

MAS REAL ESTATE INC




2014 ANNUAL REPORT



The MAS logo is a stylized emblem consisting of a yellow-green curved shape on the left and a dark grey semi-circle on the right, with the letters 'MAS' in white inside the grey part.

MAS

The background is a detailed urban planning map. It features a large green rectangular area at the top, likely a park or sports field, with a soccer field layout. Below this is a river, and further down is a dense residential or commercial area with various building footprints, streets, and green spaces. The map is overlaid with a semi-transparent dark grey band containing the main text.

*Commercial property
opportunities that yield
stable returns and
portfolio diversification*

Contents

OVERVIEW

Business Highlights	2
Shareholder Information	3
Chairman's Statement	4
The Year in Review	7
Portfolio Review	11
Financial Review	16

GOVERNANCE

Board of Directors	18
Corporate Governance Report	20
Overview of Transfer to the Main Board of the JSE	22

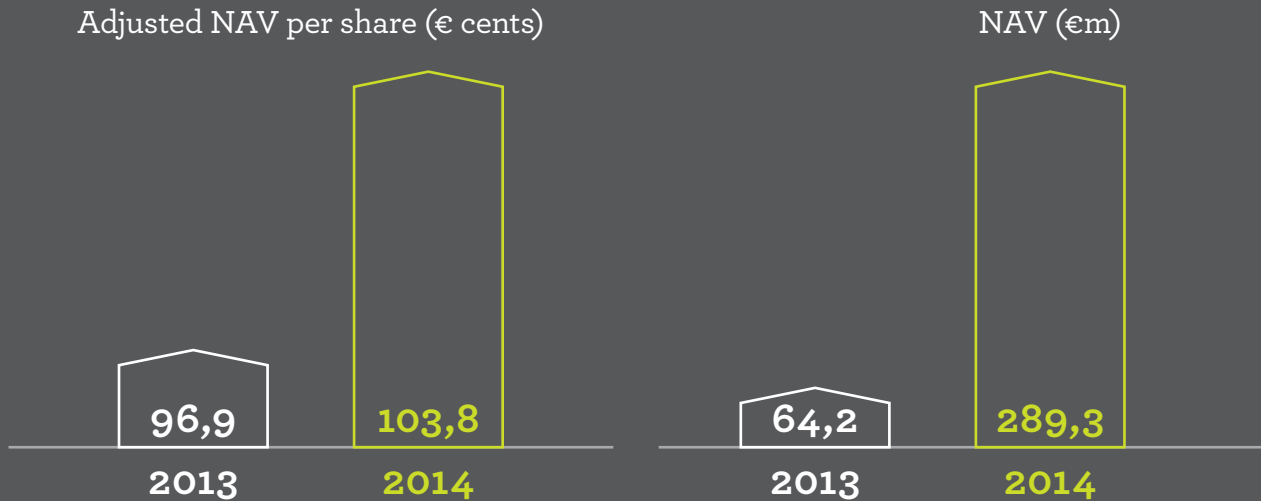
CONSOLIDATED FINANCIAL STATEMENTS

Directors' Report	23
Statement of Directors' Responsibilities	24
Report of the Independent Auditors	25
Consolidated Statement Of Comprehensive Income	26
Consolidated Statement Of Financial Position	27
Consolidated Statement of Cash Flows	28
Consolidated Statement of Changes In Equity	29
Notes to the Consolidated Financial Statements	30
Supplementary Information	53

SHAREHOLDER INFORMATION

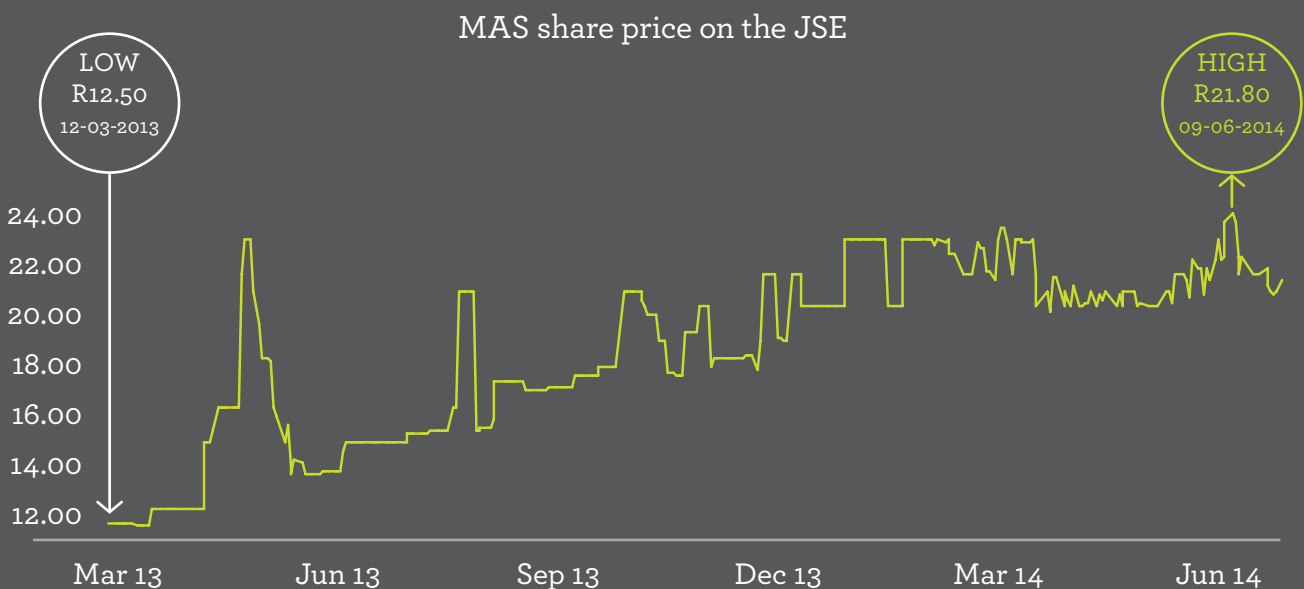
Notice to Shareholders	54
Form of Proxy – European Register	55
Form of Proxy – South African Register	57
Company Information	59

Business Highlights



Adjusted NAV per share increased from 96,9 euro cents to 103,8 euro cents over the period

Net assets increased from €64,2 million to €289,3 million as a result of the capital raise, Karoo transaction, rental income and foreign exchange gain



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 (ALT ^x)		B96TSD2
ISIN		VGG5884M1041
Number of shares in issue as at 30 June 2014		279 483 999

KEY STATISTICS – YEAR ENDED 30 JUNE 2014

Adjusted core income (unaudited)	€5 157 102
Adjusted core income per share (unaudited)	2,82
Final dividend per share (euro cents)	1,24
Dividend per share (euro cents – cumulative year total)	1,84
Bourse de Luxembourg closing price on 30 June 2014	€1,12
JSE closing price on 30 June 2014	R19,80
Total value of investment property portfolio	€64 751 842
Gross rental income	€5 247 429
Total borrowings	€16 098 177
Net interest expense	€876 699

Chairman's Statement

The 16 months to 30 June 2014 have been transformational for the business. The acquisition of the company's stake in the Karoo Fund, together with the significant capital raise thereafter in the first quarter of 2014, have resulted in an increase in net assets to €289,3 million, from €64,2 million at the previous financial year end, and an increased market capitalisation on the JSE of R5,4 billion compared to R900 million at the previous year end. This capital raise bolsters the balance sheet, increases the number of valued shareholders in the company, and enlarges the universe of assets that can be acquired.

The confidence expressed by investors in the strategy of the company through their capital support is clear. Despite a changing economic environment and the quickly "shifting sands" of capital markets seeking exposure to European real estate, our thesis for investing in European real estate remains as strong as ever. We believe now is a most opportune time to be expanding on our existing assets, and fashioning a more diverse portfolio of well-located Western European property assets. The company is diligently forging ahead with these on behalf of shareholders as the capital raised is placed in our growing pipeline.

The Eurozone investment markets and global capital markets have stabilised in comparison to the same time last year. This has been evidenced by hardening real estate market yields, which are responding to near record levels of both local and cross border capital flows into the asset class. In an environment of lower GDP growth than European central banks would like, low interest rates look set to remain for some time. This is likely to continue to fuel the demand for core commercial real estate given its relative higher income yielding attributes.

STRATEGY

Our core European markets (the UK, Switzerland, and in particular, Germany) have been the greatest beneficiary of the market's firming, and remain the key focus of our investment. There are several reasons for this: the depth of these markets; the strength of the legal environments (occupier certainty); the relatively long-term nature of leases; and the potential to find unique investment opportunities backed by high quality tenant covenants. This is complemented by the particular experience of the company's investment advisor. We continue to review the jurisdictional investment strategy on a regular basis, including more recent consideration of countries such as Spain and Portugal, but for now remain focused on the traditional core Western European markets that continue

to provide a strong risk weighted return profile.

The target of 6% core income by 90% of the portfolio by 2016 remains the key imperative of our investment strategy. This underlines our key focus on acquiring and developing long-term, income-generating assets that provide shareholders with a strong, stable and growing return. The remaining 10% of the portfolio will consist of more opportunistic investments to further enhance yield and returns.

PERFORMANCE

The underlying portfolio continues to perform well, but given the level of investable cash on the balance sheet, the focus of the company is on the pipeline portfolio. This pipeline currently has a bias towards Germany, where the cost of debt and relative income yields remain an enticing combination.

Post year end, the company has completed an acquisition in Donaueschingen, Germany, and signed for another three in strong catchment areas in central Germany. These investment properties are set to bolster the income property portfolio with 15-year net yields of some 7,4% being delivered from completion of the acquisitions. We believe that further transactions in the coming weeks are equally positive, and will continue to add depth and diversification to the existing investment portfolio.

In August 2013, the company bought out the other shareholders in the New Waverley (formerly "Calton-gate") development site on the Royal Mile in the heart of Edinburgh's old town. Significant progress has been made with the development, with updated planning received in early 2014, opening the way for construction to begin. The signing of 20 year, institutional quality leases with the Whitbread and Adagio Groups underpin the development's value, and the next phase of deal making has now begun. Construction also begins in the coming weeks and the 'cranes on site' will provide a significant boost to already strong occupier demand in this exciting location. A decision has therefore been made to accelerate the phasing of the New Waverley development site in Edinburgh, as Edinburgh's occupier and investment markets demand is heating up in a timeous manner.

In addition, the sale of two properties – the Metchley Hall student residential development and one of the Aldi stores in Germany – both for healthy profits, gives further confidence in the value of the portfolio being constructed.

INTERNALISATION

Through deliberation and input from the company's corporate advisers Java Capital and support from key stakeholders, your directors have asked the investment advisor to consider the possibility of an 'internalisation of the adviser's management'. The board will make a final decision on this shortly, with appropriate market announcements being made at that time.

CHIEF INVESTMENT OFFICER

Although it seems a long time since he joined in mid 2013, we are pleased to officially welcome Jonathan Knight to the team as chief investment officer, who brings with him a wealth of experience in European real estate and global real estate fund management. It is a pleasure to have such an experienced and professional individual join the executive team.

CORPORATE GOVERNANCE

The board takes corporate governance extremely seriously and systems of internal control are operating well at board, audit committee and executive management levels.

DIVIDEND AND PROSPECTS

The board has proposed a dividend of 1,24 euro cents per share. This will result in a total dividend of 1,84 euro cents per share for the financial period under review.

Prospects are discussed in greater detail in the review that follows, but we are pleased and excited at the outlook for the future.

Ron Spencer
Chairman



The 10,5 acre property in Braehead, Glasgow, is let to strong industrial manufacturer Howdens Group plc. It continues to increase in value due to its prominent location directly opposite the Braehead Shopping Centre.



