# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2014

## COMPANY INFORMATION

| | | |
|---|---|---|
| MAS Real Estate Inc. | | |
| Registered in British Virgin Islands | Registration number | 1750199 |
| Registered as an external company in the Republic of South Africa | Registration number | 2010/000338/10 |
| ISIN | | VGG5884M1041 |
| SEDOL (XLUX) | | B96VLJ5 |
| SEDOL (JSE) | | B96TSD2 |
| JSE share code | | MSP |

("MAS" or "the company")

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. The early adoption of IFRS 9 is a response to the compulsory redemption of a portion of the investment in the Karoo Fund. This redemption required the investment to be reclassified in accordance with 'IAS 39: Financial Instruments – Recognition and Measurement' from held-to-maturity to available-for-sale, as the redemption date was no longer fixed or determinable and the group no longer had the ability to hold the investment until maturity. The group's Investments, comprising the Karoo Investment Fund S.C.A. SICAV-SIF (the "Karoo Fund") and Sirius Real Estate Limited ("Sirius"), were classified as available-for-sale and measured at fair value at the reporting date, with such changes in fair value being recognised within other comprehensive income. As the group is an investment business, it is considered appropriate that fair value movements in relation to all investments should be recognised directly in profit or loss, and not in reserves for certain investments, and in profit or loss for others. The early adoption of IFRS 9 results in more reliable and relevant information. A detailed analysis of the impact of the restatement is disclosed in note 16.

The decision to early adopt IFRS 9 was made after the interim results had been issued. The group has therefore restated these previously released interim results in accordance with IAS 34, in order to improve the comparability of information and for the policies adopted in the interim results to be in line with the group's year-end accounting policies.

As part of the JSE's proactive monitoring, the company was required to make a SENS announcement on 7 August 2015. The announcement related to additional disclosures in the interim results for the six months ended 31 December 2014 and a restatement of headline earnings and headline earnings per share. The additional disclosure required has been updated and included within these condensed interim consolidated financial statements for the six-month period ended 31 December 2014, which have also been restated for the correction of the computation of headline earnings and headline earnings per share.

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 as a key metric of the group's performance. Adjusted core income per share, upon which the company's distribution is based, is not affected as a result of the change in accounting policy, reclassifications and error.

### Reporting currency

The group's results are reported in euros.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 31 December 2014

**Listings**

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

**Statement of compliance**

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

**Comparative information**

The comparative period is for 10 months as a result of the company changing its year end from 28 February to 30 June.

**Assurance**

KPMG Audit LLC has independently reviewed the condensed interim consolidated financial statements for the six-month period ended 31 December 2014, their report can be found on page 3.

By order of the board

**Ron Spencer**

*Chairman*

**Malcolm Levy**

*Chief financial officer*

**Douglas, Isle of Man**

11 September 2015`

**Registered office**
Midocean Chambers
Road Town
Tortola
British Virgin Islands

**Registrar**
Computershare Investor Services (BVI) Limited
Woodbourne Hall
PO Box 3162
Road Town, Tortola
British Virgin Islands

**Directors**
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)
Morne Wilken (non-executive) – appointed 12 August 2014
Jaco Jansen (non-executive) – appointed 12 August 2014

**JSE sponsor**
Java Capital Trustees and Sponsors Proprietary Limited

**For correspondence**
25 Athol Street
Douglas
Isle of Man
IM1 1LB

**Transfer secretary**
Computershare Investor Services (Proprietary) Limited
Ground floor
70 Marshall Street
Johannesburg, 2001
South Africa

**Company secretary**
Helen Cullen

**Review report by KPMG Audit LLC to MAS Real Estate Inc**

We have been engaged by MAS Real Estate Inc (the "company") and its subsidiaries (collectively the "group") to review the condensed set of consolidated financial statements in the interim report for the six months ended 31 December 2014 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Directors' responsibilities**

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with LuxSE and JSE requirements.

The annual financial statements of the group are prepared in accordance with IFRSs. The condensed set of financial statements included in this interim report have been prepared in accordance with IAS 34: Interim Financial Reporting.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the interim report based on our review.

**Scope of review**

We have conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with applicable law and International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Opinion on the financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim report for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with IAS 34.

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

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

| *Euro* | Note | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 Restated* | Audited Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|---|
| **Revenue** | | | | |
| Gross rental income | 4 | 2 625 058 | 3 450 408 | 5 247 429 |
| **Expenses** | | | | |
| Portfolio-related expenses | | (489 420) | (402 560) | (665 096) |
| Investment adviser fees | | (1 248 330) | (831 786) | (2 410 812) |
| Administrative expenses | | (841 855) | (535 581) | (884 564) |
| **Net operating income** | | **45 453** | **1 680 481** | **1 286 957** |
| Fair value adjustments | 5 | 16 296 691 | 795 613 | 707 528 |
| Exchange differences | | 2 543 511 | 1 341 039 | 3 931 722 |
| Disposal of investment property | 5 | – | – | 1 008 336 |
| Equity-accounted earnings | | – | 1 479 | 1 479 |
| **Profit before net finance costs** | | **18 885 655** | **3 818 612** | **6 936 022** |
| Finance income | 6 | 146 500 | 117 507 | 199 348 |
| Finance costs | 6 | (281 280) | (556 241) | (876 699) |
| **Profit before taxation** | | **18 750 875** | **3 379 878** | **6 258 671** |
| Taxation | | 373 864 | (127 843) | (1 198 435) |
| **Profit for the period** | | **19 124 739** | **3 252 035** | **5 060 236** |
| **Other comprehensive income** | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | |
| Foreign operations – foreign currency translation differences | | 94 500 | 46 707 | 156 323 |
| **Total comprehensive income for the period attributable to the owners of the group** | | **19 219 239** | **3 298 742** | **5 216 559** |
| Basic and diluted earnings per share (euro cents) | 15 | 6,74 | 4,40 | 2,76 |

**See note 16*

*The notes on pages 8 to 39 form part of these condensed interim consolidated financial statements.*

