MAS REAL ESTATE INC

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS **2019**

HIGHLIGHTS

OUTPERFORMED DISTRIBUTABLE EARNINGS PER SHARE TARGET OF **8.75 EURO CENTS**

41.9% YEAR-ON-YEAR INCREASE IN DISTRIBUTABLE EARNINGS PER SHARE

59.6% YEAR-ON-YEAR INCREASE IN NET RENTAL INCOME

45.3% OF INVESTMENT PROPERTY PORTFOLIO IN **CEE**[i]

2.0% YEAR-ON-YEAR INCREASE IN EPRA NAV PER SHARE TO 137.6 EURO CENTS

2 YEAR EXTENSION TO EXCLUSIVITY WITH PRIME KAPITAL UNTIL 2025

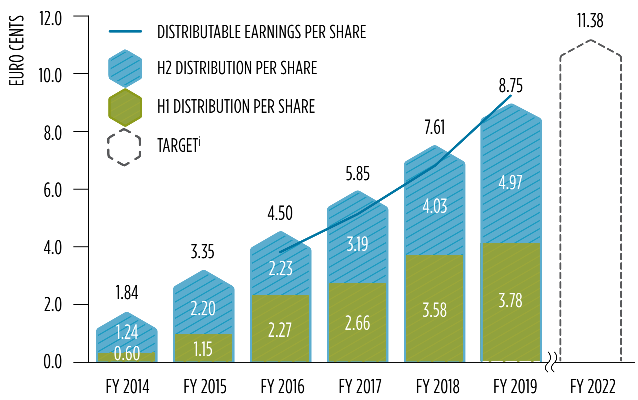
Prime Kapital

i Includes investment property held for sale

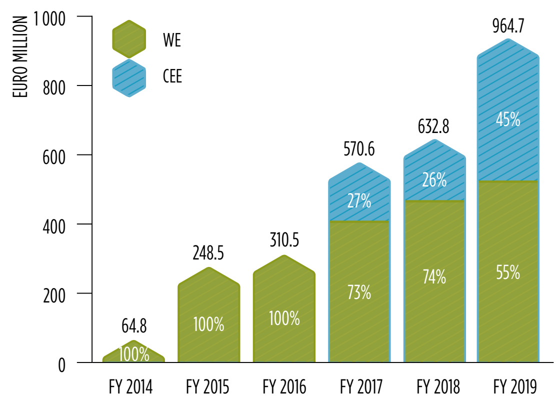
ROMAN VALUE CENTRE, ROMANIA

KEY METRICS

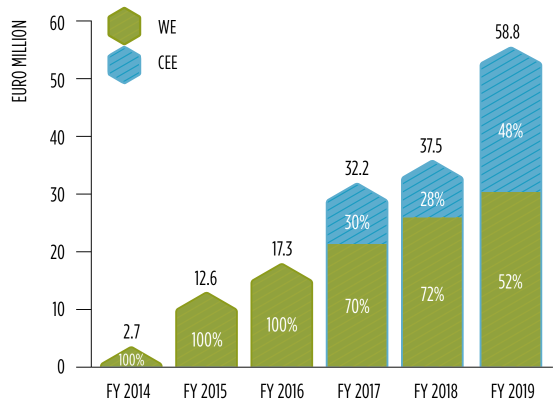
DISTRIBUTION PER SHARE



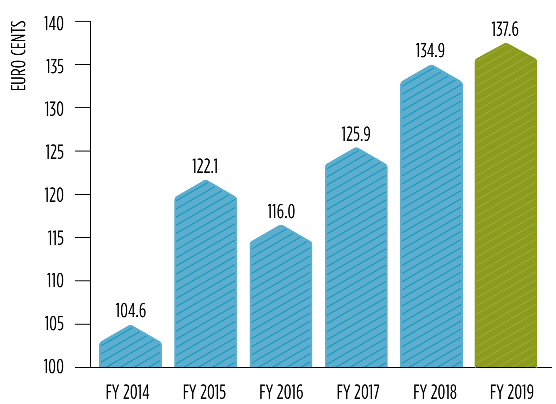
INVESTMENT PROPERTYii



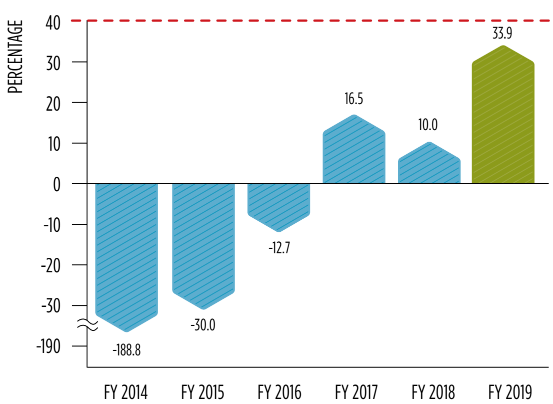
PASSING RENTiii



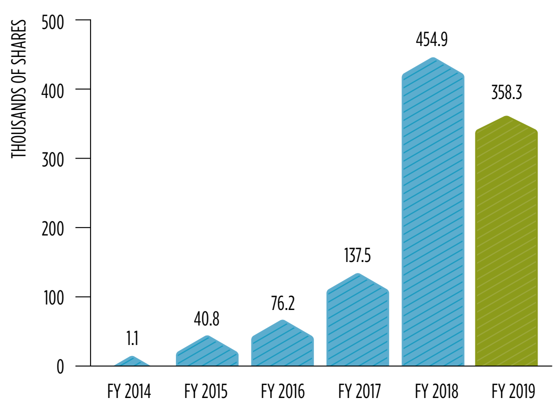
EPRA NAV PER SHARE



LOAN TO VALUE



MEDIAN DAILY SHARE VOLUME



i It should be noted that this targeted growth will not be linear, given that the strategic changes referred to above will include implementing a phased re-deployment of capital from Western Europe into CEE over time. This target is based on the assumption that a stable macro-economic environment will prevail, no major corporate failures will occur and that budgeted rental income, based on contractual escalations and market-related renewals, will be collected. In addition, it is assumed that investments in Western Europe will be able to be divested at least for book value and redeployed contemporaneously in CEE markets at a rate of return on equity at least equivalent to what is currently being achieved in Western Europe. This target has not been reviewed or audited by the group's auditors.

ii Includes investment property held for sale.

iii MAS' share of the income-generating portfolio's passing rent.

DIRECTORS' REPORT

In 2016, MAS embarked on a three-year programme to restructure and grow its balance sheet. The emphasis was on developing and owning retail assets in Central and Eastern Europe (CEE), given strong historical consumption growth trends in the region that are expected to continue, whilst retaining the benefits of a geographically diversified asset portfolio. This was funded through raising both debt and additional equity.

This initial programme has now drawn to a successful close. In light of this, the board of directors has undertaken an in-depth review of the group's strategy. The impressive performance and growth of the CEE portfolio led the board to consider that the continued expansion into CEE, combined with an orderly and disciplined divestment of the Western European assets, phased to maximise realisable value, is the most appropriate strategy for the group. The increased geographical focus in the higher growth CEE markets, with a predominant focus on retail, provides the group with the best opportunity to continue to meet its long-term objectives of sustainable growth in distributable earnings per share.

DISTRIBUTABLE EARNINGS

The group achieved distributable earnings per share for the year of 9.01 euro cents, which represents growth of 41.9% compared with 6.35 euro cents in the prior year. This significant improvement in distributable earnings per share was driven by the acquisition of a number of investment properties during the year, as well as the interest earned on the additional preference share investment in PKM Developments and distributions received from the group's real estate equity securities.

FINAL DISTRIBUTION

Based on the increase in distributable earnings and in line with the previously stated distribution targets, the board has proposed a final distribution per share of 4.97 euro cents for the second half of the 2019 financial year. This brings the distribution for the year to 8.75 euro cents per share, in-line with guidance.

INCOME-GENERATING PORTFOLIO AND NET ASSET VALUE

Investment property, including investment property held for sale, grew by 52.4%, from €632.8 million at 30 June 2018 to €964.7 million. The portfolio performed strongly, with net rental income growing by 59.6% from €32.3 million to €51.6 million year-on-year and net operating income increasing by 51.8%, from €38.3 million to €58.2 million. This growth was driven by acquisitions, income-enhancing asset management initiatives and strong tenant performance.

The EPRA net asset value per share increased by 2.0% to 137.6 euro cents per share, compared to 134.9 euro cents per share at the 30 June 2018 year-end. This was achieved due to the completion of developments and valuation gains across the direct portfolio which offset negative fair value adjustments on the real estate equity securities portfolio.

ACQUISITION, DISPOSAL AND DEVELOPMENT UPDATE

The timely redeployment of capital realised from the divestment of the Western European assets will be key to the successful implementation of the next phase of the group's strategy. While opportunities remain for reinvestment, current market pricing has led the group to exercise caution when assessing opportunities. The group is unwilling to overpay for assets and will assess new capital deployment opportunities carefully to ensure that its longer-term strategic objectives are not compromised by actions taken in pursuit of short-term goals. MAS remains prudent in its investment process and continues to focus on investing in assets with high organic growth and the potential to add value.

MILITARI SHOPPING CENTRE, BUCHAREST, ROMANIA (ACQUIRED JULY 2018)

The acquisition of the Militari Shopping Centre, through the investment joint venture, was completed in the current reporting period. Trading at the 56,200 square metre GLA centre has been strong since acquisition, with the optimisation of leases at expiry, reconfiguration of units and the addition of non-GLA revenue all providing a platform to grow income. Given ongoing residential densification around the centre, the group is working on plans to extend the centre and substantially increase the GLA to approximately 80,000 square metres.

ATRIUM MALL SHOPPING CENTRE, ARAD, ROMANIA (ACQUIRED DECEMBER 2018)

The Atrium Mall is the only modern retail destination in Arad and the wider catchment area. The mall is well established and centrally located, adjacent to main transport hubs, and with good accessibility and visibility. The city of Arad is situated in Western Romania, close to the Hungarian border. It is the administrative capital of Arad county and forms the principal economic hub of the area. The city has healthy demographics, which are supported by growing purchasing power, and it benefits from a significant catchment area, with 334,000 people within a 45-minute drive.

The mall has a fashion and entertainment focus, with an approximate GLA of 28,600 square metres over three floors. It is anchored by strong tenants including large European retailers Carrefour, Inditex, H&M, C&A, New Yorker, LC Waikiki, Hervis, Deichmann, Media Galaxy, Pepco, CCC and Cinema City with a 10-screen cinema.

Reconfiguration and tenant mix optimisation initiatives are in progress to consolidate the mall's regionally dominant position and enhance the net operating income from this asset.

