group has issued share-based payments instruments during the year (see note 21), however these are not dilutive for the financial year.

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

ACCOUNTING POLICY

Headline earnings are derived from basic earnings adjusted for re-measurements that relate to the capital platform of the group per Circular 2/2015 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 2017 Gross	Year ended 30 June 2017 Net	Year ended 30 June 2016 Gross	Year ended 30 June 2016 Net
Profit for the year		**33,587,948**	**33,587,948**	**1,498,032**	**1,498,032**
Adjusted for:					
Revaluation of investment property	14	(36,763,196)	(32,995,314)	3,088,606	3,274,432
Revaluation of assets held for sale		(786,795)	—	—	—
Headline earnings		**(3,962,043)**	**592,634**	**4,586,638**	**4,772,464**
Weighted-average number of ordinary shares		398,256,981	398,256,981	306,406,760	306,406,760
Headline earnings per share (euro cents)		**(0.99)**	**0.15**	**1.50**	**1.56**

There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.

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.

34. SIGNIFICANT SHAREHOLDINGS

The significant shareholdings of the group are:

	Year ended 30 June 2017	Year ended 30 June 2016
Attacq	30.57%	41.38%
Argosy Capital Limited	12.19%	14.06%
STANLIB Asset Management	7.40%	n/a
Sanlam Life Insurance Limited	n/a	5.02%
	50.16%	**60.46%**

35. CAPITAL COMMITMENTS

INVESTMENT PROPERTY

The group entered into contracts for the construction and development of New Waverley office (see note 14). These contracts will give rise to committed expenses of £69,328,267 (approx. €78,840,105) (2016: £7,882,360 (approx. €9,536,867)), which will be capitalised as part of the New Waverley development.

INVESTMENT IN EQUITY ACCOUNTED INVESTEE

On the 23 March 2016, the group entered into a contract with PKM Development to develop investment property in central and eastern Europe. The terms of the contract commit the group to invest an initial €100,000,000 in cumulative 7.5% preference shares in PKM Development over 4 years, with an election to invest a further €100,000,000 by 23 March 2017, (see note 16).

The group has committed to fund PKM Development through 7.5% cumulative preference shares issued by PKM Development. In the prior year, the group committed to funding €100,000,000 which was extended by a further €100,000,000 on 29 February 2017. The outstanding commitment at the reporting date was €100,000,000 (2016: €100,000,000).

Post year end the group increased its commitment up to €350,000,000 of preference share funding (see note 36).

36. SUBSEQUENT EVENTS

DRAWDOWN ON INTEREST BEARING BORROWINGS

In August 2017 the group entered into a loan agreement for a facility of €53,000,000. The facility is for a term of 5 years at a fixed interest rate of 2.68% per annum. This facility has been secured against income-generating property and has been classified as general borrowings.

INVESTMENT IN EQUITY ACCOUNTED INVESTEE

In July 2017, the group increased its commitment up to €350,000,000 of preference shared funding into PKM Development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

