# CONDENSED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## HIGHLIGHTS

- 16,8% increase in adjusted NAV per share
- 66% growth in rental income
- 858% increase in net profit to €48,5 million
- Proposed final distribution of €6 445 604, or 2,20 euro cents per share*
- Portfolio increased by €227,6 million
- Encouraging progress on developments
- Replenished pipeline
- Historically low financing rates available

**based on the number of shares at year end*

## COMPANY 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 2015 | | 291 787 889 |

### Overview

It has been a good year for MAS. Substantial progress has been made on many fronts in the organisation and the results are testament to the combination of team effort and appropriate strategy. The key financial metrics of the business for the year are outstanding:

- Adjusted net asset value per share has grown from 103,8 euro cents per share to 121,2 euro cents per share, a gain of 16,8% – an encouraging achievement on the back of a group still very much in the investment and build-up phase;
- Adjusted core income per share rose to 3,41 euro cents per share, as the benefits of the property acquisitions began to be felt; and
- The portfolio loan-to-value, excluding treasury, is 4,8%. The low level of gearing leaves the group ready to benefit from gearing and reinvestment into the replenished pipeline.

### Strategy

We remain confident in and committed to our business strategy. Our aim is to achieve a sustainable income distribution from a diversified Western European commercial property portfolio. To achieve this we focus on our core business activities of:

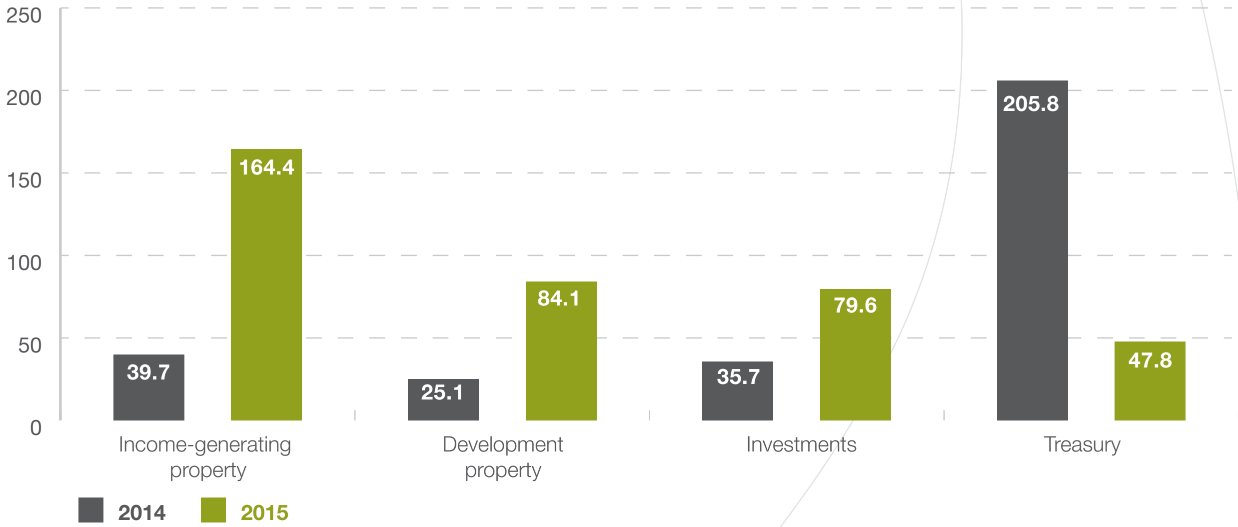
- Acquiring well tenanted properties in strong and resilient locations;
- Asset managing the portfolio effectively to maximise the value created by the investments;
- Developing properties sustainably to maximise the income from, and growth in value of the investments; and
- Optimising capital structure of the business to enhance shareholder return, without undue exposure to excessive risk.

## Portfolio development and performance

We analyse our portfolio in four segments, as indicated in the table below:

| Segment | Detail |
|---|---|
| Income-generating property | Property for which the primary objective is extracting income return |
| Development property | Property for which the primary objective is development in order to capture an element of increased income return compared to acquisition of standing income-generating property |
| Investments | Indirect real estate investments |
| Treasury | Cash and liquid real-estate equity portfolio |

**Portfolio assembly progress**
Euro million




### Income-generating property

The income-generating portfolio has grown by €124,7 million to €164,4 million. To rebalance and diversify the portfolio, most of the recent income-generating acquisitions have been focused on Germany. There are real attractions to investing in Germany at the current time: the economic strength of the jurisdiction at the core of Western Europe; a strong legal system; a stable taxation regime; low corporate default; strong rental income; and the low cost of funding. Debt rates in Europe are particularly low at present, which we are currently exploiting for our investors.

### Development portfolio

***New Waverley***

The New Waverley development is situated in the heart of Edinburgh's old town. The £150 million regeneration scheme links Waverley train station with the Royal Mile, re-integrating this historic yet neglected part of the capital into the heart of the city. Our plans have been both ambitious and uniquely creative. The scheme encompasses a new public square surrounded by cutting-edge office, retail, residential and leisure offerings.

The construction of the three pre-let hotels with their associated retail and leisure uses are now all well progressed, with the topping out ceremony for the two Whitbread hotels held in June of this year. The completion of these hotels is expected in the first half of 2016, and the Adagio hotel in time for Christmas that year. As the construction of the hotels is now sufficiently advanced to permit a reliable valuation, it is pleasing to see the uplift of €11,2 million in the value of the hotels, net of fees due to the developer. We expect further increases in value as these are completed, and as further elements of the scheme are progressed.

*North Street Quarter*

The North Street Quarter development, in Lewes, East Sussex, is also progressing well. Our planning application was submitted shortly before year-end, and the planning decision is expected within the next financial year. Our scheme offers substantial benefits for the local community and sympathises with its unique and delicate setting in the South Downs National Park. The sensitive location of the site, however, does mean that the planning process is more complicated than is typically the case. This is the reason for the relatively long period of time taken from acquisition of the property to submission of a planning application.

*Langley Park*

We also recently expanded our UK development portfolio with the acquisition of a 19 hectare industrial warehousing and office park in Chippenham, for €40,3 million. Known as Langley Park, the property, located close to the town centre and adjacent to the railway station, offers 75 000m$^2$ of office and industrial space, and is a significant development opportunity for the group. We expect to submit a planning application for up to 400 residential units in 2016, whilst keeping the commercial elements with substantial tenants such as Siemens.

## Investments

The investment portfolio has continued to perform strongly, driven by net gains in the value of the Karoo Fund of €20,8 million. This fund is being wound up in January 2016, and we expect to receive redemptions throughout the next six months, whereafter the fund will terminate. The proceeds received will be invested into our investment property portfolio pipeline.

During the year, €10,2 million was invested in acquiring a 4,2% direct stake in Sirius Real Estate Limited (“Sirius”), where we already have an indirect exposure through the Karoo Fund. The investment in Sirius has performed well, increasing in value by some 11,2% since acquisition. Sirius is an owner and leading operator of mixed-use, multi-tenanted, branded business parks throughout Germany. Gains totalling €1,1 million have been recognised in profit in the current year.

## Treasury

Due to the low-interest rate environment, the group invested €30 million in a portfolio of European real estate equities in order to achieve both exposure to European real estate returns, and to enhance the returns achievable on cash. This portfolio has also performed well, with a gain of €4,3 million recognised in profit. In June 2015, the decision was taken to liquidate the portfolio in anticipation of further imminent acquisitions and against a backdrop of increasing stock market volatility.

## Market and pipeline

Undoubtedly the market has recovered further over the period. Competition has increased with significant capital sums seeking exposure to the markets that we target. Accordingly, careful consideration is required when acquisitions are made to not overpay for assets. Indeed, we are extremely diligent in this regard, but opportunities nonetheless remain for those with appropriate relationships and a proven track record of delivery on acquisitions. The pipeline is once again full of value-enhancing transactions across Germany and the UK.

## Key business initiatives for the next year

Our primary focus for the next year is to build on the strength of the investment portfolio. The acquisition pipeline is strong, and the development portfolio is progressing well. The gearing of the portfolio will also provide some of the funding required to optimise returns generated for stakeholders.

Operationally, the implementation of a new integrated property management and accounting information system should streamline our operations at a time of a growing portfolio. For our team, several initiatives are being implemented to ensure that we continue to attract, motivate and retain the best talent.

## Presentation of financial statements

The condensed interim consolidated financial statements of the company and its subsidiaries (together referred to as the “group”) have been restated as a result of the decision to early adopt ‘IFRS 9: Financial Instruments’ in the current year (see note 3).

## Outlook

The group’s performance underlines the success of our actions in implementing our strategy. The investment portfolio is now of meaningful size and quality, and puts us in a strong position in the context of further investment. We remain vigilant towards movements in our investment markets, and we will continue to allocate capital in the markets and sectors that demonstrate strong fundamentals. This gives us confidence that we are well positioned for continued performance in the years ahead.

## Distribution

The directors are pleased to propose a final distribution to shareholders of €6 445 604, or 2,20 euro cents per share based upon the number of shares at year-end. Details of the distribution will follow in due course.

## Reporting currency

The group's results are reported in euros.

## Listings

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

## Assurance

This abridged report is extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of the abridged report and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements. The auditors, KPMG Audit LLC, have issued their unmodified opinion on the annual financial statements for the year ended 30 June 2015 and a copy of the audit opinion, together with the underlying audited annual financial statements are available for inspection at the company's registered office.

## Directors and changes thereto

Ron Spencer (non-executive chairman)
Lukas Nakos (chief executive officer)
Malcolm Levy (chief financial officer)
Jonathan Knight (chief investment officer) – appointed 12 August 2014
Gideon Oosthuizen (non-executive)
Pierre Goosen (non-executive) – appointed 12 August 2014
Morné Wilken (non-executive) – appointed 12 August 2014
Jaco Jansen (non-executive)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| *Euro* | Note | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| Rental income | 4 | 8 733 519 | 5 247 429 |
| Service charge | 4 | 589 637 | – |
| **Expenses** | | | |
| Portfolio related expenses | | (2 036 856) | (665 096) |
| Investment advisor fees | | (1 249 295) | (2 410 812) |
| Administrative expenses | 5 | (2 423 870) | (884 564) |
| **Net operating income** | | **3 613 135** | **1 286 957** |
| Fair value adjustments | 6 | 27 877 364 | 707 528 |
| Disposal of investment property | 6 | – | 1 008 336 |
| Exchange differences | 7 | 17 660 295 | 3 931 722 |
| Equity accounted earnings | | – | 1 479 |
| **Profit before net finance costs** | | **49 150 794** | **6 936 022** |
| Finance income | 8 | 4 676 | 199 348 |
| Finance costs | 8 | (581 374) | (876 699) |
| **Profit before taxation** | | **48 574 096** | **6 258 671** |
| Taxation | 9 | (99 188) | (1 198 435) |
| **Profit for the year/period** | | **48 474 908** | **5 060 236** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Foreign operations – foreign currency translation difference | | 6 575 768 | 156 323 |
| **Total comprehensive income for the year/period** | | **55 050 676** | **5 216 559** |
| Earnings per share (euro cents) | 20 | 16,87 | 2,76 |
| Diluted earnings per share (euro cents) | 20 | 16,87 | 2,76 |

The notes on pages 9 to 47 form part of these condensed abridged consolidated financial statements.