FLENSBURG GALERIE SHOPPING CENTRE, FLENSBURG, GERMANY (ACQUIRED JANUARY 2019)

The Flensburg Galerie shopping centre has a GLA of 24,540 square metres and is situated on Flensburg's prime shopping street. Flensburg is an important economic hub close to the border with Denmark, from where visitors come to take advantage of attractive pricing differentials. The total catchment area for Flensburg Galerie is more than 500,000 people.

The investment offers the potential for further value to be added, with scope to reduce vacancies, reconfigure parts of the centre and relocate certain tenants to enhance net operating income. Initial asset management initiatives such as the recent opening of Netto and Muller stores have already had a positive impact on footfall at, and the value of, the centre.

ROMANIAN PORTFOLIO, VARIOUS LOCATIONS, ROMANIA (ACQUIRED FEBRUARY 2019)

Through the investment joint venture, MAS acquired nine completed retail developments in Romania from PKM Developments for a price of €109.1 million. The portfolio currently includes two larger value centres, both anchored by Carrefour, in Roman, with 18,800 square metres of GLA, and Baia Mare, with 21,300 square metres of GLA. In addition there are seven smaller, well-located developments adjacent to pre-existing and independent Kaufland mini-hypermarkets in Slobozia, Focsani, Targu Secuiesc, Ramnicu Sarat, Fagaras, Sebes and Gheorgheni. Tenants include large international and national anchors such as Carrefour, New Yorker, C&A, DM, Altex, Takko, CCC, Pepco, Deichmann, Jysk, KFC and McDonald's.

There is potential for second-phase developments at the centres in Slobozia, Roman and Baia Mare which could add approximately 11,000 square metres of GLA. On completion these second-phase developments can be sold by PKM Developments to MAS at a yield of 7.5%.

At acquisition, the portfolio was independently valued at a net initial yield of 7.5%. Part of the consideration for the transaction has been deferred until it is required by PKM Developments for further projects.

PREMIER INN AND HUB BY PREMIER INN HOTELS, EDINBURGH, SCOTLAND (DISPOSED OCTOBER 2018)

As previously reported, in October the group disposed of the Premier Inn and Hub by Premier Inn Hotels, with its associated retail units, at New Waverley, Edinburgh, for €43.3 million (£38.0 million). The sale price represented a net operating income yield of 4.1%. This capital was recycled into higher-yielding opportunities, allowing the group to leverage its ability to manage assets and grow income generated by investments.

UBERIOR HOUSE, EDINBURGH, SCOTLAND (ACQUIRED MAY 2018)

The key aspects of the Uberior House acquisition business plan were completed ahead of schedule. Notably, the leases with Bank of Scotland have been extended to December 2030, significantly increasing the certainty of income from, and value of, the asset. There is further potential for rental income growth at the next rental reviews in December 2020.

PKM DEVELOPMENTS

The development cost for the secured pipeline in CEE is estimated at €792.1 million and consists of the projects discussed below. In May 2019, MAS agreed to increase its commitment to the PKM Developments joint venture by a further €120.0 million to fund this pipeline, with a further two-year extension to the exclusivity and life of the venture. The exclusivity period will now run until March 2025, and the venture until March 2030.

Seven commercial developments are either being progressed through design and permitting or have commenced construction, of which two value centres in Zalau and Balotesti are expected to be completed by the end of December 2019.

SILK DISTRICT, IASI, ROMANIA

Zoning is ongoing on the 10-hectare site in Iasi where a large-scale, mixed-use project is planned that will include up to 100,000 square metres of A-class offices, 2,500 residential units and a hotel. Iasi, with a population of 369,000 people, is the second-largest city in Romania, the most important industrial centre in the north-eastern part of the country and the second-largest university city outside Bucharest, with over 53,000 students. The project is near the city centre and within walking distance of the two largest university campuses. It is highly visible, with 450 metres of frontage on the main boulevard connecting the site to the city centre and is easily accessible both by car and public transport. Three public transport hubs including bus and tram, are located on, or in the immediate vicinity of, the site.

Major office tenants and hotel operators continue to express a strong interest in the planned development. The zoning process is expected to be completed in the fourth quarter of 2019 and construction is planned to start in the second quarter of calendar year 2020. The delivery of the first residential and office buildings is expected to take place in the third quarter of calendar year 2021.

MALL MOLDOVA, IASI, ROMANIA

Zoning approval and the building permit have been received, and infrastructure and enabling works are now commencing for the planned redevelopment of Era Shopping Park, Iasi, into the 106,300 square metre GLA super-regional Mall Moldova, which will be the largest retail and leisure development in Romania outside Bucharest. Tenant demand remains strong with leasing progressing in line with expectations.

AVALON ESTATE, BUCHAREST, ROMANIA

The permitting process is ongoing for this upmarket, modern housing estate near the developing central business district and commercial centre in the affluent northern part of Bucharest. The pre-construction sales process has commenced and was well received, with 80% of the first units released, already sold. The delivery of the first phase of the planned 767 high-quality houses, townhouses and apartments is expected to take place in the third quarter of 2021.

ARGES MALL, PITESTI, ROMANIA

Permitting and leasing are ongoing for the planned 50,800 square metre GLA, regionally-dominant mall in a central, high density location in Pitesti. The project includes the construction of a bridge and connecting roads over the railway tracks between the site and town centre that will be funded and constructed by PKM Developments and then donated to the public authorities on completion.

MARMURA RESIDENCE, BUCHAREST, ROMANIA

Zoning approval has been obtained and the building permit is imminent for the construction of five towers and 468 individual apartments, as well as 1,700 square metres of supporting retail and service functions. The pre-construction sales process has commenced, with 70% of pre-construction units released now sold.

DAMBOVITA MALL, TARGOVISTE, ROMANIA

A building permit was secured, and construction commenced for the 32,900 square metre GLA, regionally-dominant mall in Targoviste. Several major anchor tenants, including Carrefour, Cinema City, Altex, Pepco and CCC have been secured for the development. It will be the first mall in

DIRECTORS' REPORT (CONTINUED)

the Dambovita county that will form part of, and be complemented by, a wider urban regeneration project undertaken by the local authorities within two kilometres of the city centre, in a densely populated residential area. The opening of the mall is scheduled for the second quarter of calendar year 2020.

DN1 VALUE CENTRE, BALOTESTI, ROMANIA

Zoning approval and building permits have been obtained in relation to the 27,300 square metre GLA, convenience value centre extension of the existing independently owned Hornbach and Lidl units in Balotesti, a rapidly developing affluent residential area, about 25 kilometres north of Bucharest. Lease agreements were concluded with anchor tenants such as Carrefour hypermarket, Jysk, Noriel, Pepco, Animax, DM Drogerie, CCC, Hervis, Sportissimo, Deichmann, New Yorker and Altex. Construction is well progressed and the opening of the first phase of the development is expected in early December 2019, with Carrefour already on site and working on its fit-out.

PLOIESTI VALUE CENTRE, PLOIESTI, ROMANIA

Zoning efforts are ongoing for a retail development in Ploiesti on a plot of land in a densely populated residential area in close proximity to the city's main train, tram and bus stations with high visibility and excellent road access. Even though leasing has not yet commenced, several major anchor tenants have expressed strong interest in the development.

ZALAU VALUE CENTRE, ZALAU, ROMANIA

The building permit has been received and construction is well progressed on the development of a 19,200 square metre GLA retail value centre with a high concentration of anchor tenants in Zalau. The project location is highly visible, in the immediate vicinity of a dense residential area and the city's regional bus terminal, on the main road connecting Zalau with the other major cities in the county and wider Transylvania area. Lease agreements have been entered into with tenants including Carrefour, Noriel, Altex, CCC, Pepco, Jysk, Benvenuti and Takko. The centre is expected to open for trade in November 2019.

SEPSI VALUE CENTRE, SFANTU GHEORGHE, ROMANIA

Six hectares of land have been secured in Sfantu Gheorghe, the capital of Covasna county, with plans to develop and operate a 16,700 square metre GLA retail value centre with a high concentration of anchor tenants. The project is in the immediate vicinity of the city centre and easily accessible by car and public transport, both from the city as well as from the wider region. The catchment area includes approximately 172,000 people within a 45-minute drive. Anchor tenants have expressed strong interest in the planned development and permitting is ongoing. Assuming permitting is obtained as planned, the centre is expected to open by June 2020.

OTHER DEVELOPMENTS, EXTENSIONS AND LAND BANK

Plans are being developed to refurbish or extend several of the existing CEE retail assets owned in the investment joint venture with Prime Kapital. The extensions and refurbishments are expected to add approximately 57,000 square metres to the aggregate GLA of these retail assets. This will increase the fashion and leisure offering of the centres to consolidate their regionally dominant position and enhance asset performance. Plans include an extension of 3,000 square metres of GLA at Nova Park in Poland, for which the building permit has been received; an extension of 15,000 square metres of GLA at Galleria Burgas, for which land has been secured; a refurbishment of Galleria Stara Zagora Mall, which is in progress and expected to be completed in December 2019; a major extension of Militari Shopping Centre; and extensions to some of the newly acquired assets which form part of the transaction with PKM Developments as discussed above.

NEW WAVERLEY, EDINBURGH, SCOTLAND

The 19,000 square metre office development for the UK government achieved practical completion in May 2019, ahead of schedule and on budget, realising a total profit of €12.5 million (£11.0 million) over the 2018 and 2019 financial years. In addition to the disposal of the Premier Inn and Hub by Premier Inn Hotels, with its associated retail units, discussed above, the southern section of the residential element of the scheme was sold to Queensberry, a housebuilder, on 30 October 2018 for €7.4 million (£6.5 million). The GPU's option over the northern residential section has now lapsed and this is also in the process of being sold to Queensberry.

LANGLEY PARK, CHIPPENHAM, ENGLAND

Planning permission was obtained in 2016 to develop the site for 420 residential units, a Travelodge hotel with ground floor retail, and a discount food store. The sale of the food store to Aldi was completed in June 2018. A forward sale of the Travelodge was contracted with Torbay Council in 2018, practical completion took place in August 2019 and the sale will be finalised in September 2019 at the agreed price of €6.4 million (£5.8 million). The disposal process has progressed with two housebuilders for the sale of the rest of the development site. Legal contracts were exchanged for the sale of part of the site in June 2019 and the remainder is under offer. Both sales should complete before the end of the 2019 calendar year.

CAPITAL MANAGEMENT

At year end, the group held €71.2 million in cash and had access to €98.0 million in undrawn secured and unsecured debt facilities in addition to the REIT portfolio.

At 30 June 2019 the group loan to value was 33.9% (30 June 2018: 10.0%), below the 40.0% upper limit at which we are comfortable.

At the financial year end the group had a liability of €91.8 million of interest-bearing deferred consideration and a further €250.0 million preference share funding commitment to PKM Developments. Settling the interest-bearing deferred consideration liability and meeting the preference share funding commitment therefore represent the principal anticipated uses of capital available for redeployment into CEE from the Western European asset divestment programme and the liquidation of the real estate equity securities portfolio.