37. 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	37,500	392	127.3	6.70
Galleria portfolio – Stara Zagora	Ulitsa Han Asparuh 30, Stara Zagora, Bulgaria	Retail	21,272	1,032	75.0	5.93
Germany						
Aldi portfolio – Parsberg	Steinmuhler Strasse 1, Parsberg, Germany	Retail	1,306	—	110.6	12.4
Bruchsal	Kaiserstrasse 66, Bruchsal, Germany	Retail	7,103	—	202.4	5.1
Donaueschingen	Bregstrasse, Donauschingen, Germany	Retail	8,235	—	87.4	11.6
Edeka portfolio – Miha	Heidelberger Straße 90, Berlin, Germany	Retail	1,674	—	173.8	14.7
Edeka portfolio – Miha	Flankenschnze 32, Berlin, Germany	Retail	1,432	—	170.4	14.7
Edeka portfolio – Miha	Waldring 190, 110, Haldensleben, Germany	Retail	1,470	—	88.4	14.7
Edeka portfolio – Miha	Bahnhofstraße 12, Holzminden, Germany	Retail	1,924	—	129.4	14.7
Edeka portfolio – Miha	Alte Poststraße 1, Müllrose, Germany	Retail	1,676	—	155.7	14.7
Edeka portfolio – Miha	Erlenweg 3, Nebra, Germany	Retail	1,423	—	98.4	14.7
Edeka portfolio – Miha	Händelstraße 1-2, Zepernick-Panketal, Germany	Retail	1,656	—	140.7	14.7
Edeka portfolio – Miha	Rudolf-Breitscheid-Straße 193, Potsdam, Germany	Retail	2,012	120	92.2	14.7
Edeka portfolio – Miha	Platz des Friedens 10, Sandersdorf, Germany	Retail	1,630	—	130.7	14.7
Edeka portfolio – Miha	Goethepromenade 13, Gröningen, Germany	Retail	1,170	—	78.6	14.3
Edeka portfolio – Miha	Adolf-Meyer-Straße 15, Neinburg, Germany	Retail	989	—	100.1	14.3
Edeka portfolio – Miha	Marktstraße 6, Oldisleben, Germany	Retail	965	—	113.0	14.3
Edeka portfolio – Miha	Hallesche Straße 51 A, Raguhn, Germany	Retail	859	—	101.3	14.3
Edeka portfolio – Miha	Bahnhofstraße 21, Sangerhausen, Germany	Retail	888	—	102.5	14.3
Edeka portfolio – Miha	Haupstraße 29, Thale-Neinstedt, Germany	Retail	709	—	112.8	14.3
Edeka portfolio – Miha	Am Wiesenhof 147-148, Wilelmshaven, Germany	Retail	995	—	85.4	14.3
Edeka portfolio – Miha	August-Bebel-Damm 25, Magdeburg, Germany	Retail	8,428	—	38.0	14.3
Edeka portfolio – Miha	Otto-von-Guericke-Straße 1A, Magdeburg, Germany	Retail	6,455	—	46.5	14.3
Edeka portfolio – Miha	Westringstraße 179, 181, 193, Dölzig-Schkeuditz, Germany	Retail	9,167	—	40.9	14.3
Edeka portfolio – Miha	Vor dem Weiherbusch 9, Soltau-Tetendorf, Germany	Retail	5,442	—	36.8	14.3
Edeka portfolio – Thales	Alte Schmelze 23, 65201 Wiesbaden	Retail	11,502	—	105.2	13.5
Edeka portfolio – Thales	In der Teichmatt 6, 79689 Maulburg	Retail	4,435	—	78.9	13.5
Edeka portfolio – Thales	Rudolf-Diesel-Strasse 6, 72250 Freudenstadt	Retail	5,908	925	74.5	13.5
Gotha	Schubert-strsse 20, Gotha, Germany	Retail	9,442	—	105.0	9.0
Heppenheim retail park	Tiergartenstrasse 7, Heppenheim, Germany	Retail	24,644	3,526	82.2	8.4
Lehrte	Germaniastrasse 18, Lehrte, Germany	Retail	9,203	—	82.5	9.6
Munich	Wasserburger, Landstraße 133, Munich	Retail	13,090	—	67.7	1.5
Toom Portfolio – Frankenthal	Eisenbahnstrasse 77, Frankenthal, Germany	Retail	7,452	—	73.8	11.8
Toom Portfolio – Gummersbach	Vollmerhauser Strasse 36, Gummersbach, Germany	Retail	10,937	—	100.6	11.8
Toom Portfolio – Nordhausen	Hallesche Strasse 141, Nordhausen, Germany	Retail	6,902	—	79.7	11.8

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	32,553	2,781	165.2	4.7
Switzerland						
Zurich	Mulbachstrasse 41, Zurich, Switzerland	Logistics	5,699	—	209.3	7.3
United Kingdom						
Adagio	New Waverley, Edinburgh (NW), United Kingdom	Hotel/retail	8,499	880	171.9	19.4
Breahead	Old Govan Road, Glasgow (BL), United Kingdom	Industrial	18,476	—	42.9	7.6
Chippenham	Langley Park, Chippenham (LPL), United Kingdom	Industrial	62,897	463	31.8	7.3
Langley park	Langley Park, Chippenham (CL), United Kingdom	Residential/ Hotel	9,184	5,751	9.2	1.0
Whitbread and Arches	New Waverley, Edinburgh (NW), United Kingdom	Hotel/retail	8,900	—	238.7	26.5
North Street Quarter	Phoenix Works, Lewes, United Kingdom	Residential	15,273	7,781	18.2	0.9

