

MAS REAL ESTATE INC



INTEGRATED ANNUAL REPORT 2016



**“POSITIONED TO DELIVER  
STRONG GROWTH IN  
DISTRIBUTIONS IN THE  
YEARS AHEAD.”**

CHOP HOUSE

Chop House, New Waverley, Scotland



# CHAIRMAN'S STATEMENT

It has been a good year for MAS, with rental growth of 63% facilitating an increase in the distribution per share of 34%. MAS' recent strategic decision to expand into central and eastern Europe in partnership with Prime Kapital, and the imminent optimisation of the balance sheet as debt levels increase, position the group to continue delivering strong growth in distributions in the years ahead.



**Ron Spencer**  
*Chairman*

## **Integrated reporting**

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

## **Indices**

The inclusion in the SAPY index earlier this financial year marked an important milestone in the development of the company. Last year we set ourselves the goals of improving the liquidity of the traded share, and growing the shareholder base. I am happy to report significant progress on both fronts. The median daily traded share volume has almost doubled from that of last year.

## **Corporate governance**

I am pleased to report that corporate governance in the organisation continues to operate at the highest level. MAS complies with the King III Code of Corporate Governance of South Africa, the JSE and LuxSE listing requirements, as well as the various laws and regulations of the jurisdictions in which the group operates.

## **Management**

I would like to conclude by thanking all the team members for their hard work. To continue driving the business forward for stakeholders, against the backdrop of a rapidly growing portfolio and changing macro environment, is a tremendous achievement.

The outlook for the coming year is very positive. The group is well positioned to grow its portfolio, and distributions, exponentially through acquisition, development and asset management. I would like to thank you for your confidence as shareholders, and hope you enjoy reading this report.

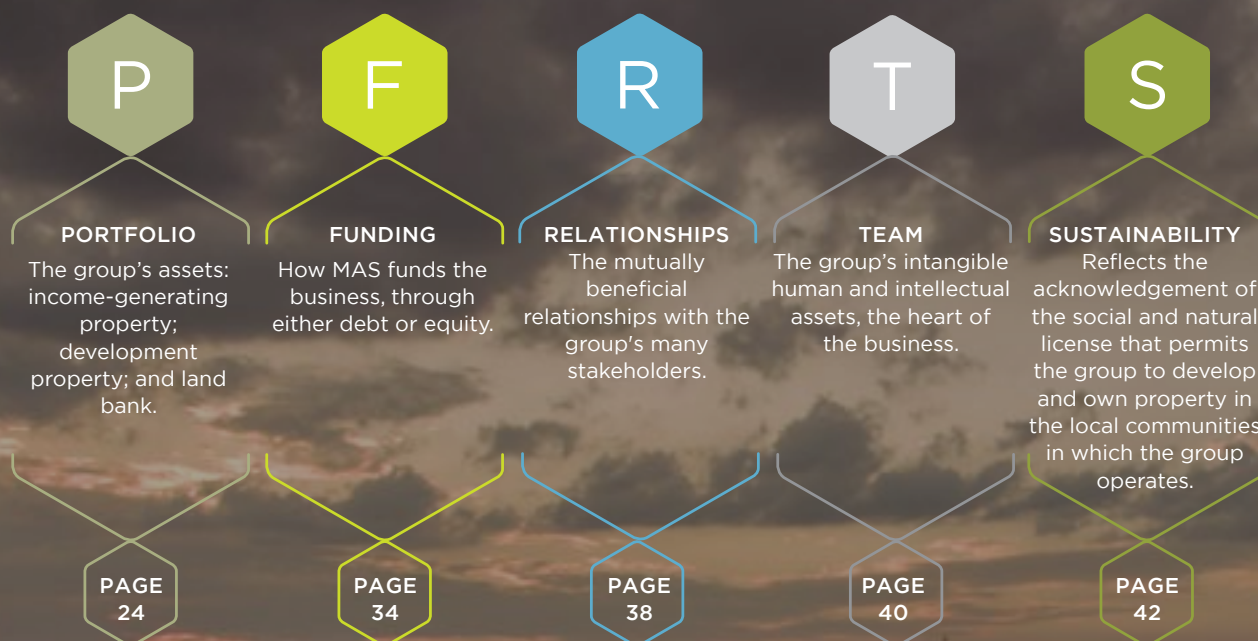


# HOW TO USE THIS REPORT

## NAVIGATION AND INTERCONNECTIVITY

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

Extensive reference is made to our five business areas, or capitals. These are the following:



## BUSINESS ACTIVITIES



**ACQUIRE**



**DEVELOP**



**MANAGE**



**OPTIMISE**



Refer to page 20 of the integrated annual report



Refer to note 7 of the Annual Financial Statements



Refer to [www.masrei.com](http://www.masrei.com) for further information



Refer to the company profile for further information [www.masrei.com](http://www.masrei.com)

## DEFINITIONS AND ABBREVIATIONS

<b>Adjusted NAV</b>	NAV less deferred taxation assets plus deferred taxation liabilities
<b>Artisan</b>	Artisan Real Estate Investors Limited
<b>Attacq</b>	Attacq Limited
<b>BVI</b>	British Virgin Islands
<b>CEE</b>	Central and Eastern Europe
<b>CGU</b>	Cash Generating Unit
<b>company</b>	MAS Real Estate Inc.
<b>Corona</b>	Corona Real Estate Partners Limited
<b>EBITDA</b>	Earnings Before Interest, Taxation, Depreciation and Amortisation
<b>FVTPL</b>	Fair Value Through Profit or Loss
<b>Group</b>	Comprises the company and its subsidiaries
<b>Group entities</b>	Subsidiaries of the company

<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>JSE</b>	Johannesburg Stock Exchange
<b>Karoo Fund</b>	Karoo Investment Fund S.C.A. SICAF-SIF
<b>LuxSE</b>	Luxembourg Stock Exchange
<b>MAS</b>	Comprises the company and its subsidiaries
<b>MAS Prop</b>	MAS Property Advisors Limited
<b>NAV</b>	Net Asset Value
<b>NW Advisers</b>	New Waverley Advisers Limited
<b>NW Holdings</b>	New Waverley Holdings Limited
<b>PKM</b>	PKM Development Limited
<b>Sirius</b>	Sirius Real Estate Limited
<b>SPA</b>	Sale and Purchase Agreements
<b>WALT</b>	Weighted Average Lease Term





“...COMBINING  
INVESTMENT,  
DEVELOPMENT  
AND ASSET  
MANAGEMENT  
SKILLS.”

Munich property, Germany

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Notice of annual general meeting  
to be posted separately



# ABOUT THIS REPORT

The report covers the operations of the group and has been prepared with reference to the International Integrated Reporting Council <IR> Framework's guiding principles and content elements. In addition, it has been prepared in accordance with and/or guided by the following reporting framework and regulations:

- King III
- BVI Business Companies Act 2004
- JSE Listings Requirements
- Rule and Regulations of the Luxembourg stock exchange
- IFRS

MAS' integrated annual report aims to give a holistic view of its performance, where it's going and how it intends to get there, in a sustainable way. By providing a range of financial and non-financial disclosures, this report aims to enable stakeholders to assess the performance of the group and its ability to create value from its capitals in the short, medium and long term.

## Report scope and boundary

This report, presented by the board of directors, covers the year from 1 July 2015 to 30 June 2016.

## Determining materiality

The concept of materiality has been used in the preparation of the report to provide information to the groups stakeholders that is of value or material interest. MAS' definition of materiality has been established by reference to the International Integrated Reporting Council <IR> Framework.

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

## Forward-looking statements

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

## Assurance

KPMG Audit LLC has independently audited the annual financial statements that are contained within this integrated annual report. Their report can be found on pages 65 to 67. The scope of the report is limited to the annual financial statements on pages 63 to 121.

The pro forma financial information contained within this integrated annual report has been reviewed by KPMG Inc. Shareholders are advised that in order to obtain a full understanding of the nature of the reporting accountant's review engagement regarding pro forma financial information, they should obtain a copy of the reasonable assurance report from the company's

head office.

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

## Responsibility statement

The board of directors and executive management acknowledge their responsibility to ensure the integrity of the integrated annual report and that they have applied their collective mind to its preparation and presentation.

The board of directors confirm that the integrated annual report addresses all material matters, offers a balanced view of performance and has been prepared and presented in accordance with the International Integrated Reporting Council <IR> Framework.

This report was approved by the board of directors on 21 September 2016.

**Ron Spencer**  
*Chairman*

**Lukas Nakos**  
*Chief Executive Officer*

**Malcolm Levy**  
*Chief Financial Officer*

**Jonathan Knight**  
*Chief Investment Officer*

**Pierre Goosen**  
*Non-Executive Director*

**Gideon Oosthuizen**  
*Non-Executive Director*

**Jaco Jansen**  
*Non-Executive Director*

**Morné Wilken**  
*Non-Executive Director*



# CREATIVE IN THE WAY WE DEVELOP

Arches, New Waverley, Scotland



## HIGHLIGHTS

PORTFOLIO



INCREASE IN  
RENTAL INCOME  
OF 63%

Updated strategy  
to emphasise  
sustainable  
growth in  
distributions

Acquired additonal  
€2,8m of passing  
rent, plus further  
€4,7m post  
year-end

FUNDING



INCREASE  
IN ANNUAL  
DISTRIBUTION PER  
SHARE OF 34%



Entered  
SAPY index

**DAILY MEDIAN  
SHARE VOLUME  
IMPROVED  
BY 87%**

TEAM



NO. OF  
EMPLOYEES  
INCREASED TO

23

**RECRUITED  
SENIOR  
OPERATIONS  
MANAGER**

RELATIONSHIPS



**SUCCESSFUL  
INVESTOR TOUR**

Leveraged  
relationships to  
access deal flow

SUSTAINABILITY



Environmentally friendly  
landfill at New Waverley



Arches, New Waverley, Scotland



COMPLETED ON WHITBREAD  
HOTELS AND ARCHES, ADDING  
€2,18M OF PASSING RENT

WALT  
INCREASED TO  
12,3 YEARS

EXPECT TO INVEST  
€200M FURTHER  
INTO PRIME  
KAPITAL JV

DRAWN-DOWN €30,6M  
OF DEBT, FIXED FOR +10  
YEARS AT 2,4%

€25,4M DEBT DRAWN POST YEAR-END,  
WITH €29,0M FIRMLY COMMITTED

RECRUITED TWO  
HIGHLY EXPERIENCED  
ASSET MANAGERS

NEW HEAD  
OFFICE

ESTABLISHED KEY  
JV RELATIONSHIP  
WITH PRIME KAPITAL,  
EXTENDING PLATFORM  
INTO CEE



Bruchsal, Germany

ESTABLISHED  
RELATIONSHIPS WITH  
NEW DEBT LENDERS

Established  
relationships  
with more  
developers

PHOTOVOLTAIC  
FARM INSTALLED  
AT CHIPPENHAM

OPEN GREEN AREAS  
INCORPORATED  
INTO PLANNING  
APPLICATIONS



North Street Quarter, England



## COMPANY PROFILE



## PROPERTY INVESTOR, DEVELOPER AND OPERATOR

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



### Business strategy

MAS' strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, industrial, logistics and hotel assets in western Europe and more recently in central and eastern Europe. Where exceptional opportunities are identified, the group will embark on mixed-use or residential developments with the view to either generate recurring income, such as campuses leased to universities, or capital gains. The company aims to distribute all of its distributable earnings on a semi-annual basis, with distributions of capital and other profits at the discretion of the directors.

### Management

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

### Funding

MAS is targeting an aggregate portfolio LTV of 40% – 50%. Long-term debt funding is preferred and interest rates are managed through the group's hedging strategy. Developments are currently funded through equity and refinanced on completion.

### Long-term income from strong covenants

MAS has assembled a high quality portfolio of commercial property and developments across western Europe and is currently expanding into central and eastern Europe in a joint venture with Prime Kapital. At 30 June 2016 the portfolio had an outstanding weighted average lease term of 12,3 years, occupied by tenants with strong corporate covenants.





### Outlook

Western European markets are becoming fully priced and acquisition opportunities that offer a fair return on equity are scarce. The focus is on projects that can deliver substantial value through active asset management, development and re-development.

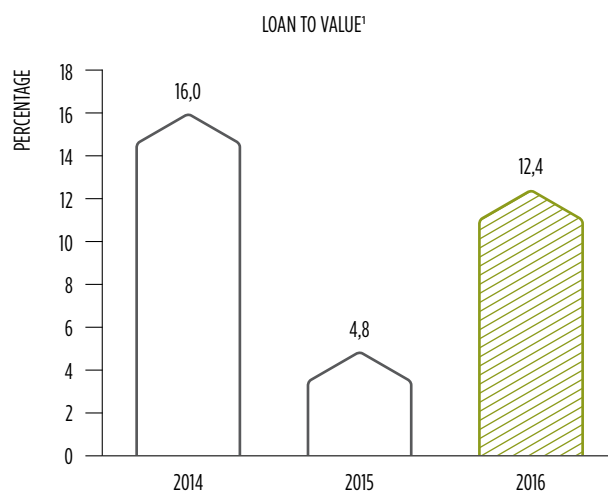
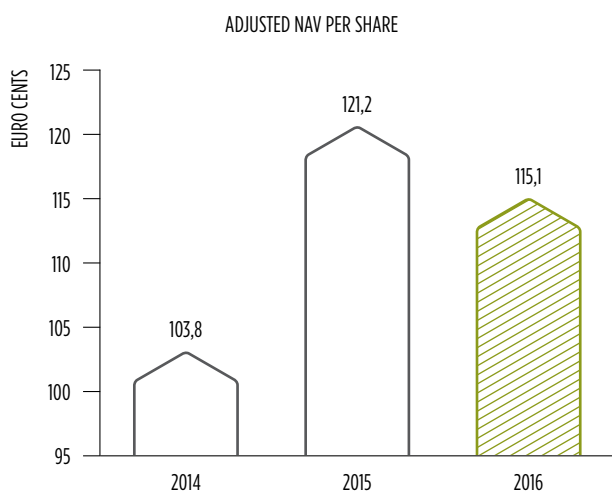
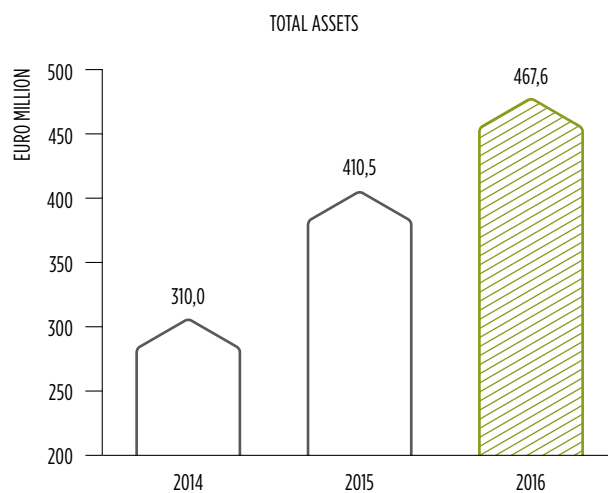
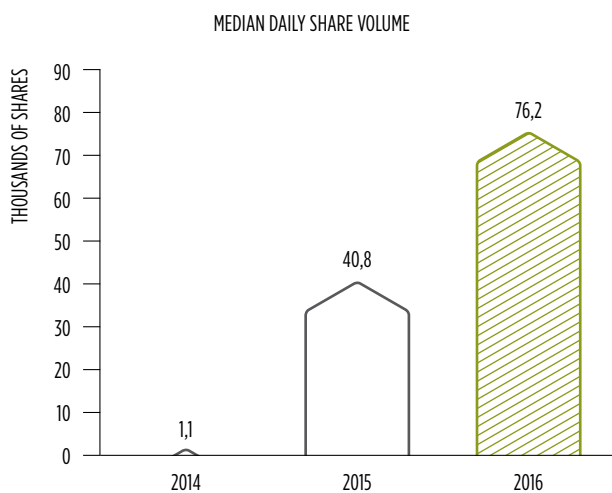
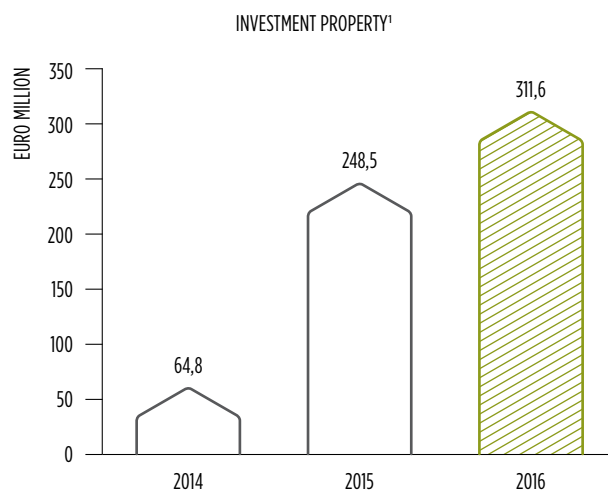
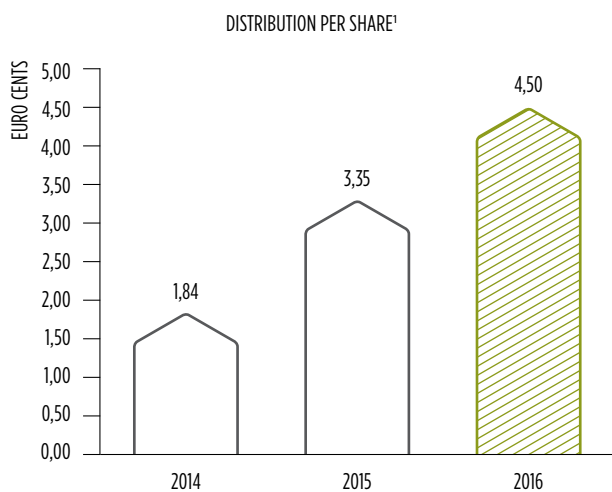
Although CEE also went through a steep curve of price increases in recent years, attractive opportunities are available, backed by a combination of relatively high initial acquisition yields, substantial growth prospects and attractive debt finance. Even more appealing is the development market which is supported by rapidly expanding purchasing power and, in some cases, sub-optimally designed or undersized assets ripe for re-development or displacement.

Accordingly, MAS has embarked upon expansion into the growing economies of CEE. To facilitate the expansion, the group has partnered with Prime Kapital, a management team with exceptional development, investment and financing experience in these markets. Progress has already been made on securing both developments and acquisitions.





## KEY METRICS



1. Data extracted from management accounts





Key metrics are defined as follows:

KEY METRICS	OBJECTIVE	EXPLANATION
<b>Portfolio</b> <span>P</span>		
Total assets	Economies of scale and diversification	Total assets, including all property and non-property assets
Investment property	Portfolio construction to optimise earnings	Income-generating property, development property, and land bank
Adjusted NAV per share	Capital preservation and growth	Net asset value per share, adjusted by adding back deferred tax
<b>Funding</b> <span>F</span>		
Distribution per share	Income generation growth on a sustainable basis	The group's policy is to pay out all distributable earnings per share on a semi-annual basis, as well as capital or other profits as the directors may at their discretion determine. The group's strategy is to grow the level of distribution on a sustainable basis
Loan to value	Optimal gearing	External finance to gross property portfolio (including financial investments)
Median daily share volume (annual)	Liquidity of traded share	The median number of shares traded per day during the financial period on the JSE



## DIRECTORS' REPORT

## Highlights

INCREASE IN ANNUAL  
DISTRIBUTION PER SHARE OF**34%**INCREASE IN RENTAL  
INCOME OF**63%****UPDATED STRATEGY TO  
INCLUDE CEE EXPANSION**SECURED KEY JOINT  
VENTURE PARTNERSHIP  
WITH PRIME CAPITALCOMPLETED WHITBREAD  
HOTELS AND ASSOCIATED  
RETAIL UNITS**ENTERED SAPY INDEX**

SUCCESSFULLY RAISED

**ZAR 1,2 BILLION**

EQUITY

**Overview**

Substantial progress has been made on many fronts in the organisation during the reporting period. Of particular significance is the updated strategy of the group, which focuses on delivering a high quality and growing income distribution per share.

The portfolio is coming of age, with substantial developments delivered on time and on budget, and available equity being deployed into income-generating acquisitions. The release of equity from the financial investment portfolio has added to the capital required to continue to grow the portfolio.

The quality of the income-generating portfolio, with nearly 80% of passing rent representing A-grade tenants and a WALT of 12,3 years, ensures the sustainability of earnings and access to long-term funding on attractive terms. The current low portfolio LTV of 12,4%, and target portfolio LTV of 40% – 50%, positions the group to enter a long period of high earnings per share growth, benefiting from accretive acquisitions and developments.

We aim to achieve our strategy by acquiring carefully selected assets and delivering on development plans, funded through an optimal mix of increased gearing, recycling of assets and opportune but limited capital raises. As successful developments generally have a temporary dampening effect on per share distributions, compensated by a substantially higher contribution to distribution growth in the long-run, we plan to use our reserves to offset this effect and deliver a smoother distribution growth path for investors.

**Distributions**

The directors are pleased to propose a final distribution of 2,23 euro cents per share, bringing the distribution for the year to 4,50 euro cents per share. This represents an increase of 34% on the previous year. Details of the distribution will follow in due course.

**Geographical focus and partnership with Prime Kapital**

Asset prices in western Europe have increased in recent years and acquisition opportunities that offer an attractive return on equity are harder to find. Our focus in western Europe is

therefore now on opportunities that can deliver substantial value through active asset management, development and re-development.

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

Accordingly, we have embarked upon expansion into the growing economies of CEE. To facilitate the expansion, we have partnered with Prime Kapital, a management team with exceptional development, investment and financing experience in these markets. MAS has invested €20 million in return for a 40% equity stake in a development joint venture, and aims to invest a further €200 million in 7,5% preference shares. Good progress has already been made, with land having been acquired and further pipeline under exclusivity.

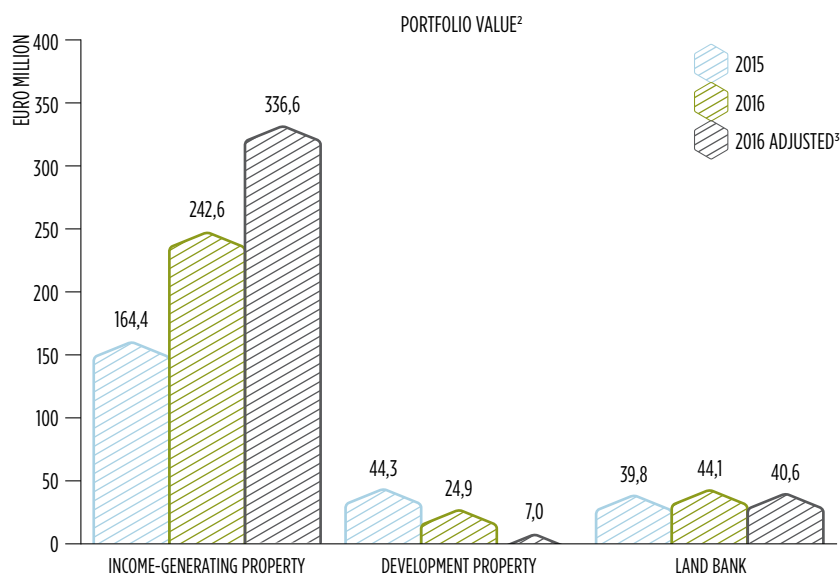
**Asset class focus**

MAS' strategy is to generate sustainable and growing distributable income per share by acquiring, developing and operating retail, office, industrial, logistics and hotel assets. Where exceptional opportunities arise, the group will embark on mixed-use or residential developments with a view to either generating recurring income, such as leasing the assets to universities as student campuses, or disposing of the residential component for capital gains once the land is zoned.

**Inclusion in the SAPY index of the JSE**

The inclusion of MAS in the SAPY index is evidence of the continued growth of the portfolio. This inclusion has significantly improved the volume and liquidity of the trading in its shares, increasing the pool of potential investors.

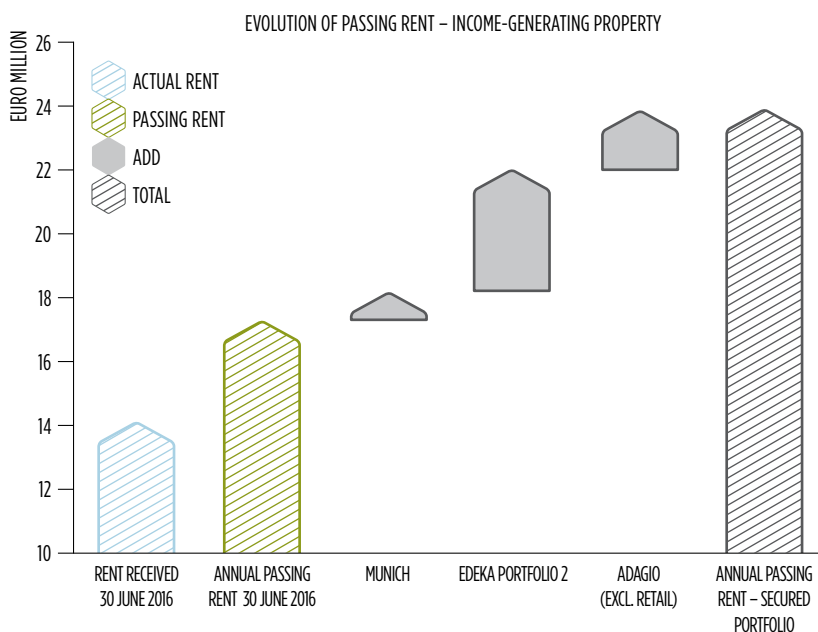




2. Figures extracted from the management accounts, which account for the Prime Kapital investment on a proportionate consolidation basis.

3. Adjusted includes the following: Munich property, acquired in August 2016; Edeka portfolio 2, acquired in August 2016; and the Adagio hotel and associated retail, that is part of Phase I at New Waverley and completes at the end of this calendar year.

The 2016 adjusted portfolio value computation constitutes pro forma financial information in terms of the JSE Listings Requirements and has been prepared on the assumptions detailed above in footnotes (1 and 2). KPMG Inc., has provided a reasonable assurance report on the above information which is available for inspection at the head offices of the company.



The adjusted passing rent computation constitutes pro forma financial information in terms of the JSE Listings Requirements. The adjusted passing rent has been derived by including the Munich property rental, the Edeka portfolio rental and the Adagio rental. KPMG Inc., has provided a reasonable assurance report on the above information which is available for inspection at the head offices of the company.

### Income-generating property

Income-generating property has grown by €78,2 million to €242,6 million, with the acquisition of the Lehrte property in late 2015; the completion of the two Whitbread hotels and associated retail from Phase I at New Waverley in February 2016; and acquisition of the Edeka portfolio 1 at the end of the current financial year. The New Waverley hotels are trading particularly well, with exceptionally high occupancy levels, as are the retail tenants, which is a positive indicator for future lettings and the operational success of the next phases of the development.

After year-end we completed the acquisition of the Munich property and the Edeka portfolio 2. The Munich property is let to Volkswagen, and has the potential to be an exciting redevelopment play in the years to come, but for now we will benefit from strong income from an excellent covenant. The Edeka portfolio, which comprises 20 supermarkets in north east Germany, also provides strong income returns.

Passing rent will be further enhanced by the completion of the Adagio hotel at New Waverley towards the end of this calendar year. The evolution of secured passing rent, including the pipeline above is shown to the left.

In addition to the above, further accretive income generating assets are expected to be acquired in the coming months, which will continue to increase passing rent meaningfully.

### Development portfolio

The development portfolio currently comprises: New Waverley Phase I (Adagio and associated retail); New Waverley Phase II; and the budget hotel component of Langley Park.

Phase I of the New Waverley project has progressed particularly well, and is set to deliver the Adagio hotel and associated retail at the end of this calendar year. Phase II is in the final stages of design preparation, in which a number of attractive occupier and building combinations for the scheme are being considered.

The development portfolio is expected to increase substantially in the coming months as the CEE developments come on stream.



## DIRECTORS' REPORT (CONTINUED)

"MAS RAISED  
€38 MILLION IN  
A SUCCESSFUL  
PLACEMENT OF  
SHARES IN APRIL  
OF THIS YEAR,  
AND A FURTHER  
€32 MILLION IN  
JULY, SHORTLY  
AFTER THE  
YEAR-END...TO  
ACQUIRE FURTHER  
EARNINGS  
ACCRETIVE  
PIPELINE ASSETS"

**Land bank**

Land bank currently consists of residential elements of the developments at New Waverley, North Street Quarter and Langley Park. Planning permission is in place at both New Waverley and North Street Quarter, and has been applied for at Langley Park. The group continues to assess its options in respect of these projects.

**Financial investments**

Financial investments have been an important category for MAS over the last few years, and one from which the group has benefitted substantially. The Karoo Fund investment has returned a net gain of €28,4 million to the group, and the Sirius investment a further unrealised €9,3 million to the year-end, in addition to €1,7 million received in the form of Sirius dividends. However, the Karoo Fund redeemed in January, whereby we received a final cash distribution, and an in-specie distribution of Sirius shares, and we successfully placed 60 million Sirius shares in the market shortly after year-end. The proceeds of this are being allocated to further accretive income-generating and development opportunities.

**Debt**

Loan to value levels have been very low in recent years, as the group has embarked upon initially investing the cash on the balance sheet. Now that the equity has been spent, the gearing programme is in full swing, which should see the loan to value levels approach 35-40% by the end of the next financial year. Subsequent to year-end, €54,6 million has been drawn down or firmly committed, and the group has negotiated extensive further facilities that will be drawn down in the coming months.

**Equity**

MAS raised €38 million in a successful placement of shares in April of this year, and a further €32 million in July, shortly after the year-end. The rationale for these capital raises was to allow MAS to acquire further earnings accretive pipeline assets that are now under exclusivity.

**Financial review**

In order to assist the readers of these annual financial statements to better understand the underlying income-generating capability of the business, management accounts have been included together with these results. These management accounts proportionately consolidate investees in which the group exhibits significant influence. As a result, particular line items in the distribution income statement and summarised statement of financial position will differ from those reported under IFRS. In addition, the management accounts classify items of income and expense as direct and indirect investment result. The direct result represents the underlying distributable earnings generated by the portfolio.

The UK's Brexit vote occurred on June 23, just a week before year-end. As a result, the sterling collapsed against the euro, which exacerbated foreign exchange losses incurred by the group. The key driver of these exchange differences is the depreciation in euro terms of the investment property held in sterling. As the group takes a basket-of-currencies approach and does not hedge between sterling, Swiss franc and the base currency, euro, such exchange differences do not relate to the underlying operations of the business and are therefore excluded from the computation of distributable earnings. However, underlying gearing in local currencies mitigates the effects of currency movements on the capital base. As the euro-denominated capital exposure continues to grow as a percentage of the overall portfolio, we would expect the exposure of currency movements to reduce further.



## MANAGEMENT ACCOUNTS

### Purpose and basis of preparation

In order to provide information of relevance to investors and a meaningful basis of comparison for users of the financial information, unaudited management accounts have been prepared and presented below, in conjunction with the annual financial statements set out on pages 63 to 120. The directors consider that the management accounts better reflect performance of the group. In terms of section 8.15 of the JSE Listings Requirements, the management accounts constitute pro forma

financial information and the company is therefore required to comply with the requirements of sections 8.16 to 8.34 of the JSE Listings Requirements on Pro forma Financial Information, revised and issued in September 2014.

The management accounts diverge from IFRS as they account for associates using the proportionate consolidation method, as opposed to the equity accounting method embodied in the condensed preliminary consolidated financial statements and in accordance with IFRS.

### Directors' responsibility

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

KPMG Inc. has provided a reasonable assurance report on the management accounts which is available for inspection at the head office of the company.