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *Euro* | Note | As at 31 December 2014 Restated* | As at 31 December 2013 Restated* | Audited As at 30 June 2014 Restated* |
|---|---|---|---|---|
| Non-current assets | | | | |
| Goodwill | 7 | 26 475 251 | 1 371 537 | 1 371 537 |
| Investment property | 8 | 153 722 421 | 70 640 221 | 64 751 842 |
| Investments | 9 | 75 152 433 | 34 650 536 | 35 743 617 |
| Property, plant and equipment | | 17 838 | 55 512 | – |
| Deferred taxation asset | | 659 187 | – | 52 886 |
| **Total non-current assets** | | **256 027 130** | **106 717 806** | **101 919 882** |
| Current assets | | | | |
| Short-term loans receivable | | – | 262 341 | – |
| Trade and other receivables | | 2 147 757 | 1 243 925 | 2 270 221 |
| Treasury investments | 10 | 31 933 437 | – | – |
| Cash and cash equivalents | | 71 256 824 | 18 385 502 | 205 800 188 |
| **Total current assets** | | **105 338 018** | **19 891 768** | **208 070 409** |
| **Total assets** | | **361 365 148** | **126 609 574** | **309 990 291** |
| Equity | | | | |
| Share capital | 11 | 304 161 079 | 107 980 979 | 289 978 080 |
| Retained earnings/(loss) | | 14 261 661 | (1 415 864) | (1 276 580) |
| Foreign currency translation reserve | 12 | 717 428 | 513 312 | 622 928 |
| **Shareholder equity attributable to the owners of the group** | | **319 140 168** | **107 078 427** | **289 324 428** |
| Non-current liabilities | | | | |
| Interest-bearing borrowings | | 13 984 633 | 15 671 626 | 14 340 752 |
| Financial instruments | 13 | 23 176 439 | 1 513 121 | 2 104 606 |
| Deferred taxation liability | | 713 904 | – | 926 285 |
| **Total non-current liabilities** | | **37 874 976** | **17 184 747** | **17 371 643** |
| Current liabilities | | | | |
| Interest-bearing borrowings | | 890 919 | 638 086 | 1 757 425 |
| Trade and other payables | | 3 459 085 | 1 708 314 | 1 536 795 |
| **Total current liabilities** | | **4 350 004** | **2 346 400** | **3 294 220** |
| **Total liabilities** | | **42 224 980** | **19 531 147** | **20 665 863** |
| **Total shareholder equity and liabilities** | | **361 365 148** | **126 609 574** | **309 990 291** |
| Actual number of ordinary shares in issue | | 290 602 608 | 104 158 624 | 279 483 999 |
| Net asset value per share (euro cents) | | 109,8 | 102,8 | 103,5 |
| Adjusted net asset value per share (euro cents)# | | 109,8 | 102,8 | 103,8 |

Ron Spencer
*Chairman*

Malcolm Levy
*Chief financial officer*

** See note 16*

*# Net asset value per share as adjusted for deferred taxation*

*The notes on pages 8 to 39 form part of these condensed interim consolidated financial statements.*

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *Euro* | Note | Share capital | Retained earnings/(loss) Restated* | Foreign currency translation reserve Restated* | Available for sale reserve Restated* | Total |
|---|---|---|---|---|---|---|
| **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 | | – | 3 252 035 | – | – | 3 252 035 |
| Other comprehensive income | | – | – | 46 707 | – | 46 707 |
| **Total comprehensive income for the period** | | **–** | **3 252 035** | **46 707** | **–** | **3 298 742** |
| Transactions with the owners of the group | | | | | | |
| Issue of shares | 11 | 40 557 743 | – | – | – | 40 557 743 |
| Distributions | | – | (993 575) | – | – | (993 575) |
| **Total transactions with the owners of the group** | | **40 557 743** | **(993 575)** | **–** | **–** | **39 564 168** |
| **Balance at 31 December 2013** | | **107 980 979** | **(1 415 864)** | **513 312** | **–** | **107 078 427** |
| Comprehensive income for the period | | | | | | |
| Profit for the period | | – | 1 808 201 | – | – | 1 808 201 |
| Other comprehensive income | | – | – | 109 616 | – | 109 616 |
| **Total comprehensive income for the period** | | **–** | **1 808 201** | **109 616** | **–** | **1 917 817** |
| Transactions with the owners of the group | | | | | | |
| Issue of shares | 11 | 181 997 101 | – | – | – | 181 997 101 |
| Distributions | | – | (1 668 917) | – | – | (1 668 917) |
| **Total transactions with the owners of the group** | | **181 997 101** | **(1 668 917)** | **–** | **–** | **180 328 184** |
| **Balance at 30 June 2014 (audited)** | | **289 978 080** | **(1 276 580)** | **622 928** | **–** | **289 324 428** |
| Comprehensive income for the period | | | | | | |
| Profit for the period | | – | 19 124 739 | – | – | 19 124 739 |
| Other comprehensive income | | – | – | 94 500 | – | 94 500 |
| **Total comprehensive income for the period** | | **–** | **19 124 739** | **94 500** | **-** | **19 219 239** |
| Transactions with the owners of the group | | | | | | |
| Issue of shares | 11 | 14 182 999 | – | – | – | 14 182 999 |
| Distributions | | – | (3 586 498) | – | – | (3 586 498) |
| **Total transactions with the owners of the group** | | **14 182 999** | **(3 586 498)** | **–** | **–** | **10 596 501** |
| **Balance at 31 December 2014** | | **304 161 079** | **14 261 661** | **717 428** | **–** | **319 140 168** |

** See note 16*

*The notes on pages 8 to 39 form part of these condensed interim consolidated financial statements.*

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| *Euro* | Six-month period ended 31 December 2014 | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| Profit before taxation | 18 505 530 | 3 379 878 | 6 258 671 |
| Cash generated from/(used in) operating activities | 299 519 | 937 643 | (575 325) |
| Cash (used in)/generated from investing activities | (133 320 881) | (46 933 089) | 3 563 687 |
| Cash (used in)/generated from financing activities | (3 530 316) | 39 626 100 | 177 209 574 |
| **Net (decrease)/increase in cash and cash equivalents** | **(136 551 678)** | **(6 369 346)** | **180 197 936** |
| Cash and cash equivalents at the beginning of the period | 205 800 188 | 24 708 091 | 24 708 091 |
| Effect of exchange rate fluctuations | 2 008 314 | 46 757 | 894 161 |
| **Cash and cash equivalents at the end of the period** | **71 256 824** | **18 385 502** | **205 800 188** |

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

MAS Real Estate Inc. (the “company” or “MAS”) is domiciled in the British Virgin Islands. These condensed interim consolidated financial statements as at and for the six-month period ended 31 December 2014 comprise the company and its subsidiaries (together referred to as the “group” 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 in Germany, Switzerland and the United Kingdom.

## 2. BASIS OF PREPARATION

### Statement of compliance

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

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 interim consolidated financial statements in accordance with IFRS as issued 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 18.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Change in accounting policy

The group has applied IFRS 9 (2013) (“IFRS 9”) in the current and prior reporting period. This standard is effective for annual periods beginning on or after 1 January 2018, however, the group has early adopted it 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 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 16.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the sixteen month period ended 30 June 2014, except for the following accounting policies;

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

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

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

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

Financial assets classified as financial assets at amortised cost comprise: Trade and other receivables, cash and cash equivalents and short-term loans receivable.

***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 irrevocably 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. The group has not made any such election as yet.

Financial assets classified as fair value through profit or loss comprise equity and fund investments within the group's investment and treasury investments.

***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.

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

***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.

***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 that can be estimated reliably.

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

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

### Earnings per share

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

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

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

***Adjusted core income***

Adjusted core income is the group's basis for determining semi-annual distributions. Core income is the group's measure of the underlying income, as represented by the cash rental and interest income received, less interest expenses, operating expenses that do not relate to capital raising and structure costs and taxation paid, that can be distributed to shareholders, as adjusted for further realised profit or losses on investment property, investment and treasury assets to the extent that the board deems it appropriate to distribute these.