UNAUDITED GEOGRAPHICAL PROFILE

Jurisdiction	Rentable area (sqm)	Rental income (Euro)	Vacancy area (sqm)	Passing rent per sqm (Euro)
Bulgaria	58,772	1,222,457	1,424	106.5
Germany	171,123	15,183,244	4,571	87.4
Poland	32,553	3,509,321	2,781	165.2
Switzerland	5,699	1,198,383	—	209.3
UK	123,197	5,918,833	14,875	54.6
	391,344	**27,032,238**	**23,651**	**88.4**

UNAUDITED SECTOR PROFILE

Sector	Rentable area (sqm)	Rental income (Euro)	Vacancy area (sqm)	Passing rent per sqm (Euro)
Hotel	15,272	2,796,140	—	212.3
Industrial	94,463	2,793,525	463	38.9
Logistics	5,699	1,198,383	—	209.3
Residential	25,204	329,168	13,652	14.4
Retail	250,706	19,915,022	9,535	103.9
	391,344	**27,032,238**	**23,651**	**88.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

37. OTHER JSE DISCLOSURES (CONTINUED)

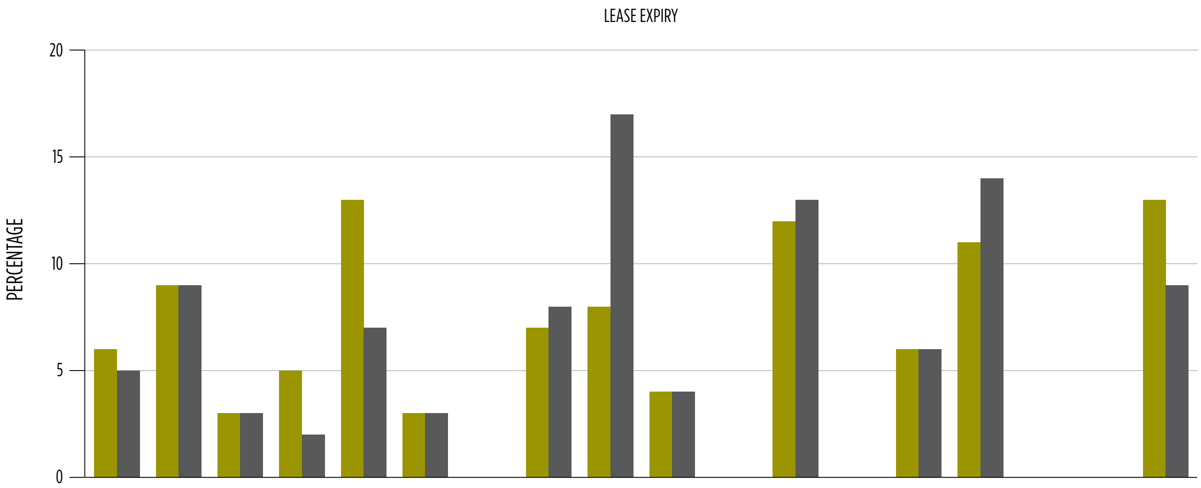
UNAUDITED TENANT PROFILE

Category	Number
A	72
B	149
C	240
	461

"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

UNAUDITED PORTFOLIO YIELD

Yield	%
Average annualised property yield	6.92



	30/06/2018	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025	30/06/2026	30/06/2027	30/06/2028	30/06/2029	30/06/2030	30/06/2031	30/06/2032	30/06/2033	30/06/2034	30/06/2048
Passing rent %	6	9	3	5	13	3	0	7	8	4	0	12	0	6	11	0	0	13
GLA %	5	9	3	2	7	3	0	8	17	4	0	13	0	6	14	0	0	9

The group does not have fixed rental escalations. 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.