Efficient capital management is an important area of value creation for shareholders. To achieve this, the board will consider buying back shares as and when it can create value for shareholders, if the trading price of the shares falls significantly below the intrinsic value per share. Such buybacks will be done with care, since capital is a scarce and valuable resource.

STRATEGY

As part of the updated strategic direction of the business, the board recognises the importance of being able to manage its income-generating investment properties in CEE directly without reliance on third parties. This strategic intent envisages that MAS will strengthen its institutional capacity to manage and grow its CEE investments. This process is underway.

PROSPECTS

With the group having delivered on its strategy and distribution targets for the financial year ended 30 June 2019, MAS has set itself a three-year target of growing its distribution per share by 30% for the year ending 30 June 2022, from the current distribution level of 8.75 euro cents per share. It should be noted that this targeted growth will not be linear, given that the strategic changes referred to above will include implementing a phased re-deployment of capital from Western Europe into CEE over time. This target is based on the assumption that a stable macro-economic environment will prevail, no major corporate failures will occur and that budgeted rental income, based on contractual escalations and market-related renewals, will be collected. In addition, it is assumed that investments in Western Europe will be able to be divested at least for book value and redeployed contemporaneously in CEE markets at a rate of return on equity at least equivalent to what is currently being achieved in Western Europe. This target has not been reviewed or audited by the group's auditors.

MAS will continue to pursue profitable growth through further acquisition and development opportunities in its markets. Further announcements will be made as appropriate.

By order of the board of directors

DIRECTORS AND CHANGES:

Ron Spencer
(Non-Executive Chairman)
Werner Behrens
(CEO)
Paul Osbourn
(CFO)
Jonathan Knight
(CIO)
Werner Alberts
(Non-Executive Director)
Glynnis Carthy
(Non-Executive Director)
Pierre Goosen
(Non-Executive Director)
Melt Hamman
(Non-Executive Director)
Jaco Jansen
(Non-Executive Director)
Malcolm Levy
(Non-Executive Director)

Paul Osbourn and Werner Alberts were appointed to the board with effect from 7 September 2018. Morne Wilken, the former CEO, and Gideon Oosthuizen, former non-executive director, ceased to be directors with effect from 14 December 2018. Melt Hamman was appointed to the board with effect from 14 December 2018. Malcolm Levy transitioned to the role of non-executive director with effect from 26 June 2019. Werner Behrens was appointed as director and CEO with effect from 1 May 2019.

REPORTING CURRENCY

The group's results are reported in euros.

LISTINGS

MAS is listed on the Main Board of the Johannesburg Stock Exchange and is also listed and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

EXTERNAL AUDITOR

PricewaterhouseCoopers LLC ("PwC") was appointed as the auditor of the group on 27 November 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the consolidated annual financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRSs").

In preparing the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgments and estimates that are reasonable and prudent;
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- preparing financial statements which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAS REAL ESTATE INC.

OUR OPINION

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of MAS Real Estate Inc. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

WHAT WE HAVE AUDITED

MAS Real Estate Inc.'s consolidated annual financial statements (the "financial statements") comprise:
- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAS REAL ESTATE INC. (CONTINUED)

OUR AUDIT APPROACH

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVESTMENT PROPERTY AND INVESTMENT PROPERTY HELD FOR SALE Refer to Note 2 'Basis of preparation', Note 17 'Investment Property', Note 18 'Investment property held for sale' and Note 21 'Investment in equity-accounted investees'. The Group's investment property portfolio is split between Retail properties in Central and Eastern Europe and Retail, Industrial, Leisure, Office and Residential properties in Western Europe. The valuation in the consolidated annual financial statements for investment property and investment property held for sale is €872,062,423 and €92,609,919, respectively. In addition the majority of the assets underlying the Group's investment in equity-accounted investees of €21,888,261 comprises investment property. The valuation of the Group's and the equity-accounted investee's investment property and investment property held for sale warrants specific audit focus due to the existence of significant judgement, coupled with the fact that only small differences in individual property valuations when aggregated could result in a material misstatement. The valuations were carried out by third party valuers. The valuers were engaged by the directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation - Professional Standards or equivalent. The valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation the valuers take into account property-specific information such as current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and comparable market transactions. For the land bank, the residual appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to complete.	We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the valuers was compromised. We read the valuation reports for a sample of the properties and confirmed that the valuation approach for each property selected was in accordance with RICS standards or equivalent and suitable for use in determining the carrying value for the purpose of the consolidated annual financial statements. We obtained details of each material property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared investment yields used by the valuers with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as estimated rental value. We held meetings with management and the valuers, as appropriate, at which the valuations and the key assumptions therein were discussed, focusing on the largest properties in the portfolio and where the valuation basis has changed in the year. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations, and when necessary, held further discussions with management and the valuers and obtained evidence to support explanations received. The valuation commentaries provided by the valuers and other supporting evidence enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We performed testing on the standing data the Group provided to the valuers for use in the performance of the valuation on a sample basis, to satisfy ourselves of the accuracy of the property information supplied by management. For land bank assets we confirmed that the estimated costs to complete were consistent with the Group's records, for example by inspecting budgets and contracts. The above procedures were also performed on investment property held by the equity-accounted investees. Based on the work performed we found that the assumptions were supported by evidence we obtained.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
LARGE AND/OR COMPLEX TRANSACTIONS Refer to Note 2 'Basis of preparation' and Note 32 'Business Combinations'. The transaction during the year to acquire investment properties from the Group's equity-accounted investee, PKM Developments, as well as the associated agreements, warranted particular audit focus. This is due to the magnitude of the transaction and the potential for complex contractual terms introducing judgement into how the elements of the agreements were accounted for.	For the PKM Developments investment property acquisitions and associated agreements we made enquiries with management in order to understand their nature and obtained and reviewed supporting documentation as necessary to verify the transaction, including the effective date, consideration and assets acquired. We also understood the nature of the transaction and assessed the accounting treatment of the transaction as a business combination in relation to the Group's accounting policies and relevant International Financial Reporting Standards. As this represents a related party transaction, we considered whether the transaction price was based on asset fair values and considered the adequacy of the disclosure. No material exceptions were identified as a result of our testing.

OTHER INFORMATION

The other information comprises all of the information in the Consolidated Annual Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAS REAL ESTATE INC. (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with our engagement letter dated 17 December 2018 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Nicola Shepstone
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
4 September 2019


Carrefour
BAIA MARE VALUE CENTRE
BAIA MARE, ROMANIA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Rental income	5	57,619,556	37,452,513
Service charge income and other recoveries	7	12,455,268	5,954,048
Revenue		**70,074,824**	**43,406,561**
Service charge and other property operating expenses	8	(18,478,661)	(11,073,518)
Net rental income		**51,596,163**	**32,333,043**
Sales of inventory property	6	39,164,705	26,020,940
Cost of sales of inventory property	6,19	(31,013,909)	(21,704,016)
Profit on sales of inventory property		8,150,796	4,316,924
Other income	9	7,259,104	8,585,032
Corporate expenses	12	(5,627,077)	(4,946,973)
Investment expenses	10	(3,210,128)	(1,976,096)
Net operating income		**58,168,858**	**38,311,930**
Fair value adjustments	11	(7,631,570)	(15,800,127)
Foreign currency exchange differences	13	(364,553)	(1,020,787)
Share of profit from equity accounted investees, net of tax	21	11,009,325	3,568,925
Gain on bargain purchase	32	12,263,193	—
Goodwill impairment	16	—	(1,274,346)
Profit before finance income/(costs)		**73,445,253**	**23,785,595**
Finance income	14	12,057,819	7,975,558
Finance costs	14	(10,251,058)	(5,560,344)
Profit before tax		**75,252,014**	**26,200,809**
Current tax	15	(3,948,325)	(5,556,002)
Deferred tax	15	(9,425,315)	(1,311,385)
Tax expense		**(13,373,640)**	**(6,867,387)**
Profit for the year		**61,878,374**	**19,333,422**
Attributable to:			
Owners of the group		55,035,797	16,856,306
Non-controlling interest	26	6,842,577	2,477,116
Profit for the year		**61,878,374**	**19,333,422**
Basic earnings per share (euro cents)	37	8.63	2.92
Diluted earnings per share (euro cents)	37	8.63	2.92

The consolidated annual financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Profit for the year		**61,878,374**	**19,333,422**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences	25	(1,338,770)	(1,207,816)
Total comprehensive income for the year		**60,539,604**	**18,125,606**
Attributable to:			
Owners of the group		53,697,027	15,648,490
Non-controlling interest	26	6,842,577	2,477,116
Total comprehensive income for the year		**60,539,604**	**18,125,606**

The consolidated annual financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Non-current assets			
Investment property	17	872,062,423	579,212,345
Intangible assets	16	30,646,739	22,592,493
Investment in equity-accounted investees	21	21,888,261	23,774,222
Financial assets	28	174,903,452	105,394,992
Property, plant and equipment		317,961	485,620
Deferred tax asset	15	4,280,027	607,179
Financial investments	20	—	183,052,263
Total non-current assets		**1,104,098,863**	**915,119,114**
Current assets			
Financial assets	28	11,593,528	24,507,316
Inventory property	19	5,269,960	1,293,501
Investment property held for sale	18	92,609,919	53,588,444
Financial investments	20	87,814,010	—
Trade and other receivables	30	17,305,972	16,148,333
Cash and cash equivalents	22	71,155,130	147,825,624
Total current assets		**285,748,519**	**243,363,218**
Total assets		**1,389,847,382**	**1,158,482,332**
Equity			
Share capital	23	824,686,464	829,250,399
Geared share purchase plan shares	23	(8,299,075)	(12,863,010)
Retained earnings		53,864,243	48,616,712
Share-based payment reserve	24	975,364	1,031,739
Foreign currency translation reserve	25	(13,106,889)	(11,768,119)
Equity attributable to owners of the group		**858,120,107**	**854,267,721**
Non-controlling interest	26	7,439,002	2,527,202
Total equity		**865,559,109**	**856,794,923**
Non-current liabilities			
Interest-bearing borrowings	27	312,754,576	214,407,455
Financial liabilities	29	2,735,096	1,696,005
Deferred tax liability	15	26,269,767	6,139,373
Total non-current liabilities		**341,759,439**	**222,242,833**
Current liabilities			
Interest-bearing borrowings	27	143,706,744	28,305,652
Financial liabilities	29	17,309,393	36,121,577
Trade and other payables	31	21,271,411	14,733,264
Provisions		241,286	284,083
Total current liabilities		**182,528,834**	**79,444,576**
Total liabilities		**524,288,273**	**301,687,409**
Total shareholders' equity and liabilities		**1,389,847,382**	**1,158,482,332**
Actual number of ordinary shares in issue	23	637,493,798	637,493,798
IFRS Net Asset Value per share (euro cents)		134.6	134.0

The consolidated annual financial statements should be read in conjunction with the accompanying notes.