***Headline earnings per share***

Headline earnings are derived from basic earnings adjusted for re-measurements that relate to the platform of the group per Circular 2/2013 issued by the South African Institute of Chartered Accountants.

***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 |

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

## 4. REVENUE

| *Euro* | Six-month period ended 31 December 2014 | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| Rental income | 2 582 538 | 3 450 408 | 5 247 429 |
| Service charge | 42 520 | – | – |
| | **2 625 058** | **3 450 408** | **5 247 429** |

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

| *Euro* | Note | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 Restated* | Audited Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|---|
| **Fair value adjustments** | | | | |
| Gain on fair value of investments | | 41 394 078 | 68 714 | 1 186 890 |
| Gain on fair value of treasury investments | | 1 847 018 | – | – |
| Loss on fair value of investment property | | (5 732 013) | – | (623 630) |
| (Loss)/gain on fair value of financial instruments | | (21 212 392) | 726 899 | 144 268 |
| | | **16 296 691** | **795 613** | **707 528** |
| **Disposal of investment property** | | | | |
| Gain on disposal of investment property | | – | – | 1 008 336 |
| | | **–** | **–** | **1 008 336** |
| Summarised as follows: | | | | |
| **Fair value of investments** | | | | |
| Karoo Fund | | 40 130 514 | 68 714 | 1 186 890 |
| Sirius Real Estate Limited (“Sirius”) | | 1 263 564 | – | – |
| | **9** | **41 394 078** | **68 714** | **1 186 890** |
| **Fair value of treasury investments** | | | | |
| Treasury investments | | 1 847 018 | – | – |
| | | **1 847 018** | **–** | **–** |
| **Fair value of investment property** | | | | |
| United Kingdom | | (2 105 788) | – | (729 799) |
| Germany | | (3 626 225) | – | 310 000 |
| Switzerland | | – | – | (203 831) |
| | **8** | **(5 732 013)** | **–** | **(623 630)** |
| **Fair value of financial instruments** | | | | |
| Interest rate swap – Petrusse Capital S.a.r.l. | | (233 519) | 383 166 | 91 483 |
| Interest rate swap – Inventive Capital S.a.r.l. | | (214 184) | 343 733 | 52 785 |
| Attacq Limited (“Attacq”) financial liability | **13** | (20 764 689) | – | – |
| | | **(21 212 392)** | **726 899** | **144 268** |
| **Disposal of investment property** | | | | |
| United Kingdom | | – | – | 821 976 |
| Germany | | – | – | 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 16.*

## 6. FINANCE INCOME AND FINANCE COSTS

| Euro | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 Restated* | Audited Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|
| **Finance income** | | | |
| Interest earned on bank deposits at amortised cost | 146 500 | 7 925 | 86 395 |
| Interest earned on loans at amortised cost | – | 109 582 | 112 953 |
| | **146 500** | **117 507** | **199 348** |
| **Finance costs** | | | |
| Interest paid on bank debt at amortised cost | (281 280) | (556 241) | (876 699) |
| | **(281 280)** | **(556 241)** | **(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 16.*

## 7. GOODWILL

The group's goodwill comprises:

| Euro | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| New Waverley 10 Limited (previously Artisan Investment Projects 10 Limited) | 1 445 049 | 1 371 537 | 1 371 537 |
| MAS Property Advisors Limited | 25 030 202 | – | – |
| | **26 475 251** | **1 371 537** | **1 371 537** |

Reconciliation of the group's carrying amount of goodwill:

| | Six-month period ended 31 December 2014 | | | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|---|---|
| Euro | MAS Property Advisors Limited | New Waverley 10 Limited | Total | New Waverley 10 Limited | 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 | 1 371 537 |
| Foreign exchange movement in OCI | 59 873 | 73 512 | 133 385 | – | – |
| **Closing balance** | **25 030 202** | **1 445 049** | **26 475 251** | **1 371 537** | **1 371 537** |
| **Accumulated impairment losses** | | | | | |
| Opening balance | – | – | – | – | – |
| Acquisition of subsidiary | – | – | – | – | – |
| Foreign exchange movement in OCI | – | – | – | – | – |
| Closing balance | – | – | – | – | – |
| **Carrying amount** | **25 030 202** | **1 445 049** | **26 475 251** | **1 371 537** | **1 371 537** |

## 7. GOODWILL *(continued)*

***Acquisition of subsidiary***

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

The group acquired the investment adviser 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 31 December 2014 the group has had a reduction of €1 505 090 in relation to investment adviser fees which would have been charged under the investment advisory agreement and incurred additional costs of €445 243 in the normal course of operations.

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

In the prior period on 19 August 2013 the group acquired a 62,5% interest in New Waverley 10 Limited, the remaining shares that were not owned by the group. The acquisition was treated as a step-acquisition and the group's pre-existing 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***

| | 31 December 2014 | | 31 December 2013 | | Audited 30 June 2014 | |
|---|---|---|---|---|---|---|
| | MAS Property Advisors Limited | | New Waverley 10 Limited | | | |
| | Sterling | Euro | Sterling | Euro | Sterling | Euro |
| Cash | 9 889 006 | 12 500 000 | 1 920 000 | 2 250 087 | 1 920 000 | 2 250 087 |
| Equity instruments | 9 889 006 | 12 500 000 | 4 666 667 | 5 468 965 | 4 666 667 | 5 468 965 |
| | **19 778 012** | **25 000 000** | **6 586 667** | **7 719 052** | **6 586 667** | **7 719 052** |

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) (December 2013 and June 2014: €1,07 per share (ZAR equivalent R15,81 per share)).

The group incurred acquisition-related costs of €59 788 (December 2013: nil; June 2014: nil) on legal and due diligence fees. These costs have been included in profit or loss within administrative expenses.

***Fair value of identifiable assets and liabilities acquired***

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

| | 31 December 2014 | | 31 December 2013 | | Audited 30 June 2014 | |
|---|---|---|---|---|---|---|
| | MAS Property Advisors Limited | | New Waverley 10 Limited | | | |
| | Sterling | Euro | Sterling | Euro | Sterling | Euro |
| Property, plant and equipment | 23 473 | 29 671 | – | – | – | – |
| Investment property | – | – | 9 191 005 | 10 679 948 | 9 191 005 | 10 679 948 |
| Trade receivables | – | – | 91 894 | 106 781 | 91 894 | 106 781 |
| Cash and cash equivalents | – | – | 201 819 | 234 514 | 201 819 | 234 514 |
| Interest-bearing borrowings | – | – | (7 055 920) | (8 198 979) | (7 055 920) | (8 198 979) |
| Foreign currency translation reserve | – | – | 1 434 | 1 666 | 1 434 | 1 666 |
| | **23 473** | **29 671** | **2 430 232** | **2 823 930** | **2 430 232** | **2 823 930** |

## 7. GOODWILL *(continued)*

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.