SHAREHOLDING DISCLOSURES

MAS Real Estate Inc. (the "company")

Public and non-public	Number of shareholders	% of number of shareholders	Number of shares	% of number of shares
Public	7,161	99.78%	260,416,275	54.22%
Non-Public				
- Significant shareholders	1	0.03%	205,368,307	42.77%
- Directors and their associates	13	0.18%	13,917,061	2.90%
- Company secretary	1	0.01%	514,656	0.11%
Total shareholders	**7,176**	**100%**	**480,216,299**	**100%**

MAJOR SHAREHOLDINGS

Name	No of shares as at 30 June 2017	Percentage of shares as at 30 June 2017
Attacq Limited	146,818,251	30.57%
Argosy Capital Limited	58,550,056	12.19%
STANLIB Asset Management	35,577,283	7.40%
Total	**240,945,590**	**50.16%**

Name	No of shares as at 30 June 2016	Percentage of shares as at 30 June 2016
Attacq Limited	144,275,653	41.38%
Argosy Capital Limited	49,028,947	14.06%
Sanlam Life Insurance Limited	17,507,629	5.02%
Total	**210,812,229**	**60.46%**

COMPANY INFORMATION AND ADVISORS

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Tortola, British Virgin Islands VG1110

REGISTRAR/ TRANSFER SECRETARIES

BRITISH VIRGIN ISLANDS
Computershare Investor Services
(BVI) Limited
Registration number 003287V
Woodbourne Hall
P O Box 3162
Road Town, Tortola
British Virgin Islands

SOUTH AFRICA
Computershare Investor Services
Proprietary Limited
Registration number
2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

DEPOSITORY
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol,
BS13,8AE

PROPERTY VALUERS

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CBRE
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Sofia 1000
Bulgaira

GERMANY
Cushman & Wakefield LLP
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D-60313 Frankfurt am Main
Germany

JLL
Wilhelm-Leuschner-Strasse 78
D-60329 Frankfurt am Main
Germany

POLAND
CBRE
Rondo ONZ 1
PL-00-124 Warsaw
Poland

SWITZERLAND
Wüest & Partner AG
Bleicherweg 5
CH-8001
Zürich
Switzerland

UK
CBRE
7 Castle Street
Edinburgh,
EH2,3AH

GVA Grimley Limited
Quayside House
127 Fountainbridge
Edinburgh
EH3,9QG

SHAREHOLDER INFORMATION

Registered in the British Virgin Islands	Company number 1750199
Registered as an external company in South Africa	Registration number 2010/000338/10
JSE share code	MSP
SEDOL (XLUX)	B96VLJ5
SEDOL (JSE)	B96TSD2
ISIN	VGG5884M1041
LEI code	213800T1TZPGQ7HS4Q13
Number of shares in issue as at 30 June 2017	480,216,299

PRO FORMA MANAGEMENT ACCOUNTS

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors
MAS Real Estate Inc
2nd Floor
Clarendon House
Victoria Street
Douglas
Isle of Man
IMI 2LN

1 September 2017

REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of the, pro forma distribution income statement of MAS Real Estate Inc ("MAS" or "the Company") for the year ended 30 June 2017 and the pro forma summarised statement of financial position of MAS as at 30 June 2017, (collectively "Pro forma Financial Information"). The Pro forma Financial Information is set out in the Consolidated Financial Statements to be issued by the Company on 7 September 2017.

The Pro forma Financial Information has been compiled by the directors of MAS to illustrate the impact of the pro forma adjustments on the distribution income statement and the summarised statement of financial position as at 30 June 2017 as described in the basis of preparation paragraph and detailed in the Consolidated Financial Statements.

As part of this process, the Company's Pro forma Financial Information has been extracted by the directors from the Company's published financial statements for the year ended 30 June 2017, on which an audit report will be published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors of MAS are responsible for compiling the Pro forma Financial Information on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.34 of the Listings Requirements of the JSE Limited and the SAICA Guide on Pro forma Financial Information, revised and issued in September 2014 ("Applicable Criteria").

INDEPENDENT REPORTING ACCOUNTANT'S INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the Pro forma Financial Information has been compiled, in all material respects, by the directors on the basis of the Applicable Criteria, based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled, in all material respects, the Pro forma Financial Information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Published Financial Information used in compiling the Pro forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the Published Financial Information used in compiling the Pro forma Financial Information.

The purpose of Pro forma Financial Information included in the Consolidated Financial Statements is solely to illustrate the impact of the adjustments on the unadjusted Published Financial Information as described in the basis of preparation paragraph.