These consolidated annual financial statements were approved by the board and signed on 2 September 2019 on their behalf by:

Ron Spencer
Chairman

Paul Osbourn
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Euro	Note	Share capital	Geared share purchase plan shares (treasury shares)	Retained earnings	Share-based payment reserve	Foreign currency translation reserve	Equity attributable to owners of the group	Non-controlling interest	Total equity
Balance at 30 June 2017		**557,556,273**	**(21,056,010)**	**55,888,038**	**225,973**	**(10,560,303)**	**582,053,971**	**988,063**	**583,042,034**
Comprehensive income for the year									
Profit for the year		—	—	16,856,306	—	—	**16,856,306**	2,477,116	**19,333,422**
Other comprehensive loss		—	—	—	—	(1,207,816)	**(1,207,816)**	—	**(1,207,816)**
Total comprehensive profit/(loss) for the year		**—**	**—**	**16,856,306**	**—**	**(1,207,816)**	**15,648,490**	**2,477,116**	**18,125,606**
Equity transactions									
Share-based payment reserve		—	—	—	805,766	—	**805,766**	—	**805,766**
Total equity transactions		**—**	**—**	**—**	**805,766**	**—**	**805,766**	**—**	**805,766**
Transactions with the owners of the group and non-controlling interest									
Issue of shares	23	295,836,210	—	—	—	—	**295,836,210**	—	**295,836,210**
Shares forfeited and cancelled	23	(8,193,000)	8,193,000	—	—	—	**—**	—	**—**
Distributions	23,26	(15,949,084)	—	(24,127,632)	—	—	**(40,076,716)**	(937,977)	**(41,014,693)**
Total other transactions with the owners of the group and non-controlling interest		**271,694,126**	**8,193,000**	**(24,127,632)**	**—**	**—**	**255,759,494**	**(937,977)**	**254,821,517**
Balance at 30 June 2018		**829,250,399**	**(12,863,010)**	**48,616,712**	**1,031,739**	**(11,768,119)**	**854,267,721**	**2,527,202**	**856,794,923**
Comprehensive income for the year									
Profit for the year		—	—	55,035,797	—	—	**55,035,797**	6,842,577	**61,878,374**
Other comprehensive loss		—	—	—	—	(1,338,770)	**(1,338,770)**	—	**(1,338,770)**
Total comprehensive profit/(loss) for the year		**—**	**—**	**55,035,797**	**—**	**(1,338,770)**	**53,697,027**	**6,842,577**	**60,539,604**
Equity transactions									
Share-based payment reserve		—	—	—	(56,375)	—	**(56,375)**	—	**(56,375)**
Total equity transactions		**—**	**—**	**—**	**(56,375)**	**—**	**(56,375)**	**—**	**(56,375)**
Transactions with the owners of the group and non-controlling interest									
Issue of shares	23	1,990,465	(1,990,465)	—	—	—	**—**	—	**—**
Shares forfeited and cancelled	23	(6,554,400)	6,554,400	—	—	—	**—**	—	**—**
Distributions	23,26	—	—	(49,788,266)	—	—	**(49,788,266)**	(1,930,777)	**(51,719,043)**
Total other transactions with the owners of the group and non-controlling interest		**(4,563,935)**	**4,563,935**	**(49,788,266)**	**—**	**—**	**(49,788,266)**	**(1,930,777)**	**(51,719,043)**
Balance at 30 June 2019		**824,686,464**	**(8,299,075)**	**53,864,243**	**975,364**	**(13,106,889)**	**858,120,107**	**7,439,002**	**865,559,109**

The consolidated annual financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Cash generated from operating activities	22	53,404,995	34,900,798
Adjustments:			
Decrease in receivables		1,677,151	1,029,613
Increase/(decrease) in payables		666,063	(904,406)
(Decrease)/increase in provisions		(39,869)	192,278
Interest received on PKM Developments preference shares	14,28	9,181,492	3,602,861
Tax paid on operating activities	15	(1,922,937)	(3,434,495)
Non-forfeitable distribution paid	24	(131,839)	—
Net cash from operating activities		**62,835,056**	**35,386,649**
Investing activities			
Acquisition of investment property	17	(87,550,000)	(79,650,439)
Capitalised expenditure and acquisition costs on investment property	17	(18,790,862)	(13,167,161)
Settlement of investment property acquisition retentions	29	(473,061)	(225,000)
Proceeds from the sale of investment property	17	—	24,057,746
Capitalised expenditure on investment property held for sale	18	(1,716,601)	(1,149,597)
Proceeds from the sale of investment property held for sale	18	49,256,991	7,353,427
Capitalised expenditure on inventory property	19	(37,990,366)	(17,676,966)
Proceeds from the sales of inventory property	6	46,609,143	17,571,371
Acquisition of subsidiaries net of cash acquired – business combination	32	(117,561,273)	—
Drawdown of PKM Developments preference shares	28	(70,000,000)	—
Acquisition of property, plant and equipment		(199,256)	(25,627)
Disposal of property, plant and equipment		171,270	—
Capitalised expenditure on intangible assets		(98,536)	(78,679)
Acquisition of financial investments	20	(16,729,049)	(199,557,215)
Proceeds from the disposal of direct financial investments	20	20,794,463	—
Proceeds from the disposal of direct financial investments - transferred to CFDs	20	116,089,335	—
Deposit of CFD collateral on CFD purchases	20	(52,406,643)	—
Receipt of CFD collateral on CFD disposals	20	6,201,159	—
Settlement of fair value adjustments on CFDs	20	(8,557,847)	—
Investment expenses paid	10	(2,574,609)	—
Finance cost paid – interest incurred on bank deposits	14	(249,093)	(332,222)
Finance income received – interest earned on bank deposits	14	259,726	4,223
Settlement of financial liability		(7,541,663)	(1,093,000)
Settlement of financial asset		—	66,097
Tax paid on investing activities	15	(2,543,183)	(1,541,766)
Cash used in investing activities		**(185,599,955)**	**(265,444,808)**
Financing activities			
Proceeds from the issue of share capital	23	—	279,917,834
Proceeds from interest-bearing borrowings	27	218,590,164	104,067,925
Transaction costs relating to interest-bearing borrowings	27	(2,534,979)	(1,431,560)
Repayment of capital on interest bearing-borrowings	27	(109,537,321)	(7,350,266)
Finance costs paid - interest on interest-bearing borrowings	14,27	(8,226,934)	(4,435,102)
Distributions paid to the owners of the group	23	(49,788,266)	(24,158,340)
Distributions paid to non-controlling interest	26	(1,930,777)	(937,977)
Cash generated from financing activities		**46,571,887**	**345,672,514**
Net (decrease)/increase in cash and cash equivalents		**(76,193,012)**	**115,614,355**
Cash and cash equivalents at the beginning of the year		147,825,624	33,017,502
Effect of movements in foreign exchange rate on cash held		(477,482)	(806,233)
Cash and cash equivalents at the end of the year	22	**71,155,130**	**147,825,624**

The consolidated annual financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. CORPORATE INFORMATION

MAS Real Estate Inc. (the "company" or "MAS") is domiciled in the British Virgin Islands ("BVI") and head quartered in the Isle of Man ("IoM"). These financial statements are as at, and for the year ended, 30 June 2019 and comprise the consolidated annual financial statements of the company and its subsidiaries, together "the group".

MAS is a real estate investment group with a portfolio of real estate investments across Europe. The group aims to deliver sustainable and growing distributions to shareholders over time.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

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

- Financial instruments classified as at fair value through profit or loss ("FVTPL"), refer to notes 28 and 29;
- Financial investments, refer to note 20;
- Share-based payments on grant date, refer to note 33;
- Investment property, refer to note 17; and
- Investment property held for sale, refer to note 18.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

USE OF JUDGEMENT AND ESTIMATION UNCERTAINTY

The board has made judgements, estimates and assumptions that affect the application of the group's accounting policies and the reported amounts in the financial statements. The directors continually evaluate these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based upon historical experience and on other factors that they believe to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions.

The key areas of judgement are:

- *Whether the acquisition of an investment property is a business combination:* The group applies judgement to the acquisition of investment property to determine whether the acquisition is the acquisition of an asset, a group of assets or a business combination in the scope of *IFRS 3 'Business Combinations'*. During the year the group acquired thirteen investment properties in five separate transactions. Three of the transactions are considered business combinations because inputs, outputs and substantive processes that are capable of providing a return were acquired, refer to note 32. The other two transactions were not considered to be business combinations, although inputs and outputs were acquired, the group did not acquire the substantive processes that would be required to provide a return, refer to note 17.

- *Whether there has been a significant increase in credit risk when assessing expected credit losses:* The group has an investment in PKM Developments Limited ("PKM Developments") through 7.5% preference shares which have a carrying amount of €174,128,273 at 30 June 2019 (2018: €105,045,768) (refer to note 28) and undrawn commitments of €250,000,000 (2018: €250,000,000) (refer to note 41). In accordance *IFRS 9 (2014) – Financial Instruments* the group is required to assess whether the credit risk of PKM Developments preference shares and undrawn commitments has increased significantly since initial recognition. Judgements are made to assess the credit risk, both quantitative and qualitative factors are considered in the assessment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

- *When to recognise revenue relating to the sales of inventory property:* Once a sale agreement contract is negotiated and a sale of property is agreed, the group assesses whether control is transferred at a point in time or over time. The judgement is based on the terms and conditions of the sale agreement, refer to note 19.

The key areas of estimation uncertainty are:

- Fair valuation:
  - *Investment property and Investment property held for sale:* External property valuation experts or where relevant, firm offers from market participants are used to determine the fair value of investment property. The external property valuation experts use recognised valuation techniques and apply the principles of IFRS 13: Fair Value Measurement. The methods and significant assumptions used by the valuers in estimating fair value are set out in notes 17 and 18.

  - *Financial instruments:* In determining the fair value of financial instruments measured at fair value through profit or loss, the group is required to make estimations of unobservable inputs in determining fair value. The methods and significant assumptions used in estimating fair value are set out in notes 28 and 29.

- *Loan commitments:* The group has committed to advancing funds to PKM Developments in the future by acquiring preference shares, refer to note 41. Judgements are made to assess the market related rate of these loan commitments. The group applies judgement in reviewing the loan commitments made and determined that the PKM Developments preference share commitments are a market related rate.

- *Continuous-sale transaction:* The group entered into an agreement with Legal and General Pensions Limited ("Legal and General") to dispose of the land that is designated for offices at New Waverley in Edinburgh and to develop the office on a forward funding basis. The transaction has been accounted for as a continuous-sale transaction and the following assumptions have been made to estimate the costs of completion to determine the amount of revenue recognised:
  - Construction costs; and
  - Stage of completion.