### Distribution income statement

Euro	Year ended 30 June 2016	Year ended 30 June 2015
<b>Rental income</b>	<b>14 203 699</b>	<b>8 733 519</b>
Net service charges and property operating expenses	(1 989 426)	(2 815 813)
- Service charge income and other recoveries	2 047 322	589 637
- Service charges and other property operating expenses	(4 036 748)	(3 405 450)
<b>Net rental income</b>	<b>12 214 273</b>	<b>5 917 706</b>
Other income	1 717 829	—
Corporate expenses	(3 203 472)	(1 767 154)
<b>Net operating income</b>	<b>10 728 630</b>	<b>4 150 552</b>
Net finance costs	(355 990)	(576 698)
- Finance income	433 132	4 676
- Finance costs	(817 928)	(581 374)
- Interest capitalised on development property	28 806	—
Current taxation	(684 749)	(371 447)
<b>Direct investment result</b>	<b>9 687 891</b>	<b>3 202 407</b>
Fair value adjustments	6 431 719	27 877 364
Investment expenses	(2 202 144)	(537 417)
Other income	637 552	—
Currency differences	(12 913 210)	17 660 295
Deferred taxation	(143 776)	272 259
<b>Indirect investment result</b>	<b>(8 189 859)</b>	<b>45 272 501</b>
<b>IFRS net profit (direct plus indirect result)</b>	<b>1 498 032</b>	<b>48 474 908</b>
Earnings per share (euro cents)	0,49	16,87
Diluted earnings per share (euro cents)	0,49	16,87

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





## DIRECTORS' REPORT (CONTINUED)

## MANAGEMENT ACCOUNTS (CONTINUED)



## Summarised statement of financial position

Euro	As at 30 June 2016	As at 30 June 2015
Investment property	311 613 772	248 538 806
– Income-generating property	242 625 172	164 390 518
– Development property	24 907 797	44 335 117
– Land bank	44 080 803	39 813 171
Financial investments	51 614 068	82 173 737
Goodwill	25 262 818	29 351 139
Deferred taxation asset	721 292	737 015
Trade and other receivables	11 313 808	4 527 803
Other assets	241 083	15 136
Cash and cash equivalents	66 946 902	45 111 775
<b>Total assets</b>	<b>467 713 743</b>	<b>410 455 411</b>
<b>Shareholders' equity</b>	<b>400 844 952</b>	<b>353 140 598</b>
Interest bearing borrowings	44 578 595	15 747 889
Financial instruments	12 543 033	35 627 918
Deferred taxation liability	1 242 741	1 143 646
Trade and other payables	8 405 586	4 795 360
Other liabilities	98 836	—
<b>Total liabilities</b>	<b>66 868 791</b>	<b>57 314 813</b>
<b>Total shareholders' equity and liabilities</b>	<b>467 713 743</b>	<b>410 455 411</b>
Actual number of ordinary shares in issue	348 625 219	291 787 889
NAV per share (euro cents)	115,0	121,0
Adjusted NAV per share (euro cents) <sup>4</sup>	115,1	121,2

4. Net asset value per share as adjusted for deferred tax



## Basis of Distribution

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Direct investment result	9 687 891	3 202 407
Other specific adjustments	1 698 750	(81 932) <sup>5</sup>
Adjustment relating to shares issued during period	1 568 915	49 096
<b>Distributable earnings</b>	<b>12 955 556</b>	<b>3 169 571</b>
Distribution from reserves	2 750 000	6 618 272
<b>Total distribution</b>	<b>15 705 556</b>	<b>9 787 843</b>
Closing number of shares	348 625 219	291 787 889
Final distribution per share (euro cents)	2,23	2,20
Interim distribution per share (euro cents)	2,27	1,15
<b>Total distribution per share (euro cents)</b>	<b>4,50</b>	<b>3,35</b>

5. In order to align with industry peers, the board of directors has refined the methodology for computing distributable earnings, upon which the level of distribution is based. In the prior year the difference between the core income methodology used and the updated direct investment result methodology amounts to €81 932. This has been included in other specific adjustments to reconcile the distributable earnings to core income in the previous year.

## Outlook

The progress that has been achieved in 2016 has resulted in a substantially increased distribution per share for the year. Importantly, the group is now in the final stages of completing its initial portfolio construction, and shareholders will start to benefit from the effects of an efficiently invested, and optimally geared portfolio. The board is confident that the group is well positioned for strong distribution per share growth in the reporting periods to follow. Whilst remaining vigilant towards movements in our investment markets, we are excited at the prospect of our expansion strategy, and the performance that this will generate in the years to come.

## Reporting currency

The company's results are reported in euros.

## Listings

MAS is listed on the main board of the Johannesburg Stock Exchange and on the Euro MTF market of the Luxembourg Stock Exchange.

## Directors and changes thereto

Ron Spencer  
(*Non-Executive Chairman*)  
Lukas Nakos  
(*Chief Executive Officer*)  
Malcolm Levy  
(*Chief Financial Officer*)  
Jonathan Knight  
(*Chief Investment Officer*)  
Gideon Oosthuizen  
(*Non-Executive Director*)  
Pierre Goosen  
(*Non-Executive Director*)  
Dewald Joubert  
(*Alternate Non-Executive Director to Pierre Goosen*) resigned on 10 March 2016  
Morné Wilken  
(*Non-Executive Director*)  
Jaco Jansen  
(*Non-Executive Director*)



## VISION, MISSION AND VALUES

# VISION

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

# MISSION

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





**GOALS AND RESULTS  
FOCUSED**

**COLLABORATIVE AND  
RESPECTFUL**

**INTEGRITY**

**VALUES**

**CREATIVITY**

**CONVICTION**

**CREATIVITY**

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

**INTEGRITY**

We act responsibly in everything we do

**GOALS AND  
RESULTS FOCUSED**

We are motivated by results

**COLLABORATIVE  
AND RESPECTFUL**

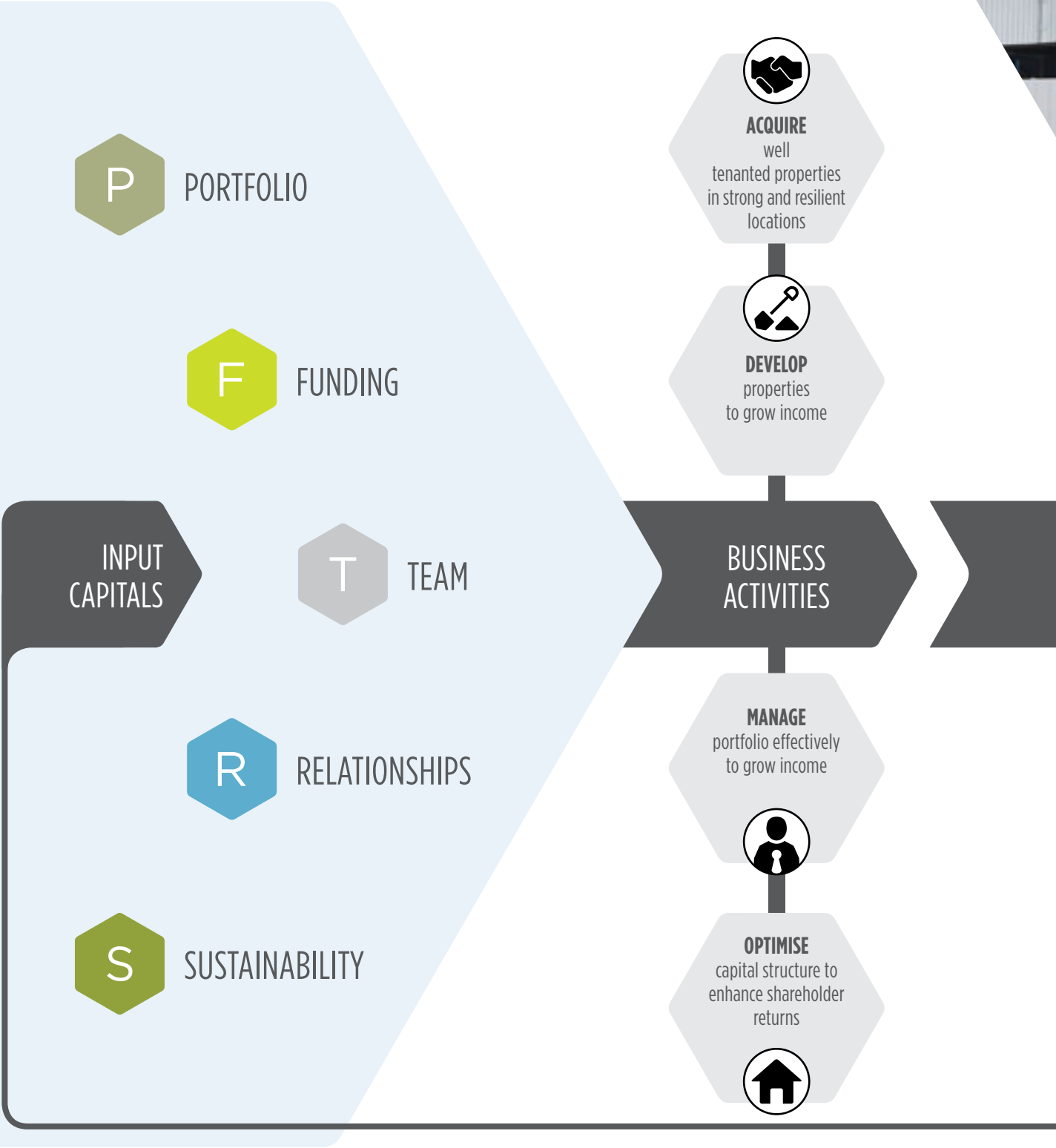
We are collaborative in the way we work and are respectful of each other and our stakeholders

**CONVICTION**

We believe in everything we do



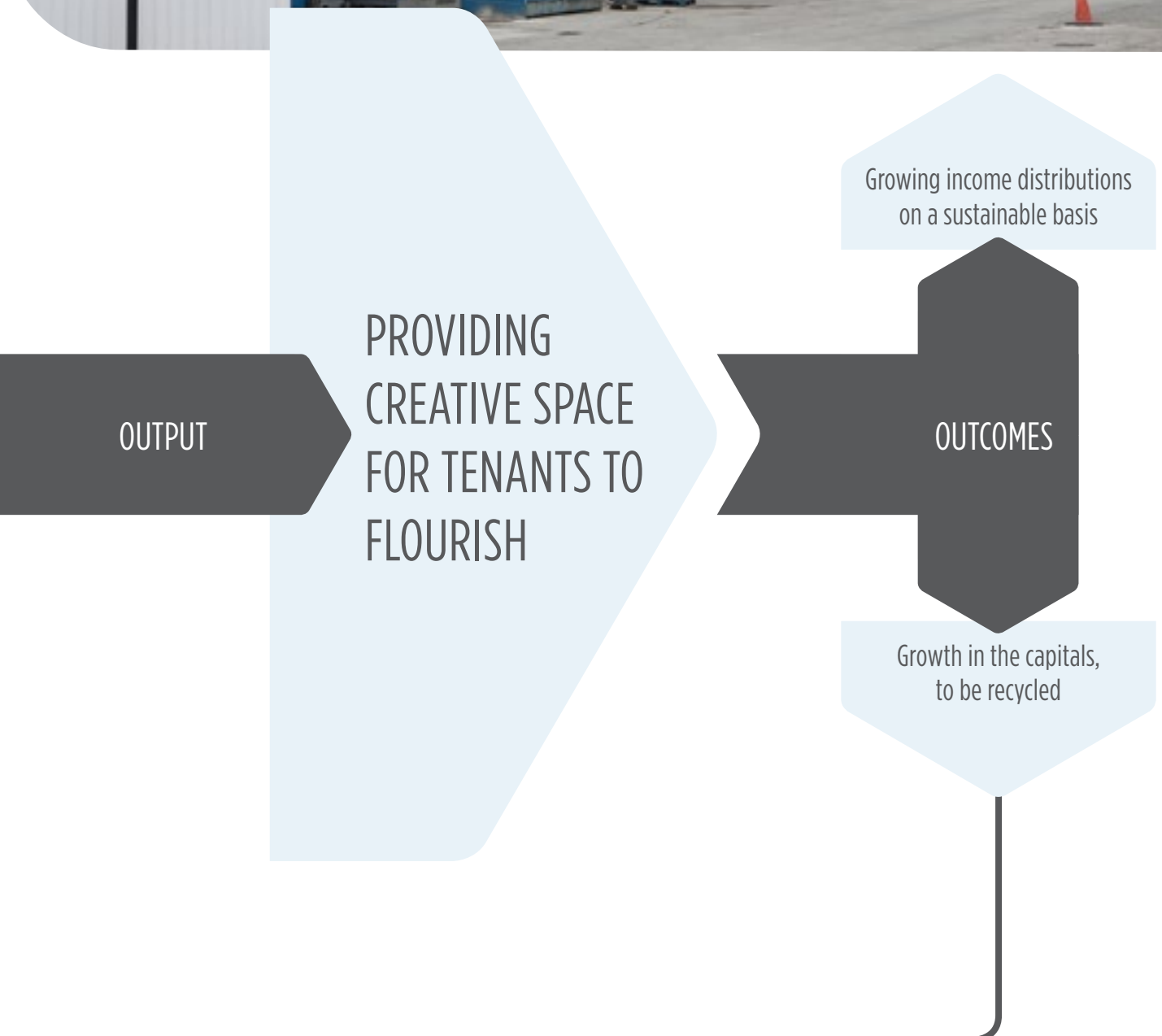
BUSINESS MODEL







Braehead, Scotland





## STRATEGY AND STRATEGIC OBJECTIVES

### STRATEGY

MAS' strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, industrial, logistics and hotel assets in western Europe and more recently in central and eastern Europe. Where exceptional opportunities arise, the group will embark on mixed-use or residential developments with the view to either generating recurring income, such as campuses leased to universities, or capital gains. The group aims to distribute all of its distributable earnings on a semi-annual basis, with distribution of capital and other profits at the discretion of the directors.

#### The current strategy is underpinned by the following three components:

1

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

2

Developments in CEE in partnership with Prime Kapital. MAS intends to invest a further €200m to this partnership. Strong progress has been made on this front, with land having been acquired, and permitting currently under way on multiple schemes in various CEE countries. The partnership should eventually deliver in excess of €800m of new high quality and dominant assets with strong and growing income streams.

3

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

### 2016 STRATEGIC OBJECTIVES

DRIVE THE ACQUISITION AND DEVELOPMENT PROGRAMME IN EUROPE

UNLOCK VALUE IN EXISTING PORTFOLIO

CONTINUE TO IMPROVE INVESTMENT PROCESS AS THE ORGANISATION GROWS

GEAR THE PORTFOLIO OPTIMALLY



## PROGRESS

## UPDATED STRATEGIC OBJECTIVES FOR 2017

## APPROACH

## LOOKING AHEAD

- Acquired Lehrte property and Edeka portfolio 1, with Munich property and Edeka portfolio 2 completing after year-end.
- Completed on Whitbread hotels and retail, on time and on budget.
- Identified new pipeline acquisitions in CEE.

**CONTINUE TO DRIVE THE ACQUISITION AND DEVELOPMENT PROGRAMME, WITH AN EMPHASIS ON REBALANCING THE PORTFOLIO ACROSS THE BROADER EUROPEAN MARKET**

- Leverage Prime Kapital relationship.
- Stringent deal appraisal ensuring investments meet business objectives.
- Working with development partners to expedite progress on developments.

CEE will be a key area of focus, whilst the current developments continue in western Europe.

P

- Strong organic growth rates in rental income, driven by 5,6% like-for-like growth in the German portfolio.
- Completion of development property at New Waverley unlocked substantial value.
- Lettings of vacant space at Chippenham and Heppenhiem Park.

**CONTINUE TO UNLOCK VALUE IN THE EXISTING PORTFOLIO THROUGH ACTIVE ASSET MANAGEMENT AND CONSIDERATION OF CAPITAL REALLOCATION TO GROWTH OPPORTUNITIES**

- Detailed asset management programme maintained by the asset manager of each investment.
- Finding creative ways of extracting further value.

With many properties at 100% occupancy with long leases, further value will be extracted from acquisitions as they occur, and considering creative ways to extend income from current portfolio.

P

- The team has grown to include two highly experienced asset managers, in UK and Germany.
- Regular investment committee meetings monitoring the portfolio's progress.
- Successfully nurtured a culture of openness from all parties in the investment process.
- Recruited senior operations manager to focus on process improvement across the organisation.

**IDENTIFY KEY VALUE ADD PROCESSES AND SYSTEMS FOR IMPLEMENTATION THROUGHOUT THE 2017 FINANCIAL YEAR**

- Improve systems with implementation of bespoke property management and accounting software.
- Increase documentation of processes in line with growth of organisation.
- Nurture a process of continual improvement and understanding of the value of operational efficiency.

Implementing property management and accounting software will be a key focus of operational process improvement

Asset managers to continue adding value to investment process.

T

- Significant debt drawn down during and post year-end, with further debt committed.
- LTV is beginning to move towards target levels.

**CONTINUE TO GEAR THE PORTFOLIO TOWARDS THE 40% – 50% LTV TARGET**

- Leverage banking relationships to continually improve overall weighted cost and term of the debt portfolio.
- Seek group level facility to increase flexibility.

Substantial further debt has been negotiated, and this should become committed in the months ahead.

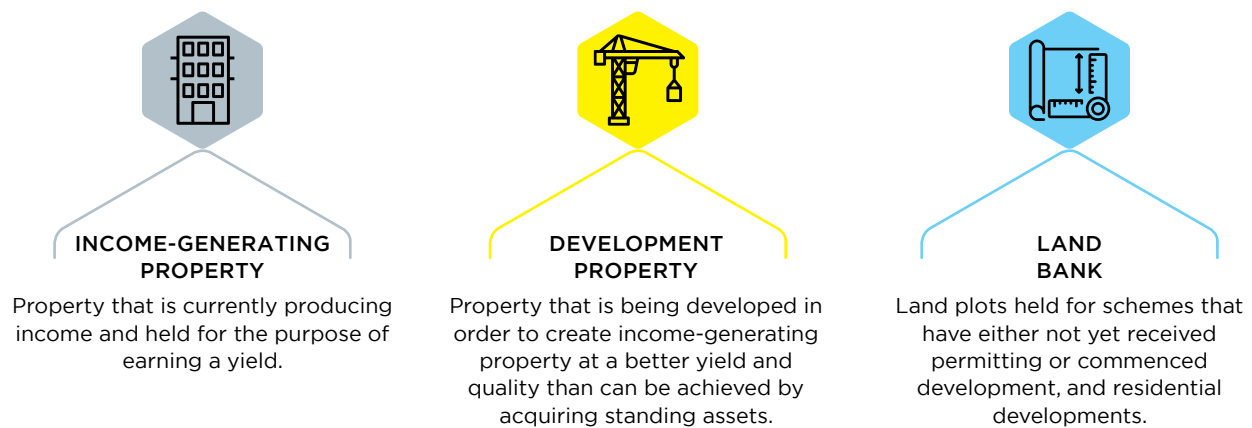
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## PORTFOLIO

MAS has assembled a high quality portfolio of commercial property that aligns with its strategy of generating sustainable and growing distributable earnings per share.

The portfolio consists of the following three segments:

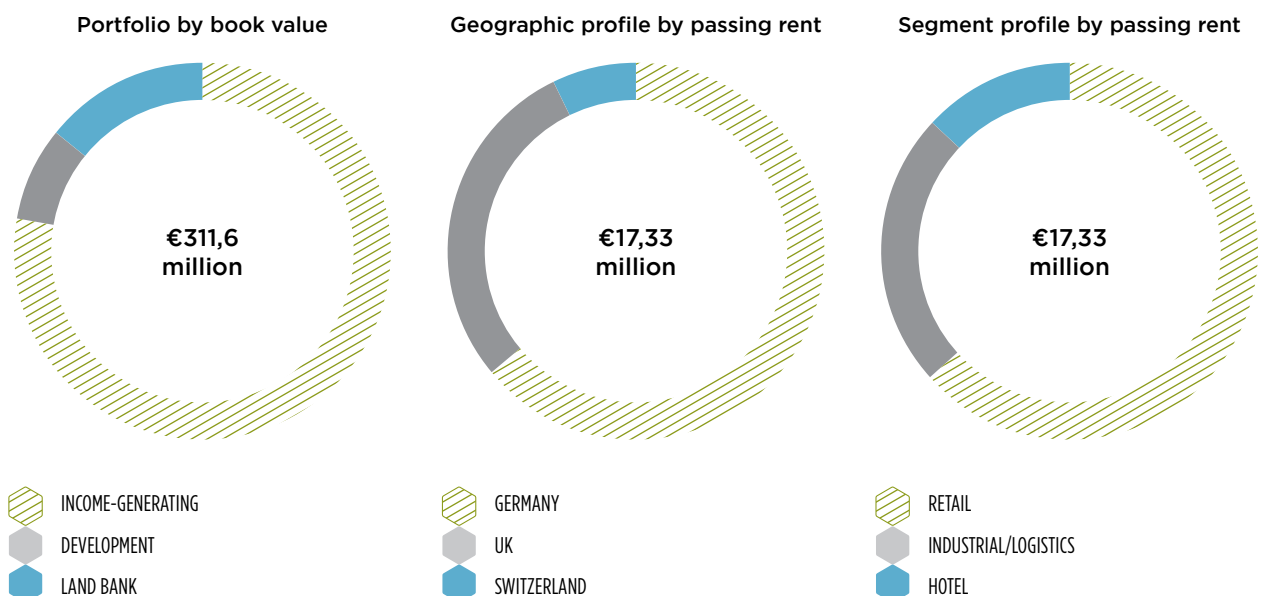


EURO	30 JUNE 2016	30 JUNE 2015	MOVEMENT
Income-generating property	242 625 172	164 390 518	78 234 654
Development property	24 907 797	44 335 117	(19 427 320)
Land bank	44 080 803	39 813 171	4 267 632
	<b>311 613 772</b>	<b>248 538 806</b>	<b>63 074 966</b>

Figures extracted from management accounts

### Portfolio breakdown

2016





## PROGRESS



### INCOME-GENERATING PROPERTY

Increased rental income by 63%

Acquisition programme continued across western Europe, including substantial acquisitions post year-end

Extended the WALT of the income-generating portfolio from 10,3 to 12,3 years

Asset management activities continue to drive organic growth in income



### DEVELOPMENT PROPERTY

Phase I at New Waverley nearing completion, on time and on budget

Pre-letting underway for New Waverley Phase II

Secured Travelodge as pre-let, subject to planning, at Langley Park

Developments commencing in Prime Kapital JV



### LAND BANK

Planning permission obtained at North Street Quarter

Planning submitted at Langley Park



### INCOME-GENERATING PROPERTY

Acquisition programme to continue, but with increased focus on CEE

Portfolio optimisation via gearing increases potential for acquisitions



### DEVELOPMENT PROPERTY

Adagio and retail to complete by calendar year-end

New Waverley Phase II to commence upon securing pre-lets

Planning application, including Travelodge, due before year-end

Developments commencing in Prime Kapital JV



### LAND BANK

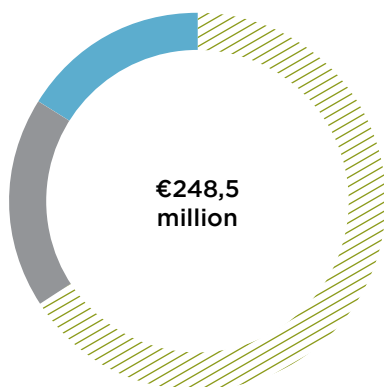
Progress disposal strategy at North Street Quarter

Outcome of Langley Park planning application due before year-end

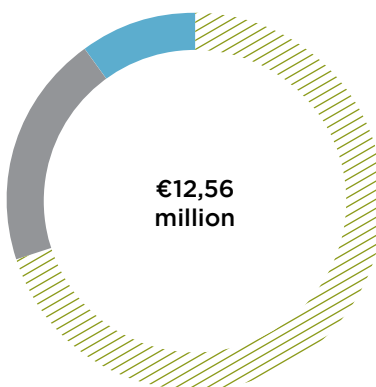
## LOOKING AHEAD

2015

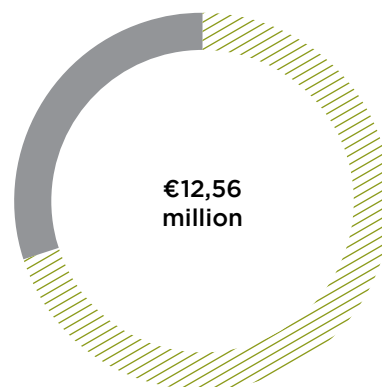
Portfolio by book value



Geographic profile by passing rent



Segment profile by passing rent





# PORTFOLIO

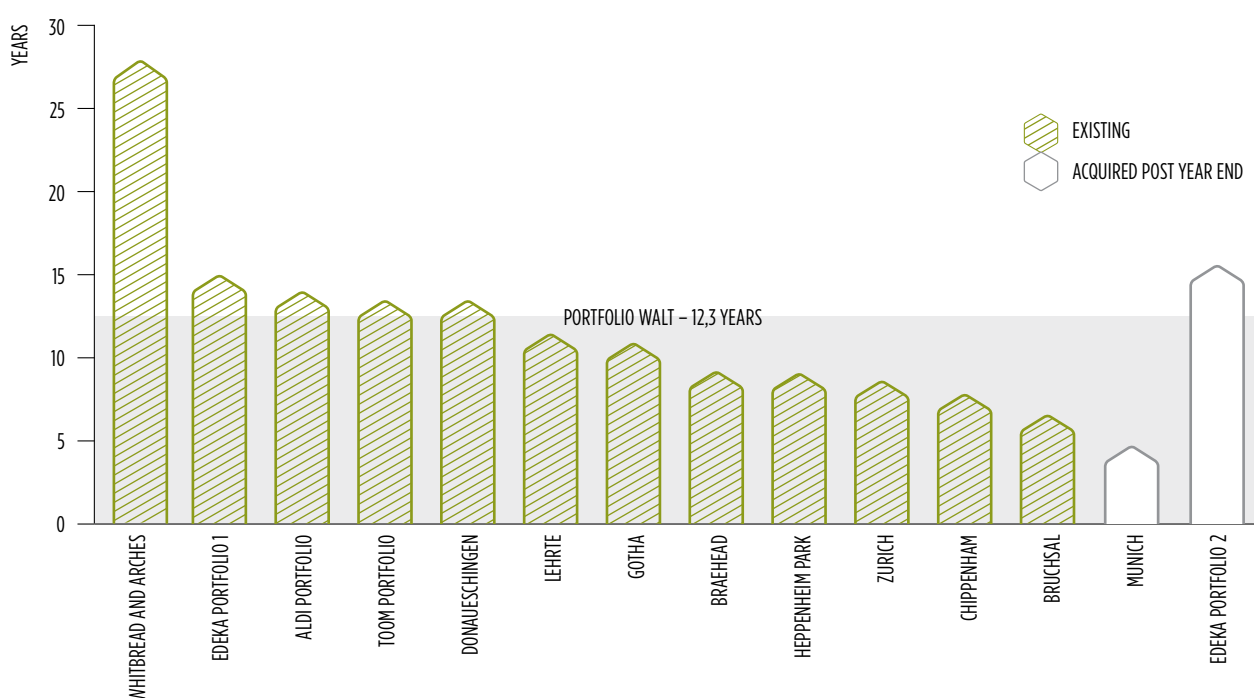


## INCOME-GENERATING PROPERTY

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

	HEPPENHEIM PARK	TOOM PORTFOLIO	EDEKA PORTFOLIO 1	BRUCHSAL	GOTHA	LEHRTE	
LOCATION	Germany	Germany	Germany	Germany	Germany	Germany	
ASSET TYPE	Retail	Retail	Retail	Retail	Retail	Retail	
OWNERSHIP	100%	100%	100%	100%	100%	100%	
FINANCIAL YEAR ACQUIRED	2015	2015	2016	2015	2015	2016	
CURRENCY	EUR	EUR	EUR	EUR	EUR	EUR	
NUMBER OF ASSETS	1	3	3	1	1	1	
GLA (SQM)	24 644	25 291	20 920	7 103	9 442	9 203	
OCCUPANCY	86%	100%	100%	100%	100%	100%	
WALT	8,5	12,8	14,5	5,9	10,0	10,6	
BOOK VALUE	€27,90m	€29,04m	€28,98m	€21,70m	€12,20m	€10,40m	
PASSING RENT	€2,29m	€2,20m	€2,00m	€1,48m	€0,99m	€0,76m	

### Income-generating WALT





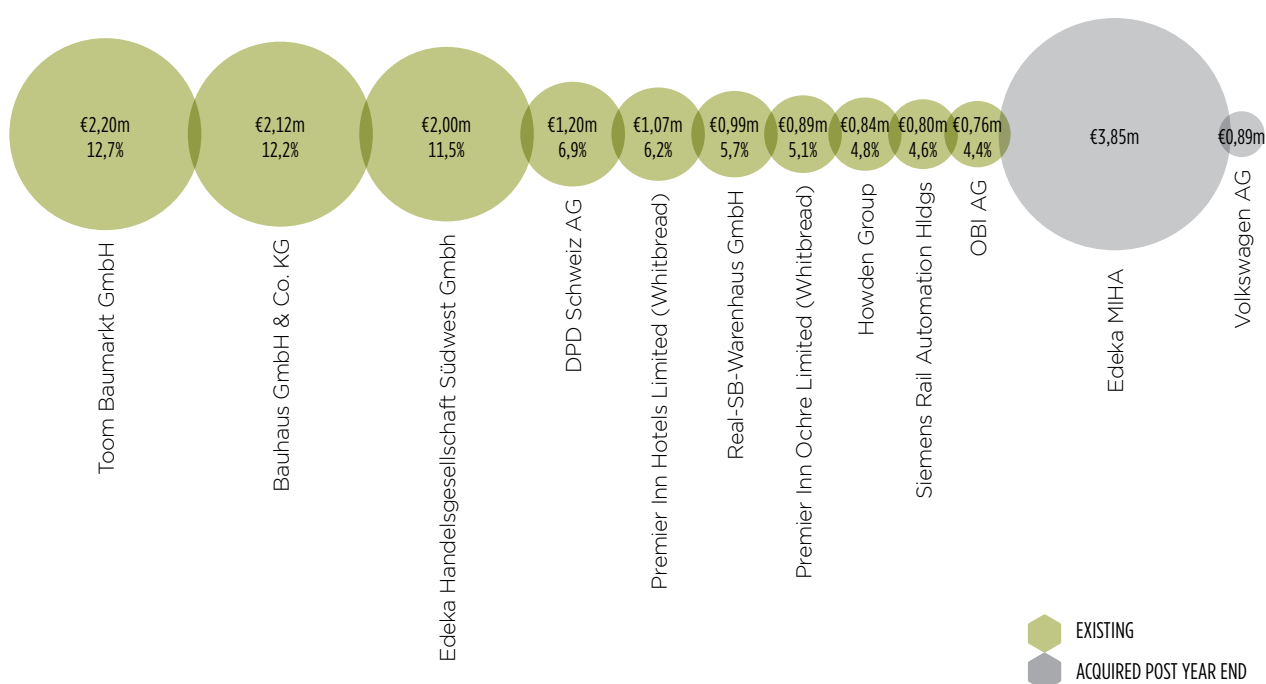
The investment strategy emphasises the quality of income streams, which is evident from the locations and quality of the assets owned, terms of leases, and size of tenants. The income is of such a quality as to allow for gearing at an asset level of up to 65%.

	DONAUES- CHINGEN	ALDI PORTFOLIO	WHITBREAD AND ARCHES	CHIPPENHAM	BRAEHEAD	ZURICH	TOTAL
	Germany	Germany	UK	UK	UK	Switzerland	
	Retail	Retail	Hotel	Industrial	Industrial	Logistics	
	100%	100%	100%	100%	100%	100%	
	2015	2010	2016	2015	2013	2010	
	EUR	EUR	GBP	GBP	GBP	CHF	
	1	5	1	1	1	1	20
	8 235	6 759	20 015	62 897	18 476	5 699	218 684
	100%	100%	85%	99%	100%	100%	97%
	12,4	13,4	27,6	7,4	8,6	8,3	12,3
	€9,60m	€8,94m	€41,80m	€24,41m	€8,17m	€19,49m	€242,63m
	€0,72m	€0,59m	€2,18m	€2,08m	€0,84m	€1,20m	€17,33m



Figures extracted from management accounts

### Top 10 tenants



EXISTING  
 ACQUIRED POST YEAR END



## PORTFOLIO



## INCOME-GENERATING PROPERTY

## Recent additions

NEW ASSETS	TENANT	DATE COMPLETED	PASSING RENT
Lehrte	OBI AG	December 2015	€0,76m
Whitbread and Arches	Premier Inn Hotels Limited, Premier Inn Ochre Limited (Whitbread), various	February 2016	€2,18m
Edeka portfolio 1	Edeka Handelsgesellschaft Südwest GmbH	June 2016	€2,00m

Figures extracted from management accounts



Lehrte, Germany

**Lehrte property**

Acquired	December 2015
Tenant	OBI AG
Passing rent	€0,76m
WALT	10,6 years

A stand-alone retail warehouse let on a long-term lease to OBI, the largest DIY operator in Europe, part of the Tengelmann Group.

This property was acquired because of the strong income, dominant location in surrounding area, and ability to refinance at low rates.