***Goodwill***

The goodwill arising on acquisitions has been recognised as follows:

| | 31 December 2014 | | 31 December 2013 | | Audited 30 June 2014 | |
|---|---|---|---|---|---|---|
| | MAS Property Advisors Limited | | New Waverley 10 Limited | | | |
| | Sterling | Euro | Sterling | Euro | Sterling | Euro |
| Consideration transferred | 19 778 012 | 25 000 000 | 6 586 667 | 7 719 052 | 6 586 667 | 7 719 052 |
| Fair value of identifiable net assets | (23 473) | (29 671) | (2 430 232) | (2 823 930) | (2 430 232) | (2 823 930) |
| Additional debt acquired | – | – | (3 941 686) | (4 580 239) | (3 941 686) | (4 580 239) |
| Movement in foreign currency translation reserve | – | – | – | (1 695) | – | (1 695) |
| Fair value of pre-existing interest in New Waverley 10 Limited | – | – | 910 799 | 1 058 349 | 910 799 | 1 058 349 |
| | **19 754 539** | **24 970 329** | **1 125 548** | **1 371 537** | **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.

## 8. INVESTMENT PROPERTY

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

| *Euro* | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| Income-generating property | 102 787 078 | 49 186 877 | 39 650 572 |
| Development property | 50 935 343 | 21 453 344 | 25 101 270 |
| | **153 722 421** | **70 640 221** | **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).

## 8. INVESTMENT PROPERTY *(continued)*

**As at 31 December 2014**

| | 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 | – | 35 333 931 | – | 76 417 515 |
| Capitalised expenditure | 8 742 653 | – | – | – | 9 428 | 8 752 081 |
| Capitalised acquisition costs | 953 220 | 1 439 409 | – | 5 855 355 | – | 8 247 984 |
| Fair value adjustment | (839 576) | (1 266 212) | – | (3 626 225) | – | (5 732 013) |
| Foreign exchange movement in OCI | 715 526 | 224 198 | 141 032 | – | 204 256 | 1 285 012 |
| **Closing balance** | **50 935 343** | **33 578 319** | **5 007 062** | **45 463 061** | **18 738 636** | **153 722 421** |

**As at 31 December 2013**

| | 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 | 3 169 412 | – | – | 10 635 | – | – | 3 180 047 |
| Foreign exchange movement in OCI | – | 272 874 | 191 629 | 252 786 | – | (78 761) | 638 528 |
| **Closing balance** | **21 453 344** | **7 804 424** | **5 637 519** | **7 447 361** | **9 750 000** | **18 547 573** | **70 640 221** |

**Audited 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** |

## 8. INVESTMENT PROPERTY *(continued)*

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

Investment properties are subject to operating leases. The group's investment property portfolio generated €2 582 538 (December 2013: €3 450 408; June 2014: €5 247 429) in rental income and €42 520 (December 2013: nil; June 2014: nil) in service charge income with portfolio related expenses of €489 420 (December 2013: €402 560; June 2014: €665 096) recognised in profit or loss.

Bank borrowings of €14 875 552 (December 2013: €16 309 712; June 2014: €16 098 177) are secured on investment property.

The group has capitalised costs incurred from related parties amounting to €8 560 753 (December 2013: €2 099 477; June 2014: €2 807 115) during the year (see note 17).

**Measurement of fair values**

***Valuation process for level 3 investment property***

Income-generating Investment properties are carried at the same valuation as the previous year end except where they have been acquired in the period. In such situations they are carried at the valuation at the date of acquisition. Development properties are carried at capitalised cost less impairment, which is determined to be the best estimate of fair value given the early stage of development.

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 their 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 fair value becomes reliably determinable, as cost less impairment is the best estimate of fair value.

## 8. INVESTMENT PROPERTY *(continued)*

***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 31 December 2014:

**As at 31 December 2014**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Income-generating property | 102 787 078 | – | – | 102 787 078 |
| Development property | 50 935 343 | – | – | 50 935 343 |
| | **153 722 421** | **–** | **–** | **153 722 421** |

**As at 31 December 2013**

| | | Fair value | | |
|---|---|---|---|---|
| *Euro* | Carrying amount | Level 1 | Level 2 | Level 3 |
| Income-generating property | 49 186 877 | – | – | 49 186 877 |
| Development property | 21 453 344 | – | – | 21 453 344 |
| | **70 640 221** | **–** | **–** | **70 640 221** |

**Audited 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** |

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

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

## 8. INVESTMENT PROPERTY *(continued)*

| Investment property type | Valuation technique | Significant unobservable inputs | Inter-relation between key unobservable inputs and fair value measurement |
|---|---|---|---|
| Income-generating property | Cost less impairment: Costs directly associated with the construction of development 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. | • 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 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) |
| Development property | Cost less impairment: Costs directly associated with the construction of development 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) |

A fair value sensitivity analysis has not been disclosed for investment properties acquired during the period ended 31 December 2014 as a result of sensitivity analysis' not being obtained as part of the independent valuers report at the time of acquisition. The group considers that it is impracticable to obtain these sensitivities. All income-generating investment property continues to be held at their last valuation for which a sensitivity analysis is available in the group's annual integrated report 2015. Development properties are carried at capitalised cost less impairment, which is determined to be the best estimate of fair value therefore a sensitivity analysis is not applicable.

## 9. INVESTMENTS

The carrying amount of the group's investments at 31 December 2014 was as follows:

| Euro | As at 31 December 2014 Restated* | As at 31 December 2013 Restated* | Audited As at 30 June 2014 Restated* |
|---|---|---|---|
| **Non-current** | | | |
| Karoo Fund | 64 098 804 | 34 650 536 | 35 743 617 |
| Sirius | 11 053 629 | – | – |
| | **75 152 433** | **34 650 536** | **35 743 617** |

* *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 16.*

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 31 December 2014 and a gain of €1 263 564 was recognised in fair value adjustments in profit or loss.

The Karoo fund is classified as FVTPL. On 30 October 2014 the Karoo Fund compulsorily redeemed a portion of the investment amounting to €11 796 176. At 31 December 2014 the investment was fair valued to €64 098 804 and a gain of €40 130 514 was recognised in fair value adjustments in profit or loss.

## 9. INVESTMENTS *(continued)*

***Reconciliation of investments***

| *Euro* | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| Opening balance | 35 743 617 | – | – |
| Acquisition | 10 178 432 | 34 199 731 | 34 199 731 |
| Capitalised fees | – | 354 114 | 356 996 |
| Redemption | (11 796 176) | – | – |
| Fair value movement | 41 394 078 | 68 714 | 1 186 890 |
| Foreign exchange movement in OCI | (367 518) | 27 977 | – |
| | **75 152 433** | **34 650 536** | **35 743 617** |

A liability of €20 612 124 is due to Attacq when the investment in the Karoo Fund is realised (see note 13).