A reasonable assurance engagement to report on whether the Pro forma Financial Information has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors in the compilation of the Pro forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the adjustments and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to the Applicable Criteria; and
- The Pro forma Financial Information reflects the proper application of those pro forma adjustments to the unadjusted Published Financial Information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the Adjustments in respect of which the Pro forma Financial Information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Pro forma Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

Yours faithfully
KPMG Inc.

Per GS Kolbe
Chartered Accountants (SA)
Registered Auditor
Director

PRO FORMA MANAGEMENT ACCOUNTS (CONTINUED)

PURPOSE AND BASIS OF PREPARATION

In order to provide information of relevance to investors and a meaningful basis of comparison for users of the financial information, pro forma management accounts comprising of a pro forma distribution income statement and a pro forma statement of financial position for the year ended 30 June 2017 have been prepared and presented below, in conjunction with consolidated financial statements set out in pages 83 to 136.

The directors consider that the pro forma management accounts are useful in interpreting the performance of the group. In terms of section 8.15 of the JSE Listings Requirements, the pro forma management accounts constitute pro forma financial information and the company is therefore required to comply with the requirements of sections 8.16 to 8.34 of the JSE Listings Requirements on pro forma financial information. In accordance with section 8.19, the pro forma information is to be presented in columnar format showing separately the unadjusted financial information, pro forma adjustments and the pro forma financial information.

The pro forma management accounts diverge from IFRS in respect of the following:

- Investment in associates has been accounted for using the proportionate consolidation method in the management accounts, as opposed to the equity accounting method embodied in the consolidated financial statements in accordance with IAS 28;
- Investment in subsidiaries, with a non-controlling interest has been accounted for using the proportionate consolidation method in the management accounts, as opposed to consolidating 100% of all assets and liabilities as embodied in the consolidated financial statements in accordance with IAS 27 and IFRS 3; and
- The geared share purchase plan options in accordance with IFRS 2 has been derecognised in the pro forma management accounts. The transaction has been accounted for in terms of its legal form, being the loan and shares issued in terms of the plan.

DIRECTOR'S RESPONSIBILITY

The preparation of the pro forma management accounts is the sole responsibility of the directors and has been prepared in accordance with the basis stated above, for illustrative purposes only, to demonstrate the impact on the pro forma distribution income statement and the pro forma summarised statement of financial position. Due to Its nature, the pro forma management accounts may not fairly present the results of the group and the financial position.

PRO FORMA DISTRIBUTION INCOME STATEMENT

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Rental income	26,086,282	14,203,699
Net service charges and property operating expenses	(2,982,320)	(1,989,426)
- Service charges income and other recoveries	4,246,181	2,047,322
- Service charges and other property operating expenses	(7,228,501)	(4,036,748)
Net rental income	**23,103,962**	**12,214,273**
Other income	113,744	1,717,829
Corporate expenses	(3,265,895)	(3,203,472)
Net operating income	**19,951,811**	**10,728,630**
Net finance costs	(439,869)	(355,990)
- Finance income	1,803,433	433,132
- Finance costs	(2,812,600)	(817,928)
- Interest capitalised on development property	569,298	28,806
Current taxation	(1,612,764)	(684,749)
Direct investment result	**17,899,178**	**9,687,891**
Fair value adjustments	24,623,199	6,431,719
Investment expenses	(281,555)	(2,202,144)
Other income	(245,419)	637,552
Exchange differences	(4,638,606)	(12,913,210)
Deferred taxation	(3,768,849)	(143,776)
Indirect investment result	**15,688,770**	**(8,189,859)**
IFRS net profit (direct plus indirect result)	**33,587,948**	**1,498,032**
Other specific adjustments		
Direct investment result		
Elimination of IFRS 2 option expense	245,419	—
Interest income on geared share purchase plan	192,988	—
Sirius earnings on a look-through basis[1]	1,137,215	924,985
Capitalisation of borrowing costs to development	240,658	773,765
	1,816,280	**1,698,750**
Indirect investment result		
Fair value adjustments	17,199	—
Loan impairment on geared share purchase	(760,852)	—
	(743,653)	**—**
Management accounts profit	**34,660,575**	**3,196,782**

[1] The sirius adjustment recognises the group's share of Sirius Real Estate Limited's earnings which exceeds the dividend income the group has already recognised

PRO FORMA DISTRIBUTION INCOME STATEMENT (CONTINUED)