** See note 21*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *Euro* | Note | As at 30 June 2015 | As at 30 June 2014 Restated* | As at 28 February 2013 Restated* |
|---|---|---|---|---|
| Non-current assets | | | | |
| Goodwill | 10 | 29 351 139 | 1 371 537 | – |
| Investment property | 11 | 248 538 806 | 64 751 842 | 57 012 693 |
| Investments | 12 | 12 346 864 | 35 743 617 | – |
| Investment in associate | | – | – | 1 055 174 |
| Loan to associate | | – | – | 2 433 270 |
| Property, plant and equipment | | 15 136 | – | 47 577 |
| Deferred taxation asset | 9 | 737 015 | 52 886 | – |
| **Total non-current assets** | | **290 988 960** | **101 919 882** | **60 548 714** |
| Current assets | | | | |
| Investments | 12 | 67 221 894 | – | – |
| Short-term loans receivable | | – | – | 256 885 |
| Trade and other receivables | | 4 527 803 | 2 270 221 | 753 610 |
| Treasury investments | 13 | 2 604 979 | – | – |
| Cash and cash equivalents | | 45 111 775 | 205 800 188 | 24 708 091 |
| **Total current assets** | | **119 466 451** | **208 070 409** | **25 718 586** |
| **Total assets** | | **410 455 411** | **309 990 291** | **86 267 300** |
| Equity | | | | |
| Share capital | 14 | 305 671 992 | 289 978 080 | 67 423 236 |
| Retained earnings/(loss) | | 40 269 910 | (1 276 580) | (3 674 324) |
| Foreign currency translation reserve | 15 | 7 198 696 | 622 928 | 466 605 |
| **Shareholder equity** | | **353 140 598** | **289 324 428** | **64 215 517** |
| Non-current liabilities | | | | |
| Interest bearing borrowings | 16 | 14 779 769 | 14 340 752 | 17 465 162 |
| Financial instruments | 17 | 6 545 482 | 2 104 606 | 2 522 790 |
| Deferred taxation liability | 9 | 1 143 646 | 926 285 | – |
| **Total non-current liabilities** | | **22 468 897** | **17 371 643** | **19 987 952** |
| Current liabilities | | | | |
| Interest bearing borrowings | 16 | 968 120 | 1 757 425 | 491 460 |
| Financial instruments | 17 | 26 378 571 | – | – |
| Trade and other payables | | 4 795 360 | 1 536 795 | 1 572 371 |
| Deferred consideration | | 2 703 865 | – | – |
| **Total current liabilities** | | **34 845 916** | **3 294 220** | **2 063 831** |
| **Total liabilities** | | **57 314 813** | **20 665 863** | **22 051 783** |
| **Total shareholder equity and liabilities** | | **410 455 411** | **309 990 291** | **86 267 300** |
| Actual number of ordinary shares in issue | | 291 787 889 | 279 483 999 | 66 238 363 |
| Net asset value per share (euro cents) | | 121,0 | 103,5 | 96,9 |
| Adjusted net asset value per share (euro cents)# | | 121,2 | 103,8 | 96,9 |

** See note 21*

*# Net assets have been adjusted for deferred taxation*

The notes on pages 9 to 47 form part of these condensed abridged consolidated financial statements.

These condensed abridged consolidated financial statements were approved by the board of directors on 10 September 2015 and signed on their behalf by:

**Ron Spencer**
Chairman

**Lukas Nakos**
Chief executive officer

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| Euro | Note | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|
| **Operating activities** | | | |
| **Profit for the year/period** | | **48 474 908** | **5 060 236** |
| Adjustments for: | | | |
| Depreciation | 5 | 18 884 | 14 941 |
| Fair value adjustments | 6 | (27 877 364) | (707 528) |
| Exchange differences | 7 | (17 660 295) | (3 931 722) |
| Finance income | 8 | (4 676) | (199 348) |
| Finance costs | 8 | 581 374 | 876 699 |
| Share of earnings in associate | | – | (1 479) |
| Gain on disposal of investment property | | – | (1 008 336) |
| Taxation expense | 9 | 99 188 | 1 198 435 |
| Changes in: | | | |
| Trade and other receivables | | (2 257 582) | (1 516 611) |
| Trade and other payables | | 3 258 565 | (35 576) |
| **Cash generated from/(used in) operating activities** | | **4 633 002** | **(250 289)** |
| Taxation paid | 9 | (371 447) | (325 036) |
| **Net cash from/(used in) operating activities** | | **4 261 555** | **(575 325)** |
| ***Investing activities*** | | | |
| Acquisitions of investment property and capitalised development costs | 11 | (162 632 461) | (4 424 841) |
| Acquisition of subsidiary net of cash acquired | 10 | (12 500 000) | (2 015 573) |
| Acquisition of investments | 12 | (10 178 432) | – |
| Acquisition of treasury investments | 13 | (30 000 000) | – |
| Proceeds from the sale of investment property | | – | 10 148 032 |
| Proceeds from the sale of investments | 12 | 20 214 050 | – |
| Proceeds from the sale of treasury investments | 13 | 31 696 715 | – |
| Repayment of short-term loans | | – | (256 885) |
| Interest received | 8 | 4 676 | 112 953 |
| **Cash (used in)/from investing activities** | | **(163 395 452)** | **3 563 686** |
| ***Financing activities*** | | | |
| Proceeds from the issue of share capital | 14 | – | 180 391 564 |
| Proceeds from borrowings | | – | 440 718 |
| Repayment of borrowings | | (1 789 650) | (2 578 100) |
| Interest paid | 8 | (581 374) | (876 699) |
| Distributions paid | | (3 721 477) | (167 909) |
| **Cash (used in)/generated from financing activities** | | **(6 092 501)** | **177 209 574** |
| Net (decrease)/increase in cash and cash equivalents | | (165 226 398) | 180 197 935 |
| Cash and cash equivalents at the beginning of the year/period | | 205 800 188 | 24 708 091 |
| Effect of movements in exchange rate fluctuations | | 4 537 985 | 894 162 |
| **Cash and cash equivalents at the end of the year/period** | | **45 111 775** | **205 800 188** |

The notes on pages 9 to 47 form part of these condensed abridged consolidated financial statements.

** See note 21*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *Euro* | Note | Share capital | Retained (loss)/ earnings Restated* | Foreign currency translation reserve | Total |
|---|---|---|---|---|---|
| **Balance at 1 March 2012** | | 42 154 015 | (1 295 506) | 683 935 | 41 542 444 |
| Comprehensive income for the year | | | | | |
| Loss for the year | | – | (886 893) | – | (886 893) |
| Other comprehensive loss | | – | – | (217 330) | (217 330) |
| **Total comprehensive loss for the year** | | **–** | **(886 893)** | **(217 330)** | **(1 104 223)** |
| Transactions with the owners of the group | | | | | |
| Issue of shares | | 25 269 221 | – | – | 25 269 221 |
| Distributions | | – | (1 491 925) | – | (1 491 925) |
| **Total transactions with the owners of the group** | | **25 269 221** | **(1 491 925)** | **–** | **23 777 296** |
| **Balance at 28 February 2013** | | **67 423 236** | **(3 674 324)** | **466 605** | **64 215 517** |
| Comprehensive income for the period | | | | | |
| Profit for the period | | – | 5 060 236 | – | 5 060 236 |
| Other comprehensive income | | – | – | 156 323 | 156 323 |
| **Total comprehensive income for the period** | | **–** | **5 060 236** | **156 323** | **5 216 559** |
| Transactions with the owners of the group | | | | | |
| Issue of shares | 14 | 222 554 844 | – | – | 222 554 844 |
| Distributions | | – | (2 662 492) | – | (2 662 492) |
| **Total transactions with the owners of the group** | | **222 554 844** | **(2 662 492)** | **–** | **219 892 352** |
| **Balance at 30 June 2014** | | **289 978 080** | **(1 276 580)** | **622 928** | **289 324 428** |
| Comprehensive income for the year | | | | | |
| Profit for the year | | – | 48 474 908 | – | 48 474 908 |
| Other comprehensive income | | – | – | 6 575 768 | 6 575 768 |
| **Total comprehensive income for the year** | | **–** | **48 474 908** | **6 575 768** | **55 050 676** |
| Transactions with the owners of the group | | | | | |
| Issue of shares | 14 | 15 693 912 | – | – | 15 693 912 |
| Distributions | | – | (6 928 418) | – | (6 928 418) |
| **Total transactions with the owners of the group** | | **15 693 912** | **(6 928 418)** | **–** | **8 765 494** |
| **Balance at 30 June 2015** | | **305 671 992** | **40 269 910** | **7 198 696** | **353 140 598** |

The notes on pages 9 to 47 form part of these condensed abridged consolidated financial statements.

** See note 21*

# NOTES TO THE CONDENSED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

MAS Real Estate Inc. (the "company") is domiciled in the British Virgin Islands. These condensed abridged consolidated financial statements as at and for the year ended 30 June 2015 comprise the company and its subsidiaries (together referred to as the "group" or "MAS" and individually as "group entities").

MAS is a real estate investment group with a portfolio of commercial properties in Western Europe. The group aims to provide investors with an attractive, sustainable euro-based distribution and growth in value over time through its acquisition, development and asset management strategy. The current investment focus of the group is on Germany, Switzerland and the UK.

## 2. BASIS OF PREPARATION

***Statement of compliance***

These condensed abridged consolidated financial statements have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standard IAS 34: Interim Financial Reporting, the Johannesburg Stock Exchange ("JSE") Listings Requirements, the Luxembourg Stock Exchange ("LuxSE") rules and regulations and applicable legal and regulatory requirements of the BVI Business Companies Act 2004.

In the prior reporting period the group prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. However, as a result of the company transferring its listing to the Main Board of the JSE, the group has prepared these condensed abridged consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the IASB ("IFRS").

In accordance with IFRS 1 the group's accounting policies were assessed and it was concluded the change to IFRS did not materially affect the accounting policies or the manner in which the financial statements are prepared or presented, as such there have been no adjustment to prior reported figures as a result of this change. In accordance with IFRS 1 this has been explained further in note 22.

In accordance with JSE Listings Requirement 8.62 (d) the company's own financial statements have not been disclosed as they do not contain significant additional information that is not included in these condensed abridged consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed abridged consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the sixteen months period ended 30 June 2014, except for the changes in accounting policies detailed below and as noted above in respect of IFRS 1.

***Change in accounting policy***

The group has applied IFRS 9 (2013) ("IFRS 9") in the current and prior reporting period. Although this standard is effective for annual periods beginning on or after 1 January 2018, the group has early adopted the standard as at 1 July 2014. The standard includes the following categories for the classification and measurement of financial assets:

- Financial assets at amortised cost: Financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income: Financial assets include investments in equity instruments that are not held for trading and where the fair value is option is elected.
- Financial assets at fair value through profit or loss ("FVTPL"): Financial assets acquired for realising capital gains from fluctuations in market prices.

The impact of the early adoption of IFRS 9 has been summarised in note 21.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

| Amendments/improvements to standards and interpretations not yet effective | IASB effective for annual periods beginning on or after |
|---|---|
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 | 1 January 2016 |
| Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38. | 1 January 2016 |
| Equity Method in Separate Financial Statements – Amendments to IAS 27 | 1 January 2016 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 | 1 January 2016 |
| Annual Improvements to IFRSs – 2012 – 2014 Cycle | 1 January 2016 |
| Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 | 1 January 2016 |
| Disclosure Initiative – Amendments to IAS 1 | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41 | 1 January 2016 |

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

The following accounting policies are those which have been changed from the accounting policies applied in the consolidated financial statements for the sixteen months period ended 30 June 2014.

### Financial instruments

**i. Financial assets**

The group classifies its financial assets in to 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 of 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 or 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.

Financial assets classified as financial assets at amortised cost comprise: Trade and other receivables and cash and cash equivalents.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***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.

The group may irrecoverably elect on initial recognition to present changes in the fair value of an individual financial asset in other comprehensive income. The group only makes this election if the financial asset is an equity instrument that is not held for trading.

For equity investments for which the election is made, gains and losses recognised in other comprehensive income are not transferred to profit or loss on disposal. These gains and losses are reclassified to retained earnings.

Financial assets classified as fair value comprise equity and fund investments within the group's Investment and Treasury Investment.

***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 in to 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 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, less any impairment losses.

Financial liabilities classified as financial liabilities at amortised cost comprise: interest bearing borrowings and trade and other payables.

***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 fair value financial liabilities 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 classified as financial liabilities at fair value comprise: derivative financial instruments included in financial liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***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 or cancelled or expires.