OVERVIEW

For the sixteen month period to 30 June 2014

The Year in Review

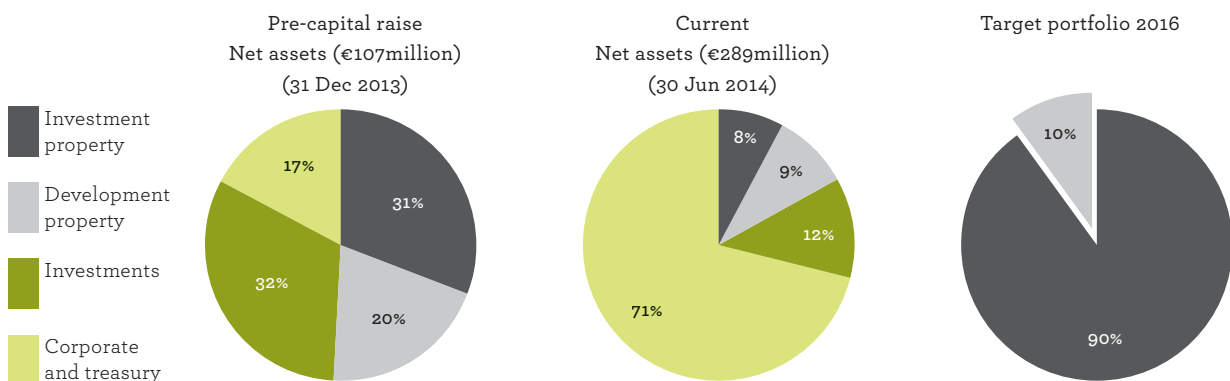
STRATEGIC UPDATE

KEY MILESTONES

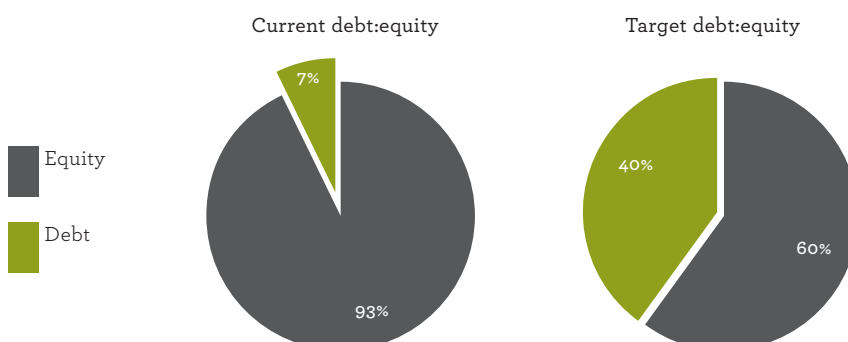
AUG 13	DEC 13	FEB 14	MAR 14	JUL/AUG 14	H2 2014	2016
<ul style="list-style-type: none"> Acquisition of 100% of New Waverley 	<ul style="list-style-type: none"> Acquisition of Karoo Fund Signing of 3x hotel agreements for lease 	<ul style="list-style-type: none"> Sale of Aldi Tuttlingen property 	<ul style="list-style-type: none"> Capital raise €180 million Sale of Metchley Hall student property 	<ul style="list-style-type: none"> Internalisation discussions Signature of agreement to acquire 3x new German retail properties Completion of first of pipeline acquisitions 	<ul style="list-style-type: none"> Further pipeline acquisitions Completion of proposed internalisation (subject to approval) Transition to JSE main board 	<ul style="list-style-type: none"> 90/10 target for portfolio composition

MAS aims to achieve a high quality income distribution from a diversified Western European investment property portfolio. By the end of 2016, the directors aim to have 90% of the portfolio invested in income producing assets and the remaining 10% invested in development and value-add opportunities. The directors are targeting strong total returns through a combination of income from the investment property portfolio, and growth on both this portfolio and through development and active asset management. The target is for the portfolio to deliver a 'core income' in excess of 6% on the capital invested in the company by shareholders.

TARGET PORTFOLIO



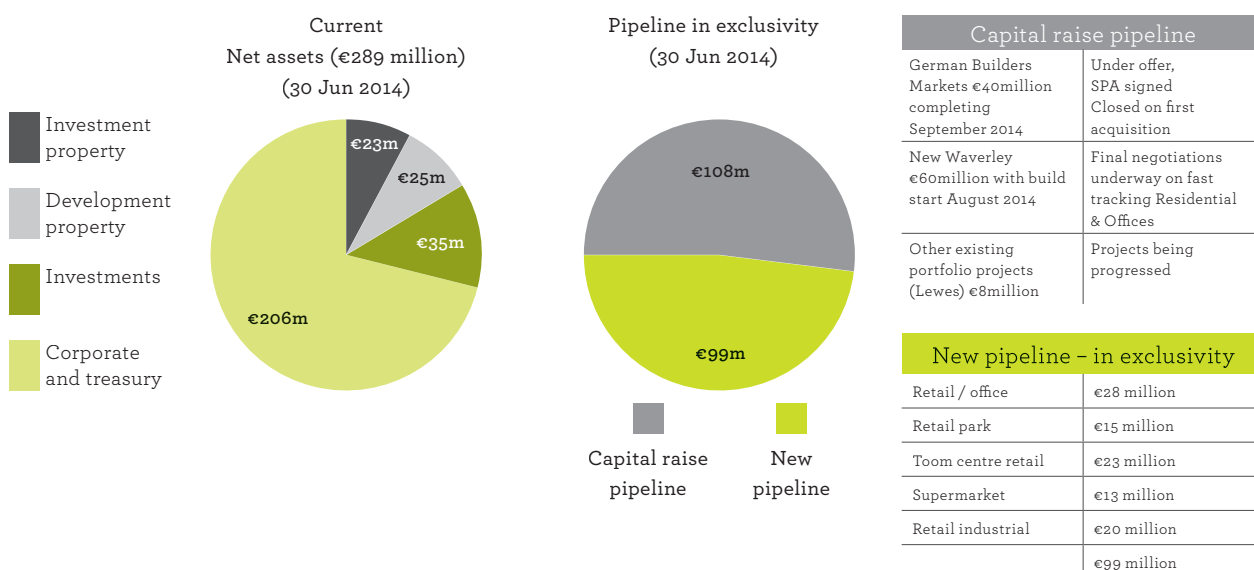
The directors aim to generate a strong total return through development to hold, and active asset management. The capital raise has had a substantial impact on the portfolio.



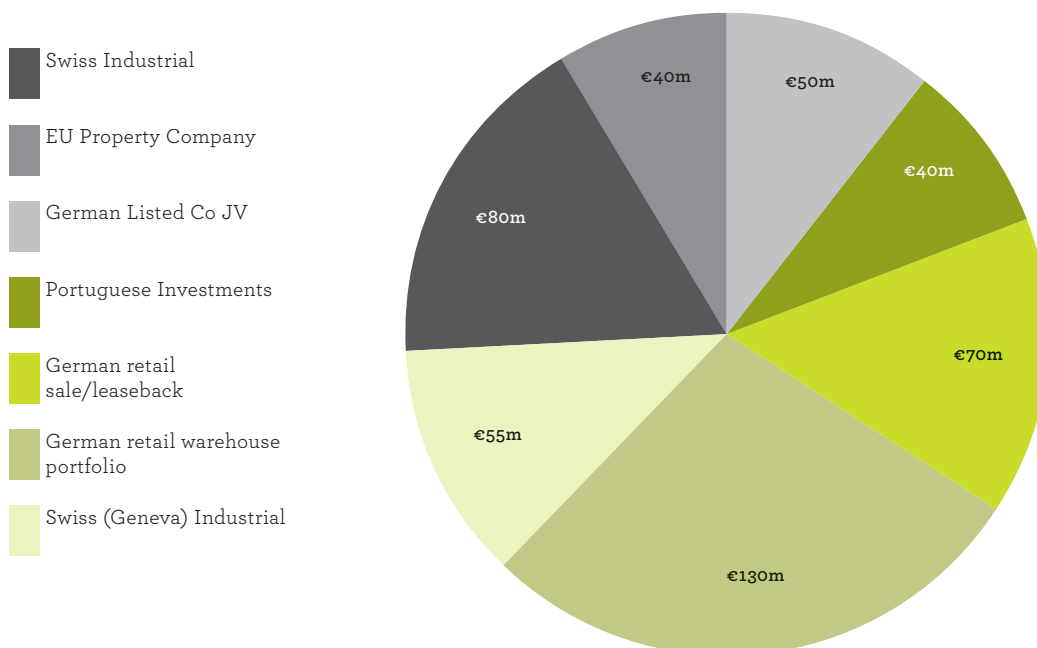
OVERVIEW

For the sixteen month period to 30 June 2014

MAS has continued to seek new and interesting deals in its core markets of Germany, Switzerland and the UK. Since the autumn of last year, there has been a strong focus on creating a pipeline of good assets for the company to acquire and the initial elements of that pipeline were present during the roadshow to investors in February 2014. Since then, the company has progressed and secured much of that original pipeline as well as pursuing further attractive investments, with a particular focus on supporting and improving the income return to investors.



NEW PIPELINE





The Lewes development is progressing well. As this development is in an area of outstanding natural beauty in the South Downs National Park, extensive consultations have been undertaken with community and other stakeholders.





The Aldi portfolio, acquired with favourable gearing and let to one of the strongest and largest food retailers in Europe, continues to generate strong cash returns. Indeed, the yield of the portfolio has combined well with the interest rate hedges that have fixed the cost of debt and locked in the very favourable yield spread.



Portfolio Review

MARKET COMMENTARY

The company has to date focused its activity on the commercial real estate markets in Germany, Switzerland and the UK. These are all mature markets which over the last five years have offered a blend of stable and more opportunistic returns. As the global recovery takes hold, the weight of money being invested in real estate has significantly increased, especially in Germany and the UK. This, combined with the improving economic outlook for the UK, has seen a hardening of yields and increase in asset prices in many sectors of the market. However, our directors believe that there still are some good buying opportunities in the three markets focused on to date and also that there is merit in starting to build up research and expertise in some other Western European markets, such as Spain and Portugal, where increasingly there are interesting assets coming to the market.

There is good reason to be optimistic about the global real estate market in mid- 2014, as the world economy regains some vigour, business confidence improves and strong corporate balance sheets encourage increasing capital expenditure. Most major markets are recording sales volume growth – Europe had a 3% higher investment volume in 2013 compared to 2012, while the peripheral markets achieved a strong 19% year on year growth. The top three European markets, being the UK, Germany and France, continued to dominate, accounting for some three-quarters of the total investment volume.

Most real estate investors are still chasing prime opportunities across all market segments. In the UK, there has been continued strong investment into London, especially by overseas investors. However, the last 12 months has also seen increased levels of activity in other areas of the UK. The combination of a widening yield gap between London and the regions (as well as between prime and secondary assets) has led to a rise in investor interest in assets outside London, which in turn is leading to a re-pricing of some regional assets, with prime provincial office, retail and industrial yields all expected to trend downwards over the next period of time.

Germany's strong economic and property fundamentals remain. There is thus a strong demand from both domestic and international investors for German real estate, although it is still dominated by domestic buyers, who account for about two thirds of the total transaction volume. Prime yields across all the main sectors are starting to decrease, which is encouraging banks and private equity funds to sell off historically distressed assets into a strengthening market. However, there still

remain opportunities to buy assets at more attractive yields, especially in those sectors less favoured by the large German institutions.

In Switzerland, direct real estate investments remain in demand with the annual growth rate of prices for investment properties still well in positive territory, even though momentum has ebbed from that seen 18 months ago. With long-term interest rates expected to rise in the medium term, and initial yields still decreasing, the flow of new money coming into the market has started to slow as some investors perceive the market to be close to its peak. Domestic buyers still dominate the Swiss market and there is strong demand for new opportunities as existing investors retain assets.

BUSINESS SEGMENTS

The company analyses the portfolio segregated by business line. These business lines are as follows:

INVESTMENT PROPERTY

This segment is made up of income generating investment property, where the principal objective is growing, stable and attractive yield.

DEVELOPMENT PROPERTY

This segment is made up the company's development assets, namely New Waverly in Edinburgh and Santon North Street in Lewes.

INVESTMENTS

Investments are made up of indirect holdings in real estate. Currently this comprises only the investment in the Karoo Investment Fund S.C.A. ("Karoo Fund").

CORPORATE AND TREASURY

This segment is made up of all the cash holdings and involves generating income whilst ensuring adequate liquidity to support operations and long term goals. The cash equivalents include short-term investments in money market funds and real estate equities, where the intention is to extract short-term yield whilst there are funds in the process of being invested.

OVERVIEW

For the sixteen month period to 30 June 2014

INVESTMENT PROPERTY

UNITED KINGDOM

The majority of the UK portfolio has traded well and in line with management's expectation. The 10,5 acre property in Braehead, Glasgow, is let to strong industrial manufacturer Howdens Group plc. It continues to increase in value due to its prominent location directly opposite the Braehead Shopping Centre. As development of the area continues, including new retailing adjacent to the company's property, there is an increasing demand for retail, commercial and residential development land. The company has undertaken to work with the tenant to seek alternative accommodation for its manufacturing plant, on the basis that the company would develop the new facility and thereby free up the existing site for redevelopment in line with the needs of the currently expanding mixed-use area.

Metchley Hall, the student property that was developed by the company close to the University of Birmingham, was sold during the year. The prospective buyer offered a healthy premium over the cost of development and the carrying value of the building. The company consequently decided to realise the gain from this niche sector development and apply the income to more traditional commercial real estate. Whilst this investment delivered a good profit, we consider the sector to be near a cyclical peak in the UK and disposal was an attractive option.

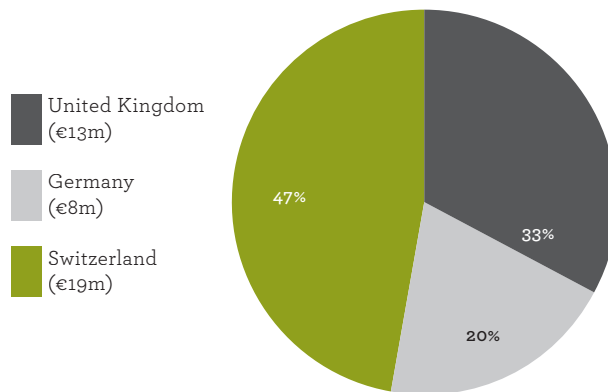
The Sauchiehall retail property, located on the prime retailing pitch in Sauchiehall Street in central Glasgow, has proved to be a challenging asset. It was acquired opportunistically from a distressed seller, with the intention of adding further value to the property. Further weakening of high street retailing in the UK left the premises difficult to let. The tenant's lease expires in February 2015 and the company is at present negotiating with several prospective occupiers to fill the space.

GERMANY

The Aldi portfolio, acquired with favourable gearing and let to one of the strongest and largest food retailers in Europe, continues to generate strong cash returns. Indeed, the yield of the portfolio has combined well with the interest rate hedges that have fixed the cost of debt and locked in the very favourable yield spread.

In selecting the Aldi stores for acquisition, particular attention was paid to their favourable locations. Food retailing licences in areas where further permissions are unlikely to be granted are extremely valuable. As a result, a developer in Tuttlingen was forced to offer a substantial premium to our cost and valuation to acquire the store there in order to secure the retail planning consent. Locking in such a premium allows the portfolio to continue to grow and diversify.