DISTRIBUTABLE EARNINGS

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Direct investment result	17,899,178	9,687,891
Other specific adjustments – direct	1,816,280	1,698,750
Distributable earnings before effect of shares issued during the year	**19,715,458**	**11,386,641**
Adjustment relating to shares issued during the year	3,832,529	1,568,916
Distributable earnings[1]	**23,547,987**	**12,955,557**
Distributable earnings per share	4.90	3.72

BASIS OF DISTRIBUTION

Euro	Year ended 30 June 2017	Year ended 30 June 2016
Distributable earnings	23,547,987	12,955,557
Interim distributable earnings	(8,631,292)	(2,339,625)
	14,916,695	**10,615,932**
Adjustment from reserves	402,204	(2,841,590)
Final distribution	**15,318,899**	**7,774,342**
Final distribution per share (euro cents)	3.19	2.23
Interim distribution per share (euro cents)	2.66	2.27
Annual distribution per share (euro cents)	**5.85**	**4.50**
Closing number of shares	480,216,299	348,625,219
Weighted average number of shares in issue[2]	402,059,173	306,406,760

1 Adjusted for the impact of shares issued during the year

2 Weighted average number of shares includes geared purchase plan shares

PRO FORMA SUMMARISED STATEMENT OF FINANCIAL POSITION

Euro	As at 30 June 2017	As at 30 June 2016
Intangibles	23,961,030	25,262,818
Investment property	558,646,823	311,613,772
- Income-generating property	463,397,773	242,625,172
- Development property	44,653,472	24,907,797
- Land bank	50,613,578	44,080,803
Financial instruments	21,014,243	51,614,068
Interest bearing receivables – PKM Preference Shares	60,680,546	—
Interest bearing receivables – PKM Investment joint venture	30,595,055	—
Deferred taxation asset	758,055	721,292
Trade and other receivables	7,908,529	11,313,808
Other assets	550,827	241,083
Cash and cash equivalents	74,164,762	66,946,902
Total assets	**778,279,870**	**467,713,743**
Shareholders' equity	**602,241,619**	**400,844,952**
Interest bearing borrowings – external	147,243,076	44,578,595
Financial instruments	12,881,004	12,543,033
Deferred taxation liability	4,895,895	1,242,741
Trade and other payables	10,926,472	8,405,586
Other liabilities	91,805	98,836
Total liabilities	**176,038,252**	**66,868,791**
Total shareholders' equity and liabilities	**778,279,870**	**467,713,743**
Actual number of ordinary shares in issue	480,216,299	348,625,219
NAV per share (euro cents)	125.6	115.0
Adjusted NAV per share (euro cents)[1]	126.5	115.1

[1] Adjusted NAV per share excludes deferred taxation.