Premier Inn, New Waverley, Scotland

**Whitbread and Arches**

Completed	February 2016
Tenant	Whitbread, various
Passing rent	€2,18m
WALT	27,6 years

The first delivery from Phase I at New Waverley is the Premier Inn hotel, Hub by Premier Inn hotel, and 15 associated artisan retail units termed the Arches.

This development continues to progress well, with the current trading at the recently opened hotels being above expectation, which bodes well for the remainder of the Phase I scheme that is being delivered later this calendar year, and Phase II that is commencing.



Edeka portfolio 1, Germany

**Edeka portfolio 1**

Acquired	June 2016
Tenant	Edeka Handelsgesellschaft Südwest GmbH
Passing rent	€2,00m
WALT	14,5 years

A portfolio of 3 retail units let on long-term leases to Edeka. The Edeka Group is the largest German supermarket corporation, holding a market share of approximately 26% in Germany and operating 4 100 stores under the Edeka brand.

This portfolio was acquired because of the strong income generated and ability to refinance at exceptionally low rates, as well as the key locations of the stores in the surrounding area.



## Completed post-year end

NEW ASSETS	TENANT	DATE COMPLETED	PASSING RENT
Munich	Volkswagen AG	August 2016	€0,89m
Edeka portfolio 2	Edeka MIHA AG	August 2016	€3,85m



### Munich

Acquired	August 2016
Tenant	Volkswagen
Passing rent	€0,89m
WALT	2,5 years

An industrial property located in Munich, Germany, let to Volkswagen AG, the leading German auto manufacturer.

This property was acquired for its strategic location, asset management opportunities, and in time, its potential redevelopment.

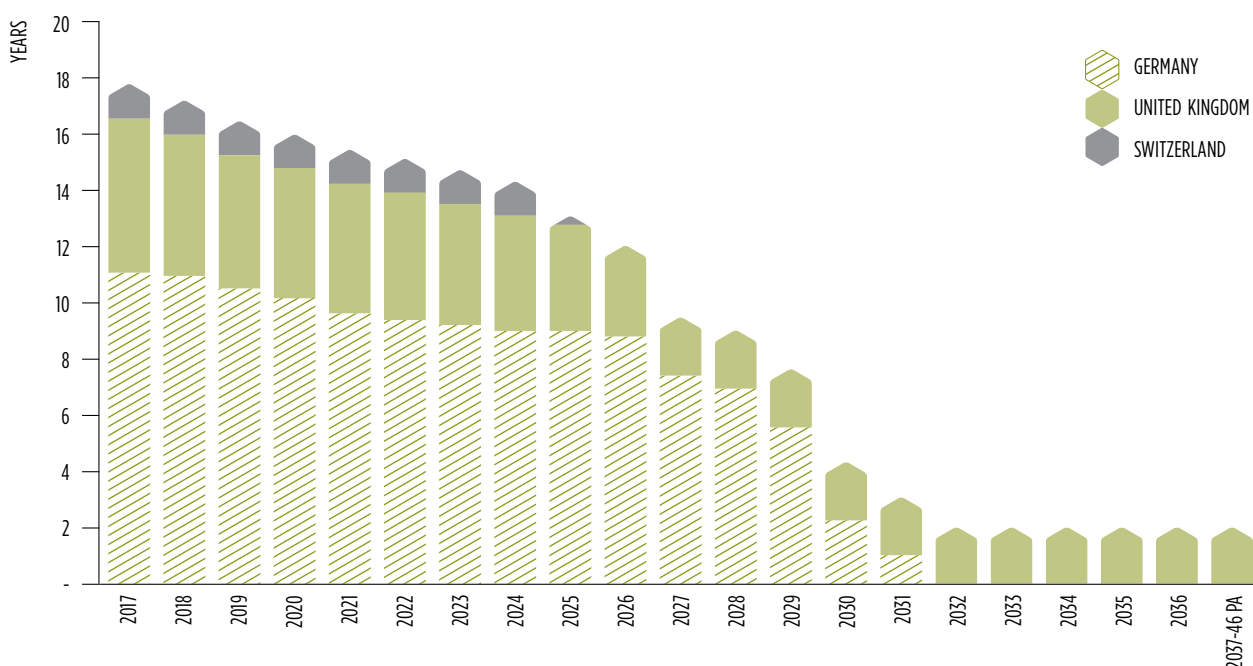


### Edeka portfolio 2

Acquired	August 2016
Tenant	Edeka MIHA AG
Passing rent	€3,85m
WALT	15,0 years

A portfolio of 20 retail units let on long-term leases to Edeka. As with the Edeka portfolio 1, this larger portfolio was also acquired because of the strong income generated and ability to refinance at exceptionally low rates, as well as the key locations of the stores in the surrounding area.

## Contracted rent by year





## PORTFOLIO



## DEVELOPMENT PROPERTY

	NEW WAVERLEY - ADAGIO AND RETAIL	NEW WAVERLEY PHASE II	LANGLEY PARK	PRIME CAPITAL JV
LOCATION	UK	UK	UK	Romania
ASSET TYPE	Hotel	Office	Hotel	Retail
OWNERSHIP	100%	100%	100%	40%
COMPLETION	12.2016	2019	2018	2017-2019
CURRENCY	GBP	GBP	GBP	EUR
NUMBER OF ASSETS	1	1	1	1
BOOK VALUE	€18,49m	€4,81m	€0,51m	€1,10m
ERV	€2,03m	€3,00m	€0,44m	€2,00m

Figures extracted from management accounts

## Overview

## New Waverley development

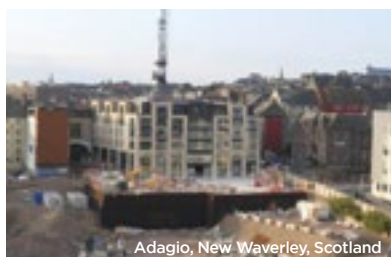
The New Waverley project is a mixed-use development in the heart of Edinburgh that includes hotels, offices, commercial and residential elements. The development is being built in two phases. Phase I, incorporating the three pre-let hotels, the 'Arches' and other associated retail outlets, is nearing completion. The scheme for Phase II is nearing finalisation, with updated planning being sought before its intended commencement thereafter.

Given the mixed-use and staggered nature of the development, the relevant components of this New Waverley development are encompassed in the following categories:

CATEGORY	COMPONENT OF SCHEME	COMPLETION	BOOK VALUE 30 JUNE 2016
Income-generating property	Whitbread and Arches	February 2016	€41,80m
Development property	Adagio and retail	December 2016E	€18,49m
Development property	Phase II – offices and retail	FY2019 E	€4,81m
Land bank	Phase II – residential	FY2019 E	€6,86m

Figures extracted from management accounts

A Development Management Agreement is in place with the developer, New Waverley Advisors and New Waverley Holdings, under which development fees are paid at final completion that give the developer an approximate 25% share of profit after a 7,5% preferred return to the investor.



Adagio, New Waverley, Scotland

## New Waverley – Adagio and retail

Completion	December 2016
Secured tenant	Adagio, with Accor and Pierre & Vacances guarantee, plus various
ERV	€2,03m

The Adagio and retail represents the completion of Phase I of the New Waverley development. This hotel is set to complete at the end of this calendar year. It has frontage directly onto the Royal Mile, and will anchor the southern end of the public square.





### New Waverley – PHASE II Completion

FY2019E

Phase II comprises the office, residential and associated retail aspects that will complete the New Waverley development. Pre-letting of the office buildings is well underway, after which construction will begin.

### Langley Park

Langley Park, also known as King Alfred's Gate, comprises the 77 000 sqm development and land bank portions of our Chippenham business park property purchased in December 2014. Planning is targeted predominantly for residential use, in-line with our original business plan, maximising the value generated on the large Chippenham property site.

Given the mixed-use nature of the development, the relevant components are encompassed in the following categories:

CATEGORY	COMPONENT	COMPLETION	CARRYING VALUE 30 JUNE 2016
Development property	Langley Park – Travelodge	FY2017 E	€0,51m
Land bank	Langley Park – Residential	FY2018 E	€17,40m

Figures extracted from management accounts

An application for outline planning permission has been submitted in March 2016 with the view to achieving consent in the autumn of 2016. Construction would then start at the beginning of the 2017 calendar year.



### Langley Park

Completion	FY 2018
Secured tenant	Travelodge
ERV	€0,44m

Progress continues at Langley Park, where a pre-let has been secured with Travelodge, a leading budget hotel operator, subject to planning. A planning application has been submitted in the summer, and we expect an outcome before the end of this calendar year. This hotel is intended to be held for income.



### CEE Developments (Prime Kapital JV)

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

MAS has invested €20 million in return for a 40% equity interest in this business, and intends to invest a further €200 million by way of 7.5% preference shares over the next 4 years. A substantial pipeline has been built up in a short time-frame, and the first acquisitions of development sites has already completed.

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





## PORTFOLIO



## LAND BANK

	NORTH STREET QUARTER	LANGLEY PARK	NEW WAVERLEY - PHASE II
LOCATION	UK	UK	UK
ASSET TYPE	Residential	Residential	Residential
OWNERSHIP	100%	100%	100%
NUMBER OF ASSETS	1	2	3
BOOK VALUE	€19,82m	€17,40m	€6,86m

Figures extracted from management accounts

## “PLANNING PERMISSISON WAS GRANTED IN DECEMBER 2015 FOR A MIXED-USE SCHEME.”

### North Street Quarter

North Street Quarter is a development site in the heart of Lewes, East Sussex, near to the High Street. The strategy is to deliver a vibrant, mixed-use neighbourhood that will regenerate the area around North Street, including the Phoenix Industrial Estate, which is the largest brownfield site in the South Downs National Park. The rise in house prices in the area has resulted in a more residentially led scheme than originally conceived.

Planning permission was granted in December 2015 for a mixed-use scheme. The 15 acre (6,07 ha) development plan has been created in partnership with Lewes District Council, delivering:

- 416 new homes (40% affordable); and
- 13 000 sqm of commercial space, accommodating c475 full time jobs including workshops which includes:
  - Retail space;
  - A health centre;
  - 7 000 sq m of industrial space on the Malling Brooks site;
  - New riverside walkway and public square, foot and cycle bridge; and
  - Car park

The final agreements with the planning and local government authorities subsequent to the granting of planning consent are currently being completed with the intention of undertaking a phased roll-out of the disposal strategy for the scheme commencing late 2016 through to 2019.

### Langley Park

Outline planning permission has been submitted in March 2016 with the view to achieving consent in the autumn of 2016. Upon receipt of planning, disposal or construction as applicable will commence, which is expected to comprise, in addition to that contained within Developments:

- 420 residential units – the land for which is to be sold in phases to a housebuilder;
- 1 741 sqm discount food retailer, the plot for which is pre-sold to the operator; and
- A further 16 473 sqm of general business and industrial space to be developed in the coming years on the retained section of the business park.

### New Waverley - Phase II

The New Waverley Phase II land bank is the element of the New Waverley development that relates to residential development. Refer to New Waverley within 'Developments' above.

### Pipeline

MAS' growing reputation and ability to deliver on development opportunities has resulted in a strong and value accretive pipeline of opportunities across both western Europe and more recently in central and eastern Europe. Across western Europe prices have risen substantially, and income-generating investments will only be considered on an opportunistic basis, as the portfolio is rebalanced across the wider European market.





North Street Quarter, England



Phase II, New Waverley, Scotland

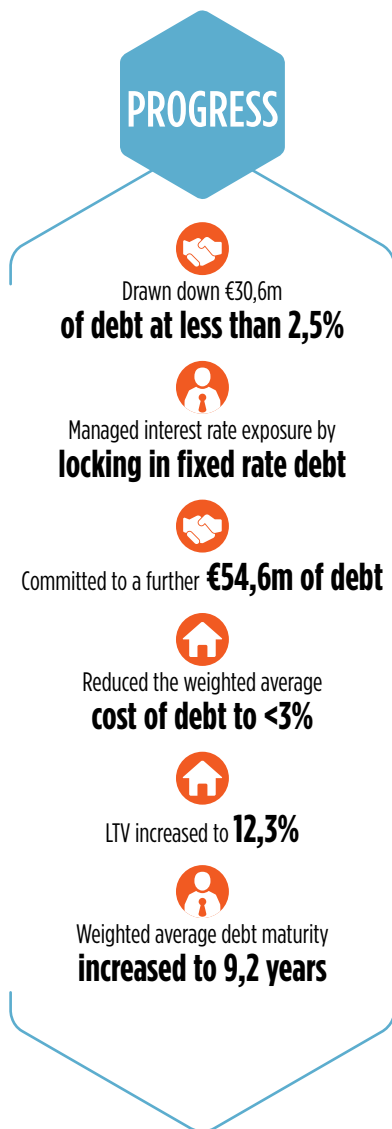


Langley Park, England





## FUNDING



Funding is the capital that MAS derives from either debt or equity. This is utilised to implement our strategy of assembling, through acquisition and development, a high quality investment property portfolio.

### Debt

Integral to the objective of maximising returns to shareholders is optimising the source of funding. To this end MAS' gearing programme is capitalising on the historically low interest rates currently in the market as the LTV is adjusted towards the target of 40% - 50%.

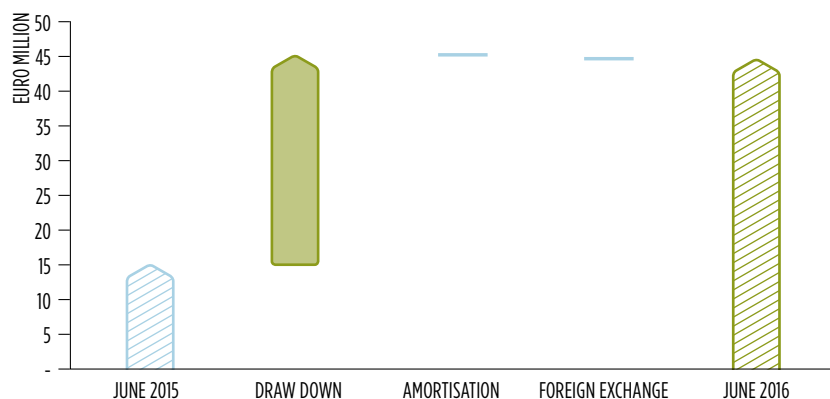
The hedging strategy manages interest rate risk across the debt portfolio, and care is taken to diversify the lending base to mitigate the concentration of credit risk. Treasury management optimises liquidity whilst meeting debt amortisation and maturities.

During the year, €30,6m was drawn down, which brought the group's weighted cost of debt to 2,8% at year-end. Significant progress has been made post year-end, with €25,4m of further debt drawn down and €29,2m firmly committed.

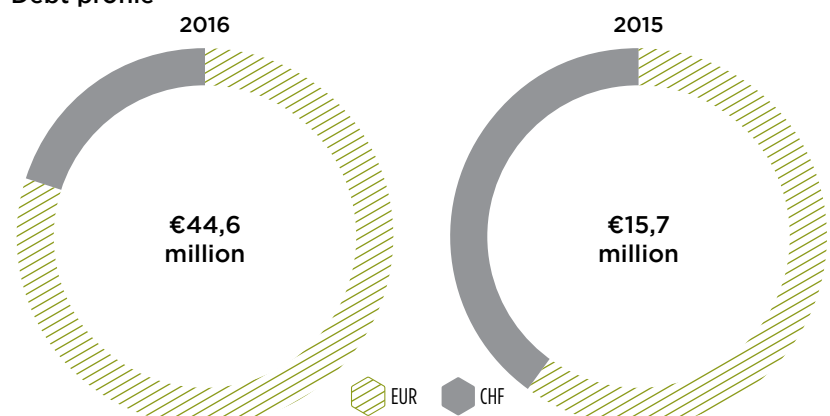
The maturity profile of the group's debt has improved, with a weighted average debt term of 9,2 years. The group manages the credit risk of refinancing by negotiating maturities at an asset level that complement the debt profile of the group.

Interest rate hedging is an important component of the group's funding strategy, in order to mitigate the interest rate exposure, 94,1% of the group's debt at year-end was hedged.

### Debt reconciliation

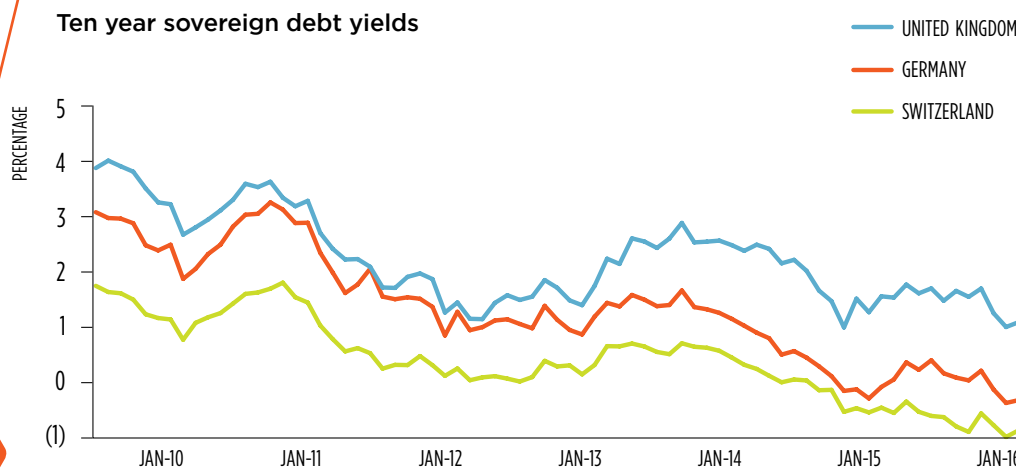


### Debt profile





## LOOKING AHEAD

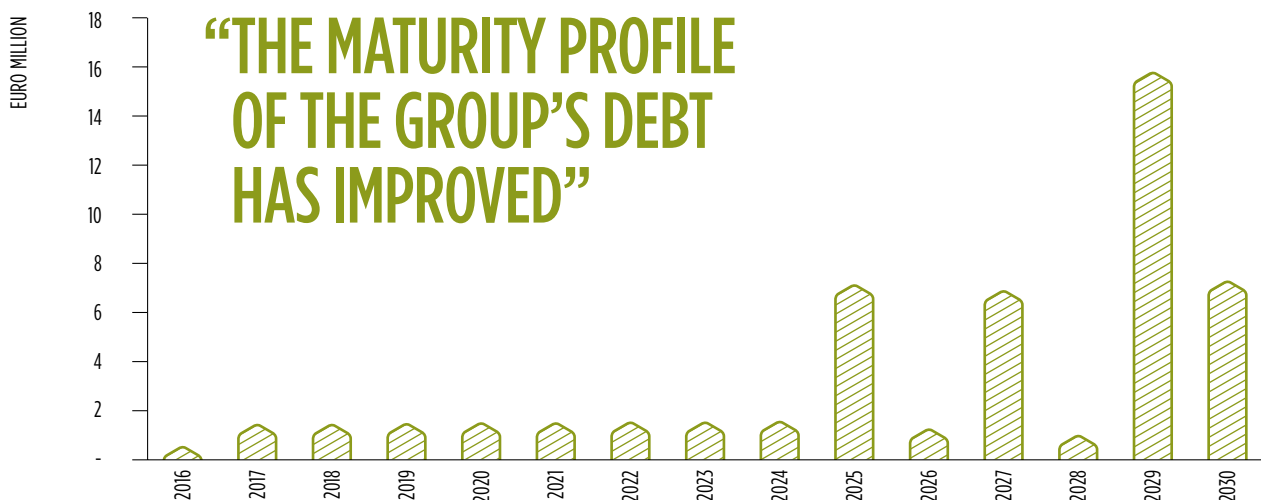


Source: Bloomberg

The group's target LTV is **40%-50%**. The gearing programme will continue to secure funding against the portfolio assets, and the LTV is expected to move towards target levels by the end of FY2017. In addition, the group is discussing other opportunities to secure debt funding, including group level facilities.

The historically low interest rates make this an opportune time to be securing further debt.

## Amortisation and expiry profile





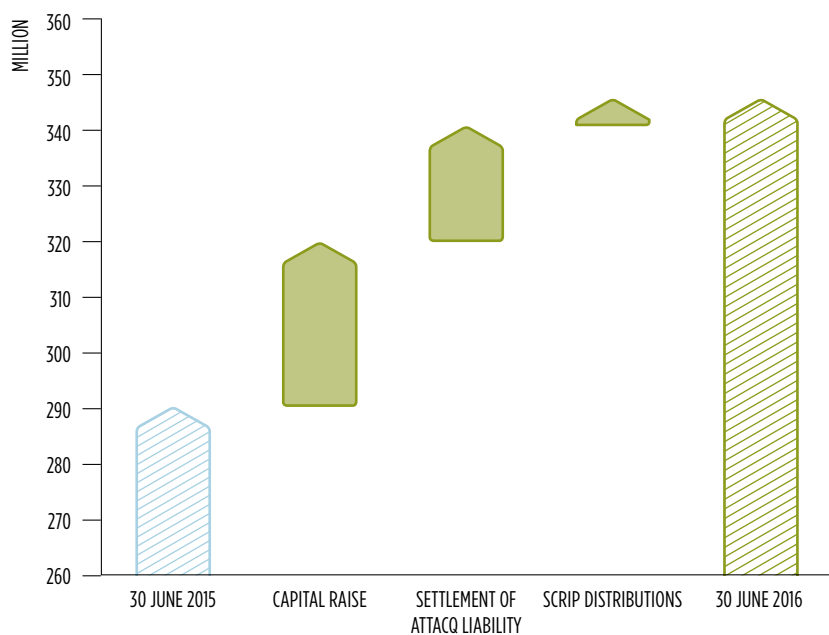
## FUNDING (CONTINUED)

**INCLUSION IN THE  
JSE SAMPY INDEX  
MARKED AN  
IMPORTANT  
MILESTONE IN THE  
DEVELOPMENT OF  
THE GROUP.**

### Equity

During the year, and subsequent to year-end, MAS successfully raised €38m and €32m of equity respectively at a premium to NAV per share, confirming the successful implementation of the group's strategy.

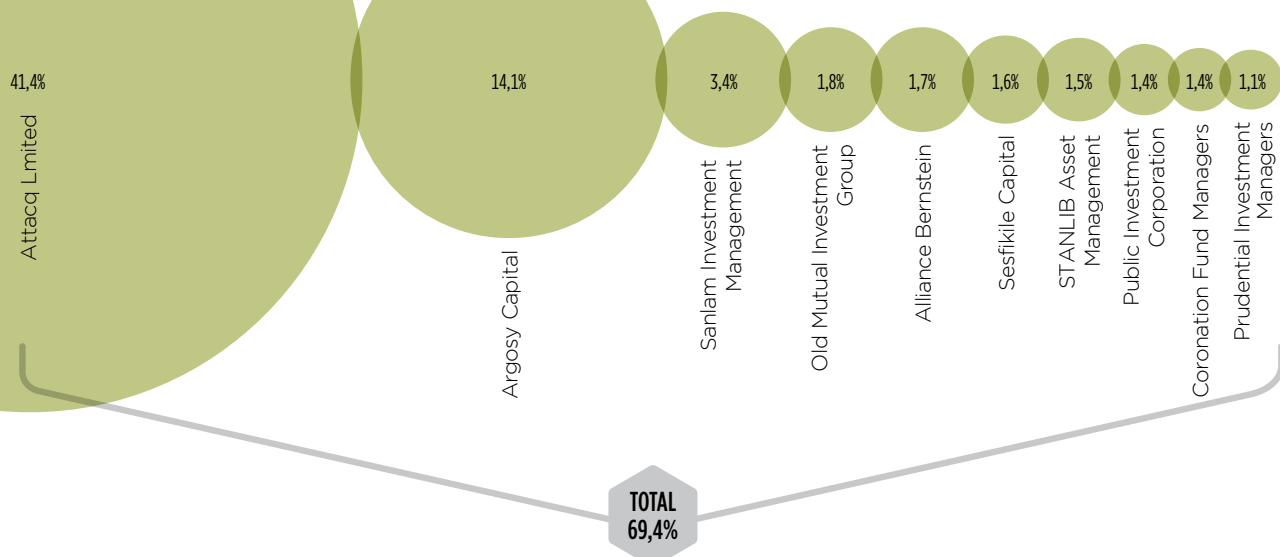
Number of shares in issue



AFS N18

Top 10 shareholders - 30 June 2016

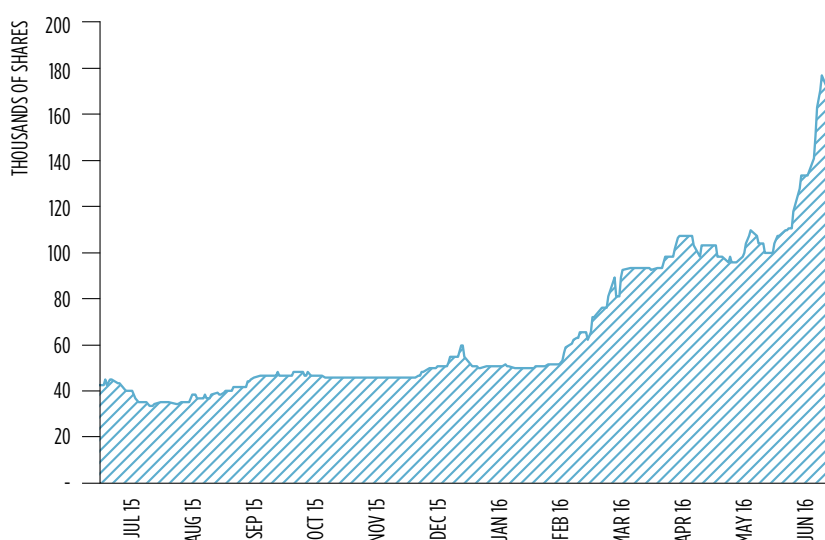
AFS N26





MAS' inclusion in the JSE SAPY index marked an important milestone in the development of the group. Liquidity of the MAS shares is much improved with the daily share trading volume nearly doubling from the previous year. The improved liquidity has been a key strategic focus for the company over the past year, making the MAS share more investable. Management continue to implement initiatives to see further improvement in this key metric for the company.

90-day median share volume



## PROGRESS



Raised  
**€72,9m**  
through the issuance of shares



Included in the  
**SAPY Index**



Improved median daily share  
volume which increased to  
**76,2 thousand**

Given the substantial funding that is to be made available in the months ahead through the gearing programme, the group will only consider further equity issues in exceptional circumstances where other sources of funding are not available.

**LOOKING  
AHEAD**



## RELATIONSHIPS



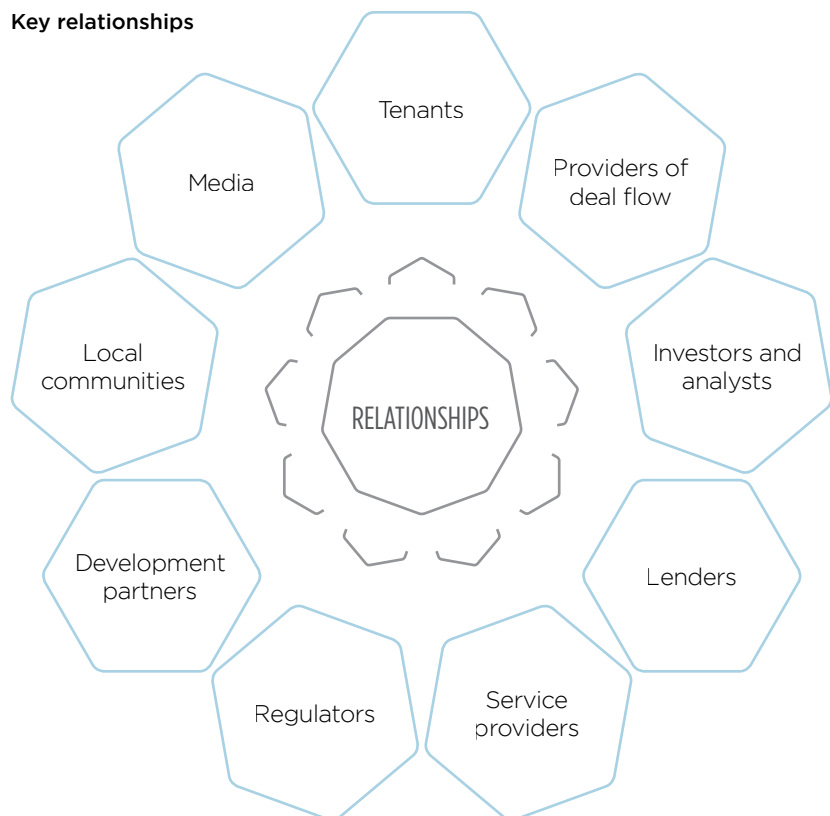
Relationship capital is the intrinsic value that we create with all stakeholders of the business through multiple interactions. These relationships are critical to delivering what we do.

We actively invest in our relationships, establishing new relationships and strengthening existing ones. These relationships are fundamental to operations, having been established and nurtured over many years.

We aim to foster lasting relationships with all stakeholders, in the way in which we interact and communicate. These interactions embrace the values that permeate the organisation.

Communicating and delivering a consistent, transparent and reliable message reinforces our internal unity and ensures our relevance to external parties. In turn, we listen to stakeholders, and act on feedback to ensure we remain relevant and proactive.

### Key relationships



Relationship capital increases in importance as the organisation grows. The group continues to nurture a culture that embraces our values. In the year ahead further relationship capital will grow with the CEE expansion of the business.



STAKEHOLDER	COMMUNICATION AND ENGAGEMENT	CONTRIBUTION	EXPECTATION
Investors and analysts	<ul style="list-style-type: none"> <li>- Investor presentations</li> <li>- Roadshows</li> <li>- One-on-one meetings</li> <li>- Interim and annual reporting</li> <li>- Results conference calls</li> <li>- SENS</li> <li>- Shareholder meetings</li> <li>- Website</li> <li>- Newsletters</li> <li>- Investor tours</li> </ul>	Provision of equity financial capital	Sustainable and growing distribution over time
Lenders	<ul style="list-style-type: none"> <li>- One-on-one meetings</li> <li>- Bespoke updates</li> <li>- Interim and annual reporting</li> <li>- Website</li> </ul>	Provision of debt finance	Property security. Maintenance of strong income and balance sheet covenants
Tenants	<ul style="list-style-type: none"> <li>- One-on-one meetings</li> <li>- Site visits</li> <li>- Local property management teams</li> </ul>	Letting of available space	High level of service and support
Suppliers and service providers	<ul style="list-style-type: none"> <li>- One-on-one meetings</li> <li>- Regular feedback</li> <li>- Performance evaluation</li> </ul>	Provision of services to meet our objectives	Conducting business in a mutually beneficial and professional manner, with common purpose
Employees	<ul style="list-style-type: none"> <li>- Training and development</li> <li>- Semi-annual performance appraisals</li> <li>- Newsletters/communications</li> <li>- Regular strategic and business updates (CEO's coffee morning)</li> <li>- Regular social events</li> </ul>	Employees are the engine of the business, driving the business forward with our goals and results-focused approach	Attract, develop, reward and retain the best people with market related salaries.
Regulatory bodies	<ul style="list-style-type: none"> <li>- Tax and regulatory returns</li> <li>- Input into setting policy</li> <li>- Direct open engagement on required matters</li> </ul>	Regulatory frameworks tend to assist in providing certainty and allow effective governance	MAS is compliant with all relevant regimes
Local communities	<ul style="list-style-type: none"> <li>- Detailed community engagement with all developments through: <ul style="list-style-type: none"> <li>• Community presentations</li> <li>• Localised updates</li> <li>• E-forums and press</li> </ul> </li> </ul>	Social acceptance and positive interactions in the communities in which we operate	Impacting communities in a positive manner
Development partners	<ul style="list-style-type: none"> <li>- Development meetings</li> <li>- Site visits</li> <li>- Progress/cost reports</li> </ul>	Providing development expertise to grow portfolio	Conducting business in a mutually beneficial and professional manner, with common purpose
Media	<ul style="list-style-type: none"> <li>- Interviews for print, electronic and on-air media</li> </ul>	Communicating strategy and updates to a wide audience	Fairness, honesty and transparency. Access to management



## TEAM

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

### Overview

MAS provides access to a specialist management team, with extensive knowledge and experience across all our invested markets. We have resources on the ground with staff and associate offices in London, Edinburgh and Frankfurt, in addition to the head office in the Isle of Man.