***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 31 December 2014:

**As at 31 December 2014**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Karoo Fund | 64 098 804 | – | 64 098 804 | – |
| Sirius | 11 053 629 | 11 053 629 | – | – |
| | **75 152 433** | **11 053 629** | **64 098 804** | **–** |

**As at 31 December 2013**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Karoo Fund | 34 650 536 | – | – | 34 650 536 |
| | **34 650 536** | **–** | **–** | **34 650 536** |

**Audited as at 30 June 2014**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | 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***

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Opening balance 1 July 2014 | 35 743 617 | – | – | 35 743 617 |
| Transfer | – | – | 35 743 617 | (35 743 617) |
| Movement | 28 355 187 | – | 28 355 187 | – |
| Closing balance 31 December 2014 | 64 098 804 | – | 64 098 804 | – |

## 9. INVESTMENTS *(continued)*

***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 their 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 31 December 2014 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.

**31 December 2014**

| 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 – €1 730.<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 was higher (lower). |

## 9. INVESTMENTS *(continued)*

**31 December 2013 and 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>• Per cent of total investment held. | The estimated fair value would increase (decrease) if:<br>• Illiquidity was lower (higher).<br>• Specific risks facing each investment were lower (higher).<br>• Percent of total investment held was lower (higher). |

## 10. TREASURY INVESTMENTS

Treasury investments comprise the group's short-term treasury investments. The carrying value of the group's treasury investments at 31 December 2014 was as follows:

| *Euro* | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| Treasury investments | 31 933 437 | – | – |
| | **31 933 437** | **–** | **–** |

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. These 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.

***Reconciliation of treasury investments***

| *Euro* | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| **Opening balance** | **–** | **–** | **–** |
| Investment | 30 000 000 | – | – |
| Fees | 86 419 | – | – |
| Fair value movement | 1 847 018 | – | – |
| | **31 933 437** | **–** | **–** |

## 10. TREASURY INVESTMENTS *(continued)*

***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 31 December 2014:

**30 December 2014**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Treasury investments | 31 933 437 | 31 933 437 | – | – |

## 11. SHARE CAPITAL

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

| | Number of shares | Share capital euro |
|---|---|---|
| **Balance at 28 February 2013** | **66 238 363** | **67 423 236** |
| Issued during the period | | |
| – Acquisition of New Waverley 10 Limited (previously: Artisan Investment Projects 10 Limited) | 5 111 182 | 5 468 964 |
| – Acquisition of the Karoo Fund | 31 962 365 | 34 199 732 |
| – Scrip distributions | 846 714 | 889 047 |
| **Balance at 31 December 2013** | **104 158 624** | **107 980 979** |
| Issued during the period | | |
| – Capital raised | 173 987 429 | 180 391 564 |
| – Acquisition of the Karoo Fund | 1 337 946 | 1 605 537 |
| **Balance at 30 June 2014** | **279 483 999** | **289 978 080** |
| Issued during the period | | |
| – Acquisition of MAS Property Advisors Limited (note 7) | 9 751 326 | 12 489 097 |
| – Scrip distributions | 1 367 283 | 1 693 902 |
| **Balance at 31 December 2014** | **290 602 608** | **304 161 079** |

During the year the group incurred €10 903 (December 2013: €28 751; June 2014: €2 897 232) in expenses in relation to issuing shares. These were offset against share capital.

## 12. FOREIGN CURRENCY TRANSLATION RESERVE

The group recognised a foreign currency translation gain of €94 500 (December 2013: €46 707; June 2014: €156 323) resulting in a foreign currency translation reserve at the reporting date of €717 428 (December 2013: €513 312; June 2014: €622 928). The foreign currency translation reserve as at 31 December 2014 has been restated as a result of the group adopting IFRS 9 (see note 16).

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 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.

## 13. FINANCIAL INSTRUMENTS

The carrying amount of the group's financial instruments as at 31 December 2014 was as follows:

| *Euro* | As at 31 December 2014 | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| **Non-current** | | | |
| Derivative financial instruments | 2 564 315 | 1 513 121 | 2 104 606 |
| Financial liabilities | 20 612 124 | – | – |
| | **23 176 439** | **1 513 121** | **2 104 606** |

***Financial liabilities***

The group's financial liabilities comprise:

| *Euro* | As at 31 December 2014 Restated* | As at 31 December 2013 | Audited As at 30 June 2014 |
|---|---|---|---|
| **Current** | | | |
| Attacq financial liability | 20 612 124 | – | – |

**See note 16*

***Reconciliation of financial liabilities***

| Euro | Attacq financial liability |
|---|---|
| **Audited balance at 1 July 2014** | **–** |
| Acquisitions | – |
| Fair value adjustment | 20 764 689 |
| Foreign exchange movement in OCI | (152 565) |
| **Balance at 31 December 2014** | **20 612 124** |

## 13. FINANCIAL INSTRUMENTS *(continued)*

***Attacq financial liability***

Under the purchase agreement of the Karoo Fund (see note 9) 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 contingent payment will be share-based and would amount to €20 612 124 if the current reported net asset value were to be realised. The Karoo Fund's NAV as at 31 December 2014 was €153 598 589.

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.

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 and fair value of the group's derivative financial instruments in the fair value hierarchy as at 31 December 2014:

**As at 31 December 2014**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Derivative financial instruments | 2 564 315 | – | 2 564 315 | – |
| Attacq financial liability | 20 612 124 | – | 20 612 124 | – |
| | **23 176 439** | **–** | **23 176 439** | **–** |

**As at 31 December 2013**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Derivative financial instruments | 1 513 121 | – | 1 513 121 | – |

**Audited as at 30 June 2014**

| | Carrying | Fair value | | |
|---|---|---|---|---|
| *Euro* | amount | Level 1 | Level 2 | Level 3 |
| Derivative financial instruments | 2 104 606 | – | 2 104 606 | – |

## 13. 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:

| 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>• 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 – €1 730.<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>• NAV per share were higher (lower). |

## 14. 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. |

## 14. OPERATING SEGMENTS *(continued)*

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.