PRO FORMA DISTRIBUTION INCOME STATEMENT

RECONCILIATION OF IFRS TO MANAGEMENT ACCOUNTS

Euro	IFRS year ended 30 June 2017	ADJUSTMENTS Reclassification[1]	Development joint venture[2]	Investment joint venture[3]	Geared share purchase plan[4]	MANAGEMENT ACCOUNTS year ended 30 June 2017
Rental income	27,032,238	—	400	(946,356)	—	26,086,282
Service charges and other recoveries	4,550,190	—	404	(304,413)	—	4,246,181
	31,582,428	**—**	**804**	**(1,250,769)**	**—**	**30,332,463**
Service charges and other property operating expenses	(7,598,036)	—	—	368,715	820	(7,228,501)
Net rental income	**23,984,392**	**—**	**804**	**(882,054)**	**820**	**23,103,962**
Other income	—	—	113,744	—	—	113,744
Corporate expenses	(3,498,209)	—	(52,797)	40,512	244,599	(3,265,895)
Investment expenses	(281,061)	281,061	—	—	—	—
Net operating income	**20,205,122**	**281,061**	**61,751**	**(841,542)**	**245,419**	**19,951,811**
Fair value adjustments	25,592,290	(25,592,290)	—	—	—	—
Exchange differences	(4,684,895)	4,684,895	—	—	—	—
Share of profit/(loss) from equity accounted investee, net of taxation	178,397	—	(178,397)	—	—	—
Profit before finance income/costs	**41,290,914**	**(20,626,334)**	**(116,646)**	**(841,542)**	**245,419**	**19,951,811**
Finance income	1,207,196	—	76,347	519,890	—	1,803,433
Finance costs	(2,238,497)	(569,298)	(5,496)	691	—	(2,812,600)
Interest capitalised on development property	—	569,298	—	—	—	569,298
Profit before taxation	**40,259,613**	**(20,626,334)**	**(45,795)**	**(320,961)**	**245,419**	**19,511,942**
Current taxation	(1,741,449)	—	—	128,685	—	(1,612,764)
Deferred taxation	(3,942,153)	3,942,153	—	—	—	—
DIRECT INVESTMENT RESULT	**34,576,011**	**(16,684,181)**	**(45,795)**	**(192,276)**	**245,419**	**17,899,178**
Fair value adjustments	—	25,592,290	—	(969,091)		24,623,199
Investment expenses	—	(281,061)	(494)	—	—	(281,555)
Other income/expenses	—	—	—	—	(245,419)	(245,419)
Exchange differences	—	(4,684,895)	46,289	—	—	(4,638,606)
Deferred taxation	—	(3,942,153)	—	173,304	—	(3,768,849)
INDIRECT INVESTMENT RESULT	**—**	**16,684,181**	**45,795**	**(795,787)**	**(245,419)**	**15,688,770**
IFRS net profit (direct plus indirect results)	**34,576,011**	**—**	**—**	**(988,063)**	**—**	**33,587,948**
Attributable to:						
Non-controlling interest	988,063	—	—	(988,063)	—	—
Owners of the group	33,587,948	—	—	—	—	33,587,948
Other specific adjustments						
Direct investment result						
- Elimination of IFRS 2 option expense	—	—	—	—	245,419	245,419
- Interest income on geared share purchase plan	—	—	—	—	—	192,988
- Sirius earnings on a look-through basis	—	—	—	—	—	1,137,215
- Capitalisation of borrowing costs to development	—	—	—	—	—	240,658
Indirect investment result						
- Fair value adjustments	—	—	—	—	17,199	17,199
- Loan impairment on geared share purchase	—	—	—	—	—	(760,852)
MANAGEMENT ACCOUNTS PROFIT	**—**	**—**	**—**	**—**	**—**	**34,660,575**

1 Reclassifications relate to the adjustments made to the IFRS income statement by allocating amounts into direct investment result and indirect investment result, and to re-allocate certain statement of financial position items between current and non-current captions.
2 The Development JV adjustments proportionately consolidates the income, expenditures, assets and liabilities relating to the Prime Kapital Development joint venture, which has been equity accounted for in the consolidated financial statements prepared in accordance with IFRS.
3 The Investment JV adjustments proportionately consolidates the income, expenditures, assets and liabilities relating to the Prime Kapital investment joint venture, which has been consolidated in the consolidated financial statements prepared in accordance with IFRS.
4 The geared share purchase plan adjustments reverse the IFRS accounting in the following manner.
(i) the option accounting has been replaced with the legal form, being the recognition of the loan and shares issued in terms of the plan.
(ii) the interest earned on the loan is recognised in Other specific adjustments – Direct. The loan has also been impaired to the value of the shares held as security as required.
(iii) the shares issued are treated as issued rather than being reflected as treasury shares in terms of IFRS.
5 Adjusted NAV per share excludes deferred taxation