The internal executive management team have stakes in the business that represent a significant portion of their personal wealth. In addition, the

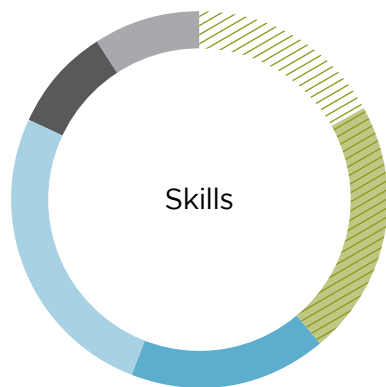
executives and key are remunerated in a manner that aligns their short and long-term interests with those of the group, creating the platform to sustain performance in the longer term.

We employ talented people who have the skills and experience to contribute to the business activities and make a difference. In addition, we have a formalised training and development programme, on which we currently have five employees working towards professional qualifications.

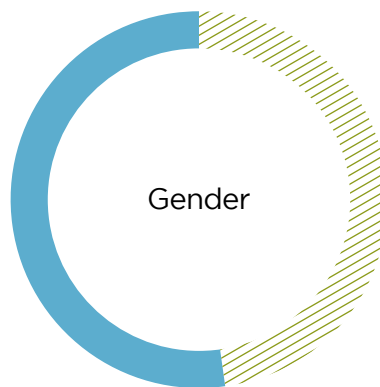




## Employee profile



Executive directors  
Non-executive directors  
Company secretarial  
Property  
Finance  
Operations



Men  
Women

We invest in our processes and operating systems to ensure they are robust and reliable; this investment enables us to operate efficiently.

We have continued to invest in our team and have introduced six new members during the course of the year, increasing the experience of our operational platform. This platform can now accommodate substantial growth in the size of the portfolio, with limited further investment.

As mentioned, we have also secured a development joint venture partnership with Prime Kapital, a real estate development and investment business. Their significant experience and a proven track record in real estate development and management allows us to implement our new strategic focus in CEE.

Further to the joint venture partnership we have hired two key asset managers during the year for the UK and German/Swiss portfolios, as we look to optimise and asset manage our portfolio to extract further value.

With respect to our systems and processes, the implementation of an integrated property management and accounting system is underway. Once implemented the new system will go a long way to improving the operational efficiency of the organisation. The risks of implementation are well understood and are being diligently mitigated.

## PROGRESS



Secured

**joint venture with Prime Kapital**



**New head office**



Continued to invest in our  
**staff study programme**



Recruited

**experienced asset managers**



Invested in

**property management and accounting software**



Recruited

**senior operations manager**

## LOOKING AHEAD

### Our key initiatives for the year ahead are to:

- Continue to communicate and work effectively with Prime Kapital on the development joint venture, and to leverage their significant experience in acquiring income-generating property in CEE.
- Complete the implementation of the integrated property management and accounting system.



## SUSTAINABILITY

Sustainability refers to the social and natural license that we are given to own and develop real estate. This considers the impact of what we do on both the social setting and the environment where we operate, and vice-versa.

### Overview

The philosophy is to make a positive difference in a sustainable way. We are continually contemplating ways to improve social and natural sustainability, which we do by considering the following three components:

### **SOCIAL**

Our investment in the locations in which we operate to achieve social well-being

### **ENVIRONMENTAL**

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

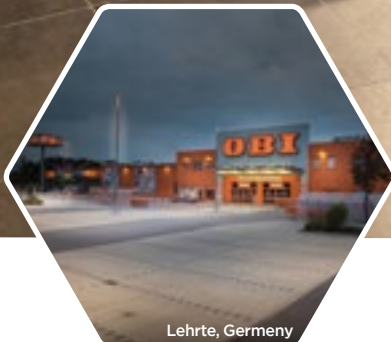
### **ECONOMIC**

Our responsible approach in optimising the outputs of our capitals





Costa, New Waverley, Scotland



Lehrte, Germany



Arches,  
New Waverley, Scotland



Costa,  
New Waverley, Scotland

Sustainable energy key to Chippenham and developments at Langley and North Street Quarter

- Progressive urban design:
- Green roof technology at Langley Park
  - Sustainable urban drainage
  - Water efficient/low flow sanitary fittings

Photovoltaic farm at Chippenham able to power entire site, and feed excess into national grid, plus photovoltaic roof panels at Zurich property

Regeneration at the heart of our developments:

- New Waverley
- North Street Quarter
- Langley Park

Environmentally friendly landfill used at New Waverley

Property management considers environmentally favourable upgrades

Extensive community engagement on impact and design of developments:

- New Waverley
- Langley Park
- North Street Quarter

Two Corporate Social Responsibility Investments being considered

Open green areas incorporated in all developments

Consideration of historic setting and artefacts at New Waverley and North Street Quarter



## KEY RISKS AND UNCERTAINTIES

**“WE CONSIDER  
RISK MANAGEMENT  
TO BE...  
A SIGNIFICANT  
ASPECT OF  
CORPORATE  
GOVERNANCE.”**



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

Risk identification is a two-tiered process:

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

Such risks are assessed to determine the potential impact on the organisation and an exercise is undertaken to measure the level of inherent risk faced by the group. Controls are designed to mitigate the assessed level of risk, which are implemented and monitored on a regular basis. Formal feedback is given to the Risk Committee, and in turn to the board.

To assist with the bottom-up identification of risks, a risk register is maintained. This is updated as

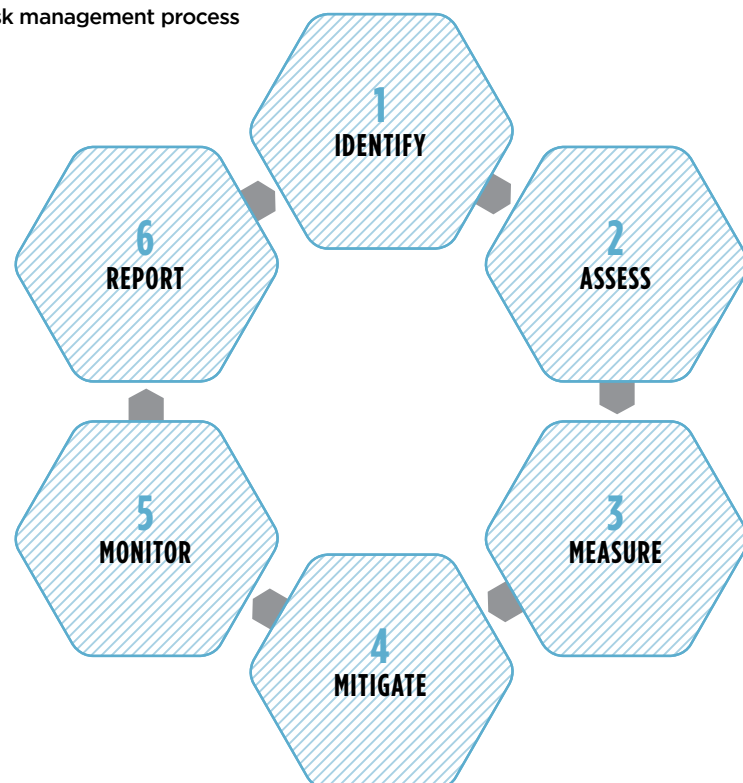
operational risks are identified and considered during the ordinary course of business. This register is reviewed by the Risk Committee at each meeting.

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

Risk management is considered to be fundamental to good management practice and a significant aspect of corporate governance. The group adopts the following approach to risk management:

When risks are identified, management categorise each risk into the relevant primary risk category. When considering risks, the likelihood of the risk manifesting and its potential impact on the group is assessed. The risks detailed in the table over-page are considered to be the primary risks of the group:

### Risk management process







Hub by Premier Inn,  
New Waverley, Scotland



## KEY RISKS AND UNCERTAINTIES (CONTINUED)

MR MARKET RISK		
DESCRIPTION	MITIGATION	OUTCOME
Change in the general demand and supply dynamics of the individual sub markets in which MAS operates.	<ul style="list-style-type: none"> <li>- Comprehensive investment process to acquire high-quality, sustainable real estate</li> <li>- Detailed market research undertaken by in-house analyst</li> <li>- Diversification across geographies, sectors and tenants to limit exposure to concentrations</li> </ul>	<ul style="list-style-type: none"> <li>- Demand for real estate has been strong across the markets in which the group invests and operates. Covenant concerns are therefore limited at this stage, but declines in property prices would impact capital values</li> </ul>

PR PROPERTY SPECIFIC RISK		
DESCRIPTION	MITIGATION	OUTCOME
Property specific issues may arise that may be detrimental to property and shareholder value.	<ul style="list-style-type: none"> <li>- Effective asset and property management</li> <li>- All properties are insured with reputable insurers</li> <li>- Strong tenant covenants are in place</li> </ul>	<ul style="list-style-type: none"> <li>- Expanded our resources on the ground through our experienced asset managers</li> </ul>

FR FUNDING RISK		
DESCRIPTION	MITIGATION	OUTCOME
Sources of funding may become unavailable; the group may breach covenants on existing facilities; cost of funding including interest rates may increase which will reduce shareholder returns; and shareholders may be unprepared to provide additional equity.	<ul style="list-style-type: none"> <li>- Strong and established relationships with funders</li> <li>- Effective treasury management process to ensure adequate group liquidity</li> <li>- Effective communication to providers of funding</li> <li>- Regular board consideration of group funding position</li> <li>- Low levels of current gearing</li> </ul>	<ul style="list-style-type: none"> <li>- Continual monitoring of debt facilities is undertaken</li> <li>- Positive engagement with funders through multiple channels of communication</li> </ul>

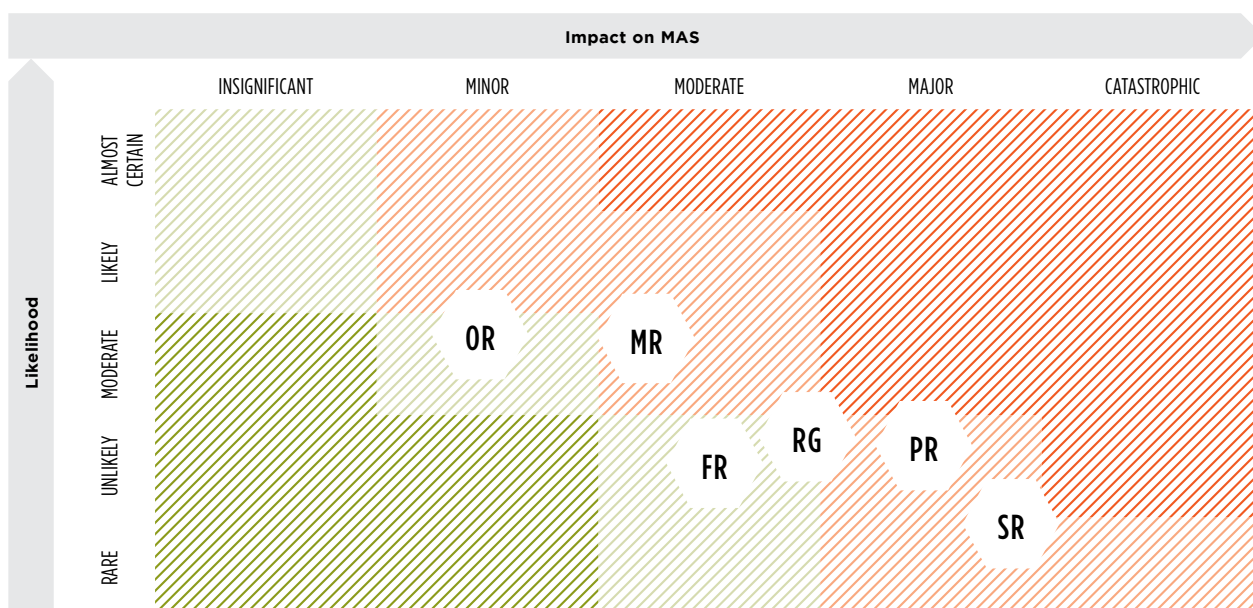
OR OPERATIONAL RISK		
DESCRIPTION	MITIGATION	OUTCOME
Breakdown of the operational system may result in loss of income, increased expenses or inaccurate information for decision-making.	<ul style="list-style-type: none"> <li>- Strong and established processes for performing operational tasks</li> <li>- Culture of openness and transparency with respect to challenging decisions</li> <li>- Adequate staffing and training and development thereof</li> <li>- Investment into resources and implementation of processes for all parts of the business</li> </ul>	<ul style="list-style-type: none"> <li>- Considerable progress has been made in documenting internal processes</li> <li>- High volume of acquisitions has increased the short-term operational risk</li> <li>- Staffing and skill levels have increased across the group, driven by recruitment of an experienced senior operations manager</li> </ul>



SR STRATEGY RISK		
DESCRIPTION	MITIGATION	OUTCOME
Inappropriate or poorly executed strategy could result in loss in shareholder value.	<ul style="list-style-type: none"> <li>- Experienced team driving acquisitions and management of portfolio in the jurisdictions in which we operate</li> <li>- Embedded culture of challenging the rationale for strategic decisions</li> <li>- Detailed annual strategic review undertaken</li> <li>- External consultant periodically considers views of other stakeholders</li> <li>- Regular reviews of strategic process undertaken</li> </ul>	<ul style="list-style-type: none"> <li>- Good progress has been made toward the group's strategic objectives, with distributable earnings increasing strongly as the property acquisition and development programme progresses.</li> </ul>

RG REGULATORY AND GOVERNANCE RISK		
DESCRIPTION	MITIGATION	OUTCOME
<p>Regulation changes may adversely affect the business resulting in the loss of shareholder value.</p> <p>The business may fail to comply with applicable regulatory requirements.</p> <p>Systems of governance may fail resulting in inadequate stewardship of responsibilities.</p>	<ul style="list-style-type: none"> <li>- Competent and experienced staff oversee the regulatory aspects of the business</li> <li>- Use of stock exchange sponsors to advise on stock exchange-related matters</li> <li>- Internal training and development</li> <li>- Use external consultants and updating advice regularly when technical input required</li> </ul>	<ul style="list-style-type: none"> <li>- The group has evolved quickly and the risk of compliance failures is initially higher than in more mature organisations. Dedicated resources are focused on managing this risk and systems of governance are operating effectively.</li> </ul>

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





## CORPORATE GOVERNANCE

### Statement of Commitment

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

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

The board and its committees regularly review the governance framework and continue to enhance and align policies, procedures and systems to embed this framework and drive a culture of continuous improvement within the business.

### Corporate Governance Principles

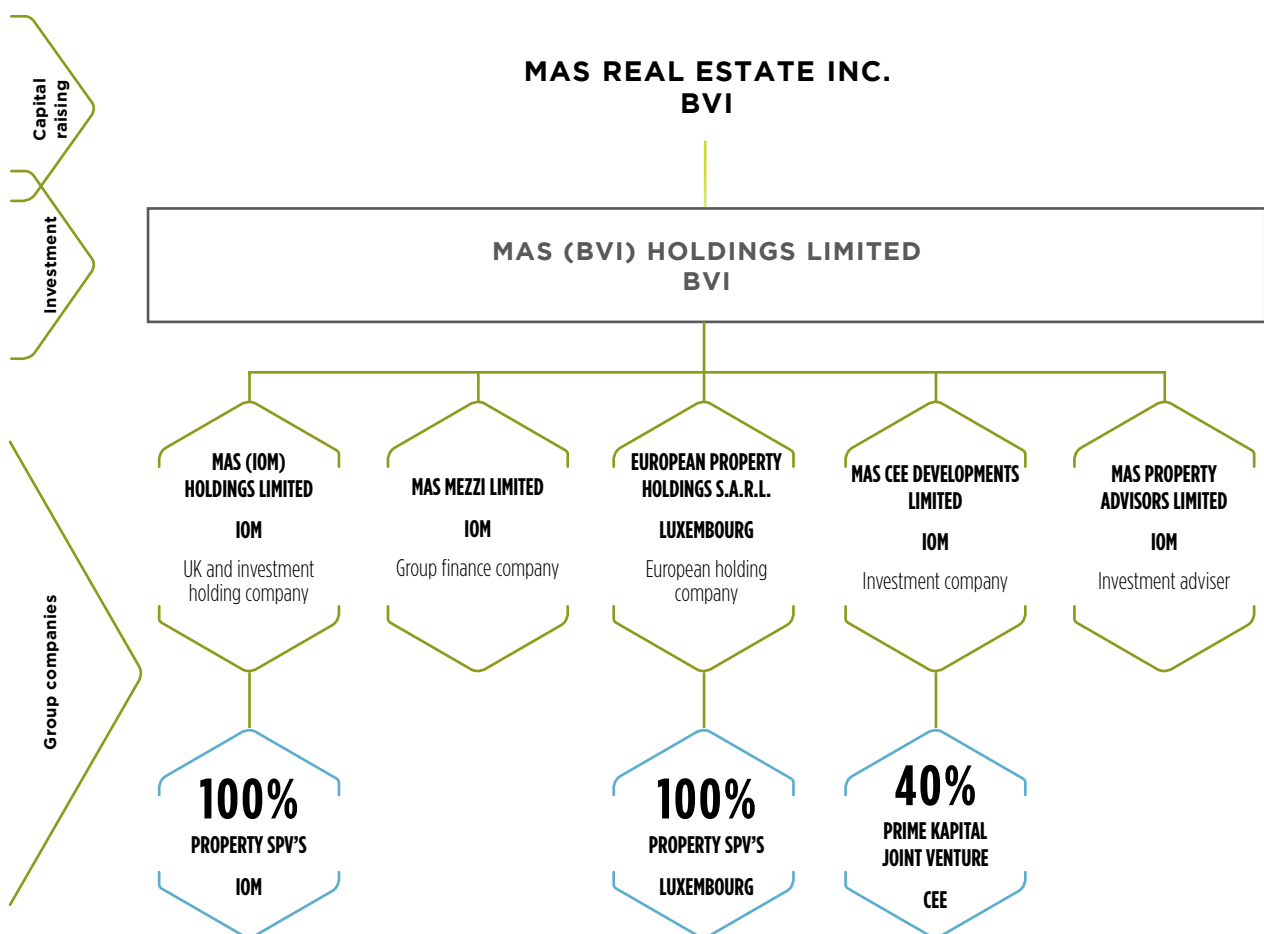
MAS is listed on the Main Board of the Johannesburg Stock Exchange and the Euro MTF market of the Luxembourg Stock Exchange. Consequently, we are committed to the principles of

good corporate governance, and the recommendations for best practice, as laid down by each regulator.

The board confirms that a detailed review of all King III principles has been undertaken. A summary document detailing our compliance with the 75 principles is available on our website [www.masrei.com](http://www.masrei.com).

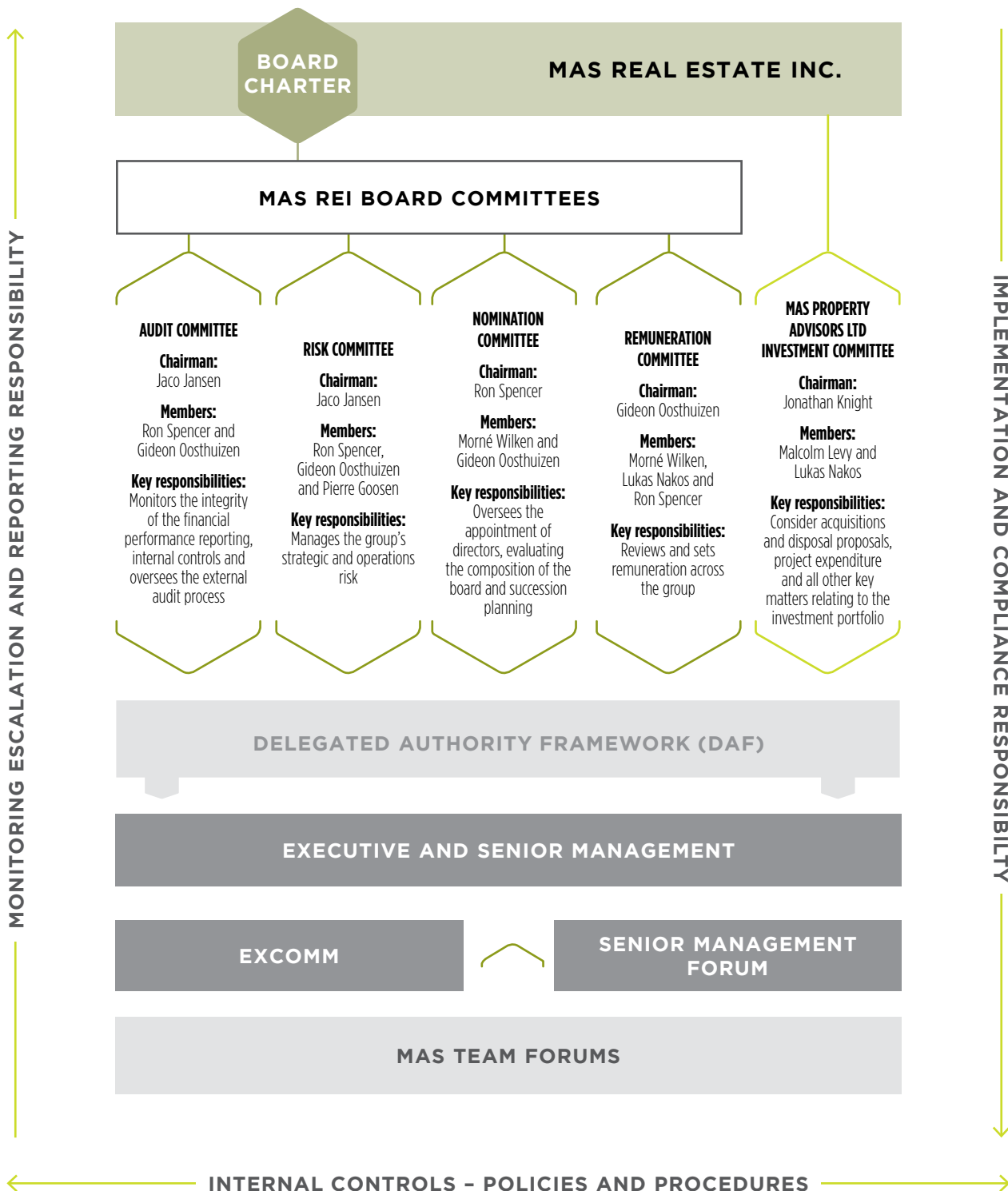


### Corporate structure





## Governance structure





## BOARD OF DIRECTORS

### Lukas Nakos (40)

*BBus.Sc*

**Executive director – CEO**

**Appointment to the board:**

Lukas was appointed to the board as chief executive officer on 3 July 2008.

**Committee memberships:**

Remuneration.

**Other committee memberships:**

Investment.



#### Experience

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

### Malcolm Levy (39)

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

**Executive director – CFO**

**Appointment to the board:**

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

**Committee memberships:**

None

**Other committee memberships:**

Investment.



#### Experience

Malcolm is a co-founder of the business and has served as CFO since the establishment of the group. He was previously an equities fund manager and investment analyst in London. Malcolm is based in the Isle of Man.

### Jonathan Knight (49)

*BSc. (Hons), MRICS*

**Executive director – CIO**

**Appointment to the board:**

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

**Committee memberships:**

None.

**Other committee memberships:**

Investment.



#### Experience

Jonathan joined the group as CIO in 2014. 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. Jonathan is based in London.

### Ron Spencer (68)

*C.Dir*

**Chairman (independent)**

**Appointment to the board:**

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

**Board committee memberships:**

Nomination (chairman), Audit, Risk and Remuneration.

**Other committee memberships:**

None.



#### Experience

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



#### Experience

Gideon is an independent non-executive director of MAS. He heads up Atterbury Europe, and is an executive director of the 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.



#### Gideon Oosthuizen (48)

*B.Eng (Mech)*

**Non-executive director (independent)**

**Appointment to the board:**

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

**Committee memberships:**

Remuneration (chairman), Nomination, Risk and Audit.

**Other committee memberships:**

None.

#### Experience

Jaco is an independent non-executive director of MAS. Previously Jaco was the head of the investment services division at a global wealth advisory and administration business managing in excess of \$500 million for private clients and advising on a multi-asset class basis to institutional clients with \$2,3 billion of assets. Jaco is based in the Isle of Man.



#### Jaco Jansen (43)

*B.Com (Hons), CA(SA)*

**Non-executive director (independent)**

**Appointment to the board:**

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

**Committee memberships:**

Audit (chairman) and Risk (chairman).

**Other committee memberships:**

None.

#### Experience

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



#### Morné Wilken (44)

*B.Eng (Ind) (Hons)*

**Non-executive director**

**Appointment to the board:**

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

**Committee memberships:**

Remuneration and Nomination.

**Other committee memberships:**

None.

#### Experience

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



#### Pierre Goosen (37)

*B.Com(Law), LLB, MBA*

**Non-executive director**

**Appointment to the board:**

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

**Committee memberships:**

Risk.

**Other committee memberships:**

None.

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



## BOARD OF DIRECTORS (CONTINUED)

### Board composition and experience

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

The board recognises the increasing challenges it faces, particularly in the areas of technical accounting standards application and corporate governance compliance in multiple jurisdictions, and frequently engages technical experts in these fields to advise and attend board meetings to supplement its knowledge.

During the year, Dewald Joubert, who had acted as an alternate director to Pierre Goosen, resigned from his position on 10 March 2016. Pierre Goosen's role as a non-executive director of the board remains unchanged.

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

The board, through its Nomination Committee, is currently undergoing a recruitment process to strengthen skills and experience by the addition of at least one further independent non-executive member. MAS is an equal opportunities employer and is determined to employ its policies in this regard to ensure that all candidates are treated equally, whilst achieving the most suitable blend of aptitudes, experience and qualification to complement and balance the existing skills of the board as a whole.

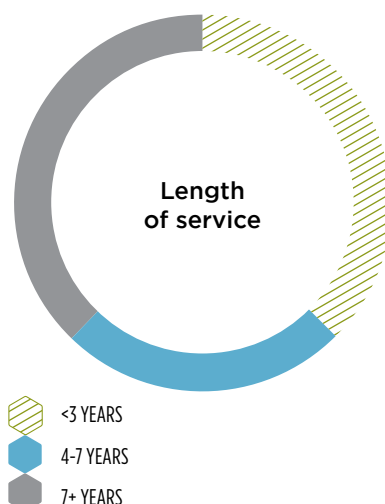
### Roles and responsibilities

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

The board's responsibilities include:

- Considering the strategy, risk, performance and sustainability of the group;
- Ensuring proper management, control and compliance of the business;
- Establishing a framework for proper internal controls and risk management;
- Ensuring that the group is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the group but also the impact business operations have on the environment and the society within which it operates;
- Assuming responsibility for the governance of risk and information technology;
- Approving the strategy of the group which will result in sustainable outcomes;
- Ensuring compliance with appropriate laws, rules and standards and consideration of adherence to non-binding rules, standards and best practice;
- Evaluating the performance of the executive and senior officers;
- Ensuring that individual directors adhere to satisfactory standards of conduct including disclosure of conflicts of interest and director's dealings; and
- Providing effective and ethical leadership.

DIRECTOR	APPOINTMENT	STATUS	LENGTH OF SERVICE (YEARS)
Lukas Nakos	3 July 2008	Executive	8,0
Malcolm Levy	16 February 2009	Executive	7,5
Jonathan Knight	12 August 2014	Executive	2,0
Ron Spencer	16 July 2009	Independent non-executive	7,0
Jaco Jansen	16 July 2009	Independent non-executive	7,0
Gideon Oosthuizen	16 February 2009	Independent non-executive	7,5
Morné Wilken	12 August 2014	Non-executive	2,0
Pierre Goosen	12 August 2014	Non-executive	2,0



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

It sets out the following:

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



- Roles and responsibilities
- Delegation
- Authority

Under the terms of the board charter, the board is responsible for appointing and evaluating the performance of the chief executive officer as well as all other executive and non-executive directors of the board.

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

The investment decision making company within the group is MAS BVI and it receives recommendations from the investment committee of the investment adviser within the group, comprising Jonathan Knight, Lukas Nakos and Malcolm Levy, none of whom sit on the board of MAS BVI.

#### Board effectiveness evaluation

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

Directors will periodically participate in a written peer review to assess individual directors on the attributes that contribute to an effective board including, but not necessarily restricted to, strategic thinking, leadership, integrity, meeting preparation and overall contribution.

#### Attendance at board meetings

DIRECTOR	ATTENDANCE	%
Ron Spencer	✓✓✓✓✓/6	100%
Jaco Jansen	✓✓✓✓✓/6	100%
Gideon Oosthuizen	✓✓✓✓✓/6	100%
Pierre Goosen	✓✓✓✓✓/6	100%
Morné Wilken	✓✓✓✓✓/6	100%
Lukas Nakos	✓✓✓✓✓/6	100%
Malcolm Levy	✓✓✓✓✓/6	100%
Jonathan Knight	✓✓✓✓✓/6	100%

#### Re-election and appointment of new directors

In accordance with the company's articles of association, directors retire by rotation and can offer themselves for re-election at the shareholders' meeting. The directors subject to retirement by rotation include any director who wishes to retire and not offer himself for re-election or any other of the directors which have been longest in office since their most recent appointment or re-appointment. The directors to retire on each occasion shall be determined by the composition of directors at the end of every financial year. A director's eligibility for re-election is based on the board's confirmation of his past performance and contribution to the board. The directors due for retirement at the 2016 annual shareholders' meeting, and offering themselves for re-election, are Gideon Oosthuizen and Jonathan Knight.

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

#### Education and induction and training of board members

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

An induction programme aimed at an understanding of the company is conducted for all newly appointed directors and training and mentoring

of board members is overseen by the Nomination Committee as and when required.

#### Conflicts of interest

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

#### Related party protocol

Accurate records of all actual and potential related party transactions involving directors and their connected persons or associates are maintained.



## BOARD OF DIRECTORS (CONTINUED)

### Directors' dealings in securities

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

### Directors' remuneration

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

### Company secretary

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

The board reviews the relationship between the company secretary and the board members on an annual basis in order to determine whether the company secretary has maintained an arms-length relationship with the board of directors. The board maintains that the company secretary's independence from management has not been compromised and she is not a director of the company, a material shareholder of the company and has not entered into any major contractual relationships with the company or any director. The company secretary has a direct and open relationship with the chairman and the non-executive

members of the board, and communicates frequently without influence, interference, or requiring permission from the executive directors. This enables her to speak freely with the non-executive directors on any matters within her duties and responsibilities.

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

### Committees

The board has established a number of permanent committees to assist the board in discharging its duties and responsibilities. The board delegates authority, whilst retaining accountability, to relevant board committees (and to the executive directors where appropriate) within clearly defined mandates.

The Terms of Reference for each committee set out its role, responsibilities, scope of authority and composition. Minutes are distributed in a timely manner following the meeting.

The established committees are:

#### Audit

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

#### Risk

In line with global best practice, the Audit and Risk Committee were split into two separate committees in 2015. The Risk Committee is responsible for managing the group's strategic and

operational risk.

The Primary and Detailed (operational) Risk Registers are updated and reviewed at every Risk Committee meeting. The Risk Committee meets at least twice a year.

#### Nomination

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

#### Remuneration

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

Details of the current membership of each committee can be found under the Governance section within the "About Us" area on our website, [www.masrei.com](http://www.masrei.com)



#### Committee effectiveness evaluation

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

### Attendance at Board meetings

DIRECTOR	AUDIT COMMITTEE	RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Ron Spencer	✓ ✓ ✓ ✓ /4	✓ ✓ /2	✓ /1	✓ ✓ /2
Jaco Jansen	✓ ✓ ✓ ✓ /4	✓ ✓ /2		
Gideon Oosthuizen	✓ ✓ ✓ ✓ /4	✓ ✓ /2	✓ /1	✓ ✓ /2
Pierre Goosen		✓ ✓ /2		
Morné Wilken			✓ /1	✓ ✓ /2
Lukas Nakos				✓ ✓ /2
Malcolm Levy				
Jonathan Knight				





Bruchsal, Germany





## REPORT OF THE AUDIT COMMITTEE



**Jaco Jansen**

Chairman of the Audit Committee

**Members**

Ron Spencer and Gideon Oosthuizen

### Composition

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

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

The committee meets at least three times a year.

### Key roles and responsibilities

The Audit Committee is responsible for:

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

### For the year ended 30 June 2016

The Audit Committee is the longest-standing committee of the board and has been in existence since the inception of the group. As a result, the processes are well established and carefully monitored.

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

### Initiatives undertaken in the current year included the following:

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

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



## Significant areas of judgment and estimates

The preparation of the financial statements required significant judgements and estimates to be made. The group is an investment business, and accordingly the most important of these in the current year relates to the valuation of the investment property and goodwill.