**iii. Share capital**

***Ordinary shares***

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

**iv. Impairment**

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and 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 (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

***Finance income and finance costs***

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

- Interest income
- Interest expense

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

## 4. REVENUE

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Rental income | 8 733 519 | 5 247 429 |
| Service charge | 589 637 | – |
| | **9 323 156** | **5 247 429** |

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

| Euro | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Toom Baumarket Gmbh | 1 650 000 | – |
| Die Bauhaus AG | 1 374 824 | – |
| DPD Schweiz AG | 1 180 220 | 1 433 181 |
| Howdens Group Limited | 868 673 | 1 042 733 |
| Aldi | 576 332 | 914 427 |
| | **5 650 049** | **3 390 341** |

## 4. REVENUE *(continued)*

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

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| No later than 1 year | 13 327 092 | 3 006 044 |
| Greater than 1 year and less than 5 years | 62 612 949 | 20 819 926 |
| Greater than 5 years | 121 736 011 | 66 031 830 |
| | **197 676 052** | **89 857 800** |

## 5. ADMINISTRATIVE EXPENSES

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Employee benefits | (872 799) | – |
| Legal and professional expenses | (737 135) | (57 593) |
| Listing expenses | (220 090) | (148 712) |
| Corporate advisers | (117 457) | (54 970) |
| JSE | (35 299) | (37 185) |
| Transfer secretaries | (51 242) | (35 474) |
| Bourse de Luxembourg | (9 950) | (16 892) |
| Other | (6 142) | (4 191) |
| Office costs | (132 250) | – |
| Directors' fees | (127 117) | (179 578) |
| Audit and accounting fees | (108 966) | (275 674) |
| Company administration expenses | (97 820) | (12 997) |
| General expenses | (77 006) | (79 085) |
| Company secretarial expenses | (31 803) | (130 925) |
| Depreciation | (18 884) | – |
| | **(2 423 870)** | **(884 564)** |

Legal and professional expenses include fees paid to Corona Real Estate Partners Limited of €331 228 (2014: nil), a related party (see note 19); and fees incurred by MAS Property Advisors Limited of €280 621 (2014: nil).

## 6. FAIR VALUE ADJUSTMENTS AND DISPOSAL OF INVESTMENT PROPERTY

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|
| **Fair value adjustments** | | |
| Gain on fair value of investments | 46 786 228 | 1 186 890 |
| Gain on fair value of treasury investments | 4 301 694 | – |
| Gain/(loss) on fair value of investment property | 5 718 442 | (623 630) |
| (Loss)/gain on fair value of financial instruments | (28 929 000) | 144 268 |
| | **27 877 364** | **707 528** |
| **Disposal of investment property** | | |
| Gain on disposal of investment property | – | 1 008 336 |
| | **–** | **1 008 336** |

## 6. FAIR VALUE ADJUSTMENTS AND DISPOSAL OF INVESTMENT PROPERTY *(continued)*

Summarised as follows:

| *Euro* | Note | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|
| **Fair value of investments** | | | |
| Karoo Fund | 12 | 45 651 311 | 1 186 890 |
| Sirius Real Estate Limited ("Sirius") | 12 | 1 134 917 | – |
| | | **46 786 228** | **1 186 890** |
| **Fair value of treasury investments** | | | |
| Treasury investments | 13 | 4 301 694 | – |
| | | **4 301 694** | **–** |
| **Fair value of investment property** | | | |
| United Kingdom | 11 | 11 837 028 | (729 799) |
| Germany | 11 | (5 502 304) | 310 000 |
| Switzerland | 11 | (616 282) | (203 831) |
| | | **5 718 442** | **(623 630)** |
| **Fair value of financial instruments** | | | |
| Interest rate swap - Petrusse Capital S.a.r.l. | 17 | (305 024) | 91 483 |
| Interest rate swap - Inventive Capital S.a.r.l. | 17 | (7 464) | 52 785 |
| Attacq Limited financial liability | 17 | (24 896 101) | – |
| Development management fee | 17 | (1 488 165) | – |
| Priority participating profit dividend | 17 | (2 232 246) | – |
| | | **(28 929 000)** | **144 268** |
| **Disposal of investment property** | | | |
| United Kingdom | 11 | – | 821 976 |
| Germany | 11 | – | 186 360 |
| | | **–** | **1 008 336** |

** The group has early adopted IFRS 9, with retrospective application. These figures have therefore been restated. The impact of adopting IFRS 9 on the group's primary statements has been summarised in note 21.*

## 7. EXCHANGE DIFFERENCES

Exchange gains and losses arise from the revaluation of the 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 funding of foreign operations (see note 19). In the current year, this totalled a gain of €17 660 295 (2014: €3 931 722).

## 8. FINANCE INCOME AND FINANCE COSTS

| Euro | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|
| **Finance income** | | |
| Interest earned on bank deposits at amortised cost | 4 676 | 86 395 |
| Interest earned on loans at amortised cost | – | 112 953 |
| | **4 676** | **199 348** |
| **Finance costs** | | |
| Interest paid on bank debt at amortised cost | (581 374) | (876 699) |
| | **(581 374)** | **(876 699)** |

** The group has early adopted IFRS 9, with retrospective application. These figures have therefore been restated. The impact of adopting IFRS 9 on the group's primary statements has been summarised in note 21.*

## 9. TAXATION

The company, which is domiciled in the British Virgin Islands, is not subject to tax 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.

In the UK, the group provides for taxation in the investment SPV's at the rate of 20% of taxable profits, being net rentals less allowable property expenses and interest. In the current year, UK normal taxation of €241 594 (2014: €287 815) has been provided for.

In Switzerland, the group is liable to cantonal and federal taxes, in addition to a wealth tax. The effective income tax rate for income from the Swiss portfolio is 20,673%, with wealth tax charged at a rate of 0,1695% of net assets. For the period under review 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. A wealth tax payable of €10 652 (2014: €8 951) has been accrued.

In Germany, the group is taxed on net rental income, with an effective corporate income tax and solidarity tax rate of 15,825%. For the year under review the German portfolio corporation income tax payable of €119 201 (2014: €28 270) has been accrued.

***Corporate taxation charge and deferred taxation***

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Current year taxation | (371 447) | (325 036) |
| Deferred taxation income/(expense) | 272 259 | (873 399) |
| **Taxation expense** | **(99 188)** | **(1 198 435)** |
| Reconciliation of deferred taxation: | | |
| Deferred taxation brought forward | 873 399 | – |
| Current year deferred taxation | (272 259) | 873 399 |
| Foreign exchange movement in OCI | (194 509) | – |
| **Deferred taxation liability carried forward** | **406 631** | **873 399** |

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

| Euro | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| Deferred taxation on temporary differences between accounting and fiscal value of investment property | 737 015 | 52 886 |
| **Deferred taxation asset** | **737 015** | **52 886** |
| Deferred taxation on temporary differences between accounting and fiscal value of investment property | 1 143 646 | 926 285 |
| **Deferred taxation liability** | **1 143 646** | **926 285** |
| **Net deferred taxation liability** | **406 631** | **873 399** |

## 9. TAXATION *(continued)*

***Reconciliation of effective taxation rate***

| *Euro* | Year ended 30 June 2015 | | Sixteen-month period ended 30 June 2014 | |
|---|---|---|---|---|
| Profit before taxation | | 48 574 096 | | 6 258 671 |
| Taxation using the company's domestic rate | 0,00% | – | 0.00% | – |
| Effect of taxation rates in foreign jurisdictions | (0,76%) | (371 447) | (5,19%) | (325 036) |
| Change in recognised deductible temporary differences | | | | |
| – Revaluation of investment property | 2,14% | 1 040 682 | (3,03%) | (189 471) |
| – Change in taxation base | (1,58%) | (768 423) | (10,93%) | (683 928) |
| | (0,20%) | (99 188) | (19,15%) | (1 198 435) |

## 10. GOODWILL

The group's goodwill comprises:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| New Waverley 10 Limited (previously Artisan Investment Projects 10 Limited) | 1 582 184 | 1 371 537 |
| MAS Property Advisors Limited | 27 768 955 | – |
| | **29 351 139** | **1 371 537** |

Reconciliation of the group's carrying amount of goodwill:

| | Year ended 30 June 2015 | | | Sixteen month period ended 30 June 2014 |
|---|---|---|---|---|
| *Euro* | MAS Property Advisors Limited | New Waverley 10 Limited | Total | New Waverley 10 Limited |
| **Cost** | | | | |
| Opening balance | – | 1 371 537 | 1 371 537 | – |
| Acquisition of subsidiary | 24 970 329 | – | 24 970 329 | 1 371 537 |
| Foreign exchange movement in OCI | 2 798 626 | 210 647 | 3 009 273 | – |
| **Closing balance** | **27 768 955** | **1 582 184** | **29 351 139** | **1 371 537** |
| **Accumulated impairment losses** | | | | |
| Opening balance | – | – | – | – |
| Acquisition of subsidiary | – | – | – | – |
| Foreign exchange movement in OCI | – | – | – | – |
| Closing balance | – | – | – | – |
| **Carrying amount** | **27 768 955** | **1 582 184** | **29 351 139** | **1 371 537** |

## 10. GOODWILL *(continued)*

***Acquisition of subsidiary***

On 15 October 2014 the group internalised the investment advisor by acquiring 100% of the share capital and voting rights of MAS Property Advisors Limited.

The group acquired the investment advisor due to identified cost reductions as a result of incurring the operating cost of the investment advisory services instead of a net asset based investment advisory fee. From the date of acquisition to 30 June 2015 the group has had a reduction of €4 888 667 in relation to investment advisor fees which would have been charged under the investment advisor agreement and incurred additional costs of €1 828 418 in the normal course of operations.

In the prior period on 19 August 2013 the group acquired a 62,5% interest in New Waverley 10 Limited, the remaining shares not owned by the group. The acquisition was treated as a step-acquisition, the group's pre-exiting carrying amount of New Waverley 10 Limited was determined to be the fair value. Accordingly no gain or loss was recognised as a result of the step-acquisition.

***Consideration transferred***

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | MAS Property Advisors Limited | | New Waverley 10 Limited | |
| | Sterling | Euro | Sterling | Euro |
| Cash | 9 889 006 | 12 500 000 | 1 920 000 | 2 250 087 |
| Equity instruments* | 9 889 006 | 12 500 000 | 4 666 667 | 5 468 965 |
| | **19 778 012** | **25 000 000** | **6 586 667** | **7 719 052** |

** The group issued 9 751 326 ordinary shares (2014: 5 111 182) (see note 14).*

The board of MAS (BVI) Holdings Limited was advised as to the reasonableness of the acquisition of the investment advisor by Java Capital.

The fair value of the ordinary shares issued was based on the listed share price of the company at 16 October 2014 of €1,28 per share (ZAR equivalent R19,95 per share) (2014: €1,07 per share (share (ZAR equivalent R15,81 per share)).

The group incurred acquisition-related costs of €59 788 (2014: nil) on legal and due diligence fees. These costs have been included in the profit or loss within administrative expenses.

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | MAS Property Advisors Limited | | New Waverley 10 Limited | |
| | Sterling | Euro | Sterling | Euro |
| Property, plant and equipment | 23 473 | 29 671 | – | – |
| Investment property | – | – | 9 191 005 | 10 679 948 |
| Trade receivables | – | – | 91 894 | 106 781 |
| Cash and cash equivalents | – | – | 201 819 | 234 514 |
| Interest bearing borrowings | – | – | (7 055 920) | (8 198 979) |
| Foreign currency translation reserve | – | – | 1 434 | 1 666 |
| | **23 473** | **29 671** | **2 430 232** | **2 823 930** |

There were no differences between the carrying amounts and the fair values of the assets and liabilities.

The group's pre-existing investment advisory contractual relationship with MAS Property Advisors Limited 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 asset at fair value.

## 10. GOODWILL *(continued)*

The goodwill arising on acquisitions has been recognised as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | MAS Property Advisors Limited | | 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 |
| | **19 754 539** | **24 970 329** | **1 125 548** | **1 371 537** |

The goodwill arising on the acquisition of MAS Property Advisors Limited has been allocated to MAS Property Advisors Limited as a single cash generating unit 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***

***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 (2014: nil).

The recoverable amount of the New Waverley 10 Limited CGU has been determined based on the New Waverley development appraisal by the group's external quantity surveyors, Gleeds, adjusted for: a total development management fee payable to New Waverley Advisors Limited; a total profit participation payable to New Waverley Holdings Limited; the fair value adjustment recognised by the group in respect of the pre-let hotels at the New Waverley development; and the development management fee and profit participation financial liability already recognised by the group.