Investment property by region



On 1 July 2014, the company completed the acquisition of a DIY retail warehouse in Baden-Württemberg, Germany, for €9,15 million net of acquisition expenses. The initial net yield on total cost is some 7,4%. We believe that this well located property will deliver long-term income that is secured on an established tenant and fits well with MAS' long term income strategy.

In addition, the company has committed itself to the acquisition of three further DIY retail warehouses located in three cities in central Germany with strong catchment areas. The tenant is a top tier operator in the sector and the leases secure just under 15 years of rental income. The final purchase price has yet to be announced but will be between €25 million and €30 million before acquisition expenses and will show a net initial yield on total cost of 7,6%. The transaction is expected to be finalised in the third quarter of 2014.

SWITZERLAND

The Swiss portfolio relates specifically to the Swiss headquarters of DPD in Buchs, Zürich. The tenant, DPD, continues to trade well and the Swiss logistics market has remained buoyant throughout the crisis. The strong returns generated by the property demonstrate the asset management uplift that was obtained through pre-funding of the initial development. The company continues to work closely with the tenant to ensure that both parties maximise respective returns from the property. Discussions have also commenced on a proposal to expand the existing accommodation, which would involve acquiring an adjacent piece of land.



DPD continues to trade well and the Swiss logistics market has remained buoyant throughout the crisis. The strong returns generated by the property demonstrate the asset management uplift that was obtained through pre-funding of the initial development.





Early in 2014, updated plans, which take full cognisance of the historical significance of the site, were approved. This represents a key milestone in this history of the development and enables the company to start construction in the next few months.



OVERVIEW

For the sixteen month period to 30 June 2014

DEVELOPMENT PROPERTY

NEW WAVERLEY DEVELOPMENT (FORMERLY "CALTONGATE")

Early in 2014, updated plans, which take full cognisance of the historical significance of the site, were approved. This represents a key milestone in this history of the development and enables the company to start construction in the next few months. To underline the complete change the new concept represents over the failed plans of the previous developer, the company has decided to change the name from Caltongate to New Waverley, thus bringing a fresh image to the development as construction begins. More details are available on the development's dedicated website www.newwaverley.com.

The company has signed agreements for leases with Premier Inn Hotels Limited and Premier Inn Ochre Limited for two hotels. These agreements are guaranteed by the Whitbread Group plc, a FTSE 100 company and the largest hotel, restaurant and coffee operator in the UK. In addition, an agreement to lease a third hotel has been signed with Adagio Hotels UK Limited, guaranteed by Accor SA and Pierre & Vacances SA. Adagio is a leading operator of aparthotels and is owned by Accor SA, the world's leading hotel operator and market leader in Europe, and Pierre & Vacances Center Parcs, the European leader in local tourism; both entities guarantee the lease.

Adagio will occupy the iconic hotel to be built fronting directly onto the Royal Mile in Edinburgh on the one side, and the newly built public square on the other.

LEWES DEVELOPMENT

The Lewes development is also progressing well. As this development is in an area of outstanding natural beauty in the South Downs National Park, extensive consultations have been undertaken with community and other stakeholders, and the scheme is ready for final submission to the planning authorities late in the European autumn. A decision is expected early in the New year.

Following discussions with the various interest groups, the residential element of the plans has increased, which in turn improves the profitability of the scheme.

After year end, the company negotiated a fixed price to be paid to the joint venture partner of Santon North Street Limited upon receipt of planning, as opposed to the current variable rate in the Joint Venture Agreement. This clears the way for the company to obtain maximum value from the project.

INVESTMENTS

The company's most significant investment is its holding in the Karoo Fund. It was acquired at a discount to its net asset value ("NAV"), and was a particularly important transaction for the company in terms of achieving scale. This acquisition created the platform for the capital raise at the beginning of 2014.

The two largest investments in the Karoo Fund are the holdings in the unlisted Mall Unit Trust and Sirius Real Estate, together accounting for some 58% of the Karoo Fund's portfolio. The NAV of the Karoo Fund has performed particularly well since our acquisition, with increases recognised across most of the Fund's investments. However, we consider it appropriate to continue recognising this investment at its amortised cost as a held to maturity investment.

CASH AND EQUIVALENTS

The company has significant cash balances on hand as a result of the capital raise in March this year, which is in the process of being invested. As euro cash and short-term rates are at present zero or even negative in some cases the company has sought to enhance yield through an active treasury management strategy. Firstly, known future investments and expenditures in other currencies, predominantly sterling, have been converted and held as deposits in that currency. A further portion has been allocated to cash funds and high-quality, short-duration bond funds in order to obtain a component of yield pickup. We have also allocated €30 million to a carefully selected portfolio of listed European real estate equities. The rationale for this is twofold: to enhance yield by investing in high dividend yielding, liquid, low beta stocks; and to provide some further European real estate market beta exposure as the company goes through the process of investing the capital raised.

OVERVIEW

For the sixteen month period to 30 June 2014

Financial Review

The company delivered a consolidated profit of €5 060 236, compared to a loss of €886 893 in the previous year. Gains in investment property activity, notably the sale of Metchley Hall and Aldi Tuttlingen, together with significant exchange gains contributed to the profit. The exchange gains are predominantly the result of the translation of the sterling-based assets, with the euro weakening over the period, and again after year end.

In addition, the recognition of the discount unwind on the Karoo Fund also contributed materially to the performance. The Karoo Fund is now carried in the accounts at €35 743 617, compared to a purchase price of €34 199 732. This compares to €50 639 577, which is the group's share of the reported current net asset value of the Karoo Fund of €66 869 477.

The adjusted core income per share for the period was 2,82 euro cents per share, down from 4,21 euro cents per share in 2013. This decline was expected given the substantial increase in the number of shares in issue, and will begin to pick up again as the cash capital raised is invested in the pipeline portfolio. Indeed, the balance sheet has been transformed by the capital raised, with in excess of €200 million available in cash. The bulk will have been invested in the pipeline portfolio by the end of the 2014 calendar year, and is set to add significant depth and diversification to the company's assets.

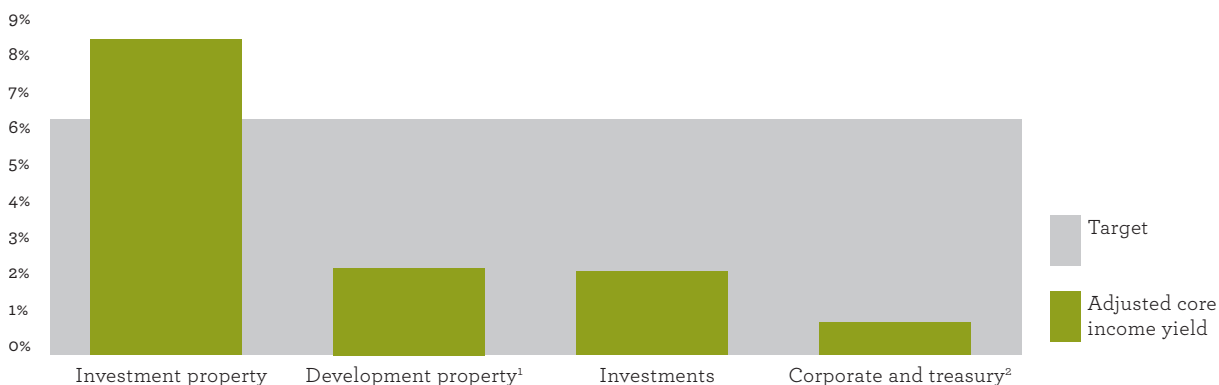
The board has proposed a dividend of 1,24 euro cents per share. This will result in a total dividend of 1,84 euro cents per share for the financial period under review.

The directors are targeting a 6% core income yield on capital invested by shareholders by the end of 2016.

The commercial benefit of the existing interest rate hedges on the portfolio's conservative gearing is considerable, as highly visible positive yield spreads are locked in over the life of the investments between rising rents and fixed or capped interest rates on borrowings. However, extremely long leases, long-term borrowings and hence long interest rate hedges, result in substantial fluctuations in non-cash mark-to-market valuations for the hedging instruments causing some non-cash income statement volatility. The directors remain focused on cash generation within the business, and not the volatility arising from the revaluation of long-term financial hedging instruments.

Deferred taxation has been provided for in the current year, as it is now assumed that realisation of the investments will generally be by disposal of the underlying assets, as opposed to the special purpose vehicles that own such property. Accordingly, the company has disclosed, in addition, an adjusted NAV per share, which removes the confusing impact of deferred taxation in an entity that intends to hold investments for income. The adjusted NAV per share has increased to 103,8 euro cents per share, in comparison to 96,9 euro cents in the prior year.

CORE INCOME YIELD (ANNUALISED)



¹ Development property includes the Santon shortfall guarantee

² Corporate and treasury includes the realisation of investment property, this better illustrates the underlying core income in the other segments

OUTLOOK

The directors are focusing on two key areas of activity for the portfolio: 1) maximising the returns from the existing assets including the progression of the two UK development properties and 2) acquiring more good quality assets, to support the stated longer term income objectives of the company. However, the company will still also be looking to acquire some more opportunistic investments.

The company has been active in all of its core real estate markets, while also considering entering new markets in Western Europe, to ensure a strong pipeline of suitable assets for the investment of the cash currently held. In the first half of 2014, €40 million of assets (including costs) were committed for assets which are to become part of the portfolio during the third quarter of the 2014 calendar year.

Some of the available cash will be used to accelerate the profitable development of the residential and office components of the New Waverley development in Edinburgh.

The total cash required for these components in addition to some smaller projects in the existing portfolio is expected to be about €108 million.

For the second half of 2014, we have been actively seeking further assets especially in Germany's retail and industrial sectors, where we believe there are still assets to be had offering attractive yields. To this end we have identified a further five assets each at an average total cost of just under €20 million. In each instance we have either acquired exclusivity or we are in the process of finalising the acquisition. We expect all these transactions to be completed by the end of 2014.

To deploy the cash held in the company efficiently and also to provide the company with an advantage during negotiations, the majority of acquisitions to be closed in the second half of the 2014 calendar year will be made using cash only. The expectation is that the company will look to re-finance the recently acquired assets with the programme commencing in the fourth quarter of the 2014 calendar year. Cash released from the refinancing will be applied to a further pipeline of deals which the company is starting to develop with a target to close on the selected investments during first half of the 2015 calendar year.

In addition to the acquisition of the pipeline detailed above, your directors remain focused on migrating to the main board of the JSE. The current discussions underway regarding internalisation of the investment advisor are the last hurdle to cross before formally engaging with the JSE directly on the move to its main board, which will introduce further benefits to shareholders. With respect to the internalisation, terms suitable to both parties have gained significant shareholder support and the board will make a final decision on this shortly, with appropriate market announcements being made at that time. This transaction would remove the dependence on the external adviser and result in the effective takeover and in-housing of all of the relevant resources, including executive management.

GOVERNANCE

For the sixteen month period to 30 June 2014

Board of Directors and Members of the Investment Committee of the Investment Adviser

INDEPENDENT NON-EXECUTIVE CHAIRMAN



RON SPENCER *

Ron is a non-executive director and chairman of the company. Until his retirement, Ron acted as managing director of Merrill Lynch Investment Managers Holdings (IOM) Limited. Ron is Chair of the Isle of Man Government Gambling Supervision Commission in addition to being a non-executive director of several other IOM companies. In 2004 Ron was admitted as Chartered Director by the Institute of Directors. Ron is based in the Isle of Man.

EXECUTIVE DIRECTORS



LUKAS NAKOS (BBUS SC) *°

Lukas is CEO of Artisan Real Estate Investors and MAS. Previously, Lukas was chief operating officer of a privately owned niche international financial services group with significant real estate exposure, where he had a key role in constructing the real estate portfolio. Lukas is based in the Isle of Man.



MALCOLM LEVY (MCOM, MBA (OXON)) *°

Malcolm is CFO of Artisan Real Estate Investors and MAS. Previously co-founder and portfolio manager of a privately managed \$200 million London-based emerging market equity hedge fund. Prior to this Malcolm was an equities analyst at Gartmore. He is a CFA and CAIA charterholder and a registered South African Chartered Accountant. Malcolm is based in the Isle of Man.

INDEPENDENT NON-EXECUTIVE DIRECTORS



GIDEON OOSTHUIZEN (BENG MECH) *

Gideon is a non-executive director of the company. Gideon is an executive director of Atterbury Property Group, a leading South African real estate development and investment group with assets exceeding \$1.5 billion. Gideon is based in South Africa.



JACO JANSEN (B.COM HONS) *

Jaco is a non-executive director of the company. Jaco is head of the investment services division of the Maitland Group, which manages in excess of \$500million for private clients and provides investment advice on a multi-asset class basis to institutional clients with \$2.3billion of assets. Jaco is a registered South African Chartered Accountant and is based in the Isle of Man.

* Member of the board of directors

° Member of the investment committee

OTHER MEMBERS OF THE INVESTMENT
COMMITTEE OF THE INVESTMENT ADVISER



PIERRE GOOSEN
(BCOM (LAW),
LLB) °

Pierre is joint 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 practising as a commercial, private equity and funds lawyer. Pierre is an admitted attorney in South Africa and solicitor in England and Wales. Pierre is based in the Isle of Man.



ROBERT ROUX
(BACC, BCOMPT) °

Robert is chief operating officer of the Sanlam Investment Cluster and has a wide range of responsibilities which include functional areas such as finance, risk, legal and compliance as well as the operational responsibilities for companies in Namibia and Ireland. Robert is based in South Africa.