– **Investment property:** The valuation of investment property is determined by independent property valuation experts, except where fair value cannot be reliably determined. The property valuation experts use recognised valuation techniques and apply the principles of IFRS 13. The significant methods and assumptions used by the valuers in estimating fair value are set out in note 12 of the annual financial statements.

Where there is not a reliably determinable fair value the group uses costs less impairment. The directors have assessed the value of development property and no impairment has been made.



– **Goodwill:** Impairment reviews are undertaken at each reporting period end or more frequently if events or changes in circumstances indicate a potential impairment. In determining the recoverable amount of the CGU to which the MAS Prop goodwill has been allocated a discounted cash flow analysis was performed. The significant methods and assumptions used by management to calculate value in use are set out in note 11 of the annual financial statements.

## Independence and effectiveness of the external auditor

KPMG Audit LLC ("KPMG"), the current external auditor of the group, was appointed in 2009 and has indicated a willingness to stay in office. KPMG has confirmed to the committee that it remains independent and has maintained the necessary internal safeguards to ensure the objectivity of the audit partner and staff. The group and the external auditor are satisfied that no relationships exist between them other than in the ordinary course of business.

During the year, there was a rotation of audit partner in line with industry best-practice, with Russell Kelly being replaced by Simon Nicholas, an experienced and highly competent professional.

The group has early adopted the extended audit reporting for the current financial year. The extended audit report discloses detail on the key audit matters. The committee believes this will enhance transparency, increasing further value for investors.

The auditor has reviewed the interim financial statements for the last two years, further increasing the committee's confidence in the integrity of the financial reporting process. The review of the interim financial statements has also meant that the committee are in constant communication with the auditor throughout the year.

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

	Year ended 30 June 2016	Year ended 30 June 2015
<b>Euro</b>		
Interim audit fee	53 491*	–
Year end audit fee	125 098	64 554
<b>Audit fees</b>	<b>178 589</b>	<b>64 554</b>

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

Audit fees have increased in line with the complexity and size of the group which has meant that there is an

increased involvement of audit accounting experts during the audit.

In assessing the auditor's effectiveness, the committee has considered its knowledge of the group, understanding of the accounting process and the extent to which the audit plan has progressed in line with expectation.

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

## Integrated accounting and property management system



The group has begun the implementation of a property management and accounting system. This system is expected to be operational by the end of the first half of 2017, and is expected to bring considerable benefits and efficiencies to the group. However, its implementation will also involve risks that need to be managed as the implementation progresses. The committee is satisfied that management has implemented the appropriate safe guards to address the risks associated with the implementation of the new system.

**Jaco Jansen, CA(SA)**

*Audit Committee Chairman*



## REPORT OF THE RISK COMMITTEE



**Jaco Jansen**

Chairman of the Risk Committee

### Members

Ron Spencer, Gideon Oosthuizen and  
Pierre Goosen

### Composition

The Risk Committee comprises three independent non-executive directors and one non-independent non-executive director.

The committee meets at least twice a year.

### Key roles and responsibilities

The Risk Committee is responsible for ensuring that:

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

### Risk management process

The group faces numerous risks that could disrupt its strategic and operational objectives. It therefore uses risk management to take better informed decisions and maximise the chances of achieving its strategic and operational objectives.

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

Managing risk is the ultimate responsibility of the board of directors. Without abdicating this responsibility, the board has delegated this to the Risk Committee, which has adopted a comprehensive risk management policy as described on page 44.

The risk identification process is a two-tiered process: a top-down approach is tailored to the identification of key strategic risks; and a

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

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

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

The key risks and uncertainties facing the organisation are identified on pages 44 to 47.

### Jaco Jansen, CA(SA)

*Risk Committee Chairman*





# REPORT OF THE REMUNERATION COMMITTEE

## Composition

The Remuneration Committee consists of two independent non-executive directors, one non-independent non-executive director and one executive director.

The committee meets at least once per year.

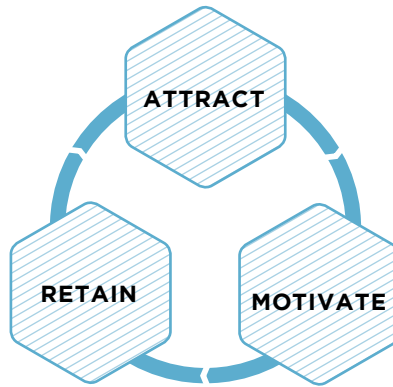
## Purpose of the remuneration committee

The purpose of the remuneration committee is to ensure that the remuneration of the executive and non-executive directors supports both the short-term and long-term strategic objectives of the group.

## Key roles and responsibilities

The Remuneration Committee is responsible for:

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



## Remuneration philosophy

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

The Remuneration Committee held further discussions through the course of the year to progress a suitable remuneration scheme. This scheme will require regulatory approval and will be presented to shortly. This remuneration scheme will ensure the alignment of interests of the management with the group to support the group's short-term and long-term strategic objectives, and as such is of particular importance to the success of the business.

The principles of the scheme are as follows:

To achieve the objective of attracting, motivating and retaining appropriate talent, the committee seeks to balance the fixed and variable elements of executive remuneration, governed by the guiding principles of:

- Simplicity and ease of measurement;
- Alignment of interest in the short, medium and long-term

To achieve this, the committee considers executive remuneration in three components:

- i. Fixed remuneration;
- ii. Variable short-term incentives; and
- iii. Variable long-term incentives.



**Gideon Oosthuizen**

Chairman of the Remuneration Committee

## Members

Morné Wilken, Ron Spencer and Lukas Nakos and (for non-executive remuneration)



## REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)

The philosophy regarding fixed and variable remuneration is as follows:

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



## Remuneration disclosures

## Directors

An overview of director remuneration for the year ended 30 June 2016 is as follows:

## Year ended 30 June 2016

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	209 248	—	166 092	166 092	541 432
Malcolm Levy	CFO	196 170	—	155 711	155 711	507 592
Jonathan Knight	CIO	78 468	—	77 856	77 856	234 180
Ron Spencer	Chairman	30 000	—	—	—	30 000
Gideon Oosthuizen	NED	27 500	—	—	—	27 500
Jaco Jansen	NED	27 500	—	—	—	27 500
Morné Wilken	NED	20 000	—	—	—	20 000
Pierre Goosen	NED	20 000	—	—	—	20 000
		<b>608 886</b>	<b>—</b>	<b>399 659</b>	<b>399 659</b>	<b>1 408 204</b>

## Year ended 30 June 2015

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	152 149	—	—	—	152 149
Malcolm Levy <sup>6</sup>	CFO	142 641	—	—	—	142 641
Jonathan Knight	CIO	57 056	—	—	—	57 056
Ron Spencer	Chairman	24 500	—	—	—	24 500
Gideon Oosthuizen	NED	23 250	—	—	—	23 250
Jaco Jansen	NED	23 250	—	—	—	23 250
Morné Wilken	NED	10 000	—	—	—	10 000
Pierre Goosen	NED	10 000	—	—	—	10 000
		<b>442 846</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>442 846</b>

6. In addition, the directors fees of €24 940 were paid directly to MAS Property Advisors Limited. These fees ceased from a group perspective on 15 October 2014, when Malcolm Levy became an employee of the group.

Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. Corona Real Estate Partners paid Jonathan Knight a basic salary of €78 468 during the year (2015: €56 936).

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

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



<b>Euro</b>	<b>Base level</b>
Base retainer:	
Board chair	20 000
Board – other non-executive members	17 500
Plus additional fees:	
Audit Committee – chair	7 500
Audit Committee – other non-executive members	5 000
Risk Committee – chair and other non-executive members	2 500
Remuneration Committee – chair and other non-executive members	1 500
Nomination Committee – chair and other non-executive members	1 000

### Employees other than directors

The group strives to ensure that the remuneration of all staff below executive level is structured fairly, and aims to achieve the same objectives as with executive directors. Employees receive market related salaries, with discretionary bonuses being awarded annually for exceptional performance.

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

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

### Shareholding disclosures



#### As at 30 June 2016

<b>Euro</b>	<b>Direct</b>	<b>Indirect</b>	<b>Associate</b>	<b>Total</b>
Lukas Nakos	85 143	—	100 659 <sup>a</sup>	<b>185 802</b>
Malcolm Levy	11 633	1 568 928 <sup>7</sup>	—	<b>1 580 561</b>
Jonathan Knight	523 371	74 000	—	<b>597 371</b>
Ron Spencer	11 370	—	—	<b>11 370</b>
Gideon Oosthuizen	254 505	—	—	<b>254 505</b>
Jaco Jansen	—	—	—	<b>—</b>
Morné Wilken	55 784	234 818 <sup>7</sup>	—	<b>290 602</b>
Pierre Goosen	—	—	3 113 529 <sup>a</sup>	<b>3 113 529</b>
	<b>941 806</b>	<b>1 877 746</b>	<b>3 214 188</b>	<b>6 033 740</b>

#### As at 30 June 2015

<b>Euro</b>	<b>Direct</b>	<b>Indirect</b>	<b>Associate</b>	<b>Total</b>
Lukas Nakos	106	—	100 659 <sup>a</sup>	<b>100 765</b>
Malcolm Levy	11 632	1 462 699 <sup>7</sup>	—	<b>1 474 331</b>
Jonathan Knight	504 964	—	—	<b>504 964</b>
Ron Spencer	10 970	—	—	<b>10 970</b>
Gideon Oosthuizen	250 000	—	—	<b>250 000</b>
Jaco Jansen	—	—	—	<b>—</b>
Morné Wilken	53 823	226 560 <sup>7</sup>	—	<b>280 383</b>
Pierre Goosen	—	783 677	783 677 <sup>a</sup>	<b>783 677</b>
	<b>831 495</b>	<b>2 573 595</b>	<b>884 336</b>	<b>3 405 090</b>

7. Associate family trust

8. Non-beneficial to director

There have been no changes in the shareholdings of the directors between year-end and the signature date of this report, other than the acquisition of 9 865 shares by Jonathan Knight (through his self-invested pension plan) on 9 September 2016. This was after the release of the results of the group, had the permission of the Chairman of the group, and was released on SENS.

### Gideon Oosthuizen

*Remuneration Committee Chairman*



## REPORT OF THE NOMINATION COMMITTEE



**Ron Spencer**

Chairman of the Nomination Committee

**Members**

Morné Wilken and Gideon Oosthuizen

**Composition**

The Nomination Committee comprises two independent non-executive directors and one non-independent non-executive director.

The committee meets at least once per year.

**Key roles and responsibilities**

The Nomination Committee is responsible for:

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

**For the year ended 30 June 2016**

I am pleased to present the report of the Nomination Committee for the year ended 30 June 2016. The primary responsibility of the Nomination Committee is to assess the availability of skills on the board and to determine when appointments and retirements are appropriate.

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

**Composition of the board**

There are currently eight directors on the board, of which five are non-executive. The majority of the non-executive directors are independent.

The Nomination Committee, is currently undergoing a recruitment

process to strengthen skills and experience by the addition of at least one further non-executive independent member. MAS is an equal opportunities employer and is determined to employ its policies in this regard to ensure that all candidates are treated equally, whilst achieving the most suitable blend of aptitudes, experience and qualification to complement and balance the existing skills of the board as a whole.

**Renewal of appointments**

One-third of the directors retire by rotation at the shareholders' meeting. This year, Gideon Oosthuizen and Jonathan Knight retire by rotation. They have declared themselves available for re-election.


**Developing people at MAS**

The board recognises the importance of developing people and adding to the skills set on an ongoing basis. This is particularly relevant for succession planning in respect of senior positions in the group. There is already a focus on director development and the establishment of a formal induction process for new directors. The plan is not limited to employees at executive director level and includes senior management likely to benefit from such training.

**Ron Spencer**

*Nomination Committee Chairman*





# ANNUAL FINANCIAL STATEMENTS 2016

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations, Rules and Regulations of the Luxembourg Stock Exchange and the JSE Listings Requirements. In addition, the directors have elected to prepare the financial statements in accordance with IFRS as issued by the IASB.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with International Financial Reporting Standards as issued by the IASB;
- Comply with the JSE Listings Requirements; 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 AUDITOR, KPMG AUDIT LLC, TO THE SHAREHOLDERS OF MAS REAL ESTATE INC.

## Audit opinion

We have audited the consolidated financial statements of MAS Real Estate Inc and its subsidiaries ("the group") for the year ended 30 June 2016 set out on pages 68 to 121, which comprise the consolidated statement of profit or loss, the consolidated statement of other 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 to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 30 June 2016 and its consolidated performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the 'Auditor's Responsibilities for the Financial Statements' section of our report.

We are independent of the group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code), together with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

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

### Valuation of investment property (€307,0m) refer to note 12 (investment property)

The key audit matter: The group's investment property portfolio, including income-generating, development and land bank, makes up 65,7% of total assets (by value) and is considered to be the key driver of the group's capital and revenue performance. The group's accounting policy in note 12 states that the value of the income-generating investment properties is determined by independent external experts using discounted cash flow models. The data used in these models includes significant unobservable inputs including, amongst other things, tenant occupation levels and terms, comparable transactions, as well as risk adjusted discount rates. Development and land bank property is held at cost where fair value is not considered determinable.

How the matter was addressed in our audit:

Our procedures over the valuation of the group's investment property portfolio included, among others:

- understanding and critically assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of all investment properties which have been revalued to valuation reports prepared by external experts appointed by the directors;
- considering the terms of engagement and basis of preparation of externally prepared property valuation reports, recalculating any specified valuation workings, and assessing the competence, capability and integrity of the appointed expert;
- testing the key assumptions used in the determination of the fair value in the valuation reports, including analysing the accuracy of the rental income in the calculations compared to the actual results and comparing discount rates used to available industry data for available investment properties;
- considering the changes in the relevant property markets and ensuring that these movements are reflected in the valuation of the investment property;
- recalculating the impact of movement in exchange rates on the investment property portfolio;
- reviewing the investment property held at cost for impairment; and
- assessing the adequacy of disclosures with regard to the investment property portfolio held in the consolidated financial statements.



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

### **Impairment of goodwill (€25,3m) refer to note 11 (goodwill)**

The key audit matter: The group has material goodwill resulting from the internalisation of its property advisor MAS Property Advisors Limited during the prior-year. The evaluation of recoverability of the carrying value at the year-end is dependent on the forecast performance of the group. As such, this requires significant judgement by the directors in forecasting future financial information and evaluating whether the assets recognised are impaired. Key assumptions include the relevant revenue, rate of growth and discount factor.

How the matter was addressed in our audit: Our audit procedures over the impairment of goodwill included, among others:

- Understanding the group's forecasting procedures, upon which the forecasts are based, through inquiry;
- testing the mathematical integrity of the group's discounted cash flow model;
- critically assessing the key assumptions used in the discounted cash flow model against current and past performance trends and the sensitivity of the forecast financial information to potential changes in the key assumptions;
- comparing assumptions to externally derived data, where appropriate, and to our own assessments of certain key inputs;
- recalculating the movement in goodwill due to foreign currency exchange rates; and
- assessing the adequacy of disclosures with regard to goodwill in the consolidated financial statements.

### **Other information**

The directors are responsible for the other information. The other information comprises pages 1 to 62 but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibility of the directors for the consolidated financial statements**

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

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

### **Auditor's responsibility for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **The purpose of our audit work and to whom we owe our responsibilities**

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

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

#### **Simon Nicholas**

for and on behalf of KPMG Audit LLC  
Statutory Auditors  
Chartered Accountants

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN  
21 September 2016



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

Euro	Note	Year ended 30 June 2016	Year ended 30 June 2015 Restated*
Rental income	4	14 203 699	8 733 519
Service charge income and other recoveries		2 047 322	589 637
<b>Revenue</b>		<b>16 251 021</b>	<b>9 323 156</b>
Service charges and other property operating expenses		(4 036 748)	(3 405 450)
<b>Net rental income</b>		<b>12 214 273</b>	<b>5 917 706</b>
Other income	7	2 355 381	—
Corporate expenses		(3 188 770)	(1 767 154)
Investment expenses	5	(2 159 964)	(537 417)
<b>Net operating income</b>		<b>9 220 920</b>	<b>3 613 135</b>
Fair value adjustments	6	6 431 719	27 877 364
Exchange differences	8	(12 913 210)	17 660 295
Share of loss from equity accounted investees, net of tax	14	(31 908)	—
<b>Profit before finance income/(costs)</b>		<b>2 707 521</b>	<b>49 150 794</b>
Finance income	9	392 801	4 676
Finance costs	9	(773 765)	(581 374)
<b>Profit before taxation</b>		<b>2 326 557</b>	<b>48 574 096</b>
Taxation	10	(828 525)	(99 188)
<b>Profit for the year</b>		<b>1 498 032</b>	<b>48 474 908</b>
Earnings per share (euro cents)	27	0,49	16,87
Diluted earnings per share (euro cents)	27	0,49	16,87

\* Restated as a result of reclassifications, no impact on profit or loss, see note 29.

The notes on pages 73 to 120 form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

Euro	Note	Year ended 30 June 2016	Year ended 30 June 2015
<b>Profit for the year</b>		<b>1 498 032</b>	<b>48 474 908</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign operations – foreign currency translation difference, net of tax	19	(12 387 307)	6 575 768
<b>Total comprehensive (loss)/income for the year</b>		<b>(10 889 275)</b>	<b>55 050 676</b>

The notes on pages 73 to 120 form part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Euro	Note	As at 30 June 2016	As at 30 June 2015 Restated*	As at 30 June 2014
<i>Non-current assets</i>				
Goodwill	11	25 262 818	29 351 139	1 371 537
Investment property	12	306 996 079	248 538 806	64 751 842
Financial investments	13	—	12 346 864	35 743 617
Investment in equity accounted investees	14	19 991 716	—	—
Property, plant and equipment		241 083	15 136	—
Deferred taxation asset	10	721 292	737 015	52 886
<b>Total non-current assets</b>		<b>353 212 988</b>	<b>290 988 960</b>	<b>101 919 882</b>
<i>Current assets</i>				
Financial investments	13	51 614 068	69 826 873	—
Trade and other receivables	15	11 264 083	4 527 803	2 270 221
Cash and cash equivalents	16	47 997 978	45 111 775	205 800 188
Assets held for sale	17	3 515 237	—	—
<b>Total current assets</b>		<b>114 391 366</b>	<b>119 466 451</b>	<b>208 070 409</b>
<b>Total assets</b>		<b>467 604 354</b>	<b>410 455 411</b>	<b>309 990 291</b>
<i>Equity</i>				
Share capital	18	378 530 556	305 671 992	289 978 080
Retained earnings/(loss)		27 503 007	40 269 910	(1 276 580)
Foreign currency translation reserve	19	(5 188 611)	7 198 696	622 928
<b>Shareholders' equity</b>		<b>400 844 952</b>	<b>353 140 598</b>	<b>289 324 428</b>
<i>Non-current liabilities</i>				
Interest bearing borrowings	20	43 227 831	14 779 769	14 340 752
Financial instruments	21	5 396 943	6 545 482	2 104 606
Deferred taxation liability	10	1 242 741	1 143 646	926 285
<b>Total non-current liabilities</b>		<b>49 867 515</b>	<b>22 468 897</b>	<b>17 371 643</b>
<i>Current liabilities</i>				
Interest bearing borrowings	20	1 350 764	968 120	1 757 425
Financial instruments	21	7 146 090	29 082 436	—
Trade and other payables	22	8 296 197	4 795 360	1 536 795
Provisions		98 836	—	—
<b>Total current liabilities</b>		<b>16 891 887</b>	<b>34 845 916</b>	<b>3 294 220</b>
<b>Total liabilities</b>		<b>66 759 402</b>	<b>57 314 813</b>	<b>20 665 863</b>
<b>Total shareholders' equity and liabilities</b>		<b>467 604 354</b>	<b>410 455 411</b>	<b>309 990 291</b>
<i>Actual number of ordinary shares in issue</i>				
Actual number of ordinary shares in issue	18	348 625 219	291 787 889	279 483 999
NAV per share (euro cents)		115,0	121,0	103,5
Adjusted NAV per share (euro cents)		115,1	121,2	103,8

\* Restated as a result of reclassifications, no impact on NAV, see note 29.

The notes on pages 73 to 120 form part of these consolidated financial statements.

These consolidated financial statements were approved by the board of directors and signed on 21 September 2016 on their behalf by:

**Ron Spencer**  
Chairman

**Malcolm Levy**  
Chief Financial Officer



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Euro	Note	Share capital	Retained earnings/ (loss)	Foreign currency translation reserve	Total
<b>Balance at 30 June 2014</b>		<b>289 978 080</b>	<b>(1 276 580)</b>	<b>622 928</b>	<b>289 324 428</b>
<i>Comprehensive income for the year</i>					
Profit for the year		—	48 474 908	—	48 474 908
Other comprehensive income		—	—	6 575 768	6 575 768
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>48 474 908</b>	<b>6 575 768</b>	<b>55 050 676</b>
<i>Transactions with the owners of the group</i>					
Issue of shares	18	15 693 912	—	—	15 693 912
Distributions	18	—	(6 928 418)	—	(6 928 418)
<b>Total transactions with the owners of the group</b>		<b>15 693 912</b>	<b>(6 928 418)</b>	<b>—</b>	<b>8 765 494</b>
<b>Balance at 30 June 2015</b>		<b>305 671 992</b>	<b>40 269 910</b>	<b>7 198 696</b>	<b>353 140 598</b>
<i>Comprehensive income for the year</i>					
Profit for the year		—	1 498 032	—	1 498 032
Other comprehensive loss		—	—	(12 387 307)	(12 387 307)
<b>Total comprehensive (loss) for the year</b>		<b>—</b>	<b>1 498 032</b>	<b>(12 387 307)</b>	<b>(10 889 275)</b>
<i>Transactions with the owners of the group</i>					
Issue of shares	18	72 858 564	—	—	72 858 564
Distributions	18	—	(14 264 935)	—	(14 264 935)
<b>Total transactions with the owners of the group</b>		<b>72 858 564</b>	<b>(14 264 935)</b>	<b>—</b>	<b>58 593 629</b>
<b>Balance at 30 June 2016</b>		<b>378 530 556</b>	<b>27 503 007</b>	<b>(5 188 611)</b>	<b>400 844 952</b>

The notes on pages 73 to 120 form part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

Euro	Note	Year ended 30 June 2016	Year ended 30 June 2015 Restated*
<b>Profit for the year</b>		<b>1 498 032</b>	<b>48 474 908</b>
<i>Adjustments for:</i>			
Depreciation		35 535	18 884
Provisions		98 836	—
Fair value adjustments	6	(6 431 719)	(27 877 364)
Exchange differences	8	12 913 210	(17 660 295)
Finance income	9	(392 801)	(4 676)
Finance costs	9	773 765	581 374
Share of loss from equity accounted investees	14	31 908	—
Taxation expense	10	828 525	99 188
<i>Changes in:</i>			
Trade and other receivables		(6 736 280)	(2 257 582)
Trade and other payables		3 500 837	3 258 565
<b>Cash generated from operating activities</b>		<b>6 119 848</b>	<b>4 633 002</b>
Taxation paid	10	(310 994)	(371 447)
<b>Net cash from operating activities</b>		<b>5 808 854</b>	<b>4 261 555</b>
<i>Investing activities</i>			
Acquisition of investment property	12	(37 439 245)	(131 572 515)
Capitalised acquisition costs on investment property	12	(4 578 229)	(8 681 404)
Capitalised expenditure on investment property	12	(38 016 628)	(22 378 542)
Settlement of investment property acquisition retentions	21	(255 755)	—
Acquisition of subsidiary net of cash acquired		—	(12 500 000)
Acquisition of financial investments	13	—	(40 178 432)
Acquisition of equity accounted investee	14	(20 023 624)	—
Acquisition of property, plant and equipment		(263 591)	—
Issue of short-term loans receivable	26	(18 920 000)	—
Proceeds from the sale of financial investments	13	40 376 739	51 910 765
Proceeds from the sale of investment property	12	1 814 850	—
Proceeds from the repayment of short-term loans receivable		19 918 247	—
Interest paid on cash and cash equivalents	9	(3 522)	—
Interest received	9	392 801	4 676
<b>Cash used in investing activities</b>		<b>(56 997 957)</b>	<b>(163 395 452)</b>
<i>Financing activities</i>			
Proceeds from the issue of share capital	18	37 676 095	—
Proceeds from interest bearing borrowings	20	30 550 000	—
Transaction costs related to interest bearing borrowings	20	(412 345)	—
Repayment of interest bearing borrowings	20	—	(969 927)
Payment of amortisation on interest bearing borrowings	20	(922 638)	(819 723)
Interest paid on interest bearing borrowings	20	(827 855)	(581 374)
Distributions paid	18	(7 238 795)	(3 721 477)
<b>Cash generated from/(used in) financing activities</b>		<b>58 824 462</b>	<b>(6 092 501)</b>
<b>Net increase/(decrease) in cash and equivalents</b>		<b>7 635 359</b>	<b>(165 226 398)</b>
Cash and cash equivalents at the beginning of the year		45 111 775	205 800 188
Effect of movements in exchange rate fluctuations on cash held		(4 749 156)	4 537 985
<b>Cash and cash equivalents at the end of the year</b>		<b>47 997 978</b>	<b>45 111 775</b>

\* Restated as a result of reclassifications, with no net impact on cash and cash equivalents, see note 29.

The notes on pages 73 to 120 form part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Reporting entity

The company is domiciled in the British Virgin Islands.

These financial statements as at and for the year ended 30 June 2016 are consolidated and comprise the group.

MAS is a real estate investment group with a portfolio of commercial properties in western Europe and an associate investment in CEE. The group aims to deliver sustainable and growing distributions to shareholders over time.

## 2. Basis of preparation

### Statement of compliance

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

### Basis of measurement

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

- Derivative financial instruments (see note 21);
- Financial investments classified as FVTPL (see note 13); and
- Investment property (see note 12).

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

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

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

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

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

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

### Use of judgement and estimation uncertainty

In the preparation of these consolidated financial statements the directors have made judgements, estimates and assumptions that affect the application of the group's accounting policies and the reported amounts in the financial statements. The directors continually evaluate these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue

and expenses based upon historical experience and on other factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. The key areas of judgement are as follows:

- **Investment property:** The valuation of investment property is determined by external property valuation experts, except where fair value cannot be reliably determined. The external property valuation experts use recognised valuation techniques and apply the principles of IFRS 13 'Fair value measurement'. The significant methods and assumptions used by the valuers in estimating fair value are set out in note 12.

Where there is not a reliably determinable fair value, the group uses costs less impairment. The directors have assessed the value of development property and no impairment has been recognised.

- **Financial investments and financial instruments:** In determining the fair value of financial instruments and financial investments at fair value through profit or loss, the group is required to make estimations of unobservable inputs in determining the investment's fair value. The significant methods and assumptions used in estimating fair value are set out in notes 13 and 21.
- **Investment in equity accounted investee:** The group recognises an investment in associate when there is significant influence over the investee. Judgements are made to assess the extent of influence it has over its investments and whether there is significant influence, see note 14.
- **Loan commitments:** The group has loan commitments to an equity accounted investee, see note 14. Judgements are made to assess the market related rate of loan commitments. Loan commitments at a market related rate are not in the scope of IFRS 9, rather IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, until such time as the impairment guidance in IFRS 9 becomes effective. The group applied judgement in reviewing the loan commitment made to PKM and determined that the cost of funding the loan commitment is lower than the rate to be charged, accordingly the loan commitment is neither onerous nor impaired.
- **Impairments:** The group annually reviews the recoverable amount of CGU's to which goodwill has been allocated. The group uses assumptions in determining the recoverable amount, which is an estimate and may differ from actual results in the future, see note 11.
- **Taxation:** The group is subject to income tax across the jurisdictions where it operates. There are assumptions made in the computation of the provision for taxation across the operating subsidiaries, see note 10.
- **Deferred taxation:** The group recognises deferred taxation assets to the extent that there are forecast future taxable profits against which the carry forward tax losses can be used. Judgements and estimations are made to assess the future taxable profits of the group, see note 10.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 2. Basis of preparation (continued)

- **Determination of whether the acquisition of an investment property is a business combination:** The group applies judgement to the acquisition of investment property to determine whether the acquisition is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 'Business Combinations'. The group has determined the acquisitions of investment property in the current and prior year are not business combinations, rather acquisitions of investment property assets, see note 12.

### Presentation currency

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

### Reclassification

In the current year the group has classified some items in the statement of financial position, the statement of profit or loss and the statement of cash flows differently to the prior year. To aid comparability the prior year comparatives have been restated, see note 29.

### New and amended standards and interpretations not yet adopted

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

Amendments/improvements to standards and interpretations not yet effective	IASB effective for annual periods beginning on or after
Disclosure initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 (2014) Financial Instruments*	1 January 2018
Classification and measurement of share-based payment transactions (Amendments to IFRS 2)	1 January 2018
IFRS 16 Leases	1 January 2019

\* The group early adopted IFRS 9 (2013) in the prior year.

The directors have not yet assessed the impact of adopting these standards and interpretations.

## 3. Significant general accounting policies

For specific accounting policies please refer to the corresponding notes.

### Business combinations

These consolidated financial statements include the financial statements of the group.

The group accounts for business combinations using the acquisition method from the date when control of the entity is obtained. The consideration transferred on acquisition of the entity and the identifiable assets and liabilities of the entity are measured at fair value. Transaction costs in relation to the acquisition are expensed unless they relate to the issue of new debt or equity.

Subsidiaries are the group entities controlled by the group. Control exists where the group is exposed to, or has the right to, variable returns from its involvement in an entity and has an ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date control ceases.

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value at the date control was lost.

Intra-group balances and 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, to the extent that there is no evidence of impairment.

### Financial instruments

Financial instruments are recognised when the group becomes party to the contractual provisions of the liability.

#### i. Financial assets

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

#### *Financial assets at amortised cost*

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

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

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



#### *Impairment*

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that an incurred loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

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

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

#### *Financial assets at fair value*

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

#### *Derecognition of financial assets*

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

## **ii. Financial liabilities**

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

#### *Financial liabilities at fair value*

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

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

would arise if the financial liability were measured at amortised cost.

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

#### *Financial liabilities at amortised cost*

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

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

#### *Derecognition of financial liabilities*

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

#### *Borrowing costs*

Interest bearing borrowings are allocated to either specific or general borrowings. Specific or general borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

## **Service charges and other property operating expenses**

Service charge and other property operating expenses are costs incurred in relation to operating investment property. These expenses do not include costs which are incurred in relation to the company's listing or the group's structuring. Such expenses are included within corporate expenses. Service charge and other property operating expenses are recognised in profit or loss in the period in which they are incurred within service charges and other property operating expenses.

Employee expenses which relate to the operating of investment properties are also recognised in service charges and other property operating expenses. Employee benefits comprise salary and annual leave, these short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## **Corporate expenses**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 4. Rental income

**Accounting policy**

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

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

**Disclosure**

Rental income of €14 203 699 (2015: €8 733 519) was generated for the year ended 30 June 2016.

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

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Toom Baumarkt GmbH	2 227 811	1 650 000
Bauhaus GmbH and Co KG	1 644 562	1 374 824
	<b>3 872 373</b>	<b>3 024 824</b>

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

Euro	As at 30 June 2016	As at 30 June 2015
No later than 1 year	18 796 482	13 327 092
Greater than 1 year and less than 5 years	71 729 913	62 612 949
Greater than 5 years	157 873 608	121 736 011
	<b>248 400 003</b>	<b>197 676 052</b>

## 5. Investment expenses

**Accounting policy**

Investment expenses are costs which are not directly attributable to rental income. These expenses are recognised in profit or loss in the period in which they are incurred within investment expenses.

**Disclosure**

The group's investment expenses comprise:

Euro	Year ended 30 June 2016	Year ended 30 June 2015 Restated*
Costs incurred in relation to Sauchiehall	(1 652 258)	(172 931)
Abortive costs	(507 706)	(364 486)
	<b>(2 159 964)</b>	<b>(537 417)</b>

\* Some expenses disclosed in the prior year as Administrative expenses have been reclassified to Investment expenses to aid comparability with the classifications of expenses in the current year, see note 29.