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

***MAS Property Advisors Limited***

No impairment charge arose as a result of the group's annual impairment test of goodwill in relation to MAS Property Advisors Limited.

The recoverable amount of the MAS Property Advisors Limited CGU was based on the value in use, as determined using a discounted cash flow. The cash flow was forecast for a period of 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** | |
|---|---|
| Pre-tax discount rate | 7,51% |
| Annual increase in revenue | 5,00 – 6,00% |
| Annual increase in operating expenses | 5,00% |
| Budgeted period | 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.

## 11. INVESTMENT PROPERTY

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

| Euro | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| Income-generating property | 164 390 519 | 39 650 572 |
| Development property | 84 148 287 | 25 101 270 |
| | **248 538 806** | **64 751 842** |

The group's investment property is measured at fair value. The group holds three classes of investment property: Retail; Industrial; and mixed use developments under construction ("Mixed use") in three jurisdictions (UK, Germany and Switzerland).

| **As at 30 June 2015** | UK | | | Germany | Switzerland | |
|---|---|---|---|---|---|---|
| Euro | Mixed use | Industrial | Retail | Retail | Industrial | Total |
| Opening balance | 25 101 270 | 8 359 590 | 4 866 030 | 7 900 000 | 18 524 952 | 64 751 842 |
| Property acquisitions | 16 262 250 | 24 821 334 | – | 90 488 931 | – | 131 572 515 |
| Capitalised expenditure | 22 194 819 | – | – | – | 183 723 | 22 378 542 |
| Capitalised acquisition costs | – | 1 441 896 | – | 7 239 508 | – | 8 681 404 |
| Capitalised retentions | – | – | – | 2 703 865 | – | 2 703 865 |
| Fair value adjustment | 14 881 638 | (523 880) | (2 520 730) | (5 502 304) | (616 282) | 5 718 442 |
| Foreign exchange movement in OCI | 5 708 310 | 3 503 536 | 466 100 | – | 3 054 250 | 12 732 196 |
| **Closing balance** | **84 148 287** | **37 602 476** | **2 811 400** | **102 830 000** | **21 146 643** | **248 538 806** |

| **As at 30 June 2014** | UK | | | | Germany | Switzerland | |
|---|---|---|---|---|---|---|---|
| Euro | Mixed use | Industrial | Retail | Residential | Retail | Industrial | Total |
| Opening balance | 8 474 979 | 7 531 550 | 5 445 890 | 7 183 940 | 9 750 000 | 18 626 334 | 57 012 693 |
| Business combinations | 9 808 953 | – | – | – | – | – | 9 808 953 |
| Capitalised expenditure | 4 424 841 | – | – | – | – | – | 4 424 841 |
| Disposals | – | – | – | (7 183 940) | (2 160 000) | | (9 343 940) |
| Fair value adjustment | – | 232 761 | (962 560) | – | 310 000 | (203 831) | (623 630) |
| Foreign exchange movement in OCI | 2 392 497 | 595 279 | 382 700 | – | – | 102 449 | 3 472 925 |
| **Closing balance** | **25 101 270** | **8 359 590** | **4 866 030** | **–** | **7 900 000** | **18 524 952** | **64 751 842** |

Changes in fair values are recognised as gains and losses in fair value adjustments in the profit or loss. There are no realised gains in the current year (2014: €1 008 336).

Investment properties are subject to operating leases. The group's investment property portfolio generated €8 733 519 (2014: €5 247 429) in rental income and €589 637 (2014: nil) in service charge income with portfolio related expenses of €2 036 856 (2014: €665 096) recognised in profit or loss.

Bank borrowings of €15 747 889 (2014: €16 098 177) are secured on investment property (see note 16).

The group has capital commitments of €44 045 990 in respect of capital expenditures contracted for at the reporting date.

New Waverley 10 Limited has a development management agreement with New Waverley Advisors Limited, a related party, for the development and construction of the New Waverley site in Edinburgh. This development management agreement includes development management fees, together with a profit participation on the 'B shares'. The group has provided for the fees proportionate to the fair value adjustment in the New Waverley development, see notes 17 and 19.

## 11. INVESTMENT PROPERTY *(continued)*

The group has capitalised costs incurred from related parties amounting to €19 958 467 (2014: €2 807 115) during the year (see note 19).

On the acquisition of the Heppenheim and Bruchsal investment properties, the group retained a portion of the purchase price per the respective Sale and Purchase Agreements ("SPA"). These retentions will be released to the vendor at such time when they complete the retention activities. These amounts have been accounted for as deferred consideration. The Heppenheim and Bruchsal properties are classified within Germany, Retail.

### 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 for the respective valuers used refer to page 48.

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.

Development properties where fair value cannot be reliably determined, but for which the group expects the fair value will be reliably determinable as construction progresses, are measured at cost less impairment until the fair value becomes reliably determinable, as cost less impairment is considered the best estimate of fair value.

***Fair value hierarchy***

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

The following table shows the carrying amount and fair value of the group's investments in the fair value hierarchy as at 30 June 2015:

**As at 30 June 2015**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Income-generating property | 164 390 519 | – | – | 164 390 519 |
| Development property | 84 148 287 | – | – | 84 148 287 |
| | **248 538 806** | **–** | **–** | **248 538 806** |

**As at 30 June 2014**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Income-generating property | 39 650 572 | – | – | 39 650 572 |
| Development property | 25 101 270 | – | – | 25 101 270 |
| | **64 751 842** | **–** | **–** | **64 751 842** |

## 11. INVESTMENT PROPERTY *(continued)*

***Valuation technique and significant unobservable inputs***

There has been a change in the valuation technique in respect of three pre-let hotels at the New Waverley mixed use development in the UK. At the reporting date external independent property valuers reliably determined the fair value of these three pre-let hotels. In accordance with the accounting policy, these hotels have been fair valued at the reporting date. In the prior reporting period these hotels were held at cost less impairment as fair value was not reliably determinable and cost less impairment was considered the best estimate of fair value. The remainder of the New Waverley development continues to be held at cost less impairment as fair value can still not be reliably determined and cost is the best indication of fair value. There have been no further changes in the valuation technique.

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

| 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. | • Risk adjusted discount rates<br>• Market rent<br>• Net rental growth<br>• Reversionary discount rate | The estimated fair value would increase (decrease) if:<br>• Expected market rental growth was higher (lower)<br>• The occupancy rate was higher (lower)<br>• The reversionary discount rate was lower (higher)<br>• The risk adjusted discount rate was lower (higher) |
| Development property | ***Discounted cash flows less cost to complete:*** The discounted cash flow is determined on the same basis as income-generating properties based on the completed development property.<br><br>Costs to complete as determined by external quantity surveyors are deducted from the discounted cash flow. | • Risk adjusted discount rates<br>• Market rent<br>• Net rental growth<br>• Reversionary discount rate<br>• Costs to complete | The estimated fair value would increase (decrease) if:<br>• Expected market rental growth were higher (lower)<br>• The occupancy rate were higher (lower)<br>• The reversionary discount rate were lower (higher)<br>• The risk adjusted discount rate were lower (higher)<br>• The costs to complete were lower (higher)<br>• Completion dates were earlier (later) |
| | ***Cost less impairment:*** Costs directly associated with the construction of investment property are capitalised. An impairment review is performed to the extent that there are indicators of impairment. As fair value cannot be reliably determined cost is the best indication of fair value. | • Capitalised costs<br>• Impairment | The estimated fair value would increase (decrease) if:<br>• Impairment were lower (higher) |

## 11. INVESTMENT PROPERTY *(continued)*

***Fair value sensitivity analysis***

**As at 30 June 2015**

***Income-generating property***

| *Euro* | | | | Significant unobservable inputs | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Discount rate | | | Market rent | | | Net rental growth | | | Reversion discount rate | | |
| | | | | | Sensitivity | | | Sensitivity | | | Sensitivity | | | Sensitivity | |
| Country | Sector | Technique | Valuation | Input % | Change | Valuation | Input p.a | Change | Valuation | Input % | Change | Valuation | Input % | Change | Valuation |
| UK | Industrial | DCF | 37 602 476 | 7,00 – 8,00 | +1% | 34 158 510 | 2 103 749 | +5% | 39 008 175 | 2,00 | +1% | 37 953 900 | 7,00 – 8,00 | +1% | 34 228 795 |
| | | | | | -1% | 41 946 088 | | -5% | 36 196 775 | | -1% | 37 251 050 | | -1% | 41 875 803 |
| | Retail | DCF | 2 811 400 | 7,50 | +1% | 2 766 418 | 267 083 | +5% | 2 923 856 | – | +1% | 2 811 400 | – | +1% | 2 811 400 |
| | | | | | -1% | 2 859 194 | | -5% | 2 642 716 | | -1% | 2 811 400 | | -1% | 2 811 400 |
| Germany | Retail | DCF | 102 830 000 | 5,25 – 7,65 | +1% | 96 430 000 | 538 356 – | +5% | 103 970 000 | (0,82) – 1,18 | +1% | 104 930 000 | 5,65 – 7,75 | +1% | 95 770 000 |
| | | | | | -1% | 109 970 000 | 1 870 909 | -5% | 101 780 000 | | -1% | 100 930 000 | | -1% | 111 830 000 |
| Switzerland | Industrial | DCF | 21 146 643 | 4,40 | +1% | 18 428 886 | 951 284 | +5% | 22 279 842 | 1,00 | +1% | 21 761 259 | – | – | – |
| | | | | | -1% | 26 274 848 | | -5% | 20 464 803 | | -1% | 21 482 761 | | – | – |

## 11. INVESTMENT PROPERTY *(continued)*

### Development property

| *Euro* | | | | Significant unobservable inputs | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Discount rate | | | Costs to complete | | |
| | | | | | Sensitivity | | | Sensitivity | |
| Country | Sector | Technique | Valuation | Input % | Change | Valuation | Input | Change | Valuation |
| UK | Mixed use | DCF[1] | 35 288 845 | 4,75 – 5,50 | +1% | 23 129 540 | 39 213 255 | +10% | 31 367 520 |
| | | | | | -1% | 54 160 367 | | -10% | 39 210 171 |

**As at 30 June 2014**

### Income-generating property

| *Euro* | | | | Significant unobservable inputs | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Discount rate | | | Market rent | | | Net rental growth | | | Reversion discount rate | | |
| | | | | | Sensitivity | | | Sensitivity | | | Sensitivity | | | Sensitivity | |
| Country | Sector | Technique | Valuation | Input % | Change | Valuation | Input p.a | Change | Valuation | Input % | Change | Valuation | Input % | Change | Valuation |
| UK | Industrial | DCF | 8 359 590 | 7,25 | +1% | 8 110 050 | 298 000 | +5% | 8 421 975 | 1,00 | +1% | 8 796 285 | 7,00 | +1% | 8 234 820 |
| | | | | | -1% | 8 733 900 | | -5% | 8 172 435 | | -1% | 8 110 050 | | -1% | 8 671 515 |
| | Retail | DCF | 4 866 030 | – | +1% | – | 240 000 | +5% | 5 728 228 | – | +1% | – | 5,50 | +1% | 4 568 525 |
| | | | | | -1% | – | 96 946 – 138 557 | -5% | 5 201 090 | | -1% | – | | -1% | 6 747 360 |
| Germany | Retail | DCF | 7 900 000 | 5,88 | +1% | 7 540 000 | | +5% | 8 010 000 | – | – | – | 7,38 – 7,63 | +1% | 7 320 000 |
| | | | | | -1% | 8 260 000 | | -5% | 7 770 000 | | – | – | | -1% | 8 690 000 |
| Switzerland | Industrial | DCF | 18 524 952 | 4,40 | +1% | 15 423 750 | 814 844 | +5% | 18 697 698 | 1,00 | +1% | 17 998 488 | – | – | – |
| | | | | | -1% | 22 029 228 | | -5% | 17 957 358 | | -1% | 18 237 042 | | – | – |

[1] *DCF less cost to complete*

## 12. INVESTMENTS

The carrying amount of the group's investments at 30 June 2015 was as follows:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 Restated* |
|---|---|---|
| **Non-current** | | |
| Karoo Fund | – | 35 743 617 |
| Sirius Real Estate Limited | 12 346 864 | – |
| | **12 346 864** | **35 743 617** |
| **Current** | | |
| Karoo Fund | 67 221 894 | – |
| | **67 221 894** | **–** |

** The group has early adopted IFRS 9, with retrospective application. These figures have therefore been restated. The impact of adopting IFRS 9 on the group's primary statements is presented in note 21.*

The investments 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. These 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 5 December 2014 the group acquired a 4,2% shareholding in Sirius for €10 178 432. This has been fair valued at 30 June 2015 and a gain of €1 134 917 was recognised in fair value adjustments in the profit or loss. The group has acquired additional shares in Sirius to the value of €2 584 618 as part of its treasury strategy (see note 13) on which there is an unrealised loss of €28 094 at the reporting date.