PRESENTATION CURRENCY

These consolidated annual financial statements are presented in euro, the group's presentation currency.

3. ADOPTION OF NEW AND REVISED STANDARDS

During the year ended 30 June 2019, the group adopted the following standards:

Amendments/improvements to standards and interpretations adopted
IFRS 9 (2014) - 'Financial Instruments'
IFRS 15 - 'Revenue from Contracts with Customers'
IAS 40 – 'Amendment to Clarify Transfers of Property to, or from, Investment Property'

The adoption of these standards does not affect previously reported numbers, however, there are additional disclosures requirements.

IFRS 9 (2014) – 'FINANCIAL INSTRUMENTS'

The group early adopted *IFRS 9 (2013) 'Financial Instruments'* for the year ended 30 June 2015 and adopted I*FRS 9 (2014) 'Financial Instruments' on 1 July 2018,* with effect from 1 July 2017. The 2014 amendments relate specifically to impairment and introduce an expected credit loss model which requires expected credit losses to be recognised on financial assets held at amortised cost. The group has determined that no changes are required on transition to *IFRS 9 (2014) 'Financial Instruments',* the amendment has no material impact on these consolidated annual financial statements, refer to note 4.

IFRS 15 – 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

This standard replaces *IAS 18 'Revenue', IAS 11 'Construction Contracts'* and related interpretations. It applies to contracts with customers except for lease contracts, finance insurance contracts, financial instruments and non-monetary exchanges between entities in the same business. The standard establishes a five-step model which determines whether, how much and when revenue is recognised.

The majority of the group's income is rental income from leases, which is in the scope of IAS 17 Leases and is therefore not affected by the new standard. The recognition and measurement requirements in *IFRS 15 'Revenue from Contracts with Customers'* are applicable for determining the timing of derecognition and the measurement of consideration (including applying the requirements for variable consideration) of any gains or losses on disposal of non-financial assets when that disposal is not in the ordinary course of business. The group has determined that no changes are required on transition to *IFRS 15 'Revenue from Contracts with Customers'*, for previous disposals of investment property that was held for rental income.

The group has identified the following revenue streams that are in the scope of *IFRS 15 'Revenue from Contracts with Customers':*

- Sales of inventory property; and
- Service charges and other recoveries.

The group adopted *IFRS 15 – 'Revenue from Contracts with Customers'* on 1 July 2018, with effect from 1 July 2017. The group has applied the full retrospective method and in accordance with the practical expedient for comparative periods has not disclosed the amount of the transaction price allocated to remaining performance obligations or provided an explanation of when the group expects to recognise a transaction price. The new standard requires additional disclosure which has resulted in a reclassification of previously reported numbers, refer to note 30.

IAS 40 – 'AMENDMENT TO CLARIFY TRANSFERS OF PROPERTY TO, OR FROM, INVESTMENT PROPERTY'

The amendments clarify when an entity should transfer property, including property under construction or developments into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The group adopted *IAS 40 'Investment property'* on 1 July 2018, with effect from 1 July 2017. There has been no impact on the numbers reported or on the disclosures as a result of the adoption of the amendment to *IAS 40 'Investment property.*

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 16 – 'Leases'	1 January 2019
IFRS 3 – Amendment to IFRS 3 'Business Combinations'	1 January 2020
IFRIC 23 – 'Uncertainty Over Income Tax Treatments'	1 January 2019
IAS 28 – Amendments to *IAS 28 'Investments in Associates and Joint Ventures'* on long term interests in an associate or joint venture	1 January 2019

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

3. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 16 – 'LEASES'

The standard applies to all lease contracts. The changes require lessees to recognise right of use assets and finance lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, which is substantially unchanged from *IAS 17 'Leases'*.

The group is a lessee under a number of lease contracts for example the group's head office. The group has assessed the impact of these leases and has concluded that there will be right of use assets and finance lease liabilities recognised when *IFRS 16 – 'Leases'* is adopted. However, the impact will not be material to the group. In addition, the group will also provide additional disclosure on operating leases it enters into as a lessor.

The group will adopt the new standard for the year ending 30 June 2020.

IFRS 3 – AMENDMENT TO IFRS 3 'BUSINESS COMBINATIONS'

The amendment clarifies the definition of a business combination to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendment:
- clarifies the minimum requirements for the business;
- removes the assessment of whether market participants are capable of replacing any missing elements;
- adds guidance to help entities assess whether an acquired process is substantive;
- narrows the definitions of a business and of outputs; and
- introduces an optional fair value concentration test to permit a simplified assessment.

The group will early adopt the amendment for the year ending 30 June 2020. Since the amendments apply prospectively to transactions that occur on or after the date of first application, transactions in prior periods do not need to be revisited. The group has assessed the impact of the amendment and expects fewer acquisitions of investment property to be recognised as business combinations.

IFRIC 23 – 'UNCERTAINTY OVER INCOME TAX TREATMENTS'

The amendment clarifies the accounting for uncertainties in income taxes.

The group has assessed the impact of the new interpretation and has concluded that it will have no material impact. The group will adopt the amendment for the year ending 30 June 2020.

IAS 28 – AMENDMENTS TO IAS 28 'INVESTMENTS IN ASSOCIATES AND JOINT VENTURES'

IAS 28 clarifies that an entity applies *IFRS 9 'Financial Instruments*' to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The group will adopt the amendment for the year ending 30 June 2020.

The group has assessed the impact of this amendment and has concluded that it is unlikely that there will be a significant impact. The preference shares in PKM Developments (refer to note 28) fall within the scope of the amendment. There will be no change to the accounting treatment of the preference shares as these are already recognised as a financial asset at amortised cost, under *IFRS 9 (2014) 'Financial Instruments'*.

4. SIGNIFICANT GENERAL ACCOUNTING POLICIES

For the specific principal accounting policies applied in the preparation of these consolidated annual financial statements, please refer to the corresponding notes. The following general principal accounting policies have been applied. All policies have been applied consistently to all years presented, unless otherwise stated.

PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group, refer to note 32. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

FINANCIAL INSTRUMENTS

i. INITIAL RECOGNITION AND MEASUREMENT

Financial instruments are recognised when the group becomes party to the contractual terms of the instrument. They are initially recognised at fair value plus any directly attributable transaction costs, except for attributable transaction costs attributable to financial instruments classified as at fair value through profit or loss, which are recognised in profit or loss as incurred.

ii. DESIGNATION AT FAIR VALUE

The group may elect to designate financial instruments at fair value that would otherwise meet the criteria to be classified as at amortised cost, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise if the financial instrument were measured at amortised cost. This election has been made for the CFD collateral held as German bonds, refer to note 20.

iii. FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss.

FINANCIAL ASSETS 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.

These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

IMPAIRMENT

The group recognises loss allowances for expected credit losses on: financial assets measured at amortised cost; lease receivables and contract assets.

For lease receivables, trade receivables and contract assets the group applies the simplified approach to measuring expected credit losses. Therefore, there is no need to monitor significant increases in credit risk and lifetime expected credit losses are recognised at all times.

For other financial assets such as PKM Developments preference shares and capital contribution receivable, as well as undrawn PKM Developments preference share commitments, 12 month expected credit losses are recognised where the financial asset is determined to have a low credit risk and for those financial instruments for which the credit risk has not increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition the group considers both quantitative and qualitative information that is reasonably available and such as: financial position, historic and future operating performance, payment delays, covenant breaches and general economic and market conditions.

Lifetime expected credit losses are expected defaults over the expected life of the financial asset. 12 month expected credit losses are expected defaults within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

4. SIGNIFICANT GENERAL ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets are classified as at fair value through profit or loss if they do not meet either criteria for classification of a financial asset at amortised cost or if they are held for trading; derivative financial instruments; or financial assets designated as fair value. The group initially recognises these financial assets at fair value at the trade date. These financial assets are subsequently measured at fair value and changes therein are recognised in profit or loss in the period in which they occur.

DERECOGNITION OF FINANCIAL ASSETS

The group derecognises a financial asset once the asset has been transferred, and the transfer of that asset is subsequently eligible for derecognition.

FINANCIAL INVESTMENTS

Financial investments held both directly and through contract for difference agreements are classified as a financial asset at fair value through profit or loss.

iv. FINANCIAL LIABILITIES

The group classifies its financial liabilities into the following categories: financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

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 through profit or loss. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities are classified as financial liabilities at fair value through profit or loss 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 asset 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 initially recognises these financial liabilities at fair value at the trade date. These financial liabilities are subsequently measured at fair value and changes therein are recognised in profit or loss in the period in which they occur.

DERECOGNITION OF FINANCIAL LIABILITIES

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

BORROWING COSTS

Interest-bearing borrowings are allocated to either specific or general borrowings. Specific or general borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. These are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

EMPLOYEE COSTS

Employee benefits comprise the total costs of employment to the group, which consist of: salary; annual leave; sick leave; employment taxes; employer pension contribution; and the current expense in relation to the geared share purchase plan. These employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5. RENTAL INCOME

ACCOUNTING POLICY

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

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

Turnover rent is included in rental income. Turnover rent is contingent on the turnover of the tenant, as such it is recognised as earned.

DISCLOSURE

Euro	**Year ended 30 June 2019**	**Year ended 30 June 2018**
Rental income	54,701,353	35,461,317
Turnover rent	2,918,203	1,991,196
	57,619,556	**37,452,513**

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

Euro	**Year ended 30 June 2019**	**Year ended 30 June 2018**
Edeka MIHA AG	5,855,519	5,837,967

The future aggregate minimum rental receivable under non-cancellable operating leases, excluding turnover based rent is as follows:

Euro	**As at 30 June 2019**	**As at 30 June 2018**
No later than 1 year	61,800,708	39,501,963
Greater than 1 year and less than 5 years	193,913,229	135,874,939
Greater than 5 years	233,892,915	182,238,453
	489,606,852	**357,615,355**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

6. PROFIT ON SALES OF INVENTORY PROPERTY

ACCOUNTING POLICY

The group enters into contracts with customers to sell property which is either complete or under development. Where contracts include development management services and consequently include the provision of a number of goods and services, the group determines whether the goods and services are distinct and accounts for them as a single performance obligation if they are not separately identifiable from other promises in the contract.

The group determines whether control is transferred at a point in time or over time based on the following:

- Sales of inventory property under development are recognised over time when the group's performance creates an asset that the customer controls as the asset is created. In these situations, the group recognises sales of inventory property to the extent that the performance obligations have been satisfied.
- Sales of inventory property under development are recognised on completion when control is transferred at a point in time.

For contracts where sales of inventory property are recognised over-time, the group's performance is measured using the input method, by reference to the costs incurred as a percentage of the total expected costs required to satisfy the performance obligation. The group excludes the effect of costs incurred that do not contribute to the group's performance obligations, such as wastage, and adjusts for costs incurred that are not proportionate to the group's progress in satisfying the performance obligations, such as uninstalled materials.