DEWALD JOUBERT (BCOM (LAW), LLB) °

Dewald is joint managing director of Argosy Capital, a European based private equity and venture capital investment business. Formerly a practicing lawyer and partner of the Maitland Group and with wide experience in international tax planning and corporate governance, Dewald served on the boards of a number of listed companies and major trading subsidiaries of listed multinational businesses. Dewald is based in the Isle of Man.



JONATHAN KNIGHT
(BSC HONS) °

Jonathan is chief investment officer of Artisan Real Estate Investors and MAS. Jonathan has over 25 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. Prior to this, he worked for over 12 years at ING Real Estate Investment Management (then the largest global real estate investment manager with \$90 billion under management) where he was a member of the global senior executive team.

Corporate Governance Report

THE BOARD OF DIRECTORS AND ITS COMMITTEES

COMPOSITION OF THE BOARD

The board comprises three independent non-executive directors and two executive directors. Shortly after year end, the board appointed a further 3 directors – 2 non-executive directors and 1 executive director. The chairman is Ron Spencer, who has acted as the chairman since his appointment to the board in 2009.

All major acquisitions, disposals and financing transactions require approval by a majority of the board of MAS (BVI) Holdings Limited, the investment decision making subsidiary within the group, with other matters delegated to relevant committees set up by the board or dealt with under the Delegated Authority Framework implemented by the board.

INDEPENDENCE OF THE BOARD

In compliance with the King III Report on Governance for South Africa, the majority of the board members are non-executive, of whom the majority are independent. The roles of the chairman and chief executive officer are separated to ensure a clear division of responsibilities between leadership of the board and operation of the business.

To ensure the independence and impartiality of the board, the directors disclose to the company any circumstances which may have an impact on their ability to act without a conflict of interest. In situations where a conflict may arise, the board can, if necessary, act without those of its members who are conflicted, particularly in the consideration of transactions.

EXPERIENCE OF THE BOARD

All directors have the considerable skills and experience 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 qualifications to fulfil appropriate committee roles.

MEETINGS OF THE BOARD

The board aims to meet formally at least three times a year and more regularly if required. The directors review financial information at least quarterly, together with regular and ad hoc updates on commercial activities and other relevant corporate matters.

DIRECTORS' DEALING

Dealing in company shares by the directors is regulated and monitored by the Bourse de Luxembourg and Johannesburg Stock Exchange ("JSE") Listing Requirements. In addition MAS has adopted a policy on directors' dealings, which requires the approval of the Chairman before dealing and the operation of closed periods between the end of a financial period and the release of results.

AUDIT COMMITTEE

The audit committee meets at least three times a year and comprises two independent non-executive directors, Jaco Jansen (chairman) and Ron Spencer. The terms of reference for the committee include:

- Monitoring the integrity of the financial statements, reviewing significant financial reporting issues and judgements that they contain;
- Reviewing and challenging where necessary the accounting policies and their application; methods and assumptions used for unusual transactions; and the appropriateness of accounting treatments;
- Reviewing, at least annually, the systems of internal control and risk management, to ensure that an adequate risk management process is in place and operating effectively;
- Reviewing the arrangements for employees of any group company to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- Considering and making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor, and overseeing the relationship with the external auditor and the investigation of matters arising out of the external audit.

The board is provided with regular reports on the committee's activities.

THE COMPANY SECRETARY

The board of directors have direct access to the company secretary, Helen Cullen, who advises on updates of regulatory rules, corporate governance matters and legislation. The board has considered and is satisfied with the company secretary's competence, qualifications and experience.

The company secretary is not a member of the board and the board has considered and is satisfied that the company secretary has an arm's-length relationship with the members of the board.

THE INVESTMENT ADVISER

The investment advisor has been incorporated specifically to provide investment advisory services to the company under the remit of an investment advisory agreement (the "Investment Advisory Agreement").

The investment advisor performs, inter alia, the following functions: (i) sources investment opportunities and presents the same to the company; (ii) conducts due diligence and investment analysis in relation to potential or existing investments; (iii) recommends disposal strategies for investments; (iv) recommends a debt strategy for each investment, including the presentation of a lending term sheet for consideration and approval by the company; (v) negotiates the finance documents with and selects the lender(s) to the company and (vi) recommends appropriate risk management strategies particularly with regard to interest rate and foreign currency hedging strategies.

The investment advisor has significant depth of experience in the key competencies required, namely property investment and active asset management. This is combined with the requisite complementary skills and experience in the fields of legal, finance, treasury and corporate governance in the markets in which the company will invest. In addition, the direct involvement of the Sanlam Group in South Africa adds further strengths in this regard. In particular, Robert Roux represents the Sanlam Group on the investment committee of the investment advisor.

Other key strengths include:

- Deep knowledge and long experience in the markets in which the company invests;
- A blend of a strong entrepreneurial style of investment that is balanced by a cautious approach embedded through robust corporate governance and accountability;
- Value creation by complementing income returns from quality property selection with cost benefits achieved through optimum property finance and treasury management;
- Privileged access to off-market deal flow arising from well established relationships in the markets in which the company invests;
- Key relationships in financing, property and facilities management; and
- Significant element of joint participation by shareholders of the investment advisor

Overview of Transfer to the Main Board of the JSE

The company is actively pursuing the transfer of its listing from the Alt^x to the Main Board of the JSE (“the transfer”).

The company has for some time been engaging with its JSE sponsors to progress the transfer application and has commenced the preliminary actions required by the JSE prior to submission of the transfer application.

Certain of the key preliminary steps which the company has initiated include:

- A thorough review and where necessary amendment of the company’s Articles of Association;
- The establishment of all relevant board committees and adoption of terms of reference in compliance with the King Report on Governance for South Africa (“King III”) and the review and where necessary amendment of all the company’s policies to ensure alignment and compliance with King III; and
- Commenced discussions regarding the internalisation of the Investment Adviser.

Once the Articles of Association have been approved by the JSE, they will be presented to shareholders for formal approval at a general meeting.

It is anticipated that the transfer application will be completed and submitted to the JSE in the coming months, and will be made immediately following completion of the internalisation of the Investment Adviser. The internalisation discussions referred to earlier are a key component of the application timing, with conclusion required on this before the JSE is formally engaged.

Your directors are strongly committed to pursuing the migration to the main board of the JSE in the earliest possible timeframe.

CONSOLIDATED FINANCIAL STATEMENTS

For the sixteen month period to 30 June 2014

Directors' Report

The directors present their report together with the audited consolidated financial statements for the sixteen month period ended 30 June 2014.

PRINCIPAL ACTIVITY

MAS is focused on real estate investment and development in Europe. The portfolio is spread geographically across the United Kingdom, Germany and Switzerland with a mix of industrial, retail and logistics properties and mixed use developments.

BUSINESS OVERVIEW

A review of the activities and prospects of the company are given in the Chairman's Statement and the Year in Review.

RESULTS AND PROPOSED DIVIDENDS

The consolidated comprehensive income for the sixteen month period is €5 216 559 (2013: comprehensive loss of €1 104 223)

The board has proposed a dividend of 1,24 euro cents per share. This will result in a total dividend of 1,84 euro cents per share for the financial period under review.

DIRECTORS

The directors of the company that served during the period and to date, are:

Ron Spencer (Independent non-executive chairman)
Gideon Oosthuizen (Independent non-executive)
Jaco Jansen (Independent non-executive)
Lukas Nakos
Malcolm Levy

SHARE OPTIONS

There are no share options granted to directors.

AUDITORS

Our auditors, KPMG Audit LLC, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Shareholders Meeting.

On behalf of the Board

Ron Spencer
Chairman
12 August 2014

CONSOLIDATED FINANCIAL STATEMENTS

For the sixteen month period to 30 June 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards, adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the company 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 adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 company 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 company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Independent Auditors, KPMG Audit LLC, to the Members of MAS Real Estate Inc.

We have audited the financial statements of MAS Real Estate Inc. for the period ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards, as adopted by the EU ("IFRSs").

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 30 June 2014 and of its profit for the sixteen month period then ended.

KPMG Audit LLC
Chartered accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

CONSOLIDATED FINANCIAL STATEMENTS

For the sixteen month period to 30 June 2014

Consolidated Statement of Comprehensive Income

Euro	Notes	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
<i>Revenue</i>			
Gross rental income		5 247 429	4 090 484
<i>Expenses</i>			
Portfolio related expenses		(665 096)	(676 254)
Investment adviser fees		(2 410 812)	(618 836)
Administration expenses	4	(884 564)	(685 462)
Net operating income		1 286 957	2 109 932
Net gain/(loss) on investment property activity	5	528 974	(1 231 311)
Equity accounted earnings		1 479	20 128
Exchange differences	6	3 931 722	(848 219)
Profit before net financing costs		5 749 132	50 530
Net finance income/(costs)	7	509 539	(744 110)
Profit/(loss) before taxation		6 258 671	(693 580)
Taxation	16	(1 198 435)	(193 313)
Profit/(loss) for the period/year		5 060 236	(886 893)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		156 323	(217 330)
Total comprehensive income/(loss) for the period/year		5 216 559	(1 104 223)
Earnings/(loss) per share (euro cents)*		2,76	(2,06)
Headline earnings per share (euro cents)*		3,10	0,66
Adjusted core income per share (euro cents)		2,82	4,21
Weighted average number of ordinary shares in issue		183 068 848	43 055 472
Adjusted core income		5 157 102	1 811 492

*The company has no dilutionary instruments in issue

The directors consider that all results derive from continuing activities

The notes on pages 30 to 52 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

Euro	Notes	As at 30 Jun 2014	As at 28 Feb 2013
<i>Non-current assets</i>			
Goodwill	8	1 371 537	—
Investment property	8	64 751 842	57 012 693
Investments	9	35 743 617	—
Investment in associate	10	—	1 055 174
Loan to associate		—	2 433 270
Plant and equipment	11	—	47 577
Deferred taxation asset	16	52 886	—
Total non-current assets		101 919 882	60 548 714
<i>Current assets</i>			
Short-term loans receivable	12	—	256 885
Trade and other receivables		2 270 221	753 610
Cash and cash equivalents		205 800 188	24 708 091
Total current assets		208 070 409	25 718 586
Total assets		309 990 291	86 267 300
<i>Equity</i>			
Share capital	13	289 978 080	67 423 236
Retained (loss)		(1 276 580)	(3 674 324)
Foreign currency translation reserve		622 928	466 605
Shareholder equity		289 324 428	64 215 517
<i>Non-current liabilities</i>			
Long-term loans payable	14	14 340 752	17 465 162
Financial instruments	15	2 104 606	2 522 790
Deferred taxation liability	16	926 285	—
Total non-current liabilities		17 371 643	19 987 952
<i>Current liabilities</i>			
Short-term loans payable	14	1 757 425	491 460
Trade and other payables		1 536 795	1 572 371
Total current liabilities		3 294 220	2 063 831
Total liabilities		20 665 863	22 051 783
Total shareholder equity and liabilities		309 990 291	86 267 300
Actual number of ordinary shares in issue		279 483 999	66 238 363
Net asset value per share (euro cents)		103,5	96,9
Adjusted net asset value per share (euro cents)		103,8	96,9

These financial statements were approved by the board of directors on 12 August 2014 and signed on their behalf by:

Ron Spencer and Lukas Nakos

The notes on pages 30 to 52 form part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

For the sixteen month period to 30 June 2014

Consolidated Statement of Cash Flows

Euro	Notes	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
<i>Operating activities</i>			
Profit/(loss) before taxation		6 258 671	(693 580)
Depreciation		14 941	13 707
Exchange differences		(3 931 722)	848 219
Earnings in associate		(1 479)	(20 128)
Net interest expense		876 699	755 724
Finance income		(1 386 238)	(18 499)
Movement in fair value adjustments		479 362	1 215 080
Gain on disposal of subsidiaries		(1 008 336)	—
Changes in working capital position		(1 552 186)	(100 261)
Taxation	16	(325 037)	(52 943)
Cash generated from operating activities		(575 325)	1 947 319
<i>Investing activities</i>			
Acquisitions of investment property/capitalised development costs	8	(4 424 840)	(9 263 700)
Acquisition of subsidiary, net of cash acquired		(2 015 573)	—
Acquisition/development of investments		10 148 032	—
Disposal/(purchase) of fixed assets		—	(36 067)
Issuance of short term loans		—	(250 000)
Repayment of short term loans		(256 885)	3 782 783
Interest received		112 953	11 614
Cash (used in) investing activities		3 563 687	(5 755 370)
<i>Financing activities</i>			
Proceeds from issuance of share capital	13	180 391 564	23 797 426
Proceeds from loan facilities		440 718	265 044
Repayment of loan facilities		(2 578 100)	(613 246)
Net interest paid		(876 699)	(755 724)
Dividends paid		(167 909)	(20 130)
Cash (used in)/generated from financing activities		177 209 574	22 673 370
Net increase in cash and equivalents		180 197 936	18 865 319
Cash and equivalents at the beginning of the period		24 708 091	5 742 861
Effect of exchange rate fluctuations		894 161	99 911
CASH AND EQUIVALENTS AT THE END OF THE PERIOD		205 800 188	24 708 091

The notes on pages 30 to 52 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Euro	Share capital	Retained loss	Foreign currency transaction reserve	Total
Opening balance at 1 March 2012	42 154 015	(1 295 506)	683 935	41 542 444
Loss for the year	—	(886 893)	—	(886 893)
Other comprehensive loss	—	—	(217 330)	(217 330)
Total comprehensive loss	—	(886 893)	(217 330)	(1 104 223)
Issue of shares	25 269 221	—	—	25 269 221
Dividends paid	—	(1 491 925)	—	(1 491 925)
Closing balance at 28 February 2013	67 423 236	(3 674 324)	466 605	64 215 517
Profit for the period	—	5 060 236	—	5 060 236
Other comprehensive income	—	—	156 323	156 323
Total comprehensive income	—	5 060 236	156 323	5 216 559
Issue of shares	221 665 796	—	—	221 665 796
Dividends paid	889 048	(2 662 492)	—	(1 773 444)
Closing balance at 30 June 2014	289 978 080	(1 276 580)	622 928	289 324 428

CONSOLIDATED FINANCIAL STATEMENTS

For the sixteen month period to 30 June 2014

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

MAS Real Estate Inc. (the “company” or “MAS”) is domiciled in the British Virgin Islands and has a primary listing on the Euro MTF market of the Luxembourg Stock Exchange and a secondary listing on the Alt^x of the JSE. The consolidated financial statements of the company as at and for the sixteen month period ended 30 June 2014 comprise the company and its subsidiaries (together referred to as the “group” and individually as “group entities”).