As at 30 June 2014 the Karoo Fund was classified as being held to maturity in accordance with IAS 39. In the current year the group has early adopted IFRS 9 and the Karoo fund has been classified as FVTPL. The impact of adopting IFRS 9 is summarised in note 21. On 30 October 2014 and 21 February 2015 the Karoo Fund compulsorily redeemed a portion of the investment amounting to €12 189 773 and €8 024 277 respectively. At 30 June 2015 the investment was fair valued at €67 221 894 and a gain of €45 651 311 was recognised in fair value adjustments in profit or loss.

***Reconciliation of investments***

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|
| Opening balance | 35 743 617 | – |
| Acquisition | 10 178 432 | 34 199 731 |
| Capitalised fees | – | 356 996 |
| Redemption | (20 214 050) | – |
| Fair value movement | 46 786 228 | 1 186 890 |
| Foreign exchange movement in OCI | 7 074 531 | – |
| | **79 568 758** | **35 743 617** |

A liability of €26 378 571 is due to Attacq Limited ("Attacq") when the investment in the Karoo Fund is realised, see note 17.

** The group has early adopted IFRS 9, with retrospective application. These figures have therefore been restated. The impact of adopting IFRS 9 on the group's primary statements has been summarised in note 21.*

## 12. INVESTMENTS *(continued)*

***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 2015:

**As at 30 June 2015**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Karoo Fund | 67 221 894 | – | 67 221 894 | – |
| Sirius | 12 346 864 | 12 346 864 | – | – |
| | **79 568 758** | **12 346 864** | **67 221 894** | **–** |

**As at 30 June 2014**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Karoo Fund | 35 743 617 | – | – | 35 743 617 |
| | **35 743 617** | **–** | **–** | **35 743 617** |

Transfers between the levels in the fair value hierarchy are recognised at the reporting date. During the period the Karoo Fund has been reclassified from level 3 to level 2 in the fair value hierarchy.

***Reconciliation of transfer of the Karoo Fund***

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Opening balance | 35 743 617 | – | – | 35 743 617 |
| Transfer | – | – | 35 743 617 | (35 743 617) |
| Movement | 31 478 277 | – | 31 478 277 | – |
| | **67 221 894** | **–** | **67 221 894** | **–** |

***Valuation process for level 3 investments***

On an annual basis the fair value of investments is determined by external investment managers, having appropriate valuation experience.

These valuations are initially reviewed by the group's analyst and compared to the expectation of fair value. The valuation is then checked by the finance team to ensure the numerical and methodological accuracy. Lastly, the investment valuation is reviewed by the Audit Committee.

***Valuation techniques and unobservable inputs***

As the prior period net asset value of the Karoo Fund did not reflect fair value, the valuation was determined by applying discounts to each of the underlying investments held. The discounts applied related to: illiquidity; specific risks facing each investment; and the percentage of total investment held. In the current period, such discounts are no longer considered appropriate given the nature of assets held and progress in the underlying investments. Accordingly, NAV is now considered the appropriate valuation technique to determine the fair value of the Karoo Fund.

At 30 June 2015 all inputs into the valuation are observable as the underlying investments are listed, with the exception of a convertible debenture that is not significant to the fair valuation.

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 and significant unobservable inputs used for level 3 investments.

## 12. INVESTMENTS *(continued)*

**As at 30 June 2015**

| Level 2 Investments | Valuation technique | Inputs | Inter-relationship between inputs and fair value measurement |
|---|---|---|---|
| Karoo Fund | Fair value is based on the fund's reported net asset value ("NAV").<br><br>The NAV of the fund is valued by the fund's investment manager as follows:<br><br>• Investments in equities by the Karoo Fund are valued at quoted prices in active markets.<br>• 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. | NAV per share – €2 067<br><br>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:<br><br>• NAV per share were higher (lower). |

**As at 30 June 2014**

| Level 3 Investments | Valuation technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Karoo Fund | Fair value of the equity fund is determined by applying discounts to each of the underlying investments held by the Karoo Fund. | • Illiquidity<br>• Specific risks facing each investment<br>• Percentage of total investment held | The estimated fair value would increase (decrease) if:<br><br>• Illiquidity was lower (higher)<br>• Specific risks facing each investment were lower (higher)<br>• Percentage of total investment held was lower (higher) |

***Fair value sensitivity analysis***

The group's investments classified as level 3 in the fair value hierarchy have been sensitised to show how the inputs used in the valuation would have affected the valuation of the investment in the Karoo Fund as at 30 June 2014 as follows:

*Euro*

| | Sensitivity | | |
|---|---|---|---|
| Discount | Input% | Change absolute | Valuation |
| Liquidity discounts on underlying investments | 5,00 – 100,00 | +1% | 35 449 706 |
| | | -1% | 36 138 957 |
| Discount rate | 7,00 | +1% | 34 977 872 |
| | | -1% | 36 655 885 |

## 13. TREASURY INVESTMENTS

Treasury investments comprise the group's short term treasury investments. The carrying amount of the group's treasury investments at 30 June 2015 was as follows:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| Sirius | 2 556 524 | – |
| Other | 48 455 | – |
| | **2 604 979** | **–** |

The treasury investments 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. These investments have been classified as FVTPL because the objective of the group's business model is to sell the instrument prior to its contractual maturity to realise its fair value changes.

Due to the low interest rate environment, management sought better returns on the group's cash over the course of the last year by investing in a portfolio of European real-estate equities. The portfolio gained €4 301 694, net of fees, which is recognised in fair value adjustments (see note 6). Given the market volatility at the time, and in anticipation of imminent acquisitions, the portfolio was substantially liquidated in June 2015.

Reconciliation of treasury investments

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Opening balance | – | – |
| Investment | 30 000 000 | – |
| Redemption | (31 696 715) | – |
| Fair value movement | 4 301 694 | – |
| **Closing balance** | **2 604 979** | **–** |

**Fair value hierarchy**

The following table shows the carrying amount and fair value of the group's investment in the fair value hierarchy as at 30 June 2015:

**As at 30 June 2015**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Sirius | 2 556 524 | 2 556 524 | – | – |
| Other | 48 455 | – | 48 455 | – |
| | **2 604 979** | **2 556 524** | **48 455** | **–** |

***Valuation techniques and unobservable inputs***

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 treasury investments.

## 13. TREASURY INVESTMENTS *(continued)*

***Valuation techniques and unobservable inputs (continued)***

| Investment type | Valuation technique | Inputs | Inter-relationship between inputs and fair value measurement |
|---|---|---|---|
| Other | Investments in other investments are based on broker quotes on similar contracts that are traded in an active market and the quotes reflect the actual transactions in similar instruments. | • Similar contracts | The estimated fair value would increase (decrease) if: • Similar contract prices were higher (lower) |

## 14. SHARE CAPITAL

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

| | Number of shares | Share Capital Euro |
|---|---|---|
| Balance at 1 March 2013 | 66 238 363 | 67 423 236 |
| Issued during the year | | |
| – Capital raised | 173 987 429 | 180 391 564 |
| – Acquisition of New Waverley 10 Limited (previously: Artisan Investment Projects 10 Limited) (see note 10) | 5 111 182 | 5 468 965 |
| – Acquisition of the Karoo Fund | 31 962 365 | 34 199 731 |
| – Scrip distributions | 2 184 660 | 2 494 584 |
| **Balance at 30 June 2014** | **279 483 999** | **289 978 080** |
| Issued during the year | | |
| – Acquisition of MAS Property Advisors Limited (see note 10) | 9 751 326 | 12 486 971 |
| – Scrip distributions | 2 552 564 | 3 206 941 |
| **Balance at 30 June 2015** | **291 787 889** | **305 671 992** |

During the year the group incurred €13 029 (2014: €2 897 232) in expenses in relation to issuing shares. These were offset against share capital.

## 15. FOREIGN CURRENCY TRANSLATION RESERVE

The group recognised a foreign currency translation gain of €6 575 768 (2014: €156 323) resulting in a foreign currency translation reserve at the reporting date of €7 198 696 (2014: €622 928).

This reserve results from the translation of foreign subsidiaries from a functional currency other than euros into the presentation currency of euros. The assets and liabilities including goodwill and fair value adjustments arising on business combinations are translated using the exchange rates at the reporting date. Items in the consolidated statement of comprehensive profit or loss and other comprehensive income and consolidated statement of cash flows are translated into euros using the actual, or approximate average rates of exchange for the transactions.

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

## 16. INTEREST-BEARING BORROWINGS

The carrying amount of the group's interest bearing borrowings as at 30 June 2015 was as follows:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| **Non-current** | | |
| Credit Suisse – DPD property | 8 933 544 | 8 102 610 |
| Sparkasse Bank – Aldi portfolio | 5 846 225 | 6 238 142 |
| | **14 779 769** | **14 340 752** |
| **Current** | | |
| Credit Suisse – DPD property | 576 203 | 493 560 |
| Sparkasse Bank – Aldi portfolio | 391 917 | 293 938 |
| Santon Developments plc - Santon North Street property | – | 969 927 |
| | **968 120** | **1 757 425** |
| | 15 747 889 | 16 098 177 |

The 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.

Petrusse Capital S.a.r.l., a group entity, received a loan of CHF 13 000 000 (€10 693 800) on 15 January 2010 from Credit Suisse. This is a 15-year term floating rate loan at 90 bps above Swiss LIBOR (see note 17). The DPD property purchased by Petrusse Capital S.a.r.l. is held as security against this loan. There are no conversion or redemption rights for this loan. Amortisation repayments of CHF 150 000 (€144 050) per quarter began in June 2010 on this loan, amortisation reduced to CHF 97 500 (€93 629) effective from 30 June 2015. The amount outstanding is CHF 9 902 500 (€9 509 747) as at 30 June 2015.

Inventive Capital S.a.r.l., a group entity, received a loan of €8 369 840 on 1 December 2009 from Sparkasse Bank. This is a 20-year term floating rate loan at 95 bps above Euribor (see note 17). The Aldi portfolio purchased by Inventive Capital S.a.r.l. is held as security against this loan. A repayment of €1 891 760 was made when the Tuttlingen property, one of the six Aldi stores, was disposed of in the prior period. There are no conversion or redemption rights for this loan. Amortisation repayments of €97 929 per quarter began in December 2014 and the amount outstanding is €6 238 142 as at 30 June 2015.

## 17. FINANCIAL INSTRUMENTS

The carrying amount of the group's financial instruments as at 30 June 2015 was as follows:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| **Non-current** | | |
| Derivative financial instruments | 2 603 535 | 2 104 606 |
| Financial liabilities | 3 941 947 | – |
| | **6 545 482** | **2 104 606** |
| **Current** | | |
| Financial liabilities | 26 378 571 | – |
| | **26 378 571** | **–** |
| | **32 924 053** | **2 104 606** |

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Derivative financial instruments***

The group has hedged the interest rate exposure on the interest bearing borrowing (see note 16) from Credit Suisse and Sparkasse Bank. These financial instruments are classified as FVTPL, accordingly they are measured at fair value at the reporting date with changes in fair value being recognised in the profit or loss.