Where contracts for the sale of inventory property include a variable consideration, the transaction price is estimated and includes the impact of constraints. The group uses either the most likely value method or expected value method depending on which best predicts the transaction price.

The group does not adjust the transaction price for the effects of a financing component in the contract, where the group expects, at contract inception, that the period between the time the customer pays for the good or service and when the group transfers that promised good or service to the customer will be one year or less.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Sales of inventory property[1]		39,164,705	26,020,940
Cost of sales of inventory property	19	(31,013,909)	(21,704,016)
	22	**8,150,796**	**4,316,924**

[1] The group received cash of €46,609,143 (2018: €17,571,371) in relation to sales of inventory property, €7,444,438 (2018: €nil) of which relates to receivables from contract assets and receivables which were outstanding at 30 June 2018.

During the year a total profit of €8,150,796 (2018: €4,316,924) in relation to inventory property was recognised, which derives from the pre-let agreement and disposal of land agreement for the office component of the New Waverley development. Practical completion was achieved on 21 May 2019 (refer to note 19).

The following table reflects expected income for the future sale of a Travelodge hotel at Langley (i.e. income from contracts with customers which is expected to be recognised in the future relates to performance obligations that are unsatisfied at the reporting date).

	Year ended		
Euro	30 June 2020	30 June 2021	30 June 2022
Sales of inventory property	6,545,535	–	–

7. SERVICE CHARGE INCOME AND OTHER RECOVERIES

ACCOUNTING POLICY

The group has lease agreements in terms of which costs relating to common areas and general services are shared amongst tenants. The costs that can be recharged are specified in the lease agreements and are separately invoiced and are distinct non-lease components. The group allocates the consideration in the lease contracts to the lease component and to the non-lease component (revenue from contracts with customers) based on the relative stand-alone selling prices. The group recognises income in relation to these services over time when the performance obligations are satisfied.

As specified in the lease agreements, the group typically has the primary responsibility for providing services to tenants (such as electricity, water and gas utilities, interior and exterior cleaning, security, maintenance and repairs). The group negotiates all such contracts directly with the suppliers. The group is the principal in these transactions and therefore income and corresponding costs are presented gross, in accordance with *IFRS 15 Revenue from Contracts with Customers*.

The group negotiates and pays all expenses incurred to suppliers and then re-invoices these costs to tenants.

DISCLOSURE

Euro	**Year ended 30 June 2019**	**Year ended 30 June 2018**
Service charge income	12,069,596	5,711,794
Other recoverable expenses	385,672	242,254
	12,455,268	**5,954,048**

For disclosures on disaggregation of the income from contracts with customers by jurisdiction and the timing of income recognition, refer to note 36.

The group has elected to apply the practical expedient in paragraph 121 of *IFRS 15 'Revenue from Contracts with Customers'* and does not disclose information about remaining performance obligations for contracts in which the group has a right to consideration from tenants in an amount that corresponds directly with the value to the tenant of the group's performance completed to date.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

8. SERVICE CHARGE AND OTHER PROPERTY OPERATING EXPENSES

ACCOUNTING POLICY

Service charge and other property operating expenses are direct expenses incurred in relation to the property held by the group. These expenses comprise direct expenses in relation to income-generating investment property and are recognised in profit or loss in the period in which they are incurred.

Employee costs which relate to the operating of investment property are included in property operating expenses to the extent that they relate to income-generating property. They are capitalised where they relate to development property.

DISCLOSURE

Euro	Year ended 30 June 2019	Year ended 30 June 2018
Property expenses	10,120,066	4,291,513
Building repairs and maintenance	2,713,281	1,773,243
Property management expense	3,318,742	2,619,665
Marketing fees	975,315	827,768
Insurance expense	751,756	627,121
Legal fees	427,184	587,102
Other expenses	172,317	347,106
	18,478,661	**11,073,518**

9. OTHER INCOME

ACCOUNTING POLICY

Other income includes dividend income from direct financial investments, dividend income earned on contracts for difference ("CFDs") and other income that cannot be directly attributed to investment property. Dividend income earned on direct financial investments is recognised in profit or loss on the date on which the group's right to receive payment is established. Such dividends are disclosed gross of tax, with any tax consequences included as part of tax, as the group is liable to settle the related taxes. Where financial investments are held via CFDs, swaps or similar instruments, dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established, net of tax, as the group's counterparty is liable for the related taxes.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Dividend income earned on direct financial investments	20	3,812,126	8,423,423
Dividend income earned on CFDs	20	2,877,952	—
Other		569,026	161,609
		7,259,104	**8,585,032**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

10. INVESTMENT EXPENSES

ACCOUNTING POLICY

Investment expenses are incurred in the process of acquiring investment property and listed real estate equity securities that are not capitalised. They are recognised in profit or loss in the period in which they are incurred.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Transaction fees on business combinations	32	1,886,510	–
Transaction fees on disposal of investment property		894,767	–
Transaction fees on listed real estate equity securities		421,143	759,726
Transaction fees on aborted transactions		7,708	1,216,370
		3,210,128	**1,976,096**

Of the €3,210,128 (2018: €1,976,096) incurred in the year, €2,574,609 (2018: €1,976,096) was paid in cash.

11. FAIR VALUE ADJUSTMENTS

ACCOUNTING POLICY

The following items are measured at fair value at the reporting date with changes in fair value being recognised within fair value adjustments in profit or loss in the period in which they occur:

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Fair value adjustments			
Gain/(loss) on fair value of investment property		24,086,880	(721,387)
Gain on fair value of investment property held for sale		958,055	2,766,206
Loss on fair value of financial investments		(29,846,835)	(16,504,952)
Gain on fair value of financial assets		432,554	350,585
Loss on fair value of financial liabilities		(3,262,224)	(1,690,579)
	22	**(7,631,570)**	**(15,800,127)**
Detailed as follows:			
Change in fair value of investment property			
Income-generating	17	30,317,578	13,439,408
Development	17	(474,743)	(4,559,691)
Land bank	17	(5,755,955)	(9,601,104)
		24,086,880	**(721,387)**
Change in fair value of investment property held for sale			
Investment property held for sale	18	958,055	2,766,206
		958,055	**2,766,206**
Change in fair value of financial investments			
Direct financial investments	20	(21,048,713)	(16,504,952)
CFD collateral	20	(240,275)	—
CFD gross exposure	20	(8,557,847)	—
		(29,846,835)	**(16,504,952)**
Change in fair value of financial assets			
Interest rate swaps	28	432,554	350,585
		432,554	**350,585**
Change in fair value of financial liabilities			
Interest rate swaps	29	(1,473,614)	(123,226)
Development management fee	29	(660,671)	(682,956)
Priority participating profit dividend	29	(1,127,939)	(884,397)
		(3,262,224)	**(1,690,579)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

12. CORPORATE EXPENSES

ACCOUNTING POLICY

Corporate expenses are those expenses other than direct property expenses. They are recognised in profit or loss in the period in which they are incurred.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Employee costs and non-executive Director fees		2,508,695	2,526,935
Office and administration expenses		1,112,354	1,288,761
Legal and professional		722,601	374,986
Audit and accounting fees		559,937	352,282
Investor communications		535,795	176,886
Depreciation	22	101,341	100,026
Listing fees		86,354	127,097
		5,627,077	**4,946,973**

13. FOREIGN CURRENCY EXCHANGE DIFFERENCES

ACCOUNTING POLICY

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

Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated at the rate at the date the fair value was determined. Non-monetary items that are measured based on the historical cost basis in a foreign currency are translated at the rate at the date of the transaction.

Foreign currency exchange differences are recognised in profit or loss.

For the purpose of presenting consolidated annual financial statements, the assets and liabilities of the group's foreign operations are translated to euros using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest. Such exchange differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments that arise on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Foreign currency exchange differences	22	**364,553**	**1,020,787**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

14. FINANCE INCOME AND FINANCE COSTS

ACCOUNTING POLICY

Finance income and finance costs include the following:
- Interest income from financial assets held at amortised cost; and
- Interest expense from financial liabilities held at amortised cost.

Finance income and costs are recognised using the effective interest method.

DISCLOSURE

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Finance income			
Interest on PKM Developments preference shares	28	11,194,662	7,514,384
Amortisation of capital contribution receivable	28	603,431	456,951
Interest on bank deposits		259,726	4,223
	22	**12,057,819**	**7,975,558**
Finance costs			
Interest on interest bearing borrowings	27	(9,398,534)	(4,771,171)
Amortisation of capital contribution payable	29	(603,431)	(456,951)
Interest on bank deposits		(249,093)	(332,222)
	22	**(10,251,058)**	**(5,560,344)**

CASH FLOWS

The group received finance income of €9,441,218 (2018: €3,607,084) during the year. The amount relates to €9,181,492 (2018: €3,602,861) of finance income received from operating activities and €259,726 (2018: €4,223) of finance income received from investing activities.

The group paid finance costs of €8,476,027 (2018: €4,767,324) during the reporting year. The amount relates to €249,093 (2018: €332,222) of finance costs paid from investing activities and €8,226,934 (2018: €4,435,102) of finance costs paid from financing activities.

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15. TAX

ACCOUNTING POLICY

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

CURRENT TAX

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

DEFERRED TAX

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. For deferred tax on investment property there is a rebuttable presumption that the carrying amount is realised through sale.

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

DISCLOSURE

CURRENT TAX

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

The group's tax includes the following:

Euro	**Note**	**Year ended 30 June 2019**	**Year ended 30 June 2018**
Current tax		3,948,325	5,556,002
Deferred tax		9,425,315	1,311,385
Tax expense	22	**13,373,640**	**6,867,387**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

15. TAX (CONTINUED)

DISCLOSURE (CONTINUED)

The current tax, for each jurisdiction is as follows:

	Year ended 30 June 2019		Year ended 30 June 2018	
	Applicable rate (%)	Tax (Euro)	Applicable rate (%)	Tax (Euro)
Income tax				
Isle of Man	0.0	–	0.0	–
UK – income tax	20.0	601,595	20.0	779,132
UK – corporation tax	19.0	1,545,817	19.0	2,394,030
Jersey	0.0	–	0.0	–
Germany	15.8	415,745	15.8	210,255
Poland	19.0	357,080	19.0	66,792
Switzerland	26.8	24,166	26.8	23,683
Netherlands	20.0	32,878	20.0	25,689
Bulgaria	10.0	–	10.0	–
Romania	16.0	16,880	16.0	–
Withholding tax				
Poland	5.0	104,116	5.0	(281,974)
UK	20.0	250,797	20.0	144,982
France	30.0	374,985	30.0	2,174,252
Sweden	15.0	–	15.0	55,170
Netherlands	15.0	160,390	15.0	–
Luxembourg	15.0	4,619	15.0	–
Wealth tax				
Switzerland	0.2	(5,567)	0.2	19,490
Luxembourg	0.5	64,824	0.5	(55,499)
		3,948,325		**5,556,002**

The UK corporation tax relates to the following sales at New Waverley, refer to note 19:
- tax on disposal of office land of €nil (2018: €1,581,195); and
- tax on sale of inventory property of €1,545,817 (2018: €812,835).