## 6. Fair value adjustments

### Accounting policy

Fair value adjustments comprise:

#### Fair value adjustment on investment property

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

#### Fair value adjustments on financial investments

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

#### Fair value adjustments on financial instruments

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

### Disclosure

The group's fair value adjustments comprise:

Euro	Note	Year ended 30 June 2016	Year ended 30 June 2015 Restated*
<b>Fair value adjustments</b>			
Investment property		(3 088 606)	5 718 442
Financial investments		12 938 105	51 087 922
Financial instruments		(3 417 780)	(28 929 000)
		<b>6 431 719</b>	<b>27 877 364</b>
<i>Detailed as follows:</i>			
<b>Fair value of investment property</b>			
Income-generating	12	(1 764 630)	(9 163 196)
Development	12	(2 103 869)	14 881 638
Land bank	12	779 893	—
		<b>(3 088 606)</b>	<b>5 718 442</b>
<b>Fair value of financial investments</b>			
Karoo Fund	13	6 130 579	45 651 311
Sirius	13	6 807 526	1 134 917
Treasury investments	13	—	4 301 694
		<b>12 938 105</b>	<b>51 087 922</b>
<b>Fair value of financial instruments</b>			
Zurich interest rate swap	21	(301 857)	(305 024)
Aldi interest rate swap	21	(191 737)	(7 464)
Attacq Limited financial liability	21	(4 032 584)	(24 896 101)
Development management fee	21	(1 092 047)	(1 488 165)
Priority participating profit dividend	21	2 200 445	(2 232 246)
		<b>(3 417 780)</b>	<b>(28 929 000)</b>

\* Fair value adjustments disclosed in the prior year as Treasury investments have been reclassified to Fair value of financial investments and are included within Sirius to aid comparability with the classifications in the current year, see notes 13 and 29.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 7. Other income

### Accounting policy

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

### Disclosure

The group's other income comprises:

Euro	Note	Year ended 30 June 2016	Year ended 30 June 2015 Restated*
Dividend income earned on financial investments	13	1 717 829	—
EMI receivable	15	637 552	—
		<b>2 355 381</b>	<b>—</b>

During the year group received total dividends of €1 717 829 (2015: € nil) from its financial investment in Sirius, see note 13. The group has a dividend receivable at 30 June 2016 of €1 256 586 (2015: €nil), see note 15.

Sauchiehall entered into an agreement with EMI to release it from certain guarantees in return for consideration of the sum of £487 000 (€637 552). As result of a foreign exchange loss of €47 726 the outstanding balance due at the year-end was €589 826 (see note 15).

## 8. Exchange differences

### Accounting policy

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

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

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

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

### Disclosure

Exchange gains and losses arise from the revaluation of monetary assets and liabilities. It is not the policy of the group to hedge currencies held between euro, sterling and Swiss franc. As a result, exchange differences arise predominantly from the intra-group loans of foreign operations. In the current year, this totalled a €12 913 210 loss (2015: €17 660 295 gain).

## 9. Finance income and finance costs

### Accounting policy

The group's finance income and finance costs include the following:

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

Interest income and expense is recognised using the effective interest rate method.



## Disclosure

The group's finance income and finance costs comprise:

Euro	Year ended 30 June 2016	Year ended 30 June 2015
<b>Finance income</b>		
Interest earned on bank deposits at amortised cost	9 538	4 676
Interest earned on loans at amortised cost	383 263	—
	<b>392 801</b>	<b>4 676</b>
<b>Finance costs</b>		
Interest paid on bank debt at amortised cost	(770 243)	(581 374)
Interest paid on bank deposits at amortised cost	(3 522)	—
	<b>(773 765)</b>	<b>(581 374)</b>

During the year, the group issued a short-term loan to Attacq, see note 26. Included within finance income is interest income of €383 263 (2015: €nil) received from the Attacq loan.

## 10. Taxation

### Accounting policy

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

#### Current taxation

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

#### Deferred taxation

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

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

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

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

## Disclosure

The group's current taxation charge and deferred taxation is as follows:

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Current taxation	(684 749)	(371 447)
Deferred taxation (expense)/income	(143 776)	272 259
<b>Taxation expense</b>	<b>(828 525)</b>	<b>(99 188)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 10. Taxation (continued)

*Current taxation*

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

Euro	Year ended 30 June 2016		Year ended 30 June 2015	
	Applicable rate	Taxation	Applicable rate	Taxation
<b>Income taxation</b>				
UK	20,0%	324 054	20,0%	241 594
Switzerland	26,2%	—	26,2%	—
Germany	15,8%	311 461	15,8%	91 749
Luxembourg	0,0%	—	0,0%	—
<b>Wealth taxation</b>				
Switzerland	0,2%	3 544	0,2%	7 641
Luxembourg	0,5%	45 690	0,5%	30 463
		<b>684 749</b>		<b>371 447</b>

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

In Switzerland, the group is liable for cantonal and federal taxes, in addition to a wealth tax. For the years ended 30 June 2016 and 2015 the Swiss portfolio was in a taxable loss position as a result of capital allowances on the property, and hence no income tax is payable. However, a wealth tax payable of €3 544 (2015: €7 641) has been accrued.

The group paid €310 994 (2015: €371 447) in taxation during the year.

Reconciliation of deferred taxation:

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Net deferred taxation (liability) brought forward	(406 631)	(873 399)
Current year deferred taxation movement	(143 776)	272 259
Foreign currency translation difference in OCI	28 958	194 509
<b>Net deferred taxation (liability) carried forward</b>	<b>(521 449)</b>	<b>(406 631)</b>

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

Euro	As at 30 June 2016	As at 30 June 2015
Deferred taxation on temporary differences between accounting and fiscal value of investment property	721 292	737 015
<b>Deferred taxation asset</b>	<b>721 292</b>	<b>737 015</b>
Deferred taxation on temporary differences between accounting and fiscal value of investment property	(1 242 741)	(1 143 646)
<b>Deferred taxation (liability)</b>	<b>(1 242 741)</b>	<b>(1 143 646)</b>
<b>Net deferred taxation (liability)</b>	<b>(521 449)</b>	<b>(406 631)</b>



Reconciliation of effective taxation rate:

Euro	Year ended 30 June 2016		Year ended 30 June 2015	
<b>Profit before taxation</b>		<b>2 326 557</b>		<b>48 574 096</b>
Taxation using the company's domestic rate	0,00%	—	0,00%	—
Effect of taxation rates in foreign jurisdictions	(29,43)%	(684 749)	(0,76)%	(371 447)
Change in recognised deductible temporary differences				
– Revaluation of investment property	(7,99)%	(185 826)	2,14%	1 040 682
– Change in taxation base	1,81%	42 050	(1,58)%	(768 423)
	<b>(35,61)%</b>	<b>(828 525)</b>	<b>(0,20)%</b>	<b>(99 188)</b>

## 11. Goodwill

### Accounting policy

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

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

### Disclosure

The group's goodwill comprises:

Euro	As at 30 June 2016	As at 30 June 2015
New Waverley 10 Limited	1 361 802	1 582 184
MAS Prop	23 901 016	27 768 955
	<b>25 262 818</b>	<b>29 351 139</b>

Reconciliation of the group's carrying amount of goodwill:

Euro	New Waverley MAS Prop 10 Limited		Total
<b>Cost</b>			
<b>Balance at 30 June 2014</b>	—	<b>1 371 537</b>	<b>1 371 537</b>
Acquisition of subsidiary	24 970 329	—	<b>24 970 329</b>
Foreign currency translation difference in OCI	2 798 626	210 647	<b>3 009 273</b>
<b>Balance at 30 June 2015</b>	<b>27 768 955</b>	<b>1 582 184</b>	<b>29 351 139</b>
Foreign currency translation difference in OCI	(3 867 939)	(220 382)	<b>(4 088 321)</b>
<b>Balance at 30 June 2016</b>	<b>23 901 016</b>	<b>1 361 802</b>	<b>25 262 818</b>
<b>Accumulated impairment losses</b>			
<b>Balance at 30 June 2014</b>	—	—	—
<b>Balance at 30 June 2015</b>	—	—	—
<b>Balance at 30 June 2016</b>	—	—	—
<b>Carrying amount</b>			
<b>Balance at 30 June 2014</b>	—	<b>1 371 537</b>	<b>1 371 537</b>
<b>Balance at 30 June 2015</b>	<b>27 768 955</b>	<b>1 582 184</b>	<b>29 351 139</b>
<b>Balance at 30 June 2016</b>	<b>23 901 016</b>	<b>1 361 802</b>	<b>25 262 818</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 11. Goodwill (continued)

The goodwill arising on acquisitions in prior periods has been recognised as follows:

	MAS Prop		New Waverley 10 Limited	
	Sterling	Euro	Sterling	Euro
Consideration transferred	19 778 012	25 000 000	6 586 667	7 719 052
Fair value of identifiable net assets	(23 473)	(29 671)	(2 430 232)	(2 823 930)
Additional debt acquired	—	—	(3 941 686)	(4 580 239)
Movement in foreign currency translation reserve	—	—	—	(1 695)
Fair value of pre-existing interest in New Waverley 10 Limited	—	—	910 799	1 058 349
	<b>19 754 539</b>	<b>24 970 329</b>	<b>1 125 548</b>	<b>1 371 537</b>

In the calculation of the group's goodwill in MAS Prop the pre-existing contractual investment advisory relationship with MAS Prop was determined to have been at market value and settled on acquisition. Accordingly, the carrying amounts of net assets acquired were determined to be the identifiable net assets at fair value. The goodwill arising on the acquisition of MAS Prop in the prior period has been allocated to MAS Prop as a single CGU and represents the future discounted cost savings to the group.

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

**Impairment**

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

**New Waverley 10 Limited**

No impairment charge arose as a result of the group's annual impairment test of goodwill in relation to New Waverley 10 Limited (2015: €nil).

The recoverable amount of the New Waverley 10 Limited CGU has been determined based upon independent external third party valuation for the element of the site in an advanced stage of construction and development appraisals from the group's quantity surveyors for elements of the site which are still in the process of being finalised.

Management has determined that a reasonably possible change to the key assumptions would not result in an impairment.

**MAS Prop**

No impairment charge arose as a result of the group's annual impairment test of goodwill in relation to MAS Prop (2015: €nil).

The recoverable amount of the MAS Prop CGU was based on the value in use, as determined using a discounted cash flow. The cash flow was forecast for a period of 8 years (2015: 9 years), which is the remaining term of the investment advisory agreement. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience adjusted for anticipated net asset growth of the group and increases in operating expense.

The following key assumptions were used in the impairment assessment:

Inputs	As at 30 June 2016	As at 30 June 2015
Pre-tax discount rate	6,68%	7,51%
Annual increase in revenue	7,00% - 11,00%	5,00% - 6,00%
Annual increase in operating expenses	4,00% - 6,00%	5,00%
Budgeted period	8 years	9 years

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



## 12. Investment property

### Accounting policy

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

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

Fair value is based on active market prices, adjusted, if necessary for differences in nature, location, and tenant, amongst other items. If this information is not available, the group uses alternative valuation methods such as discounted cash flows. Valuations are performed at the financial reporting date by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience of valuing that type and location of investment property.

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

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

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

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

### Disclosure

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

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

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

Euro	As at 30 June 2016			As at 30 June 2015		
	Fair value	Cost	Total	Fair value	Cost	Total
Income-generating property	242 625 172	—	<b>242 625 172</b>	164 390 518	—	<b>164 390 518</b>
Development property	17 927 863	4 502 390	<b>22 430 253</b>	35 288 845	7 618 598	<b>42 907 443</b>
Land bank	—	41 940 654	<b>41 940 654</b>	—	41 240 845	<b>41 240 845</b>
	<b>260 553 035</b>	<b>46 443 044</b>	<b>306 996 079</b>	<b>199 679 363</b>	<b>48 859 443</b>	<b>248 538 806</b>

### Reconciliation of investment property

The group's investment property is measured at fair value, where fair value cannot be determined reliably as a result of a development being in the early stages, the group measures such properties at cost less impairment. The group's investment property is situated in three jurisdictions (UK, Germany and Switzerland). The group has an investment in an associate in CEE through partners Prime Kapital. This has been included within Investments in equity accounted investees, see note 14.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 12. Investment property (continued)

## As at 30 June 2016

Euro	Note	Income-generating			Development	Land bank		Total
		UK	Germany	Switzerland		UK	UK	
<b>Opening balance</b>		<b>40 413 876</b>	<b>102 830 000</b>	<b>21 146 642</b>	<b>164 390 518</b>	<b>42 907 443</b>	<b>41 240 845</b>	<b>248 538 806</b>
Property acquisitions		—	37 439 245	—	37 439 245	—	—	37 439 245
Capitalised retentions	21	—	1 370 755	—	1 370 755	—	—	1 370 755
Capitalised acquisition costs		—	4 578 229	—	4 578 229	—	—	4 578 229
Property disposal		(1 814 850)	—	—	(1 814 850)	—	—	(1 814 850)
Transfer from development property		43 937 100	—	—	43 937 100	(43 937 100)	—	—
Capitalised expenditure		377 171	372 522	—	749 693	31 356 543	5 910 392	38 016 628
Capitalised financial liability	21	—	—	—	—	—	3 327 225	3 327 225
Capitalised interest		—	—	—	—	28 452	354	28 806
Fair value adjustment		(3 144 069)	2 169 249	(789 810)	(1 764 630)	(2 103 869)	779 893	(3 088 606)
Transfer to assets held for sale	17	—	—	—	—	—	(3 515 237)	(3 515 237)
Foreign currency translation difference in OCI		(5 393 892)	—	(866 996)	(6 260 888)	(5 821 216)	(5 802 818)	(17 884 922)
<b>Closing balance</b>		<b>74 375 336</b>	<b>148 760 000</b>	<b>19 489 836</b>	<b>242 625 172</b>	<b>22 430 253</b>	<b>41 940 654</b>	<b>306 996 079</b>

## As at 30 June 2015

Euro	Note	Income-generating			Development	Land bank		Total
		UK	Germany	Switzerland		UK	UK	
<b>Opening balance</b>		<b>13 225 620</b>	<b>7 900 000</b>	<b>18 524 952</b>	<b>39 650 572</b>	<b>7 822 049</b>	<b>17 279 221</b>	<b>64 751 842</b>
Property acquisitions		24 821 334	90 488 931	—	115 310 265	487 867	15 774 383	131 572 515
Capitalised acquisition costs		1 441 896	7 239 508	—	8 681 404	—	—	8 681 404
Capitalised expenditure		—	—	183 723	183 723	17 789 911	4 404 908	22 378 542
Capitalised retentions		—	2 703 865	—	2 703 865	—	—	2 703 865
Fair value adjustment		(3 044 610)	(5 502 304)	(616 282)	(9 163 196)	14 881 638	—	5 718 442
Foreign currency translation difference in OCI		3 969 636	—	3 054 249	7 023 885	1 925 978	3 782 333	12 732 196
<b>Closing balance</b>		<b>40 413 876</b>	<b>102 830 000</b>	<b>21 146 642</b>	<b>164 390 518</b>	<b>42 907 443</b>	<b>41 240 845</b>	<b>248 538 806</b>



**Operating leases**

Investment properties are subject to operating leases. The group's investment property portfolio generated €14 203 699 (2015: €8 733 519) in rental income and €2 047 322 (2015: €589 637) in service charge income and other recoveries with service charges and other property operating expenses of €4 036 748 (2015: €3 405 450) being recognised in profit or loss.

**Interest bearing borrowings**

Bank borrowings of €44 578 595 (2015: €15 747 889) are secured against investment property, see note 20. The group has designated bank borrowings drawdown in the period of €29 978 966 as general borrowings. During the year interest costs on general borrowings of €28 806 (2015: €nil) (see note 20) have been capitalised and included within development property. The group capitalised €nil (2015: €nil) interest costs on specific borrowings in the year.

**Capital commitments**

The group has capital commitments of €65 547 267 (2015: €43 863 249) in respect of capital expenditures contracted for at the reporting date, see note 30.

**Related parties**

The group has a development management arrangement with the developer New Waverley Advisers, a related party, for the development and construction of the New Waverley site in Edinburgh. A development management fee of €2 367 448 (2015: €1 576 779) and priority participating dividend of €nil (2015: €2 365 168) has been recognised in relation to the New Waverley development, see notes 21 and 26.

The group has capitalised costs incurred from related parties amounting to €27 117 356 (2015: €19 958 467) during the year, see note 26.

**Deferred consideration**

On the acquisition of Heppenheim retail park, Bruchsal and Edeka portfolio 1 the group retained a portion of the purchase price per the respective SPAs. These retentions will be released to the vendors at such time as they complete the retention activities. These amounts have been accounted for as deferred consideration, see note 21.

**Measurement of fair values****Valuation process for level 3 investment property**

On an annual basis the fair value of investment property is determined by external independent property valuers who have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. For details of the respective valuers used refer to page 122.

For all investment properties their current use equates to the highest and best use. The external valuations received are initially reviewed by the relevant internal asset manager and compared to the expectation of what fair value would be for individual investment properties. If the asset manager is in agreement with the valuation, the valuation reports are then checked by the finance team to confirm their numerical and methodological accuracy. Lastly, the investment property valuation is reviewed by the Audit Committee.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 12. Investment property (continued)

**Fair value hierarchy**

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

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

**As at 30 June 2016**

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Income-generating property	242 625 172	—	—	242 625 172
Development property	17 927 863	—	—	17 927 863
	<b>260 553 035</b>	<b>—</b>	<b>—</b>	<b>260 553 035</b>

**As at 30 June 2015**

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Income-generating property	164 390 518	—	—	164 390 518
Development property	35 288 845	—	—	35 288 845
	<b>199 679 363</b>	<b>—</b>	<b>—</b>	<b>199 679 363</b>

**Valuation technique and significant unobservable inputs**

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

**As at 30 June 2016 and 30 June 2015**

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Income-generating property	Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	<ul style="list-style-type: none"> <li>• Risk adjusted discount rates</li> <li>• Estimated rental value</li> <li>• Net rental growth</li> <li>• Reversionary discount rate</li> </ul>	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>• Expected market rental growth was higher/(lower)</li> <li>• The estimated rental value was higher/(lower)</li> <li>• The reversionary discount rate was lower/(higher)</li> <li>• The risk adjusted discount rate was lower/(higher)</li> </ul>
Development property	Discounted cash flows less cost to complete: The discounted cash flow is determined on the same basis as income-generating properties based on the completed development property.  Costs to complete as determined by external quantity surveyors are deducted from the discounted cash flow.	<ul style="list-style-type: none"> <li>• Risk adjusted discount rates</li> <li>• Estimated rental value</li> <li>• Net rental growth</li> <li>• Reversionary discount rate</li> <li>• Costs to complete</li> </ul>	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>• Expected market rental growth was higher/(lower)</li> <li>• The estimated rental value was higher/(lower)</li> <li>• The reversionary discount rate was lower/(higher)</li> <li>• The risk adjusted discount rate was lower/(higher)</li> <li>• The costs to complete were lower/(higher)</li> <li>• Completion date was earlier/(later)</li> </ul>



## Fair value sensitivity analysis

As at 30 June 2016  
Income-generating property

Country	Technique	Valuation	Significant unobservable inputs					
			Discount rate		Net rental growth		Reversionary discount rate	
			Input %	Change	Input %	Change	Input %	Change
UK	DCF	74 375 336	7.50	0.50%	2.00	2.50%	7.00	0.50%
				-0.50%		-2.50%		-0.50%
Germany	DCF	148 760 000	5.00-6.00	0.50%	1.00-6.50	2.50%	6.00-8.25	0.50%
				-0.50%		-2.50%		-0.50%
Switzerland	DCF	19 489 836	4.40	0.50%	1.00	2.50%	0.00	0.50%
				-0.50%		-2.50%		-0.50%
		<b>242 625 172</b>						

## Development property

Country	Technique	Valuation	Significant unobservable inputs			
			Discount rate		Costs to complete	
			Input %	Change	Input	Change
UK	DCF <sup>1</sup>	17 927 863	5.75	0.50%	9 536 867	10.00%
				-0.50%	20 347 663	-10.00%
		<b>17 927 863</b>				

As at 30 June 2015  
Income-generating property

Country	Technique	Valuation	Significant unobservable inputs					
			Discount rate		Net rental growth		Reversionary discount rate	
			Input %	Change	Input %	Change	Input %	Change
UK	DCF	40 413 876	7.00-8.00	0.50%	2.00	2.50%	7.00-8.00	0.50%
				-0.50%		-2.50%		-0.50%
Germany	DCF	102 830 000	5.00-7.00	0.50%	1.00-5.59	2.50%	6.00-8.25	0.50%
				-0.50%		-2.50%		-0.50%
Switzerland	DCF	21 146 642	4.40	0.50%	1.00	2.50%	—	0.50%
				-0.50%		-2.50%		-0.50%
		<b>164 390 518</b>						

## Development property

Country	Technique	Valuation	Significant unobservable inputs			
			Discount rate		Costs to complete	
			Input %	Change	Input	Change
UK	DCF <sup>1</sup>	35 288 845	4.75-5.50	0.50%	39 213 255	10.00%
				-0.50%	43 751 159	-10.00%
		<b>35 288 845</b>				

1. DCF less costs to complete.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 13. Financial investments

## Accounting policy

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

## Disclosure

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

Euro	As at 30 June 2016			As at 30 June 2015 Restated*		
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<b>Non-current</b>						
Sirius	—	—	—	12 346 864	—	12 346 864
	<b>—</b>	<b>—</b>	<b>—</b>	<b>12 346 864</b>	<b>—</b>	<b>12 346 864</b>
<b>Current</b>						
Karoo Fund	—	—	—	67 221 894	—	67 221 894
Sirius	51 614 068	—	51 614 068	2 604 979	—	2 604 979
	<b>51 614 068</b>	<b>—</b>	<b>51 614 068</b>	<b>69 826 873</b>	<b>—</b>	<b>69 826 873</b>
	<b>51 614 068</b>	<b>—</b>	<b>51 614 068</b>	<b>82 173 737</b>	<b>—</b>	<b>82 173 737</b>

\* Treasury investments as disclosed in the prior year have been reclassified to Financial investments and are included within Sirius (current) to aid comparability with the classifications in the current year, see note 29 and the reconciliation below.

Financial investments have been classified as FVTPL because the contractual terms of the financial assets do not give rise to cash flows that are solely payments of principal and interest on the amount outstanding.

On 28 August 2015 and 26 October 2015 the Karoo Fund compulsorily redeemed a portion of the investment amounting to €12 410 441 and €25 388 994 respectively. On 31 January 2016 the group's remaining shares in the Karoo Fund were compulsorily redeemed. The group received an in-specie redemption of 64 540 371 (€29 834 661) shares in Sirius and €2 577 304 cash in exchange for the group's share of the Karoo Fund's net asset value at 31 January 2016. The final redemption triggered the settlement of the Attacq financial liability, see note 21.

During the year the group recognised €1 717 829 (2015: €nil) in dividends from the investment in Sirius. The group owned 12,8% of Sirius shares at 30 June 2016. On 12 August 2016 the group sold 60 000 000 shares in Sirius for €29 282 323. As a result the group's shareholding in Sirius decreased to 4,3%, see note 31.

Reconciliation of financial investments at fair value:

## As at 30 June 2016

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

## As at 30 June 2015

Euro	Treasury	Karoo Fund	Sirius	Total
<b>Opening balance</b>	<b>—</b>	<b>35 743 617</b>	<b>—</b>	<b>35 743 617</b>
Acquisition	30 000 000	—	10 178 432	40 178 432
Redemption	(31 696 715)	(20 214 050)	—	(51 910 765)
Fair value movement	4 301 694	45 651 311	1 134 917	51 087 922
Foreign currency translation difference in OCI	—	6 041 016	1 033 515	7 074 531
Reclassification	(2 604 979)	—	2 604 979	—
<b>Closing balance</b>	<b>—</b>	<b>67 221 894</b>	<b>14 951 843</b>	<b>82 173 737</b>

The allocation of the carrying amount of the group's investments by foreign currency is presented in the foreign exchange risk table, see note 24.



### Fair value hierarchy

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

#### As at 30 June 2016

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Sirius	51 614 068	51 614 068	—	—
	<b>51 614 068</b>	<b>51 614 068</b>	<b>—</b>	<b>—</b>

#### As at 30 June 2015

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Karoo Fund	67 221 894	—	67 221 894	—
Sirius	14 951 843	14 951 843	—	—
	<b>82 173 737</b>	<b>14 951 843</b>	<b>67 221 894</b>	<b>—</b>

### Valuation techniques and unobservable inputs

At 30 June 2016 all inputs into the valuation are observable as the Sirius financial investment is listed.

The following table shows the valuation technique used to measure investments held at fair value as well as the unobservable inputs used for level 2 investments.

#### As at 30 June 2016

Financial investment	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
None	N/a	N/a	N/a

#### As at 30 June 2015

Financial investment	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Karoo Fund	<p>Fair value is based on the fund's reported NAV.</p> <p>The NAV of the fund is valued by the fund's investment manager as follows:</p> <ul style="list-style-type: none"> <li>Investments in equities by the Karoo Fund are valued at quoted prices in active markets.</li> <li>Where there is not an active market, fair value is based on broker quotes on similar contracts that are traded in an active market and the quotes reflect the actual transactions in similar instruments.</li> </ul>	<p>NAV per share – €2 067</p> <p>All inputs used by the fund's investment manager in determining the fund's NAV are observable with the exception of a convertible debenture that is not significant to the input for fair valuation.</p>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>NAV per share was higher/(lower).</li> </ul>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 14. Investment in equity accounted investees

**Accounting policy**

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

Interests in associates are accounted for using the equity method. They are initially recognised at cost including transaction costs. On subsequent measurement the group recognises its share of profit or loss and other comprehensive income of the equity accounted associate from the date on which significant influence commences until the date on which significant influence ceases. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

**Disclosure**

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

Euro	As at 30 June 2016	As at 30 June 2015
PKM	19 991 716	—

Reconciliation of investments in equity accounted investees:

Euro	As at 30 June 2016	As at 30 June 2015
<b>Opening balance</b>	—	—
Acquisition	20 000 000	—
Capitalised acquisition costs	23 624	—
	<b>20 023 624</b>	—
Share of loss	(31 908)	—
<b>Closing balance</b>	<b>19 991 716</b>	—

On 23 March 2016, the group invested €20 000 000 in the ordinary shares of PKM a development property company with its principal place of business in central and eastern Europe. PKM is an associate in which the group has 40% ownership interest. PKM is a separate entity and the group has a residual interest in the net assets of the associate.

In addition to the investment in the ordinary shares, the group intends to fund a further €200 000 000 over 4 years through the investment in 7,5% preference shares, see note 30.

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

Euro	As at 30 June 2016	As at 30 June 2015
<b>Statement of financial position – PKM</b>		
Non-current assets	2 697 078	—
Current assets	47 496 624	—
<b>Total assets</b>	<b>50 193 702</b>	—
Current liabilities	273 474	—
<b>Total liabilities</b>	<b>273 474</b>	—
<b>Net assets</b>	<b>49 920 228</b>	—
Percentage ownership interest	40%	—
<b>Group share of net assets</b>	<b>19 968 092</b>	—
Capitalised costs	23 624	—
<b>Group's carrying amount</b>	<b>19 991 716</b>	—



Euro	For the period ended 30 June 2016	For the period ended 30 June 2015
<b>Statement of profit or loss and other comprehensive income – PKM</b>		
Revenue	—	—
Corporate expenses	(36 756)	—
Net finance costs	(43 014)	—
<b>Total loss and other comprehensive loss</b>	<b>(79 770)</b>	<b>—</b>
Percentage ownership interest	40%	—
<b>Group's share of total comprehensive loss</b>	<b>(31 908)</b>	<b>—</b>

## 15. Trade and other receivables

### Accounting policy

The group's trade and other receivables include financial instruments and non-financial instruments. The financial instruments are classified as financial assets at amortised cost. Refer to note 3 for the group's general accounting policy for financial instruments. The non-financial instruments include prepayments and VAT.

### Disclosure

The group's trade and other receivables comprise:

Euro	As at 30 June 2016	As at 30 June 2015
Property retentions held in escrow (Bruchsal and Heppenheim)	2 115 000	1 615 000
VAT receivable	1 866 772	637 130
Dividends receivable	1 256 586	—
Lease incentive accruals	737 423	—
Prepayments	3 746 679	357 556
Other	607 688	—
EMI receivable	589 826	—
Trade receivables from lessees	344 109	1 918 117
	<b>11 264 083</b>	<b>4 527 803</b>

The receivable of €589 826 (2015: €nil) from EMI Group Limited ("EMI") is due to Sauchiehall Street Properties 1 Limited ("Sauchiehall"), a group entity, from EMI. Sauchiehall leased the investment property to Record Shop 1 Limited (formerly known as HMV UK Limited)("HMV") which entered administration on 15 January 2013, no payments due to Sauchiehall were received from this date.

Under the HMV lease certain obligations were guaranteed by EMI including covenants to pay rent, insurance and other sums to keep the premises in good repair (the "Guarantee"). However, after a long and difficult process this has been settled with the guarantor. An amount of €637 552 has been recognised in Other income (see note 7), and a foreign currency translation loss of €47 726 has been recognised in OCI in relation to the EMI receivable.

As a result of the Agreement an amount of £865 093 (€1 442 230) which was included in trade receivables from lessees in relation to the unpaid rents from HMV has been written off and recognised within investment expenses, see note 5.

The property retentions that relate to the acquisition of the Bruchsal and Heppenheim properties have been held in escrow, see note 21.

Dividends receivable relate to dividends from Sirius financial investments in the year, see notes 7 and 13.

The allocation of the carrying amount of the group's trade and other receivables by foreign currency is presented in the foreign exchange risk table, see note 24.

The fair values of the group's trade and other receivables have been presented in the accounting classification and fair values table, see note 23.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 16. Cash and cash equivalents

**Accounting policy**

The group's cash and cash equivalents are financial instruments and are classified as financial assets at amortised cost. Financial assets are recognised when the group becomes party to the contractual provisions of the asset. Refer to note 3 for the group's general accounting policy for financial instruments

**Disclosure**

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Bank balances	47 997 978	45 111 775

## 17. Assets held for sale

**Accounting policy**

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

- Management is committed to a plan to sell;
- The asset is available for immediate sale and an active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification as held for sale;
- The asset is being actively marketed for a reasonable sale price in relation to its fair value; and
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. However, the measurement provisions of IFRS 5: Non current assets held for sale and discontinued operations do not apply to investment property, which continues to be measured at fair value in accordance with groups accounting policy for investment property.

**Disclosure**

The carrying amount of the group's asset held for sale was as follows:

Euro	Note	As at 30 June 2016	As at 30 June 2015
<b>Opening balance</b>		—	—
Transfer from investment property	12	3 515 237	—
<b>Closing balance</b>		<b>3 515 237</b>	<b>—</b>

On 31 March 2016 the group entered into a contract to sell 1 741 sqm of vacant land at Langley Park for £1 950 000 (approx. €2 305 337) to a leading discount supermarket. The sale is subject to the group being granted planning permission to develop the retail unit and to complete groundworks in accordance with the sale and purchase agreement. The ground works are expected to cost £44 605 (approx. €53 968) which have been deducted from the purchase price.

On 18 March 2016 the group entered into a contract to sell Cannongate Ventures, vacant land at New Waverley for £1 000 000 (approx. €1 209 900) to a hotel operator. The sale is subject to the vendors being granted planning permission to develop the hotel.

Both assets held for sale are held within the reporting segment Land bank and other strategic assets.



## Measurement of fair values

### Fair value hierarchy

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

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

#### As at 30 June 2016

Euro	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Langley park – retail unit	2 305 337	—	—	2 305 337
New Waverley – retail unit	1 209 900	—	—	1 209 900
	<b>3 515 237</b>	<b>—</b>	<b>—</b>	<b>3 515 237</b>

### Valuation technique and significant unobservable inputs

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

Asset held for sale	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Langley park – retail unit	Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	• Risk adjusted discount rates	The estimated fair value would increase/(decrease) if:
and		• Estimated rental value	
New Waverley – retail unit		• Net rental growth	• Expected market rental growth was higher/ (lower)
		• Reversionary discount rate	• The estimated rental value was higher/ (lower)
			• The reversionary discount rate was lower/ (higher)
			• The risk adjusted discount rate was lower/ (higher)

## 18. Share capital

### Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity net of any taxation effects.

The group's policy is to maintain a strong capital base to maintain confidence from the group's stakeholders to sustain future development. Management monitors the return on capital as well as the distributions made to shareholders.

### Disclosure

The ordinary share capital of the company has no par value. The reconciliation of share capital for the year was as follows:

	Note	Number of shares	Share capital Euro
<b>Balance at 30 June 2014</b>		<b>279 483 999</b>	<b>289 978 080</b>
Issued during the year			
– Acquisition of MAS Property Advisors Limited	11	9 751 326	12 486 971
– Scrip distributions		2 552 564	3 206 941
		<b>12 303 890</b>	<b>15 693 912</b>
<b>Balance at 30 June 2015</b>		<b>291 787 889</b>	<b>305 671 992</b>
Issued during the year			
– Scrip distributions		5 671 745	7 026 140
– Settlement of Attacq liability	21	21 317 449	28 156 329
– Capital raise		29 848 136	37 676 095
		<b>56 837 330</b>	<b>72 858 564</b>
<b>Balance at 30 June 2016</b>		<b>348 625 219</b>	<b>378 530 556</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 18. Share capital (continued)

During the year the group incurred €225 212 (2015: €13 029) of expenses in relation to issuing shares. These were offset against share capital.