***Reconciliation of derivative financial instruments***

| Euro | Aldi | DPD | Total |
|---|---|---|---|
| Balance at 1 March 2013 | 1 462 658 | 1 060 132 | 2 522 790 |
| Fair value adjustment | (52 785) | (91 483) | (144 268) |
| Partial settlement of hedging instrument | (278 000) | – | (278 000) |
| Foreign exchange movement in OCI | – | 4 084 | 4 084 |
| **Balance at 30 June 2014** | **1 131 873** | **972 733** | **2 104 606** |
| Balance at 1 July 2014 | 1 131 873 | 972 733 | 2 104 606 |
| Fair value adjustment | 7 464 | 305 024 | 312 488 |
| Foreign exchange movement in OCI | – | 186 441 | 186 441 |
| **Balance at 30 June 2015** | **1 139 337** | **1 464 198** | **2 603 535** |

75% of the Sparkasse Bank debt (see note 16) used to purchase the Aldi portfolio was hedged with Bayern LB via an interest rate swap at a fixed rate of 4,2%, and 25% fixed via an interest rate cap with a strike at 4,0%, on 20 October 2009. Both the hedge and the cap started on 1 December 2009, the completion date of the property. The fair value of this hedge was €1 139 337 as at 30 June 2015 (2014: liability of (€1 131 873)). In the prior year the group disposed of the Tuttlingen store, which resulted in a payment of €270 000 to settle the relevant portion of the interest hedge.

70% of the Credit Suisse debt (see note 16) used to purchase the DPD property was hedged directly with Credit Suisse via a forward-starting interest rate swap at 2,76% on 14 September 2009. The start date was 15 January 2010. The fair value of this hedge was €1 464 198 as at 30 June 2015 (2014: liability of €972 733).

***Fair value hierarchy***

The following table shows the carrying amount and fair value of the group's derivative financial instruments in the fair value hierarchy as at 30 June 2015:

| **As at 30 June 2015** | Fair value | | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Aldi | 1 139 337 | – | 1 139 337 | – |
| DPD | 1 464 198 | – | 1 464 198 | – |
| | **2 603 535** | **–** | **2 603 535** | **–** |

| **As at 30 June 2014** | Fair value | | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Aldi | 1 131 873 | – | 1 131 873 | – |
| DPD | 972 733 | – | 972 733 | – |
| | **2 104 606** | **–** | **2 104 606** | **–** |

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Valuation techniques and unobservable inputs***

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 financial instruments.

| Derivative financial instrument type | 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 swaps curves plus the historic charged credit margin at the dates when the cash flows will take place. | • Credit margin | The estimated fair value would increase (decrease) if:<br><br>Credit margin were lower (higher) |

***Financial liabilities***

The group's financial liabilities comprise:

| *Euro* | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|
| **Non-current** | | |
| Development management fee | 1 576 779 | – |
| Priority participating profit dividend | 2 365 168 | – |
| | **3 941 947** | **–** |
| **Current** | | |
| Attacq financial liability | 26 378 571 | – |
| | **26 378 571** | **–** |
| | **30 320 518** | **–** |

***Reconciliation of financial liabilities:***

| *Euro* | Attacq financial liability | Development management fee | Priority participating profit dividend | Total |
|---|---|---|---|---|
| Balance at 1 July 2014 | – | – | – | – |
| Fair value adjustment | 24 896 101 | 1 488 165 | 2 232 246 | 28 616 512 |
| Foreign exchange movement in OCI | 1 482 470 | 88 614 | 132 922 | 1 704 006 |
| **Balance at 30 June 2015** | **26 378 571** | **1 576 779** | **2 365 168** | **30 320 518** |

***Development management fee and Priority participating profit dividend***

The group entered into a development management agreement with New Waverley Advisors Limited for the development and construction of the New Waverley site in Edinburgh. This development management agreement splits the profit as follows:

The group

- Return on capital invested of 7.5% (the "Priority Return")
- A maximum of 75% of 10% of the Development Value (the "Priority Participating Profit Dividend")
- A maximum of 75% of the Development Value after deducting the Developers Additional Fee and the Priority Participating Profit Dividend

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Development management fee and Priority participating profit dividend (continued)***

New Waverley Advisors Limited

- 1/3 of the Priority Return (the "Developers Priority Fee")
- A maximum of 25% of 10% of the Development Value (the "Developers Additional Fee")

New Waverley Holdings Limited

- A maximum of 25% of the Development Value after deducting the Developers Additional Fee and the Priority Participating Profit Dividend

The agreement provides that once a development profit (the "Development Profit") has been realised a development fee is due to New Waverley Advisors Limited.

The Development Profit is the value of the development (defined as income and capital returns on realisations of lettings and sales, plus rent) less a 7.5% per annum return on capital invested by the group (the "Priority Return").

The development fee due to New Waverley Advisors Limited is equal to 1/3 of the Priority Return (the "Developers Priority Fee"), subject to there being adequate proceeds after return of capital and payment of the Priority Return.

In addition to the Developers Priority Fee, the group will pay to New Waverley Advisors Limited an additional developers fee (the "Developers Additional Fee") which is limited to a maximum of 10% of the Development Value. This is calculated as 25% of the development profit after deducting the Priority Return and Developers Priority Fee (the "Development Value") but accrues only to the extent that a dividend of 75% can be made to the group at the same time ("Priority Participating Profit Dividend").

Lastly, the remaining Development Value (after deducting the Developers Additional Fee and the Priority Participating Profit Dividend) is split 75%/25% to the group and the holder of the B shares, New Waverley Holdings Limited respectively.

As a consequence of the three pre-let hotels at New Waverley being fair valued (see note 11) there are financial liabilities due to New Waverley Advisors Limited and New Waverley Holdings Limited on the current unrealised profit of the development.

These financial liabilities have been classified as FVTPL. This matches the cost of the financial liabilities with the gain on the related investment directly in profit or loss.

***Attacq financial liability***

Under the purchase agreement of the Karoo Fund (see note 12) Attacq is entitled to a contingent adjustment (the "Adjustment") in the consideration paid to it by the group. This contingent adjustment is dependent upon the value at which the Karoo Fund redeems. The contingent adjustment will be share-based and would amount to €26 378 571 if the current reported net asset value were to be realised. The Karoo Fund's NAV as at 30 June 2015 was €161 780 243.

At the point when the Karoo Fund is realised ("the Realised Value") an Adjustment will be made as follows:

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

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Attacq financial liability (continued)***

The Karoo Fund is due to be fully redeemed on 31 January 2016.

This financial liability has been classified as FVTPL by opting to use the fair value option. This matches the cost of the financial liability with the gain on the related investment directly in profit or loss.

### Measurement of fair values

***Fair value hierarchy***

The following table shows the carrying amount and fair value of the group's derivative financial instruments in the fair value hierarchy as at 30 June 2015:

**As at 30 June 2015**

| | | Fair value | | |
|---|---|---|---|---|
| Euro | Carrying amount | Level 1 | Level 2 | Level 3 |
| Development management fee | 1 576 779 | – | – | 1 576 779 |
| Priority participating profit dividend | 2 365 168 | – | – | 2 365 168 |
| Attacq Limited financial liability | 26 378 571 | – | 26 378 571 | – |
| | **30 320 518** | **–** | **26 378 571** | **3 941 947** |

***Valuation process of level 3 financial liabilities***

The fair value of the level 3 financial liability in respect of New Waverley Advisors Limited and New Waverley Holdings Limited is calculated annually. The investment property valuation process (see note 11) is part of this valuation process as a consequence of the financial liability to New Waverley Advisors 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 valuation is then reviewed by the finance manager and chief financial officer before being reviewed by the Audit Committee.

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Valuation techniques and unobservable inputs***

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 and significant unobservable inputs used for Level 3 financial instruments:

| Level 3 financial liability | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Development management fee<br><br>and<br><br>Priority participating profit dividend | Discounted cash flows:<br><br>Fair value is based on the profitability of the New Waverley development. See note 11, for the valuation technique in respect of New Waverley. | • Expected market rental growth<br>• Occupancy rate<br>• Reversionary discount rate<br>• Risk adjusted discount rates<br>• Cost to complete<br>• Completion dates | The estimated fair value would increase (decrease) if:<br>• Expected market rental growth were higher (lower)<br>• The occupancy rate were higher (lower)<br>• The reversionary discount rate were lower (higher)<br>• The risk adjusted discount rate were lower (higher)<br>• The costs to complete were lower (higher)<br>• Completion dates were earlier (later) |

| Level 2 financial liability | Valuation technique | Inputs | Inter-relationship between inputs and fair value measurement |
|---|---|---|---|
| Attacq financial liability | Fair value is based on the fund's reported net asset value ("NAV").<br><br>The NAV of the fund is valued by the fund's investment manager as follows:<br><br>• Investments in equities by the Karoo Fund are valued at quoted prices in active markets.<br>• 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. | NAV per share – €2 067<br><br>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:<br><br>• NAV per share were higher (lower) |

## 17. FINANCIAL INSTRUMENTS *(continued)*

***Fair value sensitivity analysis***

**As at 30 June 2015**

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

## 18. OPERATING SEGMENTS

The group has the following four strategic divisions identified as reportable segments:

| Reportable segment | Description |
|---|---|
| Income-generating property | Consists of all the income-generating investment property in the portfolio. |
| Development property | Consists of development property namely the New Waverley development in Edinburgh, North Street Quarter development in Lewes and the Langley development in Chippenham. |
| Investments | Consists of the holding in the Karoo Fund and Sirius. |
| Corporate and treasury | Consists of all of the cash holdings outside of the other reporting segments, treasury investments and goodwill on the acquisition of MAS Property Advisors Limited. |

The group's chief operating decision maker is determined to be the executive management team. 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.

**30 June 2015**

| *Euro* | Income–generating property | Development property | Investments | Corporate and treasury | Total |
|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | |
| External revenue | 8 885 744 | 437 412 | – | – | 9 323 156 |
| Inter-segment revenue | – | – | – | – | – |
| Segment (loss)/profit before tax | (3 559 523) | 11 113 166 | 26 749 365 | 14 271 088 | 48 574 096 |
| Interest income | 90 | 47 | – | 4 539 | 4 676 |
| Interest cost | (576 350) | (5 024) | – | – | (581 374) |
| Depreciation | – | – | – | (18 884) | (18 884) |
| Other material non-cash items | | | | | |
| – Fair value adjustments | (9 475 685) | 11 161 228 | 21 890 127 | 4 301 694 | 27 877 364 |
| – Foreign exchange | 2 771 | – | 5 043 582 | 12 613 942 | 17 660 295 |
| Adjusted core income | 5 560 556 | (66 675) | 4 737 213 | (443 251) | 9 787 843 |
| **Statement of financial position** | | | | | |
| Segment non-current assets | 165 127 532 | 85 730 472 | 12 346 864 | 27 784 092 | 290 988 960 |
| Segment current assets | 9 918 844 | 1 149 173 | 67 221 894 | 41 176 540 | 119 466 451 |
| Segment non-current liabilities | 18 526 950 | 3 941 947 | – | – | 22 468 897 |
| Segment current liabilities | 5 405 117 | 2 637 785 | 26 378 571 | 424 443 | 34 845 916 |

## 18. OPERATING SEGMENTS *(continued)*

**30 June 2014**

| Euro | Income–generating property | Development property | Investments Restated* | Corporate and treasury | Total |
|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | |
| External revenue | 4 741 159 | 506 270 | – | – | 5 247 429 |
| Inter-segment revenue | – | – | – | – | – |
| Segment profit before tax | 4 432 254 | 6 531 | 870 308 | 949 578 | 6 258 671 |
| Interest income | 91 | 4 | – | 199 253 | 199 348 |
| Interest cost | (816 987) | (59 712) | – | – | (876 699) |
| Depreciation | (14 941) | – | – | – | (14 941) |
| Other material non-cash items | | | | | |
| – Fair value adjustments | (479 362) | – | 1 186 890 | – | 707 528 |
| – Foreign exchange | (89) | – | (31 893) | 3 963 704 | 3 931 722 |
| Adjusted core income | 2 533 606 | 641 653 | 870 308 | 1 111 535 | 5 157 102 |
| **Statement of financial position** | | | | | |
| Segment non-current assets | 40 452 451 | 25 723 814 | 35 743 617 | – | 101 919 882 |
| Segment current assets | 1 818 984 | 451 237 | – | 205 800 188 | 208 070 409 |
| Segment non-current liabilities | 17 371 643 | – | – | – | 17 371 643 |
| Segment current liabilities | 1 705 683 | 1 155 707 | – | 432 830 | 3 294 220 |

** The group has early adopted IFRS 9, with retrospective application. These figures have therefore been restated. The impact of adopting IFRS 9 on the group's primary statements has been summarised in note 21.*

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 Western 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 and Switzerland.