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU and issued by the International Accounting Standards Board (“IASB”), and applicable legal and regulating requirements of the BVI Business Companies Act 2004.

b. Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value;
- Financial instruments are measured at fair value through profit and loss; and
- Investment property, with the exception of investment property under construction, is measured at fair value.

In accordance with the transitional provisions of IFRS 13, the group has applied the new definition of fair value. The group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the group has provided the relevant comparative disclosures under those standards.

c. Functional and presentation currency

The consolidated financial statements are presented in euros, which is the group’s functional and presentation currency.

d. Key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect 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 various factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions.

- *Taxation:* The company is subject to income taxes across the jurisdictions where it operates. There are numerous assumptions made in the computation of the provision for taxation across the operating subsidiaries, and the ultimate taxation liability is an estimate that may end up being materially different from that indicated in the financial statements. During the period the company has estimated that it is more likely that any disposals will be through disposal of the underlying asset.
- *Provisions:* The company has a number of outstanding receivables in relation to trading activity. The directors have assessed the likelihood of recoverability of these as highly probable and as such no provision has been made.
- *Investment property:* The company values properties in development at the cost of construction up to the end of the period. The directors have assessed the value of these to be fair and as such no impairment has been made.
- *Investments:* Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 30 June 2014 is included in note 15 and relates to the determination of fair value of financial instruments with significant unobservable inputs.

e. 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.

	Effective date (accounting periods commencing on or after)
IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in May 2011)	1 January 2014
IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)	1 January 2014
IAS 32 Financial Instruments Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (December 2011)	1 January 2014
IFRS 9 Financial Instruments – Classification and measurement of financial asset and liabilities (as amended in December 2011)	TBA
IFRS 10 Consolidated Financial Statements (May 2011)	1 January 2014
IFRS 11 Joint Arrangements (May 2011)	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (May 2011)	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 on IAS 27 to exempt on investment entities from consolidation and account for it at fair value through profit and loss	1 January 2014
Annual improvements to IFRSs – 2010 to 2012 cycle	TBA
Annual improvements to IFRSs – 2011 to 2013 cycle	TBA

The directors do not expect the adoption of these standards and interpretations to have a material impact on the group's financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings for the period under review. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of comprehensive income from the date of acquisition to the date of disposal. Subsidiaries are those enterprises controlled by the company. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains but to the extent that there is no evidence of impairment.

b. Foreign currency

i. Foreign currency transactions

Transactions in currencies other than euro are recorded 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 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.

Other non-monetary assets and liabilities denominated in foreign currencies are translated at the initial drawdown rate. Gains and losses arising on translation are recognised in the profit or loss.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Foreign currency (continued)

ii. Foreign operations

The financial statements of entities that use a functional currency other than the euro, are translated into euros. Assets and liabilities 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 euros using the actual, or approximate average rates of exchange for the transactions.

The resulting translation adjustments are recorded in other comprehensive income. Cumulative translation adjustments are recognised as income or expense upon partial or complete disposal or liquidation of a foreign entity. Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. They are recycled and taken to the profit or loss upon disposal of the operation.

c. Financial instruments

i. Financial assets

The group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instruments.

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.

Financial assets and liabilities are offset and the new amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the group has the positive intent and ability to hold securities to maturity, then such financial assets are classified as held-to-maturity.

Held-to-maturity financial assets are recognised initially at consideration paid plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any estimated impairment losses.

Held-to-maturity financial assets include the investment in the Karoo Fund (refer to note 9).

Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, loans and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with financial institutions, short-term call deposits and highly liquid money market funds. Cash and cash equivalents have a maturity of less than three months.

ii. Financial liabilities

Borrowing costs and costs of construction

Interest-bearing borrowings are recognised initially at the proceeds received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period using the effective interest method, less any impairment losses.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commence when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its value, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowing for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

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

iii. Share capital

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.

iv. Derivative financial liabilities

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss. Derivative financial liabilities consist of interest rate swaps.

d. Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of plant and equipment is recognised in profit or loss.

Items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. It is considered that all items of plant and equipment have an estimated useful life of 5 years.

e. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

f. Investment property

Investment Property ("IAS40"): direct real estate investments are classified as investment properties and comprise both freehold and leasehold land and buildings and installed equipment held for the purpose of earning rental income and for capital appreciation. Investment properties are treated as long-term investments and are initially recognised at cost (including related transaction costs) and subsequently carried at fair value, with any changes therein recognised in profit or loss. Subsequent additions that produce future economic benefit to the company are capitalised.

Investment property under construction is initially recognised at cost as the construction progresses, and subsequently at fair value upon practical completion. The carrying amounts of the group's investment property under construction are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment property (continued)

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are expensed in profit or loss.

For investment properties carried at fair value, independent valuations are obtained on an annual basis. The directors value the investment properties on an interim basis. Investment property is classified as held for sale when the directors have approved the disposal of the property. The valuation calculations are based on the aggregate of the net annual rents receivable and associated costs, using the discounted cash flow method. The discounted cash flow method takes projected cash flow and discounts it at a rate which is consistent with comparable market transactions. Any gains or losses arising from changes in fair value are included in the profit or loss. These unrealised fair value adjustments are excluded from the computation of core income. Gains or losses arising from the disposal of investment property, being the difference between the net disposal proceeds and the carrying value, are recognised in the profit or loss.

g. Investments in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the company holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the company's share of profit or loss and other comprehensive income of equity accounting investees, after adjustments to align the accounting policies with those of the company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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.

h. Impairment

A financial asset not carried at fair value through profit or loss 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 a 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 that 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 loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i. Revenue recognition

Revenue is accounted for on an accrual basis and includes rent receivable and finance income.

Rental income from investment properties leased out under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognised as an integral part of the total rental income and amortised over the term of the leases.

Dividends from listed property investments are recognised on the date the group's right to receive payment is established. Interest earned on cash invested with financial institutions or amounts loaned to other parties is recognised on an accrual basis using the effective interest rate method.

j. Taxation

Taxation on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement 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.

Previously the company considered that asset realisations would likely be achieved via the sale of the shares in the entity holding the respective investment property. In the current year it is now estimated that assets will be realised via the sale of the underlying asset itself. It is therefore appropriate for deferred taxation to be recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences 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, nor differences relating to investments in subsidiaries to the extent described below. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax is not provided on temporary differences arising on investments in subsidiaries and jointly controlled entities where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax on the fair value adjustment on investment properties and listed securities has been provided at the capital gains taxation rate based on the manner in which each asset is expected to be realised. Deferred taxation is provided only to the extent that there are not sufficient tax losses to shield the charge.

k. Earnings per share

Earnings per share

The company 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, which comprise convertible notes and share options granted to employees.

Headline earnings

Headline earnings are derived from basic earnings, adjusted for re-measurements that relate to the platform of the entity, per Circular 3/2009 issued by the South African Institute of Chartered Accountants.

Adjusted core income

Adjusted core income is the company's measure of realised profits that have been generated through the core operations of the company, as represented by the cash rental and interest income received, less interest expenses, operating expenses and taxation paid, that can be distributed to shareholders. (See supplementary information.)

l. Segment reporting

Segment results that are reported to the board of directors 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 balance sheet items relate predominately to cash that has not been allocated to specific investments.

The risks and rewards faced by the company relate primarily to the business segment of the assets and therefore this forms the primary reporting segment. The geographical segment split is a secondary segment.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

4. ADMINISTRATIVE EXPENSES

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Audit and accounting fees	(275 674)	(94 806)
Directors fees	(179 578)	(120 588)
Listing expenses	(148 712)	(194 651)
Corporate advisers	(54 970)	(74 760)
JSE	(37 185)	(50 006)
Transfer secretaries	(35 474)	(50 507)
Bourse de Luxembourg	(16 892)	(10 378)
Other	(4 191)	(9 000)
Company secretarial expenses	(130 925)	(90 836)
General expenses	(79 085)	(70 396)
Legal and professional expenses	(57 593)	(109 238)
Company administration expenses	(12 997)	(4 947)
Total	(884 564)	(685 462)

5. NET GAIN/(LOSS) ON INVESTMENT PROPERTY ACTIVITY

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Gain on disposal of investment property	1 008 336	—
(Loss) on revaluation of investment property	(623 630)	(1 170 695)
Gain/(loss) on fair value of financial instruments	144 268	(60 616)
	528 974	(1 231 311)
Disposal of investment properties		
United Kingdom	821 976	—
Germany	186 360	—
	1 008 336	—
Revaluation of investment properties		
United Kingdom	(729 799)	(908 785)
Germany	310 000	(180 000)
Switzerland	(203 831)	(81 910)
	(623 630)	(1 170 695)
Interest rate swaps		
Petrusse Capital S.a.r.l.	91 482	191 084
Inventive Capital S.a.r.l.	52 786	(251 700)
	144 268	(60 616)

6. EXCHANGE DIFFERENCES

Exchange gains and losses arise from the revaluation of the monetary assets and liabilities. It is not the policy of the company to hedge currencies held between euro, sterling and Swiss franc. As a result, exchange differences arise predominantly from the intra-group funding of foreign subsidiaries. In the current year, this totalled a gain of €3 931 722 (2013: loss of €848 219).

7. NET FINANCE INCOME/(EXPENSE)

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Finance income		
Interest from investments (refer to note 9)	1 186 890	—
Interest from loans	112 953	8 217
Interest from bank deposits and other	86 395	3 397
	1 386 238	11 614
Finance expense		
Interest on bank debt	(876 699)	(755 724)
	(876 699)	(755 724)
Net finance costs	509 539	(744 110)

8. INVESTMENT PROPERTY

Euro	As at 30 Jun 14	As at 28 Feb 13
Investment properties	39 650 572	48 537 714
Development properties	25 101 270	8 474 979
	64 751 842	57 012 693

On 19 August 2013 the company purchased the remaining shares it did not already own in Artisan Investment Projects 10 Limited ("Artisan IP 10") for a total consideration £6 586 667 (€7 719 052), consisting 5 111 182 shares at an issue price of €1.07 and £1 920 000 (€2 250 087) of cash.

The Metchley Hall student accommodation located in Birmingham was disposed of as part of the sale of Golden Cross Limited and its subsidiary Metchley Hall Limited for a total consideration of £6 884 204 (€8 114 344) on 28 February 2014.

One of the Aldi stores held in Inventive Capital S.a.r.l was disposed of on 12 February 2014 for a total consideration of €3 010 000. The Aldi portfolio now consists of 5 remaining Aldi stores.

Measurement of fair value

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the group's investment property portfolio on an annual basis. Investment property designated as development properties are held at cost, which the directors consider reflects fair value. For details for the respective valuers refer to page 59.

Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for level 3 fair values:

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Investment properties		
Opening balance	48 537 714	43 185 257
Properties acquired during the period	—	7 764 188
Capitalised expenditure	—	575 918
Disposals during the period	(9 343 940)	—
Foreign exchange movement in foreign operations	1 080 428	(977 856)
<i>Loss included in Net gain/(loss) on investment property activity</i>		
• Net fair value losses on investment property	(623 630)	(2 009 793)
Closing balance	39 650 572	48 537 714

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

8. INVESTMENT PROPERTY (CONTINUED)

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.

Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth 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	<ul style="list-style-type: none"> • Expected market rental growth • Void periods • Occupancy rate • Rent-free periods • Risk adjusted discount rates 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Expected market rental growth were higher (lower) • Void periods were shorter (longer) • The occupancy rate were higher (lower) • Rent-free periods were shorter (longer) • The risk adjusted discount rate were lower (higher)

Investment properties carried at cost

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Development properties		
Opening balance	8 474 979	7 706 381
Properties acquired during the period (including reclassification from associate)	9 808 953	—
Capitalised expenditure	4 424 840	923 594
Foreign exchange movement in foreign operations	2 392 498	(154 996)
Closing balance	25 101 270	8 474 979

The directors' have evaluated whether there are any indications of impairment with regard to development properties and consider that cost reflects fair value.