**31 December 2014**

| *Euro* | Income-generating property Restated* | Development property Restated* | Investments Restated* | Corporate and treasury Restated* | Total Restated* |
|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | |
| External revenue | 2 445 959 | 179 099 | – | – | **2 625 058** |
| Inter-segment revenue | – | – | – | – | **–** |
| Segment (loss)/profit before tax | (3 854 352) | (900 100) | 20 416 052 | 3 089 275 | **18 750 875** |
| Interest income | 35 | 23 | – | 146 442 | **146 500** |
| Interest cost | (276 486) | (4 794) | – | – | **(281 280)** |
| Depreciation | – | – | – | (13 646) | **(13 646)** |
| Other material non-cash items | | | | | |
| Fair value adjustments | (5 340 140) | (839 576) | 20 629 389 | 1 847 018 | **16 296 691** |
| Foreign exchange | 45 295 | 59 219 | – | 2 438 997 | **2 543 511** |
| **Statement of financial position** | | | | | |
| Segment non-current assets | 103 446 288 | 52 380 369 | 75 152 433 | 25 048 040 | **256 027 130** |
| Segment current assets | 1 653 468 | 447 495 | – | 103 237 055 | **105 338 018** |
| Segment non-current liabilities | 17 262 852 | – | 20 612 124 | – | **31 874 976** |
| Segment current liabilities | 4 158 558 | 72 237 | – | 119 209 | **4 350 004** |

** 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 16.*

**31 December 2013**

| *Euro* | Income-generating property Restated* | Development property Restated* | Investments Restated* | Corporate and treasury Restated* | Total Restated* |
|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | |
| External revenue | 3 140 125 | 310 283 | – | – | **3 450 408** |
| Inter-segment revenue | – | – | – | – | **–** |
| Segment profit/(loss) before tax | 2 499 018 | (43 732) | – | 924 592 | **3 379 878** |
| Interest income | 63 | 4 | (1 737) | 119 177 | **117 507** |
| Interest cost | (539 431) | (16 810) | – | – | **(556 241)** |
| Depreciation | (15 046) | – | – | – | **(15 046)** |
| Other material non-cash items | | | | | |
| Fair value adjustments | 726 899 | – | 68 714 | – | **795 613** |
| Foreign exchange | 49 | (5) | – | 1 340 995 | **1 341 039** |
| **Statement of financial position** | | | | | |
| Segment non-current assets | 49 186 877 | 22 824 881 | 34 650 536 | 55 512 | **106 717 806** |
| Segment current assets | 2 267 425 | 352 973 | – | 17 271 370 | **19 891 768** |
| Segment non-current liabilities | 16 313 367 | 871 380 | – | – | **17 184 747** |
| Segment current liabilities | 1 958 778 | 366 349 | – | 21 273 | **2 346 400** |

** 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 16.*

## 14. 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** |
| **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 16.*

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 assets/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* | Six-month period ended 31 December 2014 | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| BVI | – | – | – |
| UK | 923 739 | 1 939 330 | 2 899 821 |
| Germany | 1 153 790 | 621 682 | 914 427 |
| Switzerland | 547 529 | 889 396 | 1 433 181 |
| | **2 625 058** | **3 450 408** | **5 247 429** |

**Non-current assets**

| *Euro* | Six-month period ended 31 December 2014 | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| BVI | - | - | – |
| UK | 191 166 246 | 78 420 234 | 75 442 044 |
| Germany | 46 122 248 | 9 750 000 | 7 952 886 |
| Switzerland | 18 738 636 | 18 547 573 | 18 524 952 |
| | **256 027 130** | **106 717 807** | **101 919 882** |

## 15. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

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

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

***Profit attributable to ordinary shareholders***

| *Euro* | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| Profit for the year attributable to the owners of the group | 19 124 739 | 3 252 035 | 5 060 236 |

*See restatement below

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

| *Euro* | Six-month period ended 31 December 2014 | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 2014 |
|---|---|---|---|
| Issued ordinary shares at 1 July/1 March | 279 483 999 | 66 238 363 | 66 238 363 |
| Effect of shares issued | 4 401 877 | 7 698 568 | 116 830 485 |
| Weighted-average number of ordinary shares | **283 885 876** | **73 936 931** | **183 068 848** |

***Basic earnings per share***

| *Euro* | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 | Audited Sixteen-month period ended 30 June 14 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | 19 124 739 | 3 252 035 | 5 060 236 |
| Weighted-average number of ordinary shares | 283 885 876 | 73 936 931 | 183 068 848 |
| Basic earnings per share (euro cents) | **6,74** | **4,40** | **2,76** |

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

** Restatement*

As a result of the group early adopting IFRS 9 the following adjustments have been made to the previously reported basic and diluted earnings per share for the year ended 31 December 2014 as follows:

| | Impact of change in accounting policy | | |
|---|---|---|---|
| *Euro* | As previously reported | Adjustment | As restated |
| Profit for the year attributable to the owners of the group# | 1 703 730 | 17 421 010 | 19 124 739 |
| Weighted-average number of ordinary shares | 283 885 876 | – | 283 885 876 |
| Basic and diluted earnings per share (euro cents) | **0,60** | **6,14** | **6,74** |

*# See note 16*

There has been no change to the previously reported basic and diluted earnings per share for the periods ended 31 December 2013 and 30 June 2014 as a result of the early adoption of IFRS 9.

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

***Adjusted core income and adjusted core income per share***

| *Euro* | Six-month period ended 31 December 2014 Restated* | Ten-month period ended 31 December 2013 Restated* | Sixteen-month period ended 30 June 2014 Restated* |
|---|---|---|---|
| Profit for the year attributable to the owners of the group | **19 124 739** | **3 252 035** | **5 060 236** |
| Adjusted for: | | | |
| Fair value adjustments | (16 296 691) | (795 613) | (707 528) |
| Previously recognised held to maturity unwind | 774 410 | 68 714 | 1 186 890 |
| Disposal of investment property | - | – | (1 008 336) |
| Exchange differences | (2 543 511) | (1 341 039) | (3 931 722) |
| Capital raising fees and structure costs | 375 450 | 191 801 | 595 891 |
| Deferred taxation | (526 128) | – | 873 399 |
| Realised profits on the Karoo Fund redemptions | 2 433 970 | – | – |
| Realised profits on investment property disposal | – | – | 2 453 149 |
| Income shortfall guarantee | – | 304 331 | 635 123 |
| **Adjusted core income** | **3 342 239** | **1 680 229** | **5 157 102** |
| Weighted average number of ordinary shares | 283 885 876 | 73 936 931 | 183 068 848 |
| Adjusted core income per share (euro cents) | 1,18 | 2,27 | 2,82 |

** 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 16.*

***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 the six months ended 31 December 2014 is as follows:

| | Six-month period ended 31 December 2014 Restated* | |
|---|---|---|
| *Euro* | Gross | Net |
| Profit for the period | 19 124 739 | 19 124 739 |
| Adjusted for: | | |
| Revaluation of investment property | 5 732 013 | 5 002 709 |
| Headline earnings | **24 856 752** | **24 127 448** |
| Weighted average number of ordinary shares | 283 885 876 | 283 885 876 |
| Headline earnings per share (euro cents) | 8,76 | 8,50 |

| | Ten-month period ended 31 December 2013 | |
|---|---|---|
| *Euro* | Gross | Net |
| Profit for the period | 3 252 035 | 3 252 035 |
| Adjusted for: | | |
| Revaluation of investment property | – | – |
| Headline earnings | **3 252 035** | **3 252 035** |
| Weighted average number of ordinary shares | 73 936 931 | 73 936 931 |
| Headline earnings per share (euro cents) | 4,40 | 4,40 |