PRO FORMA SUMMARISED STATEMENT OF FINANCIAL POSITION

RECONCILIATION OF IFRS TO MANAGEMENT ACCOUNTS

Euro	IFRS As at 30 June 2017	ADJUSTMENTS Reclassification[1]	Development joint venture[2]	Investment joint venture[3]	Geared share purchase plan[4]	MANAGEMENT ACCOUNTS As at 30 June 2017
Non-current assets						
Intangible assets	23,967,355	–	–	–	(6,325)	23,961,030
Investment property	564,291,928	6,336,915	19,255,950	(31,223,400)	(14,570)	558,646,823
- Income-generating property	494,519,173	2,180,000	–	(33,319,400)	–	463,397,773
- Development property	30,081,795	852,900	11,633,225	2,096,000	(10,448)	44,653,472
- Land bank	39,690,960	3,304,015	7,622,725	–	(4,122)	50,613,578
Investment in equity accounted investee	20,205,297	–	(20,204,865)	–	(432)	–
Financial instruments	101,134,245	–	(101,134,245)	–	–	–
Interest bearing receivables – PKM Preference Shares	–	–	60,680,546	–	–	60,680,546
Interest bearing receivables – PKM Investment joint venture	–	–	–	30,595,055	–	30,595,055
Property, plant and equipment	560,019	–	58,378	(67,570)	–	550,827
Deferred taxation asset	758,055	–	–	–	–	758,055
Total non-current assets	**710,916,899**	**6,336,915**	**(41,344,236)**	**(695,915)**	**(21,327)**	**675,192,336**
Current assets						
Financial instruments	66,097	–	460,000	–	20,488,146	21,014,243
Trade and other receivables	8,707,035	–	324,875	(780,614)	(342,767)	7,908,529
Cash and cash equivalents	33,017,502	–	41,577,235	(429,975)	–	74,164,762
Assets held for sale	6,336,915	(6,336,915)	–	–	–	–
Total current assets	**48,127,549**	**(6,336,915)**	**42,362,110**	**(1,210,589)**	**20,145,379**	**103,087,534**
Total assets	**759,044,448**	**–**	**1,017,874**	**(1,906,504)**	**20,124,052**	**778,279,870**
Equity						
Share capital	557,556,273	–	–	–	4,667	557,560,940
Geared share purchase plan	(21,056,010)	–	–	–	21,056,010	–
Retained earnings	55,888,038	–	–	–	(647,056)	55,240,982
Share-based payment reserve	225,973	–	–	–	(225,973)	–
Foreign currency translation reserve	(10,560,303)	–	–	–	–	(10,560,303)
Equity attributable to owners of the group	**582,053,971**	**–**	**–**	**–**	**20,187,648**	**602,241,619**
Non-controlling interest	988,063	–	–	(988,063)	–	–
Total Equity	**583,042,034**	**–**	**–**	**(988,063)**	**20,187,648**	**602,241,619**
Non-current liabilities						
Interest bearing borrowings	141,751,953	5,461,444	–	–	29,679	147,243,076
Financial instruments	1,670,086	11,211,990	–	(1,072)	–	12,881,004
Deferred taxation liability	4,998,374	–	–	(102,479)	–	4,895,895
Total non-current liabilities	**148,420,413**	**16,673,434**	**–**	**(103,551)**	**29,679**	**165,019,975**
Current liabilities						
Interest bearing borrowings	5,461,444	(5,461,444)	–	–	–	–
Financial instruments	11,211,990	(11,211,990)	–	–	–	–
Trade and other payables	10,816,762	–	1,017,874	(814,890)	(93,275)	10,926,471
Provisions	91,805	–	–	–	–	91,805
Total current liabilities	**27,582,001**	**(16,673,434)**	**1,017,874**	**(814,890)**	**(93,275)**	**11,018,276**
Total liabilities	**176,002,414**	**–**	**1,017,874**	**(918,441)**	**(63,596)**	**176,038,251**
Total shareholder equity and liabilities	**759,044,448**	**–**	**1,017,874**	**(1,906,504)**	**20,124,052**	**778,279,870**
Number of shares in issue	467,366,299				12,850,000	480,216,299
NAV per share	124.5					125.6
Adjusted NAV per share[5]	125.4					126.5

1 Reclassifications relate to the adjustments made to the IFRS income statement by allocating amounts into direct investment result and indirect investment result, and to re-allocate certain statement of financial position items between current and non-current captions.
2 The Development JV adjustments proportionately consolidates the income, expenditures, assets and liabilities relating to the Prime Kapital Development joint venture, which has been equity accounted for in the consolidated financial statements prepared in accordance with IFRS.
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4 The geared share purchase plan adjustments reverse the IFRS accounting in the following manner.
(i) the option accounting has been replaced with the legal form, being the recognition of the loan and shares issued in terms of the plan.
(ii) the interest earned on the loan is recognised in Other specific adjustments – Direct. The loan has also been impaired to the value of the shares held as security as required.
(iii) the shares issued are treated as issued rather than being reflected as treasury shares in terms of IFRS.
5 Adjusted NAV per share excludes deferred taxation

NOTES

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MAS REAL ESTATE INC

www.masrei.com