Identifiable assets acquired and liabilities assumed

The following table summarises the reorganised amounts of assets and liabilities assumed at the acquisition date 19 August 2013:

Euro	19 August 2013
Investment property	10 679 948
Trade receivables	106 781
Cash and cash equivalents	234 514
Loans and borrowing	(8 198 979)
Foreign currency translation reserve	1 666
Total identifiable net assets acquired	2 823 930

Goodwill on acquisition

Euro	19 August 2013
Consideration transferred	
• Cash	2 250 087
• Shares	5 468 965
Additional debt acquired	(4 580 239)
Movement in foreign exchange translation reserve	(1 695)
Fair value of pre-existing interest in Artisan IP 10	1 058 349
Fair value of identifiable assets	(2 823 930)
	1 371 537

9. INVESTMENTS

On 11 December 2013 the company acquired a 41,5% stake in the Karoo Fund from Attacq Limited ("Attacq") for an all share consideration of €34 199 732. Due to the structuring of the fund, this holding does not result in any significant influence over the operating and financing decisions of Karoo. The purchase was at a 30,7% discount to the net asset value of the fund at the time. The fund will redeem within 3 years of acquisition. During the period the group recognised the following finance income in relation to Karoo Fund:

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Purchase of Karoo Fund	34 199 731	—
Capitalised fees	356 997	—
Unwind of purchase discount	1 186 889	—
Carried forward	35 743 617	—

As at 30 June 2014 the reported net asset value of the Karoo Fund was €160 931 384 with the group's share of investment being €66 869 477. Under the purchase agreement Attacq are entitled to an adjustment in the consideration paid, dependent upon the final value at which the Karoo Fund redeems. This payment will be share based and amounts to €16 229 900 if the current reported net asset value of the fund were realised at par. The group's share of this would amount to €50 639 477.

The group has recognised the investment as held to maturity under IAS 39. As such the acquisition discount is amortised over the period until redemption using the effective interest method.

At the point when the Karoo Funds are realised ("the Realised Value") an adjustment will be made as follows:

1. To the extent that the Realised Value is below the purchase price, 25% of such deficit shall be deemed to be a cost to Attacq, who shall have a corresponding number of consideration shares bought back by MAS for nil consideration and subsequently cancelled.
2. To the extent that the Realised Price is above the purchase price and below 85% of €49 382 605, no further MAS shares will be issued to Attacq.
3. To the extent that the Realised Price is above 85% and below 100% of €49 382 605, such a surplus shall be deemed to be a benefit to Attacq, who shall be issued a corresponding number of additional MAS shares at a price per share equal to the 30-day volume weighted average price of a MAS share at the point when the Karoo Fund is realised.
4. To the extent that the Realised Price is above 100% of €49 382 605, 50% of such further surplus shall be settled through the issue of additional MAS shares to Attacq at a price per share equal to the 30-day volume weighted average price of a MAS share at the point when the Karoo Fund is realised.

The top 5 investments of Karoo Fund are as follows as at 30 June 2014:

	% of total
Sirius Real Estate	31,3
The Mall	26,5
Deutsche Euroshop AG	10,0
Waterside Shopping Centre	8,3
Deutsche Office AG	5,8
	81,9

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

10. INVESTMENT IN ASSOCIATE

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Opening balance	1 055 174	1 081 350
Impact of foreign currency translation	1 696	11 727
Equity accounted profits	1 479	(37 903)
Reclassification as investment property	(1 058 349)	—
Closing balance	—	1 055 174

As indicated in Note 8, during the year the company bought the remaining shares it did not already own in Artisan Investment Projects 10 Limited. As a result Artisan Investment Projects 10 Limited is now consolidated as a full subsidiary.

Summarised financial information

The summarised financial information derived from the gross statement of financial position of associates is set out below. As Artisan Investment Projects 10 Limited was not held at year end as an associate, the summarised financial information has not been presented for the current period.

	28 Feb 13 Euro
Condensed consolidated statement of financial position	
Investment property under construction	7 745 299
Working capital	1 624 143
Cash at bank	515 731
	9 885 173
Share capital	2 883 602
Retained earnings	31 272
Foreign currency translation reserve	(101 073)
Shareholder loans	7 071 372
	9 885 173

11. PLANT AND EQUIPMENT

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Net book value at the beginning of the year	47 577	27 423
Additions	—	36 067
Depreciation	(14 941)	(13 707)
Disposals	(32 636)	—
Foreign currency translation reserve	—	(2 206)
Net book value at the end of the period	—	47 577

12. SHORT-TERM LOANS RECEIVABLE

Euro	As at 30 Jun 2014	As at 28 Feb 2013
MAS Property Advisors Limited	—	256 885
	—	256 885

13. SHARE CAPITAL

The ordinary share capital of the company has no par value and in addition the company has unlimited authorised share capital as it is continued in the British Virgin Islands as a BVI Business Company.

	Number of shares	Share Capital Euro
Balance at 28 February 2012	42 154 015	42 154 015
Issued during the year		
• Capital raised	22 664 215	23 797 426
• Scrip dividends	1 420 133	1 471 795
Balance at 28 February 2013	66 238 363	67 423 236
Issued during the period		
• Capital raised	173 987 429	180 391 564
• Acquisition of Artisan Investment Projects 10 Limited	5 111 182	5 468 965
• Acquisition of Karoo Fund S.C.A.	31 962 365	34 199 732
• Scrip dividends	2 184 660	2 494 583
Balance at 30 June 2014	279 483 999	289 978 080

During the year the group incurred €2 897 232 in expenses in relation to the capital raise. These were offset against share capital.

14. LOANS PAYABLE

Euro	As at 30 Jun 2014	As at 28 Feb 2013
Long term loans		
Credit Suisse – DPD property	8 102 610	8 805 325
Sparkasse Bank – Aldi portfolio	6 238 142	8 369 840
Santon Developments plc – Santon North property	—	289 997
	14 340 752	17 465 162
Short term loans		
Credit Suisse – DPD property	493 560	491 460
Sparkasse Bank – Aldi portfolio	293 938	—
Santon Developments plc – Santon North property	969 927	—
	1 757 425	491 460

Petrusse Capital S.a.r.l. (a subsidiary) received a loan of S.Fr. 13 000 000 (€10 693 800) on 15 January 2010 from Credit Suisse. This is a 15-year term floating rate loan at 90bps above Swiss LIBOR (refer to note 18). The DPD property purchased by Petrusse Capital S.a.r.l. is held as security against this loan. There are no conversion or redemption rights for this loan. Amortisation repayments of S.Fr. 150 000 (€123 390) per quarter began in June 2010 on this loan and the amount outstanding is therefore S.Fr. 10 450 000 (€8 596 170) as at 30 June 2014. Such amortisation payments are financed by the rentals received from the property.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

14. LOANS PAYABLE (CONTINUED)

Inventive Capital S.a.r.l. (a subsidiary) received a loan of €8 369 840 on 1 December 2009 from Sparkasse Bank. This is a 20-year term floating rate loan at 95bps above Euribor (refer to note 18). The Aldi portfolio purchased by Inventive Capital S.a.r.l. is held as security against this loan. A repayment of €1 891 760 was made when Tuttingen was disposed of. There are no conversion or redemption rights for this loan. Amortisation payments begin at the end of 2014. Amortisation repayments of €97 929 per quarter will begin in December 2014. Such amortisation payments are financed by rentals received from the property.

Santon North Street Limited, a subsidiary, has entered into a Joint Venture Agreement with development partners Santon Developments, whereby Santon Developments will underwrite the shortfall in rent below an 8% interest return on funds injected into the investment. This has allowed the continued payment of a dividend whilst the development value is extracted. This shortfall guarantee bears interest at 8% per annum.

15. FINANCIAL INSTRUMENTS

Reconciliation of financial instruments

Euro	Aldi	DPD	Total
Year ended 28 February 2012	1 210 958	1 267 447	2 478 405
<i>Movements:</i>			
Fair valuation of hedging instruments	251 700	(191 084)	60 616
Foreign currency translation reserve	—	(16 231)	(16 231)
Year ended 28 February 2013	1 462 658	1 060 132	2 522 790
<i>Movements:</i>			
Fair valuation of hedging instruments	(52 785)	(91 482)	(144 268)
Partial settlement of hedging instrument	(278 000)	—	(278 000)
Foreign currency translation reserve	—	4 083	4 083
Sixteen month period ended 30 June 2014	1 131 873	972 733	2 104 606

The company has hedged the interest rate exposure on the bank loans disclosed in note 14 from Credit Suisse and Sparkasse Bank.

75% of the Sparkasse Bank debt used to purchase the Aldi portfolio was hedged with Bayern LB via an interest rate swap at a fixed rate of 4.2%, and 25% fixed via an interest rate cap with a strike at 4.0%, on 20 October 2009. Both the hedge and the cap started on 1 December 2009, the completion date of the property. The mark-to-market valuation of this hedge was a liability of €1 131 873 as at 30 June 2014 (2013: liability of €1 462 658). During the year the company disposed of the Tuttingen store, which resulted in a payment of €270 000 to settle the relevant portion of the interest hedge.

70% of the Credit Suisse debt used to purchase the DPD property was hedged directly with Credit Suisse via a forward-starting interest rate swap at 2.76% on 14 September 2009. The start date was 15 June 2010. The mark-to-market valuation of this hedge was a liability of €972 733 as at 30 June 2014 (2013: liability of €1 060 133).

Fair value hierarchy

The table below analyses financial instruments measured at fair value, and not measured at fair value. The different levels have been defined 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.

ACCOUNTING CLASSIFICATION AND FAIR VALUES

Euro	Note	Fair value	Held-to-maturity	Carrying amount Loans and receivables	Other financial liabilities	Total	Fair value		
							Level 2	Level 3	Total
30 June 2014									
Financial assets not measured at fair value ¹									
Trade and other receivables		—	—	2 270 221	—	2 270 221	—	—	2 270 221
Cash and cash equivalents		—	—	205 800 188	—	205 800 188	—	—	205 800 188
Investments	9	—	35 743 617	—	—	35 743 617	—	50 639 577	50 639 577
Financial liabilities measured at fair value									
Financial instruments		2 104 606	—	—	—	2 104 606	2 104 606	—	2 104 606
Financial liabilities not measured at fair value									
Long-term loans payable	14	—	—	—	14 340 752	14 340 752	—	—	14 340 752
Short-term loans payable	14	—	—	—	1 757 425	1 757 425	—	—	1 757 425
Trade and other payables		—	—	—	1 536 795	1 536 795	—	—	1 536 795
28 February 2013									
Financial assets not measured at fair value									
Short-term loans		—	—	256 885	—	256 885	—	—	256 885
Trade and other receivables		—	—	753 610	—	753 610	—	—	753 610
Cash and cash equivalents		—	—	24 708 091	—	24 708 091	—	—	24 708 091
Financial liabilities measured at fair value									
Financial instruments		2 522 790	—	—	—	2 522 790	2 522 790	—	2 522 790
Financial liabilities not measured at fair value									
Long-term loans payable	14	—	—	—	17 465 162	17 465 162	—	—	17 465 162
Short-term loans payable	14	—	—	—	491 460	491 460	—	—	491 460
Trade and other payables		—	—	—	1 572 371	1 572 371	—	—	1 572 371
28 February 2013									
Financial instruments		19 528 993	—	—	19 528 993	19 528 993	—	—	19 528 993

¹ The group has not disclosed the fair values for financial instruments such as short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

16. TAXATION

The company was subject to Isle of Man taxation at a rate of 0% until 4 January 2013, when it redomiciled to the British Virgin Islands. Since then the company has not been subject to taxation in the British Virgin Islands. Operating subsidiaries of the company, however, are exposed to taxation in the jurisdictions in which they operate and, potentially, in the jurisdictions through which the SPV investment companies are held.

In the UK, the company provides for taxation in the investment SPV's at the rate of 20% of taxable profits, being net rentals less allowable property expenses and interest. In the current year, UK normal taxation of €287 815 has been provided (2013: €182 101).

In Switzerland, the company is liable to cantonal and federal taxes, in addition to a wealth tax. The effective income tax rate for income from Petrusse Capital S.a.r.l., that owns the DPD property, is 20,673%, with wealth tax charged at a rate of 0,1695% of net assets. For the period under review, Petrusse Capital S.A.R.L. was in a taxable loss position as a result of capital allowances on the property, and hence no income tax is payable. A wealth tax of €8 951 has been provided for (2013: €5 209).

In Germany, the company is taxed on net rental income, with an effective corporate income tax and solidarity tax rate of 15,825%. For the year under review Inventive Capital S.a.r.l., the Luxembourg SPV that owns the Aldi portfolio, was in a taxable loss position as a result of capital allowances on the property, and hence no income tax is payable (2013: nil).