The group issued 21 317 449 shares at an issue price of €1,32087 (ZAR 22,456) on 11 March 2016 to Attacq, a related party of the group, in settlement of the financial liability due to Attacq in relation to the Karoo Fund, see notes 13 and 21.

On 7 April 2016 the group issued a further 29 848 136 shares at an issue price of €1,2731 (ZAR 22,00) as part of an accelerated book build, raising cash of €37 676 095. Of these shares 21 639 899 shares were an issue of shares for cash and 8 208 237 were a vendor consideration placement.

The holders of the company's shares are entitled to distributions as declared, and to one vote per share at general meetings of the company. Distributions of the company can be paid from retained earnings and share capital in accordance with the BVI Business Companies Act 2004.

The following distributions were paid by the group:

## Year ended 30 June 2016

Euro	Scrip	Cash	Total	Distribution per share (euro cents)
11 November 2015	3 241 806	3 177 518	6 419 324	2,20
8 April 2016	3 784 334	4 061 277	7 845 611	2,27
	<b>7 026 140</b>	<b>7 238 795</b>	<b>14 264 935</b>	<b>4,47</b>

## Year ended 30 June 2015

Euro	Scrip	Cash	Total	Distribution per share (euro cents)
21 November 2014	1 693 902	1 892 595	3 586 497	1,24
17 June 2015	1 513 039	1 828 882	3 341 921	1,15
	<b>3 206 941</b>	<b>3 721 477</b>	<b>6 928 418</b>	<b>2,39</b>

The directors are pleased to propose a final distribution to shareholders of 2,23 euro cents per share.

## 19. Foreign currency translation reserve

## Accounting policy

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

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

## Disclosure

The group recognised a foreign currency translation loss of €12 387 307 (2015: €6 575 768 gain) resulting in a foreign currency translation deficit at the reporting date of €5 188 611 (2015: €7 198 696 surplus).



## 20. Interest bearing borrowings

### Accounting policy

The group's interest bearing borrowings are financial instruments and are classified as financial liabilities at amortised cost. Financial assets are recognised when the group becomes party to the contractual provisions of the asset. Refer to note 3 for the group's general accounting policy for financial instruments.

### Disclosure

The carrying amount of the group's interest bearing borrowings was as follows:

Euro	As at 30 June 2016	As at 30 June 2015
<b>Non-current</b>		
Credit Suisse – Zurich	8 394 525	8 933 544
Sparkasse – Aldi portfolio	5 552 288	5 846 225
Victoria – Toom portfolio	16 172 558	—
Victoria – Donaueschingen	5 536 554	—
Victoria – Gotha	7 571 906	—
	<b>43 227 831</b>	<b>14 779 769</b>
<b>Current</b>		
Credit Suisse – Zurich	358 878	576 203
Sparkasse – Aldi portfolio	293 938	391 917
Victoria – Toom portfolio	386 090	—
Victoria – Donaueschingen	131 858	—
Victoria – Gotha	180 000	—
	<b>1 350 764</b>	<b>968 120</b>
	<b>44 578 595</b>	<b>15 747 889</b>

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

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

Euro	Note	As at 30 June 2016	As at 30 June 2015
<b>Opening balance</b>		<b>15 747 889</b>	<b>16 098 177</b>
Drawn down		30 550 000	—
Capitalised transaction costs		(412 345)	—
Amortisation		(922 638)	(819 723)
Repayment		—	(969 927)
Finance costs		770 243	581 374
General borrowings capitalised	12	28 806	—
Interest paid		(827 855)	(581 374)
Foreign currency translation difference in OCI		(355 505)	1 439 362
<b>Closing balance</b>		<b>44 578 595</b>	<b>15 747 889</b>

Interest from general borrowings of €28 806 (2015: €nil) was capitalised in investment property during the year at a capitalisation rate of 2,65%, see note 12.

On 28 July 2016 and 24 August 2016, the group drew down on a further loan, see note 31.

The allocation of the carrying amount of the group's interest bearing borrowings by foreign currency is presented in the currency risk exposure table, see note 24.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 20. Interest bearing borrowings (continued)

## Summary of interest bearing borrowing terms and covenants

As at 30 June 2016

## Borrowing terms

Lender	Security	Term	Currency	Annual Amortisation (euro)	Margin	Base rate
Credit Suisse	Zurich	30 June 2025	CHF	358 878	1,29%	3M Euribor
Sparkasse	Aldi portfolio	30 September 2029	EUR	391 916	0,95%	3M Swiss libor
Victoria	Toom portfolio	31 March 2029	EUR	2,25%	2,49% fixed	n/a
Victoria	Donaueschingen	31 March 2029	EUR	2,25%	2,49% fixed	n/a
Victoria	Gotha	31 March 2027	EUR	2,25%	2,32% fixed	n/a

## Covenants

Lender	Security	Covenants	
		Debt service cover ratio	Loan to value
Victoria	Toom portfolio	140%	72,5%
Victoria	Donaueschingen	140%	72,5%
Victoria	Gotha	140%	72,5%

The group was in compliance with its loan covenants during the year.

As at 30 June 2015

## Borrowing terms

Lender	Security	Term	Currency	Annual Amortisation (euro)	Margin	Base rate
Credit Suisse	Zurich	30 June 2025	CHF	374 516	0,90%	3M Euribor
Sparkasse	Aldi portfolio	30 September 2029	EUR	391 916	0,95%	3M Swiss libor

The fair values of the group's interest bearing borrowings have been presented in the accounting classification and fair values table, see note 23.

## 21. Financial instruments

## Accounting policy

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

## Disclosure

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

	As at 30 June 2016	As at 30 June 2015 Restated*
<b>Euro</b>		
<b>Non-current</b>		
Derivative financial instruments	3 029 495	2 603 535
Financial liabilities	2 367 448	3 941 947
	<b>5 396 943</b>	<b>6 545 482</b>
<b>Current</b>		
Financial liabilities	7 146 090	29 082 436
	<b>7 146 090</b>	<b>29 082 436</b>
	<b>12 543 033</b>	<b>35 627 918</b>



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

Euro	As at 30 June 2016			As at 30 June 2015 Restated*		
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<b>Derivative financial instruments</b>						
Non-current	3 029 495	—	<b>3 029 495</b>	2 603 535	—	<b>2 603 535</b>
	<b>3 029 495</b>	<b>—</b>	<b>3 029 495</b>	<b>2 603 535</b>	<b>—</b>	<b>2 603 535</b>
<b>Financial liabilities</b>						
Non-current	2 367 448	—	<b>2 367 448</b>	3 941 947	—	<b>3 941 947</b>
Current	3 327 225	3 818 865	<b>7 146 090</b>	26 378 571	2 703 865	<b>29 082 436</b>
	<b>5 694 673</b>	<b>3 818 865</b>	<b>9 513 538</b>	<b>30 320 518</b>	<b>2 703 865</b>	<b>33 024 383</b>
	<b>8 724 168</b>	<b>3 818 865</b>	<b>12 543 033</b>	<b>32 924 053</b>	<b>2 703 865</b>	<b>35 627 918</b>

\* Deferred consideration as disclosed in the prior year has been reclassified to Financial instruments and is included within Financial liabilities (current) to aid comparability with the classifications in the current year, see note 29.

The allocation of the carrying amount of the group's financial instruments by foreign currency is presented in the currency risk exposure table, see note 24.

#### Financial liabilities held at amortised cost

Deferred consideration is held at amortised cost. The carrying amount of the group's deferred consideration was as follows:

Euro	As at 30 June 2016	As at 30 June 2015
Bruchsal	1 615 000	1 615 000
Heppenheim retail park	883 865	1 088 865
Edeka portfolio 1	1 320 000	—
	<b>3 818 865</b>	<b>2 703 865</b>

On the acquisition of the Heppenheim, Bruchsal and Edeka portfolio 1 the group retained a portion of the purchase price per the relevant SPAs, which will be released to the vendor at such time that they complete the agreed retention works/activities. These amounts have been capitalised within Investment property, see note 12. €2 115 000 (2015: €1 615 000) of the retentions are held in escrow (see note 15) at the year end.

Reconciliation of financial liabilities held at amortised cost:

Euro	As at 30 June 2016	As at 30 June 2015
<b>Opening</b>	<b>2 703 865</b>	<b>—</b>
Purchase price retained	1 370 755	2 703 865
Purchase price released	(255 755)	—
<b>Closing</b>	<b>3 818 865</b>	<b>2 703 865</b>

#### Financial instruments held at fair value

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

Euro	Note	As at 30 June 2016	As at 30 June 2015
<b>Derivative financial instruments</b>			
Aldi interest rate swap		1 331 074	1 139 337
Zurich interest rate swap		1 698 421	1 464 198
		<b>3 029 495</b>	<b>2 603 535</b>
<b>Financial liabilities</b>			
Development management fee	26	2 367 448	1 576 779
Priority participating profit dividend	26	—	2 365 168
Attacq financial liability	26	—	26 378 571
Santon financial liability		3 327 225	—
		<b>5 694 673</b>	<b>30 320 518</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 21. Financial instruments (continued)

## Derivative financial instruments

The group has hedged the interest rate exposure on the interest bearing borrowings, see note 20, from Credit Suisse and Sparkasse. These hedging instruments are classified as FVTPL; accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss.

Reconciliation of derivative financial instruments:

Euro	Aldi portfolio interest rate swap	Zurich interest rate swap	Total
<b>Balance at 30 June 2014</b>	<b>1 131 873</b>	<b>972 733</b>	<b>2 104 606</b>
Fair value adjustment	7 464	305 024	<b>312 488</b>
Foreign currency translation difference in OCI	—	186 441	<b>186 441</b>
<b>Balance at 30 June 2015</b>	<b>1 139 337</b>	<b>1 464 198</b>	<b>2 603 535</b>
Fair value adjustment	191 737	301 857	<b>493 594</b>
Foreign currency translation difference in OCI	—	(67 634)	<b>(67 634)</b>
<b>Balance at 30 June 2016</b>	<b>1 331 074</b>	<b>1 698 421</b>	<b>3 029 495</b>

## Financial liabilities

Reconciliation of financial liabilities held at fair value:

Euro	Attacq financial liability	Santon financial liability	Development management fee	Priority participating profit dividend	Total
<b>Balance at 30 June 2014</b>	—	—	—	—	—
Fair value adjustment	24 896 101	—	1 488 165	2 232 246	<b>28 616 512</b>
Foreign currency translation difference in OCI	1 482 470	—	88 614	132 922	<b>1 704 006</b>
<b>Balance at 30 June 2015</b>	<b>26 378 571</b>	—	<b>1 576 779</b>	<b>2 365 168</b>	<b>30 320 518</b>
Recognised on grant of planning permission	—	3 327 225	—	—	<b>3 327 225</b>
Fair value adjustment	4 032 584	—	1 092 047	(2 200 445)	<b>2 924 186</b>
Settlement	(28 156 329)	—	—	—	<b>(28 156 329)</b>
Foreign currency translation difference in OCI	(2 254 826)	—	(301 378)	(164 723)	<b>(2 720 927)</b>
<b>Balance at 30 June 2016</b>	—	<b>3 327 225</b>	<b>2 367 448</b>	—	<b>5 694 673</b>

## Development management fee and priority participating profit dividend

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

The group has a development management agreement with the developer under which the developer provides services in procuring the construction of the New Waverley site in Edinburgh. Under the terms of this agreement, a fee is payable to the developer for its services with that fee being in two parts. Under the terms of a shareholders' agreement between the shareholders of New Waverley 10 Limited, shareholders are entitled to a 7.5% annualised return on invested capital. The first part of the fee payable to the developer is an amount equal to 1/3rd of the annualised return payable to the group. The second part of the fee payable to the developer is linked to the value of the site following development with the developer entitled to a fee broadly equal to 25% of the value of the developed site less both costs of development and the annualised return to shareholders on invested capital. This second part of the fee is only payable once the group has received its return on capital meaning that, in effect, the developer will receive a fee broadly equal to 25% of any capital gain that will be made should New Waverley 10 Limited ever decide to realise its investment in the site.



### Attacq financial liability

During the year, the group's remaining shares in the Karoo Fund were redeemed, see note 13. The final redemption triggered the settlement of the financial liability to Attacq, from whom the group acquired the investment through the issuance of MAS shares. Under the purchase agreement, 21 317 449 shares were issued on 11 March 2016 at €1,3208 per share in settlement of the Attacq financial liability, see note 18.

### Santon Financial liability

The terms of the revenue sharing agreement with Santon require the group to pay Santon £2 750 000 (approx €3 327 225) on receipt of implementable planning permission. On 10 December 2015 the South Downs National Park Authority's planning committee approved in principle the plans to develop the North Street Quarter development in Lewes. Final uncontested written planning permission was granted on 8 July 2016 and the liability was settled, see note 31.

### Fair value hierarchy

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

As at 30 June 2016		Fair value		
Euro	Carrying amount	Level 1	Level 2	Level 3
<b>Derivative financial liabilities</b>				
Aldi portfolio interest rate swap	1 331 074	—	1 331 074	—
Zurich interest rate swap	1 698 421	—	1 698 421	—
<b>Financial liabilities</b>				
Development management fee	2 367 448	—	—	2 367 448
Santon financial liability	3 327 225	—	—	3 327 225
	<b>8 724 168</b>	<b>—</b>	<b>3 029 495</b>	<b>5 694 673</b>
<b>As at 30 June 2015</b>				
Euro	Carrying amount	Level 1	Level 2	Level 3
<b>Derivative financial liabilities</b>				
Aldi portfolio interest rate swap	1 139 337	—	1 139 337	—
Zurich interest rate swap	1 464 198	—	1 464 198	—
<b>Financial liabilities</b>				
Development management fee	1 576 779	—	—	1 576 779
Priority participating profit dividend	2 365 168	—	—	2 365 168
Attacq financial liability	26 378 571	—	26 378 571	—
	<b>32 924 053</b>	<b>—</b>	<b>28 982 106</b>	<b>3 941 947</b>

### Level 2 financial instruments

#### Valuation techniques and unobservable inputs

The following table shows the valuation technique used to measure financial instruments held at fair value as well as the unobservable inputs used for level 2 financial instruments.

#### As at 30 June 2016 and 30 June 2015

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Interest rate swaps	The fair value is based on discounting future cash flows using the interest rate swap curves plus the historic charged credit margin at the dates when the cash flows will take place.	<ul style="list-style-type: none"> <li>• 3 month Swiss libor/Euribor</li> <li>• Swap rate</li> <li>• Notional loan value</li> <li>• Fixed rate of interest</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• 3 month Swiss libor/Euribor was higher/(lower)</li> <li>• Swap rate was lower/(higher)</li> <li>• Notional loan value was lower/(higher)</li> <li>• Fixed rate of interest was lower/(higher)</li> </ul>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 21. Financial instruments (continued)

As at 30 June 2015

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Attacq financial liability	Fair value is based on the fund's reported NAV.  The NAV of the fund is valued by the fund's investment manager as follows: <ul style="list-style-type: none"> <li>Investments in equities by the Karoo Fund are valued at quoted prices in active markets.</li> <li>Where there is not an active market, fair value is based on broker quotes on similar contracts that are traded in an active market and the quotes reflect the actual transactions in similar instruments.</li> </ul>	NAV per share - €2 067  All inputs used by the fund's investment manager in determining the fund's NAV are observable with the exception of a convertible debenture that is not significant to the input for fair valuation.	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>NAV per share was higher/(lower).</li> </ul>

## Level 3 financial instruments

## Valuation process of level 3 financial liabilities

The fair value of the level 3 financial liabilities in respect of New Waverley Advisers Limited and New Waverley Holdings Limited is calculated annually. The investment property valuation process (see note 12) is part of this valuation process as a consequence of the financial liability to New Waverley Advisers Limited and New Waverley Holdings Limited being derived from the fair value of New Waverley investment property. The fair value of the financial liability is calculated and based on the fair value of the New Waverley investment property. The fair value is then reviewed by the finance manager and chief financial officer before being reviewed by the Audit Committee.

## Valuation techniques and unobservable inputs

The following table shows the valuation technique used to measure financial instruments held at fair value as well as the significant unobservable inputs used for level 3 financial instruments:

As at 30 June 2016 and 30 June 2015

Financial instrument	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Development management fee  and  Priority participating profit dividend	Discounted cash flows: Fair value is based on the profitability of the New Waverley development. See note 12, for the valuation technique in respect of New Waverley.	<ul style="list-style-type: none"> <li>Expected market rental growth</li> <li>Occupancy rate</li> <li>Reversionary discount rate</li> <li>Risk adjusted discount rates</li> <li>Costs to complete</li> <li>Completion dates</li> </ul>	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>Expected market rental growth was higher/(lower)</li> <li>The occupancy rate was higher/(lower)</li> <li>The reversionary discount rate was lower/(higher)</li> <li>The risk adjusted discount rate was lower/(higher)</li> <li>The costs to complete were lower/(higher)</li> <li>Completion date was earlier/(later)</li> </ul>



## Fair value sensitivity analysis

As at 30 June 2016

Financial liability	Technique	Valuation	Significant unobservable inputs					
			Discount rate			Cost to complete		
			Input %	Sensitivity		Input (euro)	Sensitivity	
				Change	Valuation		Change %	Valuation
Development management fee	DCF - less cost to complete	2 367 448	8,16	+0,50	—	9 536 867	+10,00	1 415 726
				-0,50	3 767 362		-10,00	2 973 569
Priority participating profit dividend	DCF - less cost to complete	—	8,16	+0,50	—	9 536 867	+10,00	—
				-0,50	1 099 529		-10,00	—

As at 30 June 2015

Financial liability	Technique	Valuation	Significant unobservable inputs					
			Discount rate			Cost to complete		
			Input %	Sensitivity		Input (euro)	Sensitivity	
				Change	Valuation		Change %	Valuation
Development management fee	DCF - less cost to complete	1 576 779	4,75 - 5,50	+1,00	—	39 213 255	+10,00	1 245 294
				-1,00	3 463 931		-10,00	1 968 911
Priority participating profit dividend	DCF - less cost to complete	2 365 168	4,75 - 5,50	+1,00	—	39 213 255	+10,00	1 716 321
				-1,00	5 195 896		-10,00	2 953 366

## 22. Trade and other payables

### Accounting policy

The group's trade and other payables include financial instrument and non-financial instruments. The financial instruments are classified as financial liabilities at amortised cost. Refer to note 3 for the group's general accounting policy for financial instruments. The non-financial instruments include: deferred income; income taxation; and VAT.

### Disclosure

The group's trade and other payables comprise:

Euro	As at 30 June 2016	As at 30 June 2015
Construction payables	3 881 404	2 385 605
Trade payables	3 382 531	1 819 095
Deferred income	425 202	—
Current taxation payable	373 755	—
VAT payable	233 305	—
Other	—	590 660
	<b>8 296 197</b>	<b>4 795 360</b>

Construction payables relate to amounts owed to developers from the construction of the group's development properties.

The allocation of the carrying amount of the group's financial instruments by foreign currency is presented in the currency risk exposure table, see note 24.

The fair values of the group's trade and other payables have been presented in the accounting classification and fair value table, see note 23.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 23. Accounting classification and fair values

Euro	Note	Financial instruments										
		Carrying amount		Fair value								
		FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Non-financial instruments	Total			
As at 30 June 2016												
Financial assets												
Current financial investments	13	51 614 068	—	51 614 068			51 614 068	—			—	51 614 068
Trade and other receivables	15	—	5 650 632	5 650 632			—	—			5 613 451	11 264 083
Cash and cash equivalents	16	—	47 997 978	47 997 978			—	—			—	47 997 978
		51 614 068	53 648 610	105 262 678			51 614 068	—			5 613 451	110 876 129
Financial liabilities												
Non-current financial instruments	21	5 396 943	—	5 396 943			—	3 029 495	2 367 448		—	5 396 943
Current financial instruments	21	3 327 225	3 818 865	7 146 090			—	—	3 327 225		—	7 146 090
Non-current Interest bearing borrowings	20	—	43 227 831	43 227 831			—	—	—		—	43 227 831
Current Interest bearing borrowings	20	—	1 350 764	1 350 764			—	—	—		—	1 350 764
Trade and other payables	22	—	7 263 935	7 263 935			—	—	—		1 032 262	8 296 197
		8 724 168	55 661 395	64 385 563			—	3 029 495	5 694 673		1 032 262	65 417 825
As at 30 June 2015												
Financial assets												
Non-current financial investments	13	12 346 864	—	12 346 864			12 346 864	—	—		—	12 346 864
Current financial investments	13	69 826 873	—	69 826 873			2 604 979	67 221 894	—		—	69 826 873
Trade and other receivables	15	—	3 532 935	3 532 935			—	—	—		994 868	4 527 803
Cash and cash equivalents	16	—	45 111 775	45 111 775			—	—	—		—	45 111 775
		82 173 737	48 644 710	130 818 447			14 951 843	67 221 894	—		994 868	131 813 315
Financial liabilities												
Non-current financial instruments	21	6 545 482	—	6 545 482			—	2 603 535	3 941 947		—	6 545 482
Current financial instruments	21	26 378 571	2 703 865	29 082 436			—	26 378 571	—		—	29 082 436
Non-current Interest bearing borrowings	20	—	14 779 769	14 779 769			—	—	—		—	14 779 769
Current Interest bearing borrowings	20	—	968 120	968 120			—	—	—		—	968 120
Trade and other payables	22	—	4 795 360	4 795 360			—	—	—		—	4 795 360
		32 924 053	23 247 114	56 171 167			—	28 982 106	3 941 947		—	56 171 167

The group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables and payables and interest bearing borrowings because their carrying amounts are a reasonable approximation of fair values.



## 24. Financial risk management

### Overview

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

- Liquidity risk
- Market price risk
- Interest rate risk
  - Fair value interest rate risk
  - Cash flow interest rate risk
- Foreign exchange risk
- Credit risk

These risks are managed as follows:

**Liquidity risk** – The risk that the group will encounter difficulty meeting its obligations associated with its financial liabilities that arises when the maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The group has internal procedures focused on ensuring the efficient but prudent use of cash and availability of working capital. The liquidity risk inherent in the business is mainly as a result of the tenant risk in the property portfolio. Should a tenant default, liquidity risk may result in the inability of the group to cover the interest and amortisation payments. As a result, adequate cash buffers are maintained, and tenant strength is reviewed on a continual basis. The group intends to invest a further €200 000 000 in PKM, see note 30. Post year end the group has raised additional capital, see note 31 which has provided some of the capital the group needs to fund the €200 000 000, the remaining capital will be raised through debt, equity or liquidation of assets.

The group has no significant concentration of liquidity risk on the basis that the group holds all cash and cash equivalents on demand.

### As at 30 June 2016

Euro	1-6 months	6-12 months	1-3 years	>3 years	Total
Interest bearing borrowings	675 382	675 382	4 052 292	39 175 539	<b>44 578 595</b>
Trade and other payables	7 263 935	—	—	—	<b>7 263 935</b>
Financial instruments	5 531 090	1 615 000	2 367 448	—	<b>9 513 538</b>
Derivative financial instruments	—	—	—	3 029 495	<b>3 029 495</b>
	<b>13 470 407</b>	<b>2 290 382</b>	<b>6 419 740</b>	<b>42 205 034</b>	<b>64 385 563</b>

### As at 30 June 2015 Restated\*

Euro	1-6 months	6-12 months	1-3 years	>3 years	Total
Interest bearing borrowings	484 060	484 060	1 935 832	12 843 937	<b>15 747 889</b>
Trade and other payables	4 795 360	—	—	—	<b>4 795 360</b>
Financial instruments*	2 703 865	26 378 571	3 941 947	—	<b>33 024 383</b>
Derivative financial instruments	—	—	—	2 603 535	<b>2 603 535</b>
	<b>7 983 285</b>	<b>26 862 631</b>	<b>5 877 779</b>	<b>15 447 472</b>	<b>56 171 167</b>

\* Deferred consideration as disclosed in the prior year has been reclassified to Financial instruments and is included within Financial liabilities (current) to aid comparability with the classifications in the current year, see note 29.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 24. Financial risk management (continued)

**Market price risk** – The risk that the market price of an investment or financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates, market factors specific to the security or its issuer or factors generally affecting all investments.

The risk to the group relates to an imbalance between demand and supply for the relevant investments and financial instruments in the portfolio, which could potentially result in a disorderly market. The concentration of market risk is mitigated through the regular monitoring of the share price of financial investments.

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

Euro	As at 30 June 2016	As at 30 June 2015 Restated*
<b>Assets</b>		
Financial Investments	51 614 068	82 173 737
	<b>51 614 068</b>	<b>82 173 737</b>
<b>Liabilities</b>		
Derivative financial instruments	3 029 495	2 603 535
Financial liabilities	2 367 448	26 378 571
	<b>5 396 943</b>	<b>28 982 106</b>

\* Treasury investments as disclosed in the prior year have been reclassified to Financial investments and Deferred consideration as disclosed in the prior year has been reclassified to Financial instruments and is included within Financial liabilities (current) to aid comparability with the classifications in the current year, see note 29.

At 30 June 2016, if market prices at that date had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been €2 310 856 (2015: €2 462 484) higher/lower. This sensitivity analysis assumes that all other variables remain constant.



**Interest rate risk** – A significant part of the funding of the group's portfolio derives from debt. Debt is managed on an active basis, hedging against adverse movements in interest rates. Details of the hedging arrangements of the group are disclosed in note 21.

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

Euro	As at 30 June 2016			Total
	Fixed rate	Variable	No exposure	
<b>Assets</b>				
Trade and other receivables	—	5 650 632	5 613 451	<b>11 264 083</b>
Cash and cash equivalents	—	47 997 978	—	<b>47 997 978</b>
	—	<b>53 648 610</b>	<b>5 613 451</b>	<b>59 262 061</b>
<b>Liabilities</b>				
Interest bearing borrowings	41 316 322	3 262 273	—	<b>44 578 595</b>
Derivative financial instruments*	3 029 495	—	—	<b>3 029 495</b>
Financial liabilities	—	3 818 865	5 694 673	<b>9 513 538</b>
Trade and other payables	—	7 263 935	1 032 262	<b>8 296 197</b>
	<b>44 345 817</b>	<b>14 345 073</b>	<b>6 726 935</b>	<b>65 417 825</b>

Euro	As at 30 June 2015 Restated*			Total
	Fixed rate	Variable	No exposure	
<b>Assets</b>				
Trade and other receivables	—	3 532 935	994 868	<b>4 527 803</b>
Cash and cash equivalents	—	45 111 775	—	<b>45 111 775</b>
	—	<b>48 644 710</b>	<b>994 868</b>	<b>49 639 578</b>
<b>Liabilities</b>				
Interest bearing borrowings	11 389 804	4 358 085	—	<b>15 747 889</b>
Derivative financial instruments*	2 603 535	—	—	<b>2 603 535</b>
Financial liabilities	—	2 703 865	30 320 518	<b>33 024 383</b>
Trade and other payables	—	4 795 360	—	<b>4 795 360</b>
	<b>13 993 339</b>	<b>11 857 310</b>	<b>30 320 518</b>	<b>56 171 167</b>

\* Deferred consideration as disclosed in the prior year has been reclassified to Financial instruments and is included within Financial liabilities (current) to aid comparability with the classifications in the current year, see note 29.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 24. Financial risk management (continued)

**Fair value sensitivity for fixed-rate instruments**

The group does not account for any fixed rate interest bearing borrowings at fair value through profit or loss and the group does not designate derivative financial instruments as hedging instruments. Therefore, a change in interest rates on fixed rate interest bearing borrowings would not affect profit or loss.

**Cash flow sensitivity for variable rate instruments**

The group's exposure to variable interest rates on interest bearing borrowings are as follows:

As at 30 June 2016	Fixed Euro	Floating Euro	Capped Euro
Credit-Suisse – Zurich	6 658 750	2 114 653	—
Interest rate	2,76% + 129 bps + -ve Swiss Libor	+ve Swiss Libor + 90bps	N/a
Sparkasse – Aldi portfolio	4 678 606	—	1 167 620
Interest rate	4,2% + 95bps + -ve Euribor	N/a	4,0% + 95bps + -ve Euribor
<b>As at 30 June 2015</b>			
Credit-Suisse – Zurich	6 931 750	2 577 997	—
Interest rate	2,76% + 90bps + -ve Swiss Libor	+ve Swiss Libor + 90bps	N/a
Sparkasse – Aldi portfolio	4 458 054	—	1 559 536
Interest rate	4,2% + 95bps + -ve Euribor	N/a	4,0% + 95bps + -ve Euribor

At 30 June 2016, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been €64 649 (2015: €28 529) lower/higher, arising mainly as a result of the higher/lower interest expense on variable borrowings. This sensitivity analysis assumes that all other variables remain constant.

**Foreign exchange risk** – The group holds both assets and liabilities denominated in currencies other than euro, the presentation currency. It is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.



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

<b>Currency risk exposures</b>	<b>GBP</b>	<b>CHF</b>	<b>ZAR</b>	<b>USD</b>
Closing exchange rate	0,8265	1,0867	16,4461	1,1102
<b>Assets</b>				
<b>Trade and other receivables</b>				
Foreign currency	3 070 731	364 378	—	—
Euro equivalent	3 715 343	335 307	—	—
<b>Cash and cash equivalents</b>				
Foreign currency	2 548 362	1 037 100	57 479	8 114
Euro equivalent	3 083 318	954 357	3 495	7 309
<b>Liabilities</b>				
<b>Financial instruments</b>				
Foreign currency	4 706 730	1 845 709	—	—
Euro equivalent	5 694 773	1 698 453	—	—
<b>Interest bearing borrowings</b>				
Foreign currency	—	9 512 501	—	—
Euro equivalent	—	8 753 567	—	—
<b>Trade and other payables</b>				
Foreign currency	7 110 988	474 670	2 847 702	—
Euro equivalent	8 603 736	436 799	173 154	—
<b>Total net asset/(liability) exposure</b>				
Foreign currency	<b>(6 198 625)</b>	<b>(10 431 402)</b>	<b>(2 790 223)</b>	<b>8 114</b>
Euro equivalent	<b>(7 499 848)</b>	<b>(9 599 155)</b>	<b>(169 659)</b>	<b>7 309</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 24. Financial risk management (continued)

As at 30 June 2015 the group had the following currency exposures:

Currency risk exposures	GBP	CHF	ZAR	USD
Closing exchange rate	0,7114	1,0413	13,6416	1,1189
<b>Assets</b>				
<b>Financial investments</b>				
Foreign currency	1 818 711	—	—	—
Euro equivalent	2 556 524	—	—	—
<b>Trade and other receivables</b>				
Foreign currency	2 014 809	37 764	171 986	3 033
Euro equivalent	2 832 175	36 266	12 607	2 711
<b>Cash and cash equivalents</b>				
Foreign currency	8 532 495	695 759	262 164	557
Euro equivalent	11 993 948	668 164	19 218	498
<b>Liabilities</b>				
<b>Financial instruments</b>				
Foreign currency	—	1 524 669	—	—
Euro equivalent	—	1 464 198	—	—
<b>Interest bearing borrowings</b>				
Foreign currency	—	9 302 500	—	—
Euro equivalent	—	8 933 545	—	—
<b>Trade and other payables</b>				
Foreign currency	3 321 868	684 602	—	—
Euro equivalent	4 669 480	657 449	—	—
<b>Total net asset/(liability) exposure</b>				
<b>Foreign currency</b>	<b>9 044 147</b>	<b>(10 778 248)</b>	<b>434 150</b>	<b>3 590</b>
<b>Euro equivalent</b>	<b>12 713 167</b>	<b>(10 350 762)</b>	<b>31 825</b>	<b>3 209</b>

As at 30 June 2016, if the euro had weakened/strengthened against other currencies used by the group with all other variables held constant, post-tax profit for the period would have been:

Euro	Movement	30 June 2016		30 June 2015	
		Profit or loss		Profit or loss	
		Strengthening	Weakening	Strengthening	Weakening
GBP	5%	357 136	(357 136)	(605 389)	605 389
CHF	5%	457 103	(457 103)	492 893	(492 893)
ZAR	10%	15 424	(15 424)	(2 893)	2 893
USD	5%	(347)	347	(153)	153
		<b>829 316</b>	<b>(829 316)</b>	<b>(115 542)</b>	<b>115 542</b>

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



**Credit risk** – The group is exposed to credit risk primarily as a result of its banking relationships and trade receivables owed by tenants. In addition, the credit exposure relates to potential default on derivative instruments if the counterparty defaults as a result of a deteriorating credit rating. Credit risk is initially monitored by management with reference to external credit ratings. Any significant changes in credit rating are referred to the Risk Committee in accordance with the group's risk policy.