**Revenue**

| Euro | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| BVI | – | – |
| UK | 3 336 893 | 2 899 821 |
| Germany | 4 806 043 | 914 427 |
| Switzerland | 1 180 220 | 1 433 181 |
| | **9 323 156** | **5 247 429** |

**Non-current assets**

| Euro | As at 30 Jun 2015 | As at 30 Jun 2015 |
|---|---|---|
| BVI | – | – |
| UK | 166 275 302 | 75 442 044 |
| Germany | 103 567 015 | 7 952 886 |
| Switzerland | 21 146 643 | 18 524 952 |
| | **290 988 960** | **101 919 882** |

## 19. RELATED PARTIES

*Parent and ultimate controlling party*

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

*Transactions with key management*

**Year ended 30 June 2015**

| Euro | Role | Basic salary | Benefits | Short-term incentive | Long-term incentive | Shareholding direct | Shareholding indirect |
|---|---|---|---|---|---|---|---|
| Lukas Nakos | CEO | 152 149 | – | – | – | 106 | 100 659 |
| Malcolm Levy[a] | CFO | 142 641 | – | – | – | 11 632 | 1 462 699 |
| Jonathan Knight | CIO | 57 056 | – | – | – | 504 964 | – |
| Ron Spencer | Chairman | 24 500 | – | – | – | 10 970 | – |
| Gideon Oosthuizen | NED | 23 250 | – | – | – | 250 000 | – |
| Jaco Jansen | NED | 23 250 | – | – | – | – | – |
| Morné Wilken | NED | 10 000 | – | – | – | 53 823 | 226 560 |
| Pierre Goosen | NED | 10 000 | – | – | – | – | 783 677 |
| | | **442 846** | **–** | **–** | **–** | **831 495** | **2 573 595** |

a. In addition, the directors fees of €24 940 were paid directly to MAS Property Advisors Limited (2014: €103 579). These fees ceased from a group perspective on 15 October 2015, when Malcolm Levy became an employee of the group.

**Sixteen-month period ended 30 June 2014**

| Euro | Role | Basic salary | Benefits | Short–term incentive | Long–term incentive | Shareholding direct | Shareholding indirect |
|---|---|---|---|---|---|---|---|
| Lukas Nakos[b] | CEO | – | – | – | – | 104 | 100 659 |
| Malcolm Levy[a] | CFO | 103 579 | – | | – | 10 379 | – |
| Ron Spencer | Chairman | 25 333 | – | – | – | 10 764 | – |
| Gideon Oosthuizen | NED | 25 333 | – | – | – | – | – |
| Jaco Jansen | NED | 25 333 | – | – | – | – | – |
| | | **179 578** | **–** | **–** | **–** | **21 247** | **100 659** |

a. This amount was paid directly to MAS Property Advisors Limited, the investment adviser, and is included in the professional services fees.

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

## 19. RELATED PARTIES *(continued)*

***Subsidiaries***

The following entities have a reporting date of 30 June 2015 and are all 100% held subsidiaries of the group:

| Company name | Business activity | Domicile | Share capital |
|---|---|---|---|
| MAS (BVI) Holdings Limited | Holding company | British Virgin Islands | EUR 100 |
| MAS Property Advisors Limited | Investment adviser | Isle of Man | GBP 100 |
| European Property Holdings S.a.r.l. | Holding company | Luxembourg | EUR 35 000 |
| MAS (IOM) Holdings Limited | Holding company | Isle of Man | EUR 100 |
| MAS Mezzi Limited | Lending company | Isle of Man | EUR 100 |
| Braehead Properties Limited | Investment company | Isle of Man | GBP 1 834 546 |
| Sauchiehall Street Properties 1 Limited | Investment company | Isle of Man | GBP 3 526 310 |
| Santon North Street Limited | Investment company | Isle of Man | GBP 100 |
| Malling Brooks Limited | Investment company | Isle of Man | GBP 100 |
| New Waverley 10 Limited (Previously Artisan Investment Projects 10 Limited) | Investment company | Isle of Man | GBP 10 140 576 |
| New Waverley 11 Limited (Previously Artisan Investment Projects 11 Limited) | Dormant company | Isle of Man | GBP 1 |
| New Waverley 12 Limited (Previously Artisan Investment Projects 12 Limited) | Dormant company | Isle of Man | GBP 1 |
| Chippenham Properties Limited | Investment company | Isle of Man | GBP 100 |
| Langley Properties Limited | Investment company | Isle of Man | GBP 100 |
| Petrusse Capital S.a.r.l. | Investment company | Luxembourg | CHF 4 260 000 |
| Inventive Capital S.a.r.l. | Investment company | Luxembourg | EUR 475 000 |
| Interlude Capital S.a.r.l. | Investment company | Luxembourg | EUR 12 500 |
| Impromptu Capital S.a.r.l. | Investment company | Luxembourg | EUR 12 500 |
| Intermezzo Capital S.a.r.l. | Investment company | Luxembourg | EUR 12 500 |
| Intonata Capital S.a.r.l. | Investment company | Luxembourg | EUR 12 500 |
| Istempo Capital S.a.r.l. | Investment company | Luxembourg | EUR 12 500 |

## 19. RELATED PARTIES *(continued)*

The aggregate intercompany indebtedness between subsidiaries at 30 June 2015 was as follows:

Euro

| Intercompany receivable | Intercompany payable | As at 30 June 2015 | As at 30 June 2014 |
|---|---|---|---|
| MAS Real Estate Inc. | MAS (BVI) Holdings Limited | 282 170 038 | 99 885 616 |
| | MAS Property Advisors Limited | 30 139 | – |
| MAS Property Advisors Limited | MAS (BVI) Holdings Limited | 398 120 | – |
| MAS (BVI) Holdings Limited | MAS (IOM) Holdings Limited | 48 276 426 | 37 334 664 |
| | MAS Mezzi Limited | 87 523 863 | 31 413 692 |
| | European Property Holdings S.a.r.l. | 9 413 341 | 4 155 498 |
| | Petrusse Capital S.a.r.l. | 3 641 095 | 3 059 475 |
| | Inventive Capital S.a.r.l. | 1 584 627 | 4 374 782 |
| | Interlude Capital S.a.r.l. | 9 830 743 | 9 649 050 |
| | Impromptu Capital S.a.r.l. | 28 280 199 | 78 278 |
| | Intermezzo Capital S.a.r.l. | 25 469 090 | – |
| | Intonata Capital S.a.r.l. | 20 972 116 | – |
| | Istempo Capital S.a.r.l. | 12 177 148 | – |
| MAS Mezzi Limited | Braehead Properties Limited | 6 967 606 | 8 564 644 |
| | Sauchiehall Street Properties 1 Limited | 1 697 615 | 8 049 174 |
| | Santon North Street Limited | 15 059 830 | 11 729 732 |
| | New Waverley 10 Limited (Previously Artisan Investment Projects 10 Limited) | 21 835 272 | 11 698 740 |
| | Chippenham Properties Limited | 30 426 450 | – |
| | Langley Properties Limited | 20 139 110 | – |
| Braehead Properties Limited | MAS (IOM) Holdings Limited | 141 | 125 |
| Sauchiehall Street Properties 1 Limited | | 2 740 973 | 125 |
| Santon North Street Limited | | 141 | 125 |
| Chippenham Properties Limited | | 141 | – |
| Langley Properties Limited | | 141 | – |
| Interlude Capital S.a.r.l | European Property Holdings S.a.r.l | 520 000 | – |
| Impromptu Capital S.a.r.l. | | 1 545 339 | – |
| Intermezzo Capital S.a.r.l. | | 1 383 812 | – |
| Intonata Capital S.a.r.l. | | 1 069 024 | – |
| Istempo Capital S.a.r.l. | | 605 816 | – |
| New Waverley 10 Limited (Previously Artisan Investment Projects 10 Limited) | New Waverley 11 Limited (Previously Artisan Investment Projects 11 Limited) | 6 913 | 4 557 |
| | New Waverley 12 Limited (Previously Artisan Investment Projects 12 Limited) | 6 829 | 4 557 |

## 19. RELATED PARTIES *(continued)*

***Other related party transactions:***

| *Euro* | Income/(expenses) for the year/period ended | | Capitalised for the year/period ended | | Balances receivable/ (payable) | |
|---|---|---|---|---|---|---|
| | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| MAS Property Advisors Limited | | | | | | |
| – Investment advisor fee | (1 249 295) | (2 410 812) | – | – | – | (204 053) |
| – Transaction fee | – | – | 352 500 | 341 997 | – | – |
| – Oncharged staff costs | (123 269) | (457 158) | – | – | – | – |
| | **(1 372 564)** | **(2 867 970)** | **352 500** | **341 997** | **–** | **(204 053)** |
| New Waverley Advisors Limited | | | | | | |
| – Oncharged development costs | – | – | 19 605 967 | 2 465 118 | 33 432 | 14 431 |
| – Development management fee (note 17)[1] | (1 488 165) | – | – | – | (1 576 779) | – |
| | **(1 488 165)** | **–** | **19 605 967** | **2 465 118** | **(1 543 347)** | **14 431** |
| New Waverley Holdings Limited | | | | | | |
| – Development profit participation fee (note 17)[1] | (2 232 246) | – | – | – | (2 365 168) | – |
| | **(2 232 246)** | **–** | **–** | **–** | **(2 365 168)** | **–** |
| Corona Real Estate Partners Limited | | | | | | |
| – Legal and professional expenses | (331 218) | – | – | – | 37 251 | – |
| | **(331 218)** | **–** | **–** | **–** | **37 251** | **–** |
| Attacq | | | | | | |
| – Karoo Fund financial liability (note 17)[1] | (24 896 102) | – | – | – | (26 378 571) | – |
| | **(24 896 102)** | **–** | **–** | **–** | **(26 378 571)** | **–** |
| Artisan Real Estate Investors Limited | | | | | | |
| – Oncharged administrative expenses | 6 435 | (76 422) | – | – | 12 737 | – |
| | **6 435** | **(76 422)** | **–** | **–** | **12 737** | **–** |
| | **(30 313 860)** | **(2 944 392)** | **19 958 467** | **2 807 115** | **(30 237 098)** | **(189 622)** |

All related party balances are unsecured and are repayable on demand.

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

## 19. RELATED PARTIES *(continued)*

***MAS Property Advisors Limited ("MAS Prop")***

MAS Prop is a real estate advisory company. During the period MAS Prop was acquired by the group, and, at the reporting date is a 100% owned subsidiary of the group (see note 10). 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.

Prior to the group's acquisition of MAS Prop, the group paid €1 372 564 (2014: €2 867 970) in respect of investment adviser fees and oncharged staff costs. These fees were charged to the group in accordance with the investment advisory agreement and on an arm's length basis.

Transaction fees in relation to the acquisition of investment property of €352 500 (2014: €341 997) were charged prior to the group's acquisition of MAS Prop. These fees were charged to the group in accordance with the investment advisory agreement and on an arm's length basis and have been capitalised within investment property.

***Artisan Real Estate Investors Limited ("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.

***New Waverley Advisers Limited ("NW Advisers")***

NW Advisers is a real estate developer and is a 100% owned subsidiary of Artisan, as such it 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 €19 605 967 (2014: €2 465 118). These have been capitalised as part of the New Waverley development within investment property (see note 11). These on-charges were charged to the group in accordance with the development management agreement and were on an arm's length basis.