The group paid €4,466,120 (2018: €4,976,261) in total tax during the year. The amount relates to €1,922,937 (2018: €3,434,495) for tax paid on operating activities and €2,543,183 (2018: €1,541,766) for tax paid on investing activities.

RECONCILIATION OF DEFERRED TAX:

Euro	Note	Year ended 30 June 2019	Year ended 30 June 2018
Net deferred tax liability brought forward		**5,532,194**	**4,240,319**
Current year deferred tax movement		9,425,315	1,311,385
Deferred tax recognised from business combinations	32	7,019,729	–
Foreign currency translation difference in OCI		12,502	(19,510)
Net deferred tax liability carried forward		**21,989,740**	**5,532,194**

The net deferred tax liability is split as follows:

Euro	As at 30 June 2019	As at 30 June 2018
Revaluation of investment property and investment property cumulative statutory tax allowance	569,462	295,638
Fiscal losses	2,961,578	311,541
Other deductible temporary differences	748,987	—
Deferred tax asset	**4,280,027**	**607,179**
Revaluation of investment property and investment property cumulative statutory tax allowance	(26,059,974)	(6,079,801)
Other deductible temporary differences	(209,793)	(59,572)
Deferred tax liabilities	**(26,269,767)**	**(6,139,373)**
Net deferred tax liability	**(21,989,740)**	**(5,532,194)**

The group recognises deferred taxes on temporary differences on an asset by asset basis in line with the accounting policy. In practice, if the group chose to dispose of certain assets and effected some of the disposals by selling the share in separate entities that hold the assets, this would significantly reduce the effective tax rate on potential capital gains.

RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended 30 June 2019		Year ended 30 June 2018	
	%	**Euro**	**%**	**Euro**
Profit before tax		**75,252,014**		**26,200,809**
Tax using the company's domestic rate	0.0	—	0.0	—
Effect of tax rates in foreign jurisdictions	(5.2)	(3,866,618)	(22.5)	(5,894,358)
(Under)/over provision in respect of prior years	(0.1)	(81,707)	1.3	338,356
Current tax	**(5.3)**	**(3,948,325)**	**(21.2)**	**(5,556,002)**
Change in recognised deductible temporary differences				
Revaluation of investment property	(11.2)	(8,291,209)	1.9	488,574
Investment property cumulative statutory tax allowance	(2.0)	(1,449,513)	0.0	(2,172,115)
Fiscal losses	(0.2)	(142,109)	0.0	312,584
Other temporary differences	0.6	457,516	(6.9)	59,572
Deferred tax	**(12.8)**	**(9,425,315)**	**(5.0)**	**(1,311,385)**
Total tax expense	**(18.1)**	**(13,373,640)**	**(26.2)**	**(6,867,387)**

The Isle of Man domestic tax rate of 0% (2018: 0%) was considered the most meaningful rate on the basis that the profits are earned across several jurisdictions and none of those jurisdictions dominates the group's portfolio.

The other taxable temporary differences relate to prepayments, accruals and deferred income.

There has been no change in the applicable tax rates. The primary reason for the decrease in the effective tax rate from 26.2% for the year ended 30 June 2018 to 18.1% for the year ended 30 June 2019 is as a result of changes in the geographical mix of profits.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

16. INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of net identifiable assets acquired and liabilities assumed.

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

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

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

Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets are not yet in use and therefore have not been amortised.

DISCLOSURE

Euro	As at 30 June 2019	As at 30 June 2018
Goodwill	30,252,168	22,292,997
Other intangible assets	394,571	299,496
	30,646,739	**22,592,493**

GOODWILL

Euro	Shopping centre portfolio	MAS Prop	New Waverley	Total
	—			
Balance at 30 June 2017	—	**22,464,861**	**1,279,975**	**23,744,836**
Foreign currency translation difference in OCI	—	(171,864)	(5,629)	**(177,493)**
Impairment	—	—	(1,274,346)	**(1,274,346)**
Balance at 30 June 2018		**22,292,997**	**—**	**22,292,997**
Acquisition of subsidiaries	8,217,955	—	—	**8,217,955**
Foreign currency translation difference in OCI	—	(258,784)	—	**(258,784)**
Balance at 30 June 2019	**8,217,955**	**22,034,213**	**—**	**30,252,168**

MAS PROP

On 15 October 2014 the group internalised the investment adviser by acquiring 100% of the share capital and voting rights of MAS Property Advisors Limited ("MAS Prop"). The internalisation resulted in recognition of goodwill. No impairment loss was recognised as a result of the group's annual impairment test of goodwill in relation to MAS Prop (2018: €nil).

The recoverable amount of the MAS Prop CGU was based on the value in use, using a discounted cash flow methodology. Under the investment advisory agreement, MAS Prop is entitled to a fee based upon the net asset value of the group. As a result of the significant growth in the group's net asset value, the cash flows over the remaining forecast period are substantially in excess of those originally forecast at the time of acquisition. Consequently, the value in use of the MAS Prop CGU is significantly higher than the carrying amount of goodwill.

All cash flows in the value in use calculation were forecast for a period of 5 years (2018: 6 years). Budgeted EBITDA was based on expectations of future outcomes based on past experience, adjusted for anticipated net asset growth of the group and increases in operating expenses.

The following key assumptions were used to estimate value in use:

Inputs	As at 30 June 2019	As at 30 June 2018
Pre-tax discount rate	6.20%	6.49%
Annual increase in revenue	2.00% – 3.00%	2.00% – 3.00%
Annual increase in operating expenses	2.00% – 3.00%	2.00% – 4.00%
Budgeted period	5 years	6 years

The key assumptions were derived from the following:

PRE-TAX DISCOUNT RATE

The weighted average cost of capital of MAS Prop.

ANNUAL INCREASE IN REVENUE AND ANNUAL INCREASE IN OPERATING EXPENSES

The operating budgets of MAS Prop.

BUDGETED PERIOD

The pre-existing investment advisory agreement.

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

SHOPPING CENTRE PORTFOLIO

On 28 February 2019, the group acquired 9 investment properties from PKM Developments through the acquisition of 100% of the share capital of the respective holding companies. The acquisition resulted in recognition of goodwill, refer to note 32.

The goodwill arising on the acquisition of the shopping centre portfolio has been allocated to the 9 properties as individual cash generating units. The recoverable amounts of the CGUs were based on the value in use, using a discounted cash flow methodology and reduced by the amount of deferred tax liability of €7,582,389 recognised in the business combination, refer to note 32.

The following key assumptions were used to estimate value in use:

Inputs	As at 30 June 2019
Discount rate	9.30% - 9.80%
Annual net rental growth	2.00%
Reversionary discount rate	7.50%
Estimated rental value per annum	€8.15 million

The key assumptions were derived from the independent external valuation report:

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

17. INVESTMENT PROPERTY

ACCOUNTING POLICY

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

Investment property is treated as a long-term investment and is initially recognised at cost (including related transaction costs unless acquired as part of a business combination). It is subsequently measured at fair value, with any changes therein recognised in profit or loss. Subsequent expenditure that produces future economic benefit to the group is capitalised.

Fair value is calculated using the income approach. The income approach is based on the discounting or capitalisation of present and predicted income (cash flows), which may take a number of different forms, to produce a single current capital value. Among the forms taken, discounting of a specific income projection and the capitalisation of a conventional market-based income can both be considered appropriate depending on the type of asset and whether such an approach would be adopted by market participants. Management has based valuations on discounted cashflows, capitalisation rate and residual valuation forms of the income approach.

External valuations, where applicable, are performed by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience of valuing that type and location of investment property.

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

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

DISCLOSURE

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

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

Euro	**As at 30 June 2019**	**As at 30 June 2018**
Income-generating property	852,839,611	546,238,139
Development property	—	—
Land bank	19,222,812	32,974,206
	872,062,423	**579,212,345**

All investment property is held at fair value.

As at 30 June 2019

Euro	Note	Income-generating	Development	Land bank	Total
Opening balance		**546,238,139**	**—**	**32,974,206**	**579,212,345**
Property acquisitions		87,550,000	—	—	**87,550,000**
Property acquired in business combinations	32	249,113,571	—	—	**249,113,571**
Capitalised acquisition costs		7,135,174	—	—	**7,135,174**
Capitalised expenditure[1]		4,753,292	475,121	6,781,037	**12,009,450**
Capitalised interest on general borrowings	27	—	—	351,556	**351,556**
Transfer to investment property held for sale	18	(71,090,000)	—	(14,779,050)	**(85,869,050)**
Fair value adjustment	11	30,317,578	(474,743)	(5,755,955)	**24,086,880**
Foreign currency translation difference		(1,178,143)	(378)	(348,982)	**(1,527,503)**
Closing balance		**852,839,611**	**—**	**19,222,812**	**872,062,423**

[1] The group paid €18,790,862 in relation to capitalised expenditure during the year.

As at 30 June 2018

Euro	Note	Income-generating	Development	Land bank	Total
Opening balance		**494,519,173**	**30,081,795**	**39,690,960**	**564,291,928**
Property acquisitions		80,123,500	—	—	**80,123,500**
Property disposals		—	(24,057,746)	—	**(24,057,746)**
Transfers			(3,434,151)	3,434,151	**—**
Capitalised expenditure		2,890,738	2,954,116	7,322,307	**13,167,161**
Capitalised interest on general borrowings	27	—	—	569,031	**569,031**
Transfer to investment property held for sale	18	(43,082,065)	—	(8,246,692)	**(51,328,757)**
Transfer to inventory property	19	—	(1,078,030)	—	**(1,078,030)**
Fair value adjustment	11	13,439,408	(4,559,691)	(9,601,104)	**(721,387)**
Foreign currency translation difference		(1,652,615)	93,707	(194,447)	**(1,753,355)**
Closing balance		**546,238,139**	**—**	**32,974,206**	**579,212,345**

LEASE INCENTIVE ACCRUALS

Income-generating investment property has been adjusted to take into account lease incentive accruals as follows:

Euro	Note	As at 30 June 2019	As at 30 June 2018
Gross valuation		855,028,317	546,517,759
Lease incentive accrual	30	(2,188,706)	(279,620)
Carrying value		**852,839,611**	**546,238,139**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

17. INVESTMENT PROPERTY (CONTINUED)

ACQUISITIONS

During the year, the group acquired the following investment properties:

BUSINESS COMBINATION ACQUISITIONS

MILITARI SHOPPING CENTRE, ROMANIA

On 5 July 2018, the group acquired Militari through the acquisition of 100% of the share capital of a holding company, refer to note 32. The investment property value at the acquisition date was €93,854,946.