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

| | Sixteen-month period ended 30 June 2014 Restated* | |
|---|---|---|
| *Euro* | Gross | Net |
| Profit for the period | 5 060 236 | 5 060 236 |
| Adjusted for: | | |
| Revaluation of investment property | 623 630 | 434 159 |
| Profit on disposal on investment property | (1 008 336) | (998 284) |
| Headline earnings | **4 675 530** | **4 496 111** |
| Weighted average number of ordinary shares | 183 068 848 | 183 068 848 |
| Headline earnings per share (euro cents) | 2,55 | 2,46 |

** Restatement*

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:

**Six-month period ended 31 December 2014**

***Interim financial statements***

The condensed interim financial statements as issued on 4 March 2015 have been restated as follows:

| *Euro* | As previously reported Net | Change in accounting policy | As restated Net |
|---|---|---|---|
| Profit for the period | 1 703 730 | 17 421 010 | 19 124 739 |
| Revaluation of investment property | 5 732 013 | – | 5 002 709 |
| Headline earnings | 7 435 743 | 17 421 010 | 24 127 448 |
| Headline earnings per share (euro cents) | 2,62 | 6,14 | 8,50 |

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

**Stock Exchange News Service ("SENS")**

The group issued a SENS on 7 August 2015 to correct Headline earnings and Headline earnings per share as disclosed in the condensed interim financial statements issued on 4 March 2015. As a result of the group early adopting IFRS 9 the figures disclosed in the SENS have been restated as follows:

| *Euro* | As previously reported in SENS announcement Net | Change in accounting policy | As restated Net |
|---|---|---|---|
| Profit for the period | 1 703 730 | 17 421 010 | 19 124 739 |
| Revaluation of investment property | 5 002 709 | – | 5 002 709 |
| Reclassified gain – available for sale item | (2 468 737) | 2 468 737 | – |
| Headline earnings | 4 237 702 | 19 889 747 | 24 127 448 |
| Headline earnings per share (euro cents) | 1,49 | 7,01 | 8,50 |

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

| *Euro* | As previously reported Net | Change in accounting policy | As restated Net |
|---|---|---|---|
| Profit for the period | 5 060 236 | – | 5 060 236 |
| 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 |

## 16. CHANGE IN ACCOUNTING POLICY, RECLASSIFICATIONS AND ERRORS

***Change in accounting policy***

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 as 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 is 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 in that all changes in fair value are recognised in profit or loss.

IFRS 9 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 group's investments which comprise the Karoo Fund and Sirius (see note 9).

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.

## 16. CHANGE IN ACCOUNTING POLICY, RECLASSIFICATIONS AND ERRORS *(continued)*

On adoption of IFRS 9 the group has retrospectively reclassified 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. The Attacq financial liability (see note 13) has been recognised gross of the group's investment in the Karoo Fund because Attacq is a third party in relation to the group's investment in the Karoo Fund (see error note below).

*Reclassifications*

The group has made a reclassification to previously reported figures for the periods ending 31 December 2013 and 30 June 2014 to match the classification of the current period financial information. These reclassifications have been made to aid comparability for readers of these restated audited condensed consolidated financial statements.
The reclassifications relate to:

- Splitting net finance income/(expense) into separate line items for finance income and finance costs; and
- Splitting disposal on investment property into a separate line item from net (loss)/gain on investment property and changing the line item of net (loss)/gain on investment property to fair value adjustments.
- Presenting script distributions in "issue of shares" rather than "distributions" in the consolidated statement of changes in equity.

*Errors*

As part of the JSE's proactive monitoring MAS was required to make a SENS announcement on 7 August 2015. The announcement related to additional disclosures in the interim results for the six months ending 31 December 2014 and an error identified with respect to the computation of headline earnings and headline earnings per share. The additional disclosure has been included within these restated audited condensed interim consolidated financial statements for the six month period ended 31 December 2014 which have also been restated for the error with respect to the computation of headline earnings and headline earnings per share.

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 as a basis for measuring the performance of the group.

The adjustments required to be made to headline earnings and headline earnings per share are isolated purely to the technical methodology of computation. Adjusted core income per share, upon which the company's dividend distribution is based, has not been impacted as a result of this restatement. The impact of restating this error has been disclosed in note 15.

As noted above on adoption of IFRS 9 the group retrospectively reclassified the investment in the Karoo Fund as FVTPL and recognised the group's investment in the Karoo Fund gross of the financial liability due to Attacq. The Karoo Fund and financial liability due to Attacq were previously reported net in error.

There is no impact on the:
- Consolidated statements of cash flows any period;
- Consolidated statements of financial position for December 2013 and June 2014; or
- Consolidated statement of profit or loss and other comprehensive income for June 2014.

The impact of the change in accounting policy, reclassifications and errors is disclosed below except for the impact on basic and diluted earnings and basic and diluted earnings per share as well as headline and diluted headline earnings and headline and diluted headline earnings per share, which are disclosed separately in note 15.

## 16. CHANGE IN ACCOUNTING POLICY, RECLASSIFICATIONS AND ERRORS *(continued)*

**Condensed consolidated statement of financial position**

**31 December 2014**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investments | 54 540 309 | – | – | 20 612 124 | 75 152 433 |
| **Equity** | | | | | |
| Retained (loss)/profit | (3 159 348) | 17 421 010 | – | – | 14 261 661 |
| AFS Reserve | 17 421 010 | (17 421 010) | – | – | – |
| **Liabilities** | | | | | |
| Financial instruments | 2 564 315 | – | – | 20 612 124 | 23 176 439 |
| **Net assets** | **37 714 332** | – | – | | **37 714 332** |

**31 December 2013**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Investments | 34 650 536 | – | – | – | 34 650 536 |
| | 34 650 536 | – | – | – | 34 650 536 |

**30 June 2014**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Investments | 35 743 617 | – | – | – | 35 743 617 |
| | 35 743 617 | – | – | – | 35 743 617 |

**Condensed consolidated statement of profit or loss and other comprehensive income**

**31 December 2014**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Net (loss)/gain on investment property activity | (6 179 716) | – | 6 179 716 | – | – |
| Fair value adjustments | – | 20 629 389 | (4 332 698) | – | 16 296 691 |
| Net finance income/(expense) | 4 920 617 | (3 208 379) | (1 712 238) | – | – |
| Finance income | – | – | 146 500 | – | 146 500 |
| Finance costs | – | – | (281 280) | – | (281 280) |
| Available-for-sale financial assets – net change in fair value | 17 421 010 | (17 421 010) | – | – | – |
| | **16 161 911** | **–** | – | – | 16 161 911 |

## 16. CHANGE IN ACCOUNTING POLICY, RECLASSIFICATIONS AND ERRORS *(continued)*

**31 December 2013**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Net fair value adjustments on investment property | 726 899 | – | (726 899) | – | – |
| Fair value adjustments | – | 68 714 | 726 899 | – | 795 613 |
| Net finance income/(expense) | (370 021) | – | 370 021 | – | – |
| Finance costs | – | – | (556 241) | – | (556 241) |
| Finance income | – | (68 714) | 186 220 | – | 117 507 |
| | **913 120** | **–** | – | – | 913 120 |