In addition, the group has provided for a development management fee as a result of the revaluation of the three pre-let hotels at the New Waverley development (see note 17). This fee is in accordance with the development management agreement and is on an arm's length basis.

***New Waverley Holdings Limited ("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 development management profit participation fee as a result of the revaluation of the three pre-let hotels at the New Waverley development (see note 17). This fee is in accordance with the development management agreement and is on an arm's length basis.

***Corona Real Estate Partners Limited ("Corona")***

Corona is a real estate management company with six staff, and is owned by Jonathan Knight who is 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 €331 218 (2014:€0), which were charged to the group on an arm's length basis. At the end of the reporting period €37 251 (2014: €0) was owed by Corona to the group. Professional services fees are expensed in the profit or loss within Administrative expenses - Legal and professional expenses (see note 5).

***Attacq***

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

The group purchased the Karoo Fund from Attacq in the prior period for an all share consideration of €34 199 731 (see note 12). Under the purchase agreement of the Karoo Fund, Attacq is entitled to a contingent adjustment (the "Adjustment") in the consideration paid to them by the group. This contingent adjustment is dependent upon the value at which the Karoo Fund redeems. The liability recognised in 2015 is €26 378 571 (see note 17) and is calculated as if the current reported net asset value were to be realised. The Karoo Fund's NAV as at 30 June 2015 was €161 780 243.

## 20. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

***Basic and diluted earnings per share***

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 share outstanding.

***Profit attributable to ordinary shareholders***

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Profit for the year attributable to the owners of the group | 48 474 908 | 5 060 236 |
| | **48 474 908** | **5 060 236** |

***Weighted-average number of ordinary shares***

| *Euro* | Year ended 30 June 15 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Issued ordinary share at 1 July/1 March | 279 483 999 | 66 238 363 |
| Effect of shares issued for capital raise | – | 92 430 822 |
| Effect of shares issued related to business combinations | 6 911 654 | 5 111 182 |
| Effect of shares issued related to the Karoo Fund acquisition | – | 17 736 341 |
| Effect of shares issued for scrip distributions | 872 468 | 1 552 140 |
| Weighted-average number of ordinary shares | **287 268 121** | **183 068 848** |

***Basic earnings per share***

| *Euro* | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 |
|---|---|---|
| Profit attributable to ordinary shareholders | 48 474 908 | 5 060 236 |
| Weighted-average number of ordinary shares | 287 268 121 | 183 068 848 |
| **Basic earnings per shares (euro cents)** | **16,87** | **2,76** |

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

There has been no change to previously reported basic and diluted earnings per share as a result of the early adoption of IFRS 9.

## 20. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE *(continued)*

Adjusted core income and adjusted core income per share

| Euro | Year ended 30 June 2015 | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|
| Profit for the year attributable to the owners of the group | 48 474 908 | 5 060 236 |
| Adjusted for: | | |
| Fair value adjustments | (27 877 364) | (707 528) |
| Fair value of the Karoo Fund | – | 1 186 890 |
| Disposal of investment property | – | (1 008 336) |
| Exchange differences | (17 660 295) | (3 931 722) |
| Capital raising fees and structure costs | 504 581 | 595 891 |
| Deferred taxation | (272 259) | 873 399 |
| Realised profits on the Karoo Fund redemptions | 4 921 557 | – |
| Realised profits on treasury portfolio | 1 696 715 | – |
| Realised profits on investment property disposal | – | 2 453 149 |
| Income shortfall guarantee | – | 635 123 |
| **Adjusted core income** | **9 787 843** | **5 157 102** |
| Weighted-average number of ordinary shares | 287 268 121 | 183 068 848 |
| Adjusted core income per share (euro cents) | 3,41 | 2,82 |

** As a result of the group early adopting IFRS 9 adjusted core income and adjusted core income per share for 30 June 2014 has been restated as follows:*

| | Impact of change in accounting policy | | |
|---|---|---|---|
| Euro | As previously reported | Adjustment# | As restated |
| Net fair value adjustments | (528 974) | 528 974 | – |
| Disposal of investment property | – | (1 008 336) | (1 008 336) |
| Fair value adjustments | – | (707 528) | (707 528) |
| Fair value of the Karoo Fund | – | 1 186 890 | 1 186 890 |
| | **(528 974)** | **–** | **(528 974)** |

# *See note 21*

There are no dilutionary instruments in issue and therefore adjusted core income and diluted adjusted core income are the same.

***Headline earnings and headline earnings per share***

In accordance with the Circular 2/2013 as issued by the South African Institute of Chartered Accountants, headline earnings and headline earnings per share for year ended 30 June 2015 is as follows:

## 20. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE *(continued)*

**Headline earnings and headline earnings per share *(continued)***

| | Year ended 30 June 2015 | | Sixteen-month period ended 30 June 2014 Restated* | |
|---|---|---|---|---|
| *Euro* | Gross | Net | Gross | Net |
| Profit for the year/period | 48 474 908 | 48 474 908 | 5 060 236 | 5 060 236 |
| Adjusted for: | | | | |
| Revaluation of investment property | (5 718 442) | (6 759 124) | 623 630 | 434 159 |
| Profit on disposal of investment property | – | – | (1 008 336) | (998 284) |
| **Headline earnings** | **42 756 466** | **41 715 784** | **4 675 530** | **4 496 111** |
| Weighted-average number of ordinary shares | 287 268 121 | 287 268 121 | 183 068 848 | 183 068 848 |
| Headline earnings per share (euro cents) | 14,88 | 14,52 | 2,55 | 2,46 |

** 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, to be in accordance with the requirements of IAS 33 – Earnings per Share. Disclosure of headline earnings is not a requirement of IFRS. 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 adjusted core income. There are no dilutionary instruments in issue and therefore headline earnings and diluted headline earnings are the same.*

Headline earnings and headline earnings per share for 30 June 2014 has been restated as follows:

| | Impact of error | | |
|---|---|---|---|
| *Euro* | As previously reported Net | Adjustment | As restated Net |
| Revaluation of investment property | 623 630 | (189 471) | 434 159 |
| Profit on disposal on investment property | – | (998 284) | (998 284) |
| Headline earnings | 5 683 866 | (1 187 755) | 4 496 111 |
| Headline earnings per share (euro cents) | 3,10 | (0,64) | 2,46 |

## 21. CHANGE IN ACCOUNTING POLICY

Except for the early adoption of IFRS 9, the group has consistently applied the accounting policies as set out in the note 3 for all periods presented in these condensed abridged consolidated financial statements.

The group has early adopted IFRS 9: Financial Instruments, with an initial application date of 1 July 2014. The rationale for the early adoption of IFRS 9 was a result of the Karoo Fund compulsorily redeeming a portion of the group's investment in the fund, consequently the investment was required to be reclassified in accordance with IAS 39 from held-to-maturity to available-for-sale as the redemption date was no longer fixed or determinable. Financial assets classified as available-for-sale are measured at fair value at the reporting date with changes in fair value being recognised within other comprehensive income. As the group is an investment business, it was considered that fair value movements in relation to all such investments should be recognised directly in profit or loss, and not in reserves for certain investments, and in profit or loss for others. The adoption of IFRS 9 results in more reliable and relevant information.

## 21. CHANGE IN ACCOUNTING POLICY *(continued)*

The IFRS 9 standard includes the following categories for the classification and measurement of financial assets:

– Financial assets at amortised cost: Financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
– Financial assets at fair value through other comprehensive income: Financial assets include investments in equity instruments that are not held for trading and where the fair value option is elected.
– Financial assets at FVTPL: Financial assets acquired for realising capital gains from fluctuations in market prices.

There have been no alterations to the measurement basis of any financial instruments held by the group as a result of the adoption of IFRS 9 with the exception of the Karoo Fund (see note 12).

As at 30 June 2014 the Karoo Fund was classified as held-to-maturity in accordance with IAS 39, and measured at amortised cost, whereby such amortised cost approximated fair value.

On adoption of IFRS 9 the group has retrospectively classified the investment in the Karoo Fund as FVTPL. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in profit or loss.

There is no impact on the consolidated statement of financial position or the consolidated statement of changes in equity. The impact of adopting IFRS 9 is as follows:

***Consolidated statement of financial position***

**1 March 2013**

| | Impact of change in accounting policy | | |
|---|---|---|---|
| *Euro* | As previously reported | Adjustment | As restated |
| Investments | – | – | – |
| | **–** | **–** | **–** |

**30 June 2014**

| | Impact of change in accounting policy | | |
|---|---|---|---|
| *Euro* | As previously reported | Adjustment | As restated |
| Investments | 35 743 617 | – | 35 743 617 |
| | **35 743 617** | | **35 743 617** |

***Consolidated statement of profit or loss and other comprehensive income***

**30 June 2014**

| | Impact of change in accounting policy and reclassification | | |
|---|---|---|---|
| *Euro* | As previously reported | Adjustment | As restated |
| Net/(gain) loss on investment property activity* | 528 974 | (528 974) | – |
| Fair value adjustments | – | 707 528 | 707 528 |
| Net finance (costs)/income* | 509 539 | (509 539) | – |
| Finance income | – | 199 348 | 199 348 |
| Finance costs | – | (876 699) | (876 699) |
| Disposal of investment property* | – | 1 008 336 | 1 008 336 |
| | **1 038 513** | **–** | **1 038 513** |

** These adjustments do not relate to IFRS 9, rather they are reclassifications of prior year reported numbers to match the classification of similar transactions in the reporting period ending 30 June 2015. These adjustments have been made to aid comparability for the users of these condensed abridged consolidated financial statements.*

## 21. CHANGE IN ACCOUNTING POLICY *(continued)*

***Consolidated statement of cash flows***

**30 June 2014**

| | Impact of change in accounting policy | | |
|---|---|---|---|
| *Euro* | As previously reported | Adjustment | As restated |
| Finance income | (1 386 238) | 1 186 890 | (199 348) |
| Movement in fair value adjustments | 479 362 | (1 186 890) | (707 528) |
| | **(906 876)** | **–** | **(906 876)** |

## 22. FIRST TIME ADOPTION OF IFRS

In the prior reporting period the group prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. However, as a result of the company transferring its listing to the Main Board of the JSE, the group has prepared these condensed abridged consolidated financial statements in accordance with IFRS.

The group has adopted the following standards for the year beginning 1 July 2014 as a result of preparing these consolidated financial statements in accordance with IFRS:

| | |
|---|---|
| IAS 27 | Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in May 2011) |
| IAS 28 | Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011) |
| IAS 32 | Financial Instruments Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (December 2011) |
| IFRS 10 | Consolidated Financial Statements (May 2011) |
| IFRS 11 | Joint Arrangements (May 2011) |
| IFRS 12 | Disclosure of Interests in Other Entities (May 2011) |
| | Annual improvements to IFRSs – 2010 to 2012 cycle |
| | Annual improvements to IFRSs – 2011 to 2013 cycle |

This change implies, under IFRS 1, that the group is technically preparing the financial statements in accordance with IFRS for the first time. In accordance with IFRS 1, the group's accounting policies and newly adopted standards were assessed, and it was concluded the change to IFRS as adopted by the IASB did not materially affect the accounting policies or the manner in which the financial statements are prepared or presented. As such there have been no adjustment to prior reported figures and no further disclosure has been made in respect of IFRS 1.

## 23. SUBSEQUENT EVENTS

No material events have occurred between the reporting date and signature date of these condensed abridged consolidated financial statements.

# COMPANY INFORMATION

## Company information and advisors

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(Associate of the Institute of
Chartered Secretaries & Administrators)

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### Posting of integrated annual report and notice of annual general meeting

Shareholders are advised that the company's integrated annual report was dispatched on 14 September 2015 and is available on the company's website www.masrei.com. The integrated annual report contains a notice of annual general meeting of the company which will be held at 25 Athol Street, Douglas, Isle of Man on 28 January 2016 at 10.00 am (GMT).

The last day to trade in order to be eligible to participate in and vote at the annual general meeting is Friday, 14 January 2016 and the record date for voting purposes is Friday, 22 January 2016.