Corporate tax charge and deferred tax

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Current year tax	325 036	193 313
Deferred tax expense	873 399	—
Tax expense	1 198 435	193 313
Deferred tax acquired in business combination	—	—
Deferred tax brought forward	—	—
Current year deferred tax	873 399	—
Deferred tax liability carried forward	873 399	—
The deferred tax liability results from the following types of differences		
Euro	As at 30 Jun 2014	As at 28 Feb 2013
Temporary differences between accounting and fiscal value of investment property	52 886	—
Fiscal losses	—	—
Deferred tax asset	52 886	—
Temporary differences between accounting and fiscal value of investment property	(926 285)	—
Deferred tax liability	(926 285)	—
Net deferred tax liability	(873 399)	—

Previously the company estimated that asset realisations would likely be achieved via the sale of the shares in the entity holding the respective investment property. In the current period it is now estimated more probable that assets will be realised via the sale of the underlying asset itself. It is therefore appropriate for deferred taxation to be recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

17. SEGMENT REPORTING

The group's identified reportable segments are as follows:

Investment properties:	Consists of all the income generating standing properties in the portfolio. These are all held at fair value
Development properties:	Consists of developments, namely the New Waverley development in Edinburgh and the Santon North Street development in Lewes
Investments:	Consists of the holding in the Karoo Fund S.C.A.
Corporate and treasury:	Consists of all of the cash holdings outside of the other reporting segments

Euro	Investment property	Development property	Investments	Corporate and treasury	Total
------	------------------------	-------------------------	-------------	---------------------------	-------

Sixteen month period ended 30 June 2014

Statement of comprehensive income

Rental income	4 741 159	506 270	—	—	5 247 429
Operating expenses	(430 346)	(234 750)	—	—	(665 096)
Net finance costs	(816 807)	(59 797)	1 168 144	199 253	490 793
Core income	2 533 606	641 653	870 308	1 111 535	5 157 102
Profit for the period	3 233 819	6 531	870 308	949 578	5 060 236

Statement of financial position

Non-current assets	40 452 451	25 723 814	35 743 617	—	101 919 882
Current assets	1 818 984	451 237	—	205 800 188	208 070 409
Non-current liabilities	17 371 643	—	—	—	17 371 643
Current liabilities	1 705 683	1 155 707	—	432 830	3 294 220

Year ended 28 February 2013

Statement of comprehensive income

Rental income	3 669 623	420 861	—	—	4 090 484
Operating expenses	(453 873)	(222 381)	—	—	(676 254)
Net finance costs	(743 710)	(8 300)	—	7 902	(744 108)
Core income	2 164 820	262 638	—	(616 089)	1 811 369
Profit for the period	(720 928)	947 023	—	(1 112 988)	(886 893)

Statement of financial position

Non-current assets	51 018 562	9 530 152	—	—	60 548 714
Current assets	1 109 917	457 845	—	24 150 824	25 718 586
Non-current liabilities	19 697 955	289 997	—	—	19 987 952
Current liabilities	1 677 680	124 571	—	261 579	2 063 831

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

18. FINANCIAL RISK MANAGEMENT

Overview

The company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market price risk
- Credit risk
- Interest rate risk
- Foreign exchange risk

These risks are managed as follows:

Liquidity risk – the risk 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 company has internal procedures focused on ensuring the efficient but prudent use of cash and availability of working capital. The liquidity risk inherent in the company 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 company to cover the interest payments. As a result adequate cash buffers are maintained, and tenant strength is reviewed on a continual basis.

Currently all tenants are trading well, with the exception of HMV UK Limited, which has gone into administration. However, the guarantor, EMI Group plc, continues to trade well. The directors therefore remain confident about the receipt of rentals on this property over the lease term.

The following are the contractual maturities of financial liabilities, including interest payments:

30 June 2014			
Euro	< 1 year	1-3 years	>3 years
Property loan portfolio	1 757 425	1 770 954	12 569 798
Short term loan and trade payables	1 536 796	—	—
Total	3 294 221	1 770 954	12 569 798

28 February 2013			
Euro	< 1 year	1-3 years	> 3 years
Property loan portfolio	491 460	1 066 620	16 398 542
Short term loan and trade payables	1 572 371	—	—
Total	2 063 831	1 066 620	16 398 542

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 company 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. This risk is mitigated through the use of a dedicated investment advisor, MAS Property Advisors Limited, which focuses on the continual assessment of the portfolio and its movements in relation to the broader market.

The fair values of assets and liabilities affected by market price risk are as follows:

Euro	As at 30 Jun 2014	As at 28 Feb 2013
Assets		
Investment property (refer to note 8)	39 650 572	48 537 714
Investments	35 743 617	—
	75 394 189	48 537 714
Liabilities		
Financial instruments	(2 104 606)	(2 522 790)
	(2 104 606)	(2 522 790)

As at 30 June 2014, if market prices at that date had been 1% lower with all other variables held constant, post tax profit for the year would have been €732 896 (2013: €460 149) lower. If market prices had been 1% higher, with all other variable held constant, post-tax profit would have been €732 896 (2013: €460 149) higher.

Credit risk – the company is exposed to credit risk primarily as a result of its banking relationships. In particular, the credit exposure relates to potential default on the hedging instruments if the counterparty defaults as a result of a deteriorating credit rating.

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

Euro	As at 30 Jun 2014	As at 28 Feb 2013
Short-term loans receivable	—	256 885
Trade and other receivables	2 270 221	753 610
Cash and cash equivalents	205 800 188	24 708 091
Total	208 070 409	25 718 586

The group holds a significant amount of cash and cash equivalents. These are held with bank and financial institution counterparties which are rated A+ or better by Moody's rating agency.

Interest rate risk – a significant part of the funding of the company's portfolio derives from debt. Debt is managed on an active basis, hedging against adverse movements in interest rates. Note 15 details the hedging arrangements of the group.

The company's exposure to interest rates on financial liabilities are as follows:

	Fixed Euro	Floating Euro	Capped Euro
30 June 2014			
Credit-Suisse – DPD property	6 447 128	2 149 042	—
- Interest rate	2,76% + 90bps	Swiss Libor + 90bps	N/a
Sparkasse – Aldi portfolio	4 899 060	—	1 633 020
- Interest rate	4,2% + 95bps	N/a	4,0% + 95bps
28 February 2013			
Credit-Suisse – DPD property	6 507 750	2 789 036	—
- Interest rate	2,76% + 90bps	Swiss Libor + 90bps	N/a
Sparkasse – Aldi portfolio	6 277 380	—	2 092 460
- Interest rate	4,2% + 95bps	N/a	4,0% + 95bps

As at 30 June 2014, if interest rates at that date had been 100 basis points lower with all other variables held constant, post tax profit for the year would have been €27 832 (2013: €27 890) higher, arising mainly as a result of lower interest expense on variable borrowings. If interest rates had been 100 basis points higher, with all other variable held constant, post-tax profit would have been €27 832 (2013: €27 890) lower, mainly arising as a result of higher interest expense on variable borrowings.

Foreign exchange risk – the company 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 the assets denominated in other currencies will fluctuate due to changes in exchange rates.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2014 the company had the following currency exposures:

Currency risk exposures

	GBP	CHF	ZAR	USD
Closing exchange rate	0,8015	1,2157	14,4599	1,3658
MONETARY ITEMS				
Cash at Bank				
Foreign currency	53 284 232	413 774	2 178	1 238
Euro equivalent	66 477 408	340 370	151	906
Payables				
Foreign currency	(568 805)	(366 867)	—	—
Euro equivalent	(709 698)	(301 785)	—	—
Receivables				
Foreign currency	1 092 072	12 319	—	—
Euro equivalent	1 362 578	10 134	—	—
Other monetary assets				
Foreign currency	—	—	—	—
Euro equivalent	—	—	—	—
Other monetary liabilities				
Foreign currency	(777 372)	(10 450 000)	—	—
Euro equivalent	(969 927)	(8 596 170)	—	—
Interest Rate Swaps				
Foreign currency	—	(1 182 510)	—	—
Euro equivalent	—	(972 733)	—	—
Total net monetary exposure				
Foreign currency	3 280 127	(11 573 284)	2 178	1 238
Euro equivalent	4 092 261	(9 520 184)	151	906
NON-MONETARY ITEMS				
Investment property				
Foreign currency	30 178 033	22 520 000	—	—
Euro equivalent	38 326 890	18 524 952	—	—
Investment in associate				
Foreign currency	—	—	—	—
Euro equivalent	—	—	—	—
Fixed assets				
Foreign currency	—	—	—	—
Euro equivalent	—	—	—	—

At 28 February 2013 the company had the following currency exposures:

Currency risk exposures

	GBP	CHF	ZAR	USD
Closing exchange rate	0,8630	1,2209	11,7509	1,3129

MONETARY ITEMS

Cash at Bank

Foreign currency	353 504	446 879	164	—
Euro equivalent	409 605	366 038	14	—

Payables

Foreign currency	(983 096)	245 937	(903 950)	(14 759)
Euro equivalent	(1 139 113)	201 447	(76 926)	(11 242)

Receivables

Foreign currency	570 575	22 082	—	—
Euro equivalent	661 125	18 087	—	—

Other monetary assets

Foreign currency	2 100 000	—	—	—
Euro equivalent	2 433 270	—	—	—

Other monetary liabilities

Foreign currency	(250 278)	(11 350 000)	—	—
Euro equivalent	(289 997)	(9 296 785)	—	—

Interest Rate Swaps

Foreign currency	—	1 294 264	—	—
Euro equivalent	—	1 060 132	—	—

Total net monetary exposure

Foreign currency	1 790 705	(9 340 838)	(903 786)	(14 759)
Euro equivalent	2 074 890	(7 651 081)	(76 912)	(11 242)

NON-MONETARY ITEMS

Investment property

Foreign currency	24 714 213	22 740 000	—	—
Euro equivalent	28 636 359	18 626 334	—	—

Investment in associate

Foreign currency	910 062	—	—	—
Euro equivalent	1 055 174	—	—	—

Fixed assets

Foreign currency	41 060	—	—	—
Euro equivalent	47 577	—	—	—

As at 30 June 2014, if the euro had weakened by 1 per cent against other currencies used by the company with all other variables held constant, post-tax profit for the period would have been €1 080 662 (2013: €37 036) higher. Conversely if the euro had strengthened by 1 per cent against other currencies used by the company with all other variables held constant, post-tax profit for the period would have been €1 080 662 (2013: €37 036) lower. The higher foreign exchange rate sensitivity in profit for 2014 is attributable to the increased amount of foreign currency denominated assets held.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

19. DIRECTORS' REMUNERATION

The directors received the following remuneration for their services during the year, and held, either directly or through family entities, the following number of shares at year end:

	Sixteen month period ended 30 Jun 14 Remuneration Euro	Sixteen month period ended 30 Jun 14 Shares held Number	Year ended 28 Feb 13 Remuneration Euro	Year ended 28 Feb 13 Shares held Number
Jaco Jansen	25 333	—	19 000	—
Malcolm Levy ^a	103 579	11 379	63 588	11 200
Lukas Nakos ^b	—	100 763	—	51 953
Gideon Oosthuizen	25 333	—	19 000	188 365
Ron Spencer	25 333	10 764	19 000	10 559
Total	179 578	122 906	120 588	262 077

^a This amount was paid directly to MAS Property Advisors Limited, the investment advisor.

^b Lukas Nakos is the CEO of MAS Property Advisors Limited. His services to the company form part of the arrangements under the Investment Advisory Agreement.

Authority to issue shares

Shares may be issued and options to acquire shares may be granted at such times, to such persons, for such consideration and on such terms as the directors may determine, provided that the amount issued does not exceed 10% of the issued share capital of the company, and subject to such issue being offered to the current shareholders.

20. RELATED PARTY TRANSACTIONS

Relationships

Related parties are defined as those entities with which the company transacted during the year and in which the following relationship(s) exist: shareholding; directorships; or key management.

Transactions between group companies which are eliminated on consolidation are not disclosed.

Investment advisor

During the year the following payments were made to the investment advisor:

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Investment management fees	2 410 812	618 836
Professional services	—	200 486
Transaction fees	341 997	69 522
Total	2 752 809	888 844

In addition, the working capital loan disclosed in note 12 was repaid by the investment advisor.

Attacq Limited ("Attacq")

Attacq is a significant shareholder in MAS.

The group purchased the Karoo Fund S.C.A from Attacq during the year for an all share consideration of €34,2million (refer to note 9). Under the agreement if the value of the Karoo Fund S.C.A values significantly from the expected realisation at purchase then a mechanism will offset the gain or loss. At the current value of the Karoo Fund S.C.A were to remain at its current level than Attacq would be entitled to a payment in shares of €16,2million.

During the prior year MAS (IOM) Holdings Limited made a loan to Attacq to allow Attacq to participate in the Artisan IP 10 investment alongside MAS. This was a short-term loan that was secured by the investment into Artisan IP 10 and accrued interest at a rate of 15% per annum. The loan amount was £2,5 million from 19 December 2011 and was repaid at the end of January 2012.

21. RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD/YEAR TO HEADLINE EARNINGS

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Profit/(loss) for the period/year	5 060 236	(886 893)
Adjusted for:		
Revaluation of investment property	623 630	1 170 695
Headline earnings	5 683 866	283 802
Weighted average number of ordinary shares in issue	183 068 848	43 055 472
Headline earnings per share (euro cents)	3,10	0,66
	Number of shares	Weighted
Opening as at 01 March 2012	42 154 015	42 154 015
Scrip taken	644 817	345 052
Scrip taken	775 316	57 189
Capital raise	22 664 215	499 216
Closing as at 28 February 2013	66 238 363	43 055 472
Opening as at 01 March 2013	66 238 363	66 238 363
Scrip taken	2 184 660	1 552 140
Shares issued in relation to purchase of shares of IP10	5 111 182	5 111 182
Shares listed in relation to purchase of shares of Karoo	31 962,365	17 736 341
Capital raise	173 987 429	92 430 822
Closing as at 30 June 2014	279 483 999	183 068 848

22. SUBSIDIARIES AND ASSOCIATES

The following entities are all 100% held subsidiaries of MAS:

Company Name	Domicile	Share Capital
MAS (BVI) Holdings Limited	British Virgin Islands	EUR 100
MAS (IOM) Holdings Limited	Isle of Man	EUR 100
Braehead Properties Limited	Isle of Man	GBP 100
MAS Mezzi Limited	Isle of Man	EUR 100
Sauchiehall Street Properties 1 Limited	Isle of Man	GBP 100
Santon North Street Limited	Isle of Man	GBP 100
Artisan Investment Projects 10 Limited	Isle of Man	GBP 2 400 000
Artisan Investment Projects 11 Limited	Isle of Man	GBP 1
Artisan Investment Projects 12 Limited	Isle of Man	GBP 1
European Property Holdings S.A.R.L.	Luxembourg	EUR 35 000
Petrusse Capital S.A.R.L.	Luxembourg	CHF 4 260 000
Inventive Capital S.A.R.L.	Luxembourg	EUR 475 000
Interlude Capital S.A.R.L.	Luxembourg	EUR 12 500
Inpromptu Capital S.A.R.L.	Luxembourg	EUR 12 500