ATRIUM MALL, ROMANIA

On 5 December 2018, the group acquired Atrium through the acqusition of 100% of the share capital of a holding company, refer to note 32. The investment property value at the acquisition date was €48,930,000.

SHOPPING CENTRE PORTFOLIO, ROMANIA

On 28 February 2019, the group acquired 9 investment properties from PKM Developments through the acquisition of 100% of the share capital of the respective holding companies, refer to note 32. The investment property value at the acquisition date was €106,328,625.

INVESTMENT PROPERTY ACQUISITIONS

BRAUNSCHWEIG, GERMANY

On 1 August 2018 the group acquired a retail park and a neighbourhood value centre, both located in Braunschweig, Germany for €25,000,000.

FLENSBURG SHOPPING CENTRE, GERMANY

On 14 January 2019 the group acquired a shopping centre located in Flensburg, Germany ("Flensburg") for €62,550,000.

INTEREST-BEARING BORROWINGS

Bank borrowings of €330,258,140 (2018: €220,488,013) are secured against investment property, refer to note 27. The group has designated bank borrowings drawn down in the year of €218,590,164 as general borrowings (2018: €104,067,925). During the year interest costs on general borrowings of €351,556 (2018: €569,031) (refer to note 27) have been capitalised and are included within land bank and inventory property, refer to the tables in this note and note 19 respectively.

MEASUREMENT OF FAIR VALUES

VALUATION PROCESS FOR LEVEL 3 INVESTMENT PROPERTY

On an annual basis the fair value of investment property is determined, where applicable, by external independent property valuation experts or, where relevant, firm offers from market participants. External valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. For details of the respective valuers used refer to page 114.

For all investment properties their current use equates to the highest and best use. The external valuations received are initially reviewed by the relevant internal asset manager and compared to the expectation of what fair value would be for the specific property. If the asset manager agrees with the methodological accuracy of the valuation, the valuation reports are then assessed to confirm the numerical and methodological accuracy. The reports are then reviewed, and approved by, the Portfolio Management Committee and the Investment Committee. Thereafter, a summary is reviewed by the Audit and Risk Committee prior to the approval of the annual financial statements.

FAIR VALUE HIERARCHY

The fair value measurement of the group's investment properties has been categorised as level 3 in the fair value hierarchy due to the significant unobservable inputs applied in the valuation technique used.

As at 30 June 2019		**Fair value**		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Income-generating property	852,839,611	–	–	852,839,611
Land bank	19,222,812	–	–	19,222,812
	872,062,423	**–**	**–**	**872,062,423**

As at 30 June 2018		**Fair value**		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Income-generating property	546,238,139	–	–	546,238,139
Land bank	32,974,206	–	–	32,974,206
	579,212,345	**–**	**–**	**579,212,345**

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

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

As at 30 June 2019

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Income-generating property	*Discounted cash flows (DCF):* The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/ (lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
	Capitalisation rate: The valuation model considers the value of the property based on actual location, size and quality of the property taking into account market data and the capitalisation rate of future income streams at the valuation date.	• Capitalisation rate • Estimated rental value	The estimated fair value would increase/(decrease) if: • The capitalisation rate was lower/(higher) • The estimated market rent was higher/(lower)
	Residual method: The valuation model considers the gross development value of the property based on an independent view of market values for the completed development less any costs to complete.	• Costs to complete • Gross development value	The estimated fair value would increase/(decrease) if: • The budgeted costs to complete was lower/(higher) • The residential unit price was higher/(lower)
Land bank	*Residual method:* The valuation model considers the gross development value of the property based on an independent view of market values for the completed development less any costs to complete.	• Costs to complete • Gross development value	The estimated fair value would increase/(decrease) if: • The budgeted costs to complete was lower/(higher) • The residential unit price was higher/(lower)

CHANGE TO VALUATION METHOD USED

At 30 June 2018 the fair value of Uberior House was its purchase price as a result of the acquisition occurring close to the year end. At 30 June 2019, the group has obtained an independent valuation, and the valuation technique used was the capitalisation rate method. At 30 June 2018 the fair value of Land bank was valued at firm offers less costs to complete. At 30 June 2019 the group has obtained independent valuations, and the valuation technique used was the residual value method.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

17. INVESTMENT PROPERTY (CONTINUED)

MEASUREMENT OF FAIR VALUES(CONTINUED)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2019

INCOME-GENERATING PROPERTY

		Significant unobservable inputs											
		Discount rate			Net rental growth			Reversionary discount rate			Estimated rental value		
			Sensitivity			Sensitivity			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input**	**Change**	**Valuation**	**Input**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
DCF	€677,106,454	2.99%-11.75%	0.5%	€650,652,896	1.00%-2.00%	2.5%	€724,264,415	5.00%-9.50%	0.5%	€655,624,580	€51,595,099	10%	€716,164,970
			-0.5%	€712,126,793		-2.5%	€640,612,871		-0.5%	€701,482,632		-10%	€638,953,321

		Significant unobservable inputs					
		Capitalisation rate			Estimated Rental Value		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
Capitalisation rate	€173,446,587	5.00%-6.37%	5%	€166,162,600	€11,447,756	5%	€186,464,690
			-5%	€192,262,840		-5%	€163,368,430

		Significant unobservable inputs					
		Gross Development Value			Costs to Complete		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
Residual method	€2,286,570	€2,412,658	5%	€2,382,266	€151,025	5%	€2,254,082
			-5%	€2,141,000		-5%	€2,269,184
	€852,839,611						

LAND BANK

		Significant unobservable inputs					
		Gross Development Value			Costs to Complete		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
Residual method	€19,222,812	€20,411,820	5%	€20,319,623	€1,189,007	5%	€19,163,458
			-5%	€18,200,363		-5%	€19,282,263

As at 30 June 2018

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Income-generating property	*Discounted cash flows:* The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/ (lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
	Purchase price: The valuation model takes into account the recent acquisition price no earlier than three months before the reporting date, equivalent to the amount a third party would be willing to pay.	• Purchase price	The estimated fair value would increase/(decrease) if: • The number of the interested parties was higher/(lower) and/or, • the availability of comparable properties was lower/(higher), thus altering the acquisition price
Land bank	*Firm offers less costs to complete:* Fair value is based on the amount a third party is willing to pay less any costs to complete.	• Firm offer • Cost to complete	The estimated fair value would increase/(decrease) if: • The number of the interested parties was higher/(lower) and/or • the availability of comparable properties was lower/(higher), thus altering the offer price • The budgeted costs to complete was lower/(higher)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

17. INVESTMENT PROPERTY (CONTINUED)

MEASUREMENT OF FAIR VALUES(CONTINUED)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2018

INCOME-GENERATING PROPERTY

		Significant unobservable inputs											
		Discount rate			Net rental growth			Reversionary discount rate			Estimated rental value		
			Sensitivity			Sensitivity			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input**	**Change**	**Valuation**	**Input**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
DCF	€466,114,639	4.50%-11.75%	0.5%	€441,185,461	1%-2%	2.5%	€499,013,575	5.25%-9.50%	0.5%	€449,480,278	€34,178,897	10%	€492,645,582
			-0.5%	€489,817,223		-2.5%	€442,139,843		-0.5%	€519,673,413		-10%	€437,771,688

		Purchase price		
			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**
Purchase price	€80,123,499	€80,123,499	5%	€84,129,674
				€76,117,324
	€546,238,139			

LAND BANK

		Firm offer			Costs to complete		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**	**Input**	**Change**	**Valuation**
Firm offers less costs to complete	€32,974,206	€38,094,775	5%	€34,878,944	(€5,120,569)	5%	€32,718,177
			-5%	€31,069,467		-5%	€33,230,234

18. INVESTMENT PROPERTY HELD FOR SALE

ACCOUNTING POLICY

Investment property is classified as held for sale if it is highly probable that the carrying amount of the property will be recovered primarily through its sale rather than through continuing use, and the following criteria are met:

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

The measurement requirements of *IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'*, do not apply to investment property, as such investment property continues to be measured at fair value once transferred to investment property held for sale.

DISCLOSURE

Euro	**As at 30 June 2019**	**As at 30 June 2018**
United Kingdom – Land bank	21,519,919	11,060,400
United Kingdom – Income-generating	—	42,528,044
Germany – Income-generating	71,090,000	—
	92,609,919	**53,588,444**

RECONCILIATION OF THE GROUP'S INVESTMENT PROPERTY HELD FOR SALE:

Euro	**Note**	**As at 30 June 2019**	**As at 30 June 2018**
Opening balance		**53,588,444**	**6,336,915**
Transfer from investment property	17	85,869,050	51,328,757
Disposals		(49,256,991)	(7,353,427)
Capitalised expenditure[1]		1,975,342	1,149,597
Retention release		—	(275,000)
Fair value adjustment	11	958,055	2,766,206
Foreign currency translation difference		(523,981)	(364,604)
Closing balance		**92,609,919**	**53,588,444**

[1] Of the €1,975,342 (2018: €1,149,597) capitalised expenditure incurred during the year the group paid €1,716,601 (2018: €1,149,597).

The group incurred capitalised expenditure of €1,975,342 (2018: €1,149,597) in order to maximise the capital value of the assets held for sale.

DISPOSALS

On 16 October 2018, the group disposed of the Premier Inn and Hub by Premier Inn and associated retail in Edinburgh, Scotland for £38,000,000 (approximately €41,783,812).

On 1 November 2018, the group disposed of a parcel of land which formed part of the New Waverley site in Edinburgh, Scotland for £6,700,000 (approximately €7,473,179).

INTEREST-BEARING BORROWINGS

Bank borrowings of €34,442,028 (2018: €22,225,094) are secured against investment property held for sale, refer to note 27.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

18. INVESTMENT PROPERTY HELD FOR SALE (CONTINUED)

MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

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

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

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

As at 30 June 2019

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Income-generating	Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	• Risk adjusted discount rates • Estimated rental value • Net rental growth • Reversionary discount rate	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/ (lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
Land bank	Residual method: The valuation model considers the gross development value of the property based on an independent view of market values for the completed development less any costs to complete.	• Costs to complete • Residential unit prices • Valuation yields • Funding yield	The estimated fair value would increase/(decrease) if: • The budgeted costs to complete was lower/(higher) and/or, • the residential unit price was higher/(lower)

CHANGE TO VALUATION METHOD USED

At 30 June 2018 the fair value of land bank investment property held for sale was determined using the firm offers less costs to sell valuation method. At 30 June 2019, given that the land bank assets had been held for sale for more than twelve months, the group decided to obtain an independent valuation and the valuation technique used