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

Euro	As at 30 June 2016			As at 30 June 2015		
	Credit risk Exposure	No exposure	Total	Credit risk Exposure	No exposure	Total
<b>Non-current financial assets</b>						
Financial Investments	—	—	—	12 346 864	—	<b>12 346 864</b>
	—	—	—	12 346 864	—	<b>12 346 864</b>
<b>Current financial assets</b>						
Financial Investments	51 614 068	—	<b>51 614 068</b>	69 826 873	—	<b>69 826 873</b>
Trade and other receivables	5 650 632	5 613 451	<b>11 264 083</b>	3 532 935	994 868	<b>4 527 803</b>
Cash and cash equivalents	47 997 978	—	<b>47 997 978</b>	45 111 775	—	<b>45 111 775</b>
	<b>105 262 678</b>	<b>5 613 451</b>	<b>110 876 129</b>	<b>118 471 583</b>	<b>994 868</b>	<b>119 466 451</b>
	<b>105 262 678</b>	<b>5 613 451</b>	<b>110 876 129</b>	<b>130 818 447</b>	<b>994 868</b>	<b>131 813 315</b>

\* Treasury investments as disclosed in the prior year have been reclassified to Financial to aid comparability with the classifications in the current year, see note 29.

The group holds a significant amount of cash and cash equivalents. These are held with bank and financial institution counterparties which are rated B+ or better by Moody's rating agency. The share price of the investments held in Sirius are monitored by management on a regular basis. There is no significant concentration credit risk with respect to trade and other receivables as the group does not place reliance on one single counterparty. No financial assets are past due dates.

## 25. Operating segments

### Accounting policy

Segment results that are reported to the executive board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly central costs that relate to group structuring and operations not related to specific investments. In addition, unallocated items in the consolidated statement of financial position relate predominantly to cash that has not been allocated to specific investments.

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

### Disclosure

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

Reportable segment	Description
Income-generating property	Property that is currently producing income and held for the purpose of earning a yield. There may be further asset management angles on these properties, which could further enhance income returns.
Development property	Property that is being developed in order to create income producing property held for the purpose of earning a better yield than by acquiring standing property.
Land bank and other strategic assets	Land plots held for schemes that have not yet commenced, residential developments and other real estate equity investments.
Corporate	Consists of the cash holdings outside of the other reporting segments and goodwill on the acquisition of MAS Prop.

The comparative period has been restated to aid comparability with segmental reporting in the current year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 25. Operating segments (continued)

The executive management team analyses the performance and position of the group by aggregating the group into the four reportable segments. These reportable segments have different risk profiles and generate revenue/income from different sources, accordingly, it allows the executive management team to make better informed strategic decisions for the group. Management reports are prepared and reviewed on a quarterly basis by the executive management team to facilitate this process.

## As at and for the year ended 30 June 2016

Euro	Reportable segments				Total
	Income-generating property	Development property	Land bank and other strategic assets	Corporate	
<b>Statement of profit or loss</b>					
External revenue	15 370 255	11 090	709 469	160 207	<b>16 251 021</b>
Inter-segment revenue	—	—	—	—	<b>—</b>
Segment profit/(loss) before tax	6 221 242	(1 007 358)	4 375 190	(7 262 517)	<b>2 326 557</b>
Finance income	—	57	383 370	9 374	<b>392 801</b>
Finance cost	(770 243)	—	—	(3 522)	<b>(773 765)</b>
Depreciation	—	—	—	(35 535)	<b>(35 535)</b>
Taxation	(828 525)	—	—	—	<b>(828 525)</b>
Other material non-cash items					
– Fair value adjustments	(1 478 331)	(995 471)	8 905 521	—	<b>6 431 719</b>
– Exchange differences	(93 783)	196	(5 835 877)	(6 983 746)	<b>(12 913 210)</b>
<b>Statement of financial position</b>					
Segment non-current assets	243 509 575	43 798 848	42 003 549	23 901 016	<b>353 212 988</b>
– Investment in equity accounted investee	—	19 991 716	—	—	<b>19 991 716</b>
Segment current assets	19 124 497	1 479 407	52 750 489	41 036 973	<b>114 391 366</b>
Segment non-current liabilities	47 500 067	2 367 448	—	—	<b>49 867 515</b>
Segment current liabilities	8 051 526	4 813 814	3 683 792	342 755	<b>16 891 887</b>

## As at and for the year ended 30 June 2015 (Restated)

Euro	Reportable segments				Total
	Income-generating property	Development property	Land bank and other strategic assets	Corporate	
<b>Statement of profit or loss</b>					
External revenue	8 885 744	168 666	268 746	—	<b>9 323 156</b>
Inter-segment revenue	—	—	—	—	<b>—</b>
Segment profit/(loss) before tax	22 383 939	10 876 413	15 818 326	(504 582)	<b>48 574 096</b>
Finance income	3 915	16	745	—	<b>4 676</b>
Finance cost	(576 350)	—	(5 024)	—	<b>(581 374)</b>
Depreciation	—	—	—	(18 884)	<b>(18 884)</b>
Taxation	(99 188)	—	—	—	<b>(99 188)</b>
Other material non-cash items					
– Fair value adjustments	12 485 558	11 161 228	4 230 578	—	<b>27 877 364</b>
– Exchange differences	5 046 353	—	12 613 942	—	<b>17 660 295</b>
<b>Statement of financial position</b>					
Segment non-current assets	165 135 057	44 491 591	53 593 360	27 768 952	<b>290 988 960</b>
– Investment in equity accounted investee	—	—	—	—	<b>—</b>
Segment current assets	79 752 688	12 894 925	9 036 018	17 782 820	<b>119 466 451</b>
Segment non-current liabilities	18 526 950	3 941 947	—	—	<b>22 468 897</b>
Segment current liabilities	31 789 561	2 456 983	174 929	424 443	<b>34 845 916</b>



Where assets/liabilities and income/expense are shared by reportable segments they are allocated to each respective reportable segment based on a rational driver of use or ownership of the asset/liabilities, income/expense.

### Geographical information

The group invests in investment property in Europe. The geographical information below analyses the group's revenue and non-current assets by the company's country of domicile and the jurisdiction in which the underlying assets are held: UK; Germany; Switzerland; and also now Romania as a result of the investment in associate during the year, see note 14.

#### Revenue

Euro	Year ended 30 June 2016	Year ended 30 June 2015
BVI	—	—
UK	5 674 973	3 336 893
Germany	9 332 689	4 806 043
Switzerland	1 243 359	1 180 220
Romania	—	—
	<b>16 251 021</b>	<b>9 323 156</b>

#### Non-current assets

Euro	As at 30 June 2016	As at 30 June 2015
BVI	—	—
UK	164 250 144	166 275 302
Germany	149 481 292	103 567 015
Switzerland	19 489 836	21 146 643
Romania	19 991 716	—
	<b>353 212 988</b>	<b>290 988 960</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 26. Related parties

## Parent and ultimate controlling party

The group has no ultimate controlling party, but is controlled by its ordinary shareholders in aggregate.

## Key management – transactions

## Year ended 30 June 2016

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	209 248	—	166 092	166 092	541 432
Malcolm Levy	CFO	196 170	—	155 711	155 711	507 592
Jonathan Knight	CIO	78 468	—	77 856	77 856	234 180
Ron Spencer	Chairman	30 000	—	—	—	30 000
Gideon Oosthuizen	NED	27 500	—	—	—	27 500
Jaco Jansen	NED	27 500	—	—	—	27 500
Morné Wilken	NED	20 000	—	—	—	20 000
Pierre Goosen	NED	20 000	—	—	—	20 000
		<b>608 886</b>	<b>—</b>	<b>399 659</b>	<b>399 659</b>	<b>1 408 204</b>

## Year ended 30 June 2015

Euro	Role	Basic salary	Benefits	Short-term incentive	Long-term incentive	Total
Lukas Nakos	CEO	152 149	—	—	—	152 149
Malcolm Levy <sup>a</sup>	CFO	142 641	—	—	—	142 641
Jonathan Knight	CIO	57 056	—	—	—	57 056
Ron Spencer	Chairman	24 500	—	—	—	24 500
Gideon Oosthuizen	NED	23 250	—	—	—	23 250
Jaco Jansen	NED	23 250	—	—	—	23 250
Morné Wilken	NED	10 000	—	—	—	10 000
Pierre Goosen	NED	10 000	—	—	—	10 000
		<b>442 846</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>442 846</b>

a. In addition, the directors fees of €24 940 were paid directly to MAS Property Advisors Limited. These fees ceased from a group perspective on 15 October 2014, when Malcolm Levy became an employee of the group.

## Key management – shareholdings

## As at 30 June 2016

Euro	Direct	Indirect	Associate	Total
Lukas Nakos	85 143	—	100 659 <sup>^</sup>	185 802
Malcolm Levy	11 633	1 568 928*	—	1 580 561
Jonathan Knight	523 371	74 000	—	597 371
Ron Spencer	11 370	—	—	11 370
Gideon Oosthuizen	254 505	—	—	254 505
Jaco Jansen	—	—	—	—
Morné Wilken	55 784	234 818*	—	290 602
Pierre Goosen	—	—	3 113 529 <sup>^</sup>	3 113 529
	<b>941 806</b>	<b>1 877 746</b>	<b>3 214 188</b>	<b>6 033 740</b>

## As at 30 June 2015

Euro	Direct	Indirect	Associate	Total
Lukas Nakos	106	—	100 659 <sup>^</sup>	100 765
Malcolm Levy	11 632	1 462 699*	—	1 474 331
Jonathan Knight	504 964	—	—	504 964
Ron Spencer	10 970	—	—	10 970
Gideon Oosthuizen	250 000	—	—	250 000
Jaco Jansen	—	—	—	—
Morné Wilken	53 823	226 560*	—	280 383
Pierre Goosen	—	—	783 677 <sup>^</sup>	783 677
	<b>831 495</b>	<b>1 689 259</b>	<b>884 336</b>	<b>3 405 090</b>

\* Associate family trust

<sup>^</sup> Non-beneficial to directors



**Other related party transactions:**

Euro	Note	Income/(expenses) for the year ended		Capitalised for the year ended		Balances receivable/(payable) as at	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
MAS Prop							
- Investment advisor fee		—	(1 249 295)	—	—	—	—
- Transaction fee	12	—	—	—	352 500	—	—
- Oncharged staff costs		—	(123 269)	—	—	—	—
		<b>—</b>	<b>(1 372 564)</b>	<b>—</b>	<b>352 500</b>	<b>—</b>	<b>—</b>
NW Advisers							
- Oncharged development costs	12	—	—	27 117 356	19 605 967	(1 069 607)	33 432
- Development management fee <sup>1</sup>	21	(1 092 047)	(1 488 165)	—	—	(2 367 448)	(1 576 779)
		<b>(1 092 047)</b>	<b>(1 488 165)</b>	<b>27 117 356</b>	<b>19 605 967</b>	<b>(3 437 055)</b>	<b>(1 543 347)</b>
NW Holdings							
- Priority participating profit dividend <sup>1</sup>	21	2 200 445	(2 232 246)	—	—	—	(2 365 168)
		<b>2 200 445</b>	<b>(2 232 246)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2 365 168)</b>
Corona							
- Legal and professional expenses		(850 180)	(331 218)	—	—	(41 984)	37 251
		<b>(850 180)</b>	<b>(331 218)</b>	<b>—</b>	<b>—</b>	<b>(41 984)</b>	<b>37 251</b>
Attacq							
- Karoo Fund financial liability	21	(4 032 584)	(24 896 101)	—	—	—	(26 378 571)
- Interest income from loan receivable		383 263	—	—	—	—	—
		<b>(3 649 321)</b>	<b>(24 896 101)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(26 378 571)</b>
Artisan							
- Oncharged administrative expenses		51 962	6 435	—	—	41 255	12 737
		<b>51 962</b>	<b>6 435</b>	<b>—</b>	<b>—</b>	<b>41 255</b>	<b>12 737</b>
		<b>(3 339 141)</b>	<b>(30 313 859)</b>	<b>27 117 356</b>	<b>19 958 467</b>	<b>(3 437 784)</b>	<b>(30 237 098)</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 26. Related parties (continued)

#### **MAS Prop**

MAS Prop is a real estate advisory company. During the prior period MAS Prop was acquired by the group and is a 100% owned subsidiary. Prior to the acquisition, MAS Prop was owned by a group of investors of which Lukas Nakos and Malcolm Levy, the chief executive officer and chief financial officer of the group respectively, had significant influence.

#### **Artisan**

Artisan is a real estate management company and is owned by a group of investors of which Lukas Nakos and Malcolm Levy, the chief executive officer and chief financial officer of the group respectively have significant influence. In this context significant influence refers to the fact that Lukas Nakos and Malcolm Levy are directors of Salt Properties Limited, which owns 33,33% of Artisan, and that 2Fireflies Capital Inc, which is associated with Malcolm Levy, is a shareholder of Salt Properties Limited.

The board of Artisan comprises of five directors, three of which are common to MAS, being Jaco Jansen, Malcolm Levy and Pierre Goosen.

#### **NW Advisers**

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

During the year NW Advisers on-charged expenses in relation to the development of New Waverley which amounted to €27 117 356 (2015: €19 605 967). These have been capitalised as part of the New Waverley development within investment property, see note 12. These on-charges were charged to the group in accordance with the development management agreement and are on an arm's length basis.

In addition, the group has provided for a development management fee of €2 367 448 (2015: €1 576 779) as a result of the revaluation of the three pre-let hotels at the New Waverley development, see note 21. This fee is in accordance with the development management agreement and is on an arm's length basis.

#### **NW Holdings**

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

At the reporting date the group has provided for a priority participating profit dividend of €nil (2015: €2 365 168) as a result of the revaluation of the three pre-let hotels at the New Waverley development, see note 21. This fee is in accordance with the development management agreement and is on an arm's length basis.

#### **Corona**

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

During the year, the group used the professional services of Corona and incurred expenses of €850 180 (2015: €331 218), which were charged to the group on an arm's length basis. Professional services fees are expensed in profit or loss within investment expenses (see note 5) and service charges and other property operating expenses.

#### **Attacq**

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

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

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

The group purchased the Karoo Fund from Attacq in 2013 for an all share consideration of €34 199 731, see note 13. Under the purchase agreement of the Karoo Fund, Attacq was entitled to a contingent adjustment (the "Adjustment") in the consideration paid to it by the group. This contingent adjustment was dependent upon the value at which the Karoo Fund redeemed. On 31 January 2016 the group's remaining shares in the Karoo Fund were redeemed. The group received an in-specie redemption of 64 540 371 shares in Sirius and €2 577 304 cash in exchange for €32 411 907 being the group's share of the Karoo Fund's net asset value at 31 January 2016. The final redemption triggered the settlement of the Attacq financial liability, see note 21, from whom the group acquired the investment, through the issuance of MAS shares. Under the purchase agreement the MAS adjustment shares were issued at a price per share equal to the 30-day volume weighted average price of MAS shares at each point the Karoo Fund was realised. Accordingly, 21 317 449 shares were issued to Attacq in settlement of the Attacq financial liability.



## 27. Earnings per share and diluted earnings per share

### Basic and diluted earnings per share

#### Accounting policy

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

#### Disclosure

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

#### Profit attributable to ordinary shareholders

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Profit for the year attributable to the owners of the group	1 498 032	48 474 908

#### Weighted-average number of ordinary shares

Euro	Year ended 30 June 2016	Year ended 30 June 2015
<b>Opening issued ordinary shares</b>	<b>291 787 889</b>	<b>279 483 999</b>
Effect of shares issued for capital raise	5 871 764	—
Effect of shares issued related to business combinations	—	6 911 654
Effect of shares issued related to the settlement of the Attacq liability	6 465 128	—
Effect of shares issued for scrip distributions	2 281 979	872 468
<b>Weighted-average number of ordinary shares</b>	<b>306 406 760</b>	<b>287 268 121</b>

#### Basic earnings per share

Euro	Year ended 30 June 2016	Year ended 30 June 2015
Profit attributable to ordinary shareholders	1 498 032	48 474 908
Weighted-average number of ordinary shares	306 406 760	287 268 121
<b>Basic earnings per shares (euro cents)</b>	<b>0,49</b>	<b>16,87</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## 27. Earnings per share and diluted earnings per share (continued)

## Headline earnings and headline earnings per share

## Accounting policy

Headline earnings are derived from basic earnings adjusted for re-measurements that relate to the capital platform of the group per Circular 2/2015 issued by the South African Institute of Chartered Accountants.

## Disclosure

Headline earnings and headline earnings per share was as follows:

Euro	Note	Year ended 30 June 2016		Year ended 30 June 2015	
		Gross	Net	Gross	Net
Profit for the year		1 498 032	1 498 032	48 474 908	48 474 908
Adjusted for:					
Revaluation of investment property	10,12	3 088 606	3 274 432	(5 718 442)	(6 759 124)
<b>Headline earnings</b>		<b>4 586 638</b>	<b>4 772 464</b>	<b>42 756 466</b>	<b>41 715 784</b>
Weighted-average number of ordinary shares		306 406 760	306 406 760	287 268 121	287 268 121
<b>Headline earnings per share (euro cents)</b>		<b>1,50</b>	<b>1,56</b>	<b>14,88</b>	<b>14,52</b>

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

The JSE Listings Requirements require the calculation of headline earnings and diluted headline earnings per share and the disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share, as required by IAS 33 – Earnings per Share. Disclosure of headline earnings is not an IFRS requirement. The directors do not use headline earnings or headline earnings per share in their analysis of the group's performance, and do not consider it to be a useful or relevant metric for the group. The directors make no reference to headline earnings or headline earnings per share in their commentaries, instead, the directors use distributable earnings as a measure.

## 28. Significant shareholdings

	Year ended 30 June 2016	Year ended 30 June 2015
Attacq	41,38%	45,26%
Argosy Capital Limited	11,03%	11,48%
Sanlam Life Insurance Limited	5,03%	4,50%
	<b>57,44%</b>	<b>61,24%</b>



## 29. Reclassification

The group has reclassified some prior year expenses in the consolidated statement of profit or loss and some items in the consolidated statement of financial position disclosed in the prior year consolidated financial statements to aid comparability with the classifications in the current year.

There is no impact of the reclassifications on the prior year profit for the year. The impact of the reclassification on the consolidated statement of profit or loss the consolidated statement of financial position and the consolidated statement of cash flows is as follows:

### Consolidated statement of profit or loss

Year ended 30 June 2015

Euro	Impact of change in reclassification		
	As previously reported	Adjustment	As reclassified
Portfolio related expenses	(2 036 856)	2 036 856	—
Administrative expenses	(1 249 295)	1 249 295	—
Investment adviser fees	(2 423 870)	2 423 870	—
Service charges and other property operating expenses	—	(3 405 450)	(3 405 450)
Corporate expenses	—	(1 767 154)	(1 767 154)
Investment expenses	—	(537 417)	(537 417)
	<b>(5 710 021)</b>	<b>—</b>	<b>(5 710 021)</b>

### Consolidated statement of financial position

As at 30 June 2015

Euro	Impact of change in reclassification		
	As previously reported	Adjustment	As reclassified
<b>Current assets</b>			
Financial investments	67 221 894	2 604 979	69 826 873
Treasury investments	2 604 979	(2 604 979)	—
<b>Current liabilities</b>			
Financial instruments	26 378 571	2 703 865	29 082 436
Deferred consideration	2 703 865	(2 703 865)	—
	<b>98 909 309</b>	<b>—</b>	<b>98 909 309</b>

### Consolidated statement of cash flows

As at 30 June 2015

Euro	Impact of change in reclassification		
	As previously reported	Adjustment	As reclassified
<b>Investing activities</b>			
Acquisition of investment property and capitalised development costs	(162 632 461)	162 632 461	—
Acquisition of investment property	—	(131 572 515)	(131 572 515)
Capitalised acquisition costs on investment property	—	(8 681 404)	(8 681 404)
Capitalised expenditure on investment property	—	(22 378 542)	(22 378 542)
Acquisition of investments	(10 178 432)	10 178 432	—
Acquisition of treasury investments	(30 000 000)	30 000 000	—
Acquisition of financial investments	—	(40 178 432)	(40 178 432)
Proceeds from the sale of investments	20 214 050	(20 214 050)	—
Proceeds from the sale of treasury investments	31 696 715	(31 696 715)	—
Proceeds from sale of financial investments	—	51 910 765	51 910 765
	<b>(150 900 128)</b>	<b>—</b>	<b>(150 900 128)</b>
<b>Financing activities</b>			
Repayment of borrowings	(1 789 650)	1 789 650	—
Repayment of interest bearing borrowings	—	(969 927)	(969 927)
Payment of amortisation on interest bearing borrowings	—	(819 723)	(819 723)
	<b>(1 789 650)</b>	<b>—</b>	<b>(1 789 650)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 30. Capital commitments

#### **Investment property**

The group entered into contracts for the construction and development of New Waverley, see note 12. These contracts will give rise to expenses of £7 882 360 (approx. €9 536 867) (2015: £31 203 848 (approx. €43 863 249)), which will be capitalised as part of the New Waverley development.

On 5 April 2016 the group entered into a SPA to acquire a portfolio of properties throughout northern and central Germany for €56 010 400. The acquisition is under a sale and leaseback arrangement from various subsidiaries of Edeka MIHA AG, see note 31.

#### **Investment in equity accounted investee**

On the 23 March 2016, the group entered into a contract with PKM to develop investment property in central and eastern Europe. The terms of the contract commit the group to invest an initial €100 000 000 in 7.5% preference shares in PKM over 4 years, with an election to invest a further €100 000 000 by 23 March 2017, see note 14. The group intends to invest €200 000 000 into the investee.

### 31. Subsequent events

#### **Acquisition of investment properties**

On 17 August 2016 the group completed on the acquisition of a logistics centre in Munich, Germany for €10 500 000. This property has an annual rent of €885 692 and is currently leased to Volkswagen AG until December 2018, after which MAS may lease or redevelop the site.

On 31 August 2016 the group completed on the acquisition of a portfolio of properties in northern and central Germany under a sale and lease back arrangement from various subsidiaries of Edeka MIHA AG. The purchase price was €56 010 400 and the portfolio has an annual rent of €3 849 000.

#### **Sale of financial investments**

On 12 August 2016 the group sold 60 000 000 shares in Sirius for €29 282 323. As a result, the group's shareholding in Sirius decreased to 4.3%.

#### **Capital raise**

On 29 July 2016 the group issued 25 641 026 ordinary shares through an accelerated book build raising capital net of fees of €31 781 846.

#### **Drawdown on interest bearing borrowings**

On 28 July 2016 the group entered into a loan agreement with Royal Bank of Scotland International for a facility of £21 000 000 (approx. €25 407 900). The facility is for a term of 5 years at an interest rate of LIBOR plus 2% per annum. This facility has been secured against the income-generating Whitbread hotels at New Waverley.

On 24 August 2016 the group entered into a loan agreement with Deutsche Pfandbriefbank AG for a facility of €29 179 000, for a 9 year term. This facility has been secured the Heppenheim retail park and the Bruchsal property and has not yet been drawn down.

Both loans have been classified as general borrowings.

#### **Santon financial liability**

On 8 July 2016 the group settled the £2 750 000 (€3 327 225) Santon financial liability in full. There are no other amounts owed to Santon.

Other than the above, there were no material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.



## 32. Other JSE disclosures

### Property profile

Property	Property address	Type	Rentable area (sqm)	Vacancy area (sqm)	Passing Rent per sqm (euro)	WALT
<b>Switzerland</b>						
Zurich	Mulbachstrasse 41, Zurich, Switzerland	Logistics	5 699	—	210,6	8,3
<b>Germany</b>						
Aldi portfolio - Parsberg	Steinmuhler Strasse 1, Parsberg, Germany	Retail	1 306	—	104,7	13,4
Aldi portfolio - Kuppenheim	Teichacker Strasse 1, Kuppenheim, Germany	Retail	1 295	—	86,6	13,4
Aldi portfolio - Herbolzheim	Seeweg 5, Herbolzheim, Germany	Retail	1 308	—	72,2	13,4
Aldi portfolio - Staufen	Innere Neumatten 5, Staufen, Germany	Retail	1 308	—	82,8	13,4
Aldi portfolio - Rottenburg-Ergenzingen	Mercedesstrasse 36, Rottenburg-Ergenzingen, Germany	Retail	1 542	—	73,9	13,4
Bruchsal	Kaiserstrasse 66, Bruchsal, Germany	Retail	7 103	—	208,4	5,9
Donaueschingen	Bregstrasse, Donaueschingen, Germany	Retail	8 235	—	87,4	12,4
Edeka portfolio	Alte Schmelze 23, 65201 Wiesbaden	Retail	11 502	—	105,2	14,5
Edeka portfolio	In der Teichmatt 6, 79689 Maulburg	Retail	4 983	—	88,3	14,5
Edeka portfolio	Rudolf-Diesel-Strasse 6, 72250 Freudenstadt	Retail	4 435	—	79,0	14,5
Gotha	Schubert-strasse 20, Gotha, Germany	Retail	9 442	—	104,9	10,0
Heppenheim retail park	Tiergartenstrasse 7, Heppenheim, Germany	Retail	24 644	3 526	92,9	8,5
Lehrte	Germaniastrasse 18, Lehrte, Germany	Retail	9 203	—	82,6	10,6
Toom Portfolio - Frankenthal	Eisenbahnstrasse 77, Frankenthal, Germany	Retail	7 452	—	73,8	12,8
Toom Portfolio - Gummersbach	Vollmerhauser Strasse 36, Gummersbach, Germany	Retail	10 937	—	100,6	12,8
Toom Portfolio - Nordhausen	Hallesche Strasse 141, Nordhausen, Germany	Retail	6 902	—	79,7	12,8
<b>United Kingdom</b>						
Breahead	Old Govan Road, Glasgow (BL), United Kingdom	Industrial	18 476	—	45,5	8,6
Chippenham	Langley Park, Chippenham (LPL), United Kingdom	Industrial/Residential/hotel	62 879	463	33,1	7,4
Langley park	Langley Park, Chippenham (CL), United Kingdom	Hotel/retail & residential	9 184	706	24,9	0,6
Whitbread and Arches	New Waverley Edinburgh (NW), United Kingdom	Residential	20 015	2 992	108,9	27,6
North Street Quarter	Phoenix Works, Lewes, United Kingdom	Residential	15 485	7 112	22,6	0,8



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

## Geographical profile

Jurisdiction	Rentable area (sqm)	Rental income (euro)	Vacancy area (sqm)	Passing rent per sqm (euro)
Germany	111 597	8 467 146	3 526	98,8
Switzerland	5 699	1 236 394	—	210,6
UK	126 057	4 500 159	11 273	45,0

## Sector profile

Sector	Rentable area (sqm)	Rental income (euro)	Vacancy area (sqm)	Passing rent per sqm (euro)
Hotel	7 848	758 030	—	249,5
Industrial	81 373	3 107 879	463	36,0
Retail	123 763	8 529 326	6 518	90,7
Logistics	5 699	1 236 394	—	210,6
Residential	24 669	572 070	7 818	23,5

## Tenant profile

Category	Number
A	29
B	8
C	81
	118

"A": large national tenants, large listed tenants, government and major franchisees;

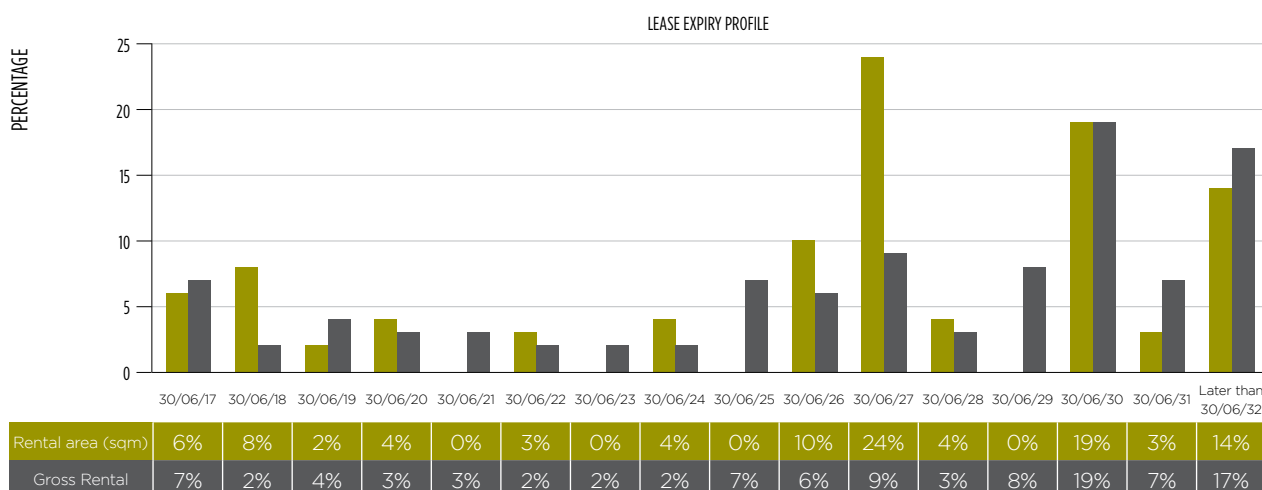
"B": national tenants, listed tenants, franchisees, medium to large professional firms; and

"C": other

## Portfolio yield

Yield	%
Average annualised property yield	3,4

The group does not have fixed rental escalations. Rental escalations are predominantly index linked or as a percentage of inflation and are not reliably determinable, accordingly, the group has not provided a weighted average rental escalation profile.





# SHAREHOLDING DISCLOSURES

MAS Real Estate Inc. (the “company”)

## Shareholding disclosures

Public and non-public	No of shareholders	Percentage of total	No of shares	Percentage of total
<b>Public</b>	6 368	99,8%	150 999 778	43,3%
<b>Non-Public</b>				
Significant shareholders	2	0,0%	194 690 824	55,9%
Directors and their associates	15	0,2%	2 920 211	0,8%
Company secretary	1	0,0%	14 406	0,0%
	<b>6 386</b>	<b>100%</b>	<b>348 625 219</b>	<b>100%</b>

## Significant shareholdings

Name	No of shares as at 30 June 2016	Percentage of shares as at 30 June 2016	No of shares as at 30 June 2015	Percentage of shares as at 30 June 2015
Attacq Limited	144 275 653	41,38%	132 049 113	45,26%
Argosy Capital Limited	49 028 947	14,06%	33 498 609	11,48%
Sanlam Life Insurance Limited	17 507 629	5,02%	13 122 556	4,50%
	<b>210 812 229</b>	<b>60,46%</b>	<b>178 670 278</b>	<b>61,24%</b>



## COMPANY INFORMATION AND ADVISORS

### Registered office in the BVI

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

### Head office

MAS Real Estate Inc.  
Clarendon House  
Victoria Street  
Douglas  
Isle of Man  
IM1 1LB

### Company Secretary

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

### Independent auditor

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

### JSE sponsor

Java Capital Trustees and Sponsors  
Proprietary Limited  
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Sandown  
Sandton  
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Johannesburg  
South Africa

### Luxembourg legal adviser

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### Luxembourg administrator

Hoche Partner Trust Services SA  
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### 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, Bridgewater Road,  
Bristol, BS13 8AE

### Property valuers

#### Germany

Cushman & Wakefield LLP  
Rathenauplatz 1  
60313 Frankfurt am Main  
Germany

DTZ Zadelhoff Tie Leung GmbH  
Eschersheimer Landstrasse 6,  
60322 Frankfurt (M),  
Germany

#### JLL

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D-60329 Frankfurt  
Germany

#### Switzerland

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Bleicherweg 5  
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Switzerland

#### UK

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50 George Street  
London  
W1U 7GA

GVA Grimley Limited  
Quayside House  
127 Fountainbridge  
Edinburgh  
EH3 9QG



# SHAREHOLDER INFORMATION

Registered in the British Virgin Islands	Company number	1750199
Registered as an external company in South Africa	Registration number	2010/000338/10
JSE share code		MSP
SEDOL (XLUX)		B96VLJ5
SEDOL (JSE)		B96TSD2
ISIN		VGG5884M1041
Number of shares in issue as at 30 June 2016		348 625 219



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