**30 June 2014**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Net/(gain) loss on investment property activity | 528 974 | – | (528 974) | – | – |
| Fair value adjustments | – | 1 186 890 | (479 362) | – | 707 528 |
| Net finance (costs)/income | 509 539 | (1 186 890) | 677 351 | – | – |
| 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** |

**Condensed consolidated statement of changes in equity**
**31 December 2014**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Profit for the period | 1 703 730 | 17 421 010 | – | – | 19 124 739 |
| Issue of shares | 12 489 097 | – | 1 693 902 | – | 14 182 999 |
| Distributions | (1 892 596) | – | (1 693 902) | – | (3 586 498) |
| Avaliable-for-sale reserve | 17 421 010 | (1 7421 010) | – | – | – |
| | **29 721 241** | **–** | **–** | **–** | **29 721 241** |

**31 December 2013**

| Euro | As previously reported | Change in accounting policy | Reclassifications | Error | As restated |
|---|---|---|---|---|---|
| Issue of shares | 39 668 696 | – | 889 047 | – | 40 557 743 |
| Distributions | (104 528) | – | (889 047) | – | (993 575) |
| | **(39 364 168)** | **–** | **–** | **–** | **39 364 168** |

## 17. 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

**Six-month period ended 31 December 2014**

| *Euro* | Role | Basic salary | Benefits | Short-term incentive | Long-term incentive |
|---|---|---|---|---|---|
| Lukas Nakos | CEO | 43 625 | – | – | – |
| Malcolm Levy* | CFO | 65 788 | – | – | – |
| Jonathan Knight | CIO | 16 363 | – | – | – |
| Ron Spencer | Chairman | 9 500 | – | – | – |
| Gideon Oosthuizen | NED | 9 500 | – | – | – |
| Jaco Jansen | NED | 9 500 | – | – | – |
| Morne Wilken | NED | 4 008 | – | – | – |
| Pierre Goosen | NED | 4 008 | – | – | – |
| | | **162 292** | **–** | **–** | **–** |

** Included in this amount is €24 940 that was paid directly to MAS Property Advisors Limited, the investment adviser.*

**Ten-month period ended 31 December 2013**

| *Euro* | Role | Basic salary | Benefits | Short-term incentive | Long-term incentive |
|---|---|---|---|---|---|
| Lukas Nakos | CEO | – | – | – | – |
| Malcolm Levy* | CFO | 63 363 | – | – | – |
| Ron Spencer | Chairman | 15 833 | – | – | – |
| Gideon Oosthuizen | NED | 15 833 | – | – | – |
| Jaco Jansen | NED | 15 833 | – | – | – |
| **Total** | | **110 862** | **–** | **–** | **–** |

** This amount was paid directly to MAS Property Advisors Limited, the investment adviser.*

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

| *Euro* | Role | Basic salary | Benefits | Short-term incentive | Long-term incentive |
|---|---|---|---|---|---|
| Lukas Nakos | CEO | – | – | – | – |
| Malcolm Levy* | CFO | 103 579 | – | – | – |
| Ron Spencer | Chairman | 25 333 | – | – | – |
| Gideon Oosthuizen | NED | 25 333 | – | – | – |
| Jaco Jansen | NED | 25 333 | – | – | – |
| | | **179 578** | **–** | **–** | **–** |

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

## 17. RELATED PARTIES *(continued)*

***Other related-party transactions:***

| *Euro* | Income/(expenses) for the period ended 31 December 2014 | 31 December 2013 | 30 June 2014 | Capitalised for the period ended 31 December 2014 | 31 December 2013 | 30 June 2014 | Balances receivable/(payable) as at 31 December 2014 | 31 December 2013 | 30 June 2014 |
|---|---|---|---|---|---|---|---|---|---|
| MAS Property Advisors Limited | | | | | | | | | |
| Investment adviser fee | (1 248 330) | (831 786) | (2 410 812) | – | – | – | – | – | (204 053) |
| Transaction fee | – | – | – | 332 018 | 341 997 | 341 997 | – | – | – |
| Oncharged staff costs | (462 069) | (383 286) | (457 158) | – | – | – | – | – | – |
| | **(1 710 399)** | **(1 215 072)** | **(2 867 970)** | **332 018** | **341 997** | **341 997** | **–** | **–** | **(204 053)** |
| New Waverley Advisors Limited | | | | | | | | | |
| Oncharged development costs | – | – | – | 8 228 735 | 1 757 480 | 2 465 118 | – | – | 14 431 |
| | **–** | **–** | **–** | **8 228 735** | **1 757 480** | **2 465 118** | **–** | **–** | **14 431** |
| Corona Real Estate Partners Limited | | | | | | | | | |
| Legal and professional expenses | (104 590) | – | – | – | – | – | – | – | – |
| | **(104 590)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Attacq | | | | | | | | | |
| Karoo Fund financial liability | – | – | – | – | – | – | (20 612 124) | – | – |
| | **–** | **–** | **–** | **–** | **–** | **–** | **(20 612 124)** | **–** | **–** |
| Artisan Real Estate investors Limited | | | | | | | | | |
| Oncharged administrative expenses | (20 639) | – | (76 422) | – | – | – | (11 812) | – | – |
| | **(20 639)** | **–** | **(76 422)** | **–** | **–** | **–** | **(11 812)** | **–** | **–** |
| | **(1 835 628)** | **(1 215 072)** | **(2 944 392)** | **8 560 753** | **2 099 477** | **2 807 115** | **(20 623 936)** | **–** | **(189 622)** |

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

## 17. 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 7). 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 €1 248 330 (December 2013: €831 786; June 2014: €2 410 812) in respect of investment adviser fees and on-charged 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 on investment property of €332 018 (December 2013: €341 997; June 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 €8 228 735 (December 2013: €1 757 480; June 2014: €2 465 118). These have been capitalised as part of the New Waverley development within investment property. These on-charges were charged to the group in accordance with the development management agreement and were on an arm's length basis.

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

Corona is a real estate management company owned 100% by Jonathan Knight who is the chief investment officer of the group.

During the year the group used the professional services of Corona and incurred expenses of €104 590 (December 2013: nil; June 2014: nil), which were charged to the group on an arm's length basis. At the end of the reporting period there were no fees owed to Corona by the group (December 2013: nil; June 2014: nil). Professional services fees are expensed in the profit or loss within Administrative expenses - Legal and professional expenses.

### 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 9). 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 contingent payment will be share-based and would amount to €20 612 124 (see note 13) if the current reported net asset value were to be realised. The Karoo Fund's NAV as at 31 December 2014 was €153 598 589.

## 18. 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 interim consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The group has adopted the following standards for the year beginning 1 July 2014 as a result of preparing these condensed interim 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 has been no adjustment to prior reported figures and no further disclosures have been made in respect of IFRS 1.