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the sixteen month period to 30 June 2014

23. SUBSIDIARIES AND ASSOCIATES (CONTINUED)

The aggregate intercompany indebtedness between subsidiaries at 30 June 2014 (28 February 2013) was as follows:

MAS (BVI) Holdings Limited owed MAS €99 885 616 (2013: €41 905 280)
 European Property Holdings SARL owed MAS (BVI) Holdings Limited €4 155 498 (2013: €3 956 895)
 Petrusse Capital SARL owed MAS (BVI) Holdings Limited €3 059 475 (2013: €2 863 252)
 Inventive Capital SARL owed MAS (BVI) Holdings Limited €4 374 782 (2013: €2 208 831)
 MAS (IOM) Holdings Limited owed MAS (BVI) Holdings Limited €37 334 664 (2013: €1 279 259), Sauchiehall Street Properties 1 Limited €125 (2013: €116), Santon North Street Limited €125 (2013: €116), Golden Cross Properties Limited €nil (2013: €116) and Braehead Properties Limited €125 (2013: €116)
 MAS Mezzi Limited owed MAS (BVI) Holdings Limited €31 413 692 (2013: €28 969 192)
 Sauchiehall Street Properties 1 Limited owed MAS (IOM) Holdings Limited €nil (2013: €nil), MAS (BVI) Holdings Limited €nil (2013: €57 937) and MAS Mezzi Limited €8 049 174 (2013: €6 358 752)
 Santon North Street Limited owed MAS (IOM) Holdings Limited €nil (2013: €nil), MAS (BVI) Holdings Limited €nil (2013: €67 207) and MAS Mezzi Limited €11 729 732 (2013: €8 137 476)
 Braehead Properties Limited owed MAS Mezzi Limited €8 564 644 (2013: €7 923 838)
 Interlude Capital SARL owed MAS (BVI) Holdings Limited €9 649 050 (2013: n/a)
 Impromptu Capital SARL owed MAS (BVI) Holdings Limited €78 278 (2013: n/a)
 Artisan Investment Projects 10 Limited owed MAS (IOM) Holdings Limited €nil (As associate 2013: €nil) and MAS Mezzi Limited €11 698 740 (As associate 2013: €2 651 726)
 Artisan Investment Projects 11 Limited owed MAS Mezzi Limited €4 557 (2013: n/a)
 Artisan Investment Projects 12 Limited owed MAS Mezzi Limited €4 557 (2013: n/a)

24. SIGNIFICANT SHAREHOLDINGS

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Attacq Limited	47,25%	21,10%
Argosy Capital Limited	11,16%	9,36%
Sanlam Life Insurance Limited	6,02%	24,91%
Mergon Foundation	2,34%	7,47%
BNF Investments (Pty) Limited	0,90%	5,48%
Mertech Investments (Pty) Limited	0,34%	1,92%
Mertech Services (Pty) Limited	0,00%	0,84%
Sanlam Global Equity Fund	—	6,25%
Amplain Limited	—	0,80%

25. SUBSEQUENT EVENTS

No material events outside of the ordinary course of business have occurred between reporting date and signature date of these financial statements.

26. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

Supplementary Information

Reconciliation of profit / (loss) for the period / year to adjusted core income – unaudited

Euro	Sixteen month period ended 30 Jun 2014	Year ended 28 Feb 2013
Profit / (loss) for the year	5 060 236	(886 893)
Adjusted for:		
• Net fair value adjustments	(528 974)	1 231 311
• Exchange differences	(3 931 722)	848 219
• Capital raising fees and structure costs	595 891	359 085
Income shortfall guarantee	635 123	259 770
Realised profit on disposals ¹	2 453 149	—
Deferred taxation	873 399	—
Adjusted core income	5 157 102	1 811 492

¹ Realised profits can be distributed or reinvested at the board's discretion. In the current period the board has elected to distribute the realised retained earnings from the disposal of Metchley Hall property and the Aldi Tuttlingen store in order to supplement the core income distribution as the portfolio is in the build up phase.



NOTICE TO SHAREHOLDERS

MAS Real Estate Inc. (the “company”)

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE SHAREHOLDERS OF THE COMPANY WILL BE HELD AT 25 ATHOL STREET, DOUGLAS, ISLE OF MAN ON WEDNESDAY, 5 NOVEMBER 2014 AT 11.00 (GMT) FOR THE FOLLOWING PURPOSES:

1. To receive and adopt the annual financial statements for the sixteen month period ended 30 June 2014 and the directors’ report and the auditors’ report
2. To re-elect Malcolm Levy as a director who retires by rotation in accordance with the articles of association of the company
3. To re-elect Ron Spencer as a director who retires by rotation in accordance with the articles of association of the company
4. To re-appoint KPMG Audit LLC as auditors of the company

By order of the board

Helen Cullen

Company secretary

4 September 2014

Correspondence address:

25 Athol Street
Douglas
Isle of Man
IM1 1LB

Note: A shareholder may be represented at the meeting by a proxy, who need not be a shareholder, to speak and vote on behalf of the shareholder. Please note the details for the return of proxy forms vary for European and South African shareholders.

FORM OF PROXY

FOR SHAREHOLDERS ON THE
EUROPEAN REGISTER

TO BE EFFECTIVE, ALL PROXY APPOINTMENTS MUST BE LODGED WITH THE COMPANY'S REGISTRARS AT: COMPUTERSHARE INVESTOR SERVICES (BVI) LIMITED, C/O THE PAVILIONS, BRIDGWATER ROAD, BRISTOL, BS99 6ZY BY 3 NOVEMBER 2014 AT 11:00.

This form is for use at the shareholders' meeting of MAS to be held at 25 Athol Street, Douglas, Isle of Man on Wednesday, 5 November 2014 at 11:00 (GMT) or any adjournment thereof.

I/We.....
 (names in full - please print)

of.....
 (address - please print)

being the shareholder of ordinary shares in MAS hereby appoint:

1. of or failing him/her,

2. of or failing him/her,

the chairman of the meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the shareholders' meeting of the company to be held at 11:00 (GMT) on 5 November 2014 and at any adjournment thereof.

I have indicated with a "x" how I/we wish my/our votes to be cast on the following resolutions which are referred to in the Notice convening the meeting (see note 1 on overleaf).

	FOR	AGAINST	VOTE WITHHELD
To receive and adopt the audited financial statements for the sixteen month period ended 30 June 2014 and the directors' report and the auditors' report			
To re-elect Malcolm Levy as a director who retires by rotation in accordance with the articles of association of the company			
To re-elect Ron Spencer as a director who retires by rotation in accordance with the articles of association of the company			
To re-appoint KPMG Audit LLC as auditors of the company			

Signed at on 2014

Signature.....

Please tick here if you are appointing more than one proxy ☐ Number of shares proxy appointed over

Please read the notes overleaf



Notes

1. Shareholders have the right to appoint some other person(s) of their choice, who need not be a shareholder, as their proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box overleaf the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the shareholder helpline on +44 (0) 870 703 6101 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. The record date on which shareholders must be registered in the register of members in order to attend and vote at the meeting is Friday, 31 October 2014 (or in the event that the meeting is adjourned on the register of members 48 hours before the time of any adjournment meeting).
5. The address on this communication is how your address appears on the Register of Members. If this information is incorrect please ring the shareholder helpline on +44 (0) 870 703 6101 to request a change of address form or go to www.investorcentre.co.uk/je to use the online Investor Centre service.
6. Any alterations made to this form should be initialled.
7. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

FORM OF PROXY

FOR SHAREHOLDERS ON THE SOUTH AFRICAN REGISTER

SHAREHOLDERS' MEETING TO BE HELD ON WEDNESDAY, 5 NOVEMBER 2014 AT 11:00 (GMT), OR AT ANY ADJOURNED MEETING – THIS FORM OF PROXY IS SOLICITED BY AND ON BEHALF OF MANAGEMENT

Only for use by certificated shareholders or dematerialised shareholders of MAS who have selected "own-name" registration.

For use by MAS shareholders at the shareholders' meeting to be held at 25 Athol Street, Douglas, Isle of Man on Wednesday, 5 November 2014 at 11:00 (GMT), and at any adjournment or postponement thereof. If you have dematerialised your ordinary shares with a Central Securities Depository Participant ("CSDP") or broker and have not selected "own-name" registration, you must arrange with your CSDP or broker to provide you with the necessary letter of representation to attend the shareholders' meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker.

I/We.....
 (names in full – please print)

of
 (address – please print)

being the shareholder of ordinary shares in MAS hereby appoint:

1. of or failing him/her,
2. of or failing him/her,

the chairman of the meeting as my/our proxy to attend and vote for me/us at the shareholders' meeting and at any adjournment thereof and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions (see notes):

	FOR	AGAINST	VOTE WITH- HELD
To receive and adopt the audited financial statements for the sixteen month period ended 30 June 2014 and the directors' report and the auditors' report			
To re-elect Malcolm Levy as a director who retires by rotation in accordance with the articles of association of the company			
To re-elect Ron Spencer as a director who retires by rotation in accordance with the articles of association of the company			
To re-appoint KPMG Audit LLC as auditors of the company			

Signed at on 2014

Name.....
 (in block letters)

Signature/s.....

Assisted by me.....
 (If applicable)

Full name/s of signatory/ies if signing in a representative capacity

.....
 (in block letters and authority to be attached – see note 12)
 Please read the notes overleaf



Notes

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of MAS) to attend, speak, vote or abstain from voting in place of that shareholder at the shareholders' meeting.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the meeting" but any such deletion must be initialised by the shareholder. The person whose name stands first on the form of proxy and who is present at the shareholders' meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. The record date on which shareholders must be registered in the register of members in order to attend and note at the meeting is Friday, 31 October 2014 (or in the event that the meeting is adjourned on the register of members 48 hours before the time of any adjournment meeting).
4. **Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Limited, ground floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 am (South African time) on Monday, 3 November 2014.**
5. The completion and lodging of this form of proxy will not preclude the shareholder from attending the shareholders' meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
6. **If the signatory does not indicate in the appropriate place on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution, and in the case of the appointment of the chairman of the meeting as proxy shareholder, the proxy shareholder will vote in favour of the resolution.**
7. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
 - under a power of attorney; or
 - on behalf of a companyunless the power of attorney or authority is deposited at the office of MAS transfer secretaries, not less than 48 hours before the time appointed for the holding of the shareholders' meeting.
8. The chairman of the meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the chairman of the meeting is satisfied as to the manner in which the shareholder concerned wishes to vote.
9. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alterations must be signed, not initialled.
10. If the holding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total holding registered in the shareholder's name.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the shareholders' meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in MAS in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the shareholders' meeting.
12. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by MAS or its transfer secretaries or waived by the chairman of the meeting.
13. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with MAS or the transfer secretaries.
14. Where there are joint shareholders of shares and if more than one such joint shareholder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
15. Where shares are held jointly, all joint shareholders are required to sign.
16. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of MAS.
17. Dematerialised shareholders who have not selected "own-name" registration and who wish to attend the shareholders' meeting or to vote by way of proxy, must advise their CSDP or broker who will issue the necessary letter of representation in writing for a dematerialised shareholder or proxy to do so.
18. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by management to the shareholder.
19. This proxy confers discretionary authority in respect of amendments to matters identified in the notice of the shareholders' meeting or other matters that may properly come before the meeting.

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd: Reg. no. 2004/003647/07

Proxy Dept. PO Box 61051, Marshalltown 2107, South Africa. Fax: +27 11 688-5238

COMPANY INFORMATION

COMPANY INFORMATION AND ADVISORS

REGISTERED OFFICE IN THE BVI

MAS Real Estate Inc.
Midocean Chambers
Road Town, Tortola
British Virgin Islands

CORRESPONDENCE ADDRESS

MAS Real Estate Inc.
25 Athol Street
Douglas
Isle of Man
IM1 1LB

COMPANY SECRETARY

Helen Cullen ACIS
(Associate of the Institute of
Chartered Secretaries &
Administrators)

INVESTMENT ADVISER

MAS Property Advisors Limited
25 Athol Street
Douglas
Isle of Man
IM1 1LB

INDEPENDENT AUDITORS

KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

JSE SPONSOR

Java Capital
2 Arnold Road
Rosebank
2196
South Africa

LUXEMBOURG LEGAL ADVISER

M Partners
56, rue Charles Martel
L-2134
Luxembourg

LUXEMBOURG ADMINISTRATOR

Hoche Partner Trust Services SA
121 Avenue de la Faiencerie
L-1511
Luxembourg

BVI ADMINISTRATOR

Midocean Management and Trust
Services (BVI) Limited
Midocean Chambers, P. O. Box 805,
Road Town, 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
Ground floor
70 Marshall Street
Johannesburg 2001
P O Box 61051, Marshalltown 2107

DEPOSITORY

Computershare Investor Services
PLC
The Pavilions
Bridgwater Road
Bristol
B599 6ZZ

PROPERTY VALUERS

GERMANY
DTZ Zadelhoff Tie Leung GmbH
Bürohaus an der Alten Oper,
Neue Mainzer Strasse 69-75,
60311 Frankfurt,
Germany

SWITZERLAND
Wüest & Partner AG
Alte Börse, Bleicherweg 5
CH-8001 Zurich
Zürich
Switzerland

UK
Savills (L&P) Limited
33 Margaret Street
London
W1G 0JD

Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

GVA James Barr Limited
Quayside House
127 Fountainbridge
Edinburgh
EH3 9QG

NOTES

[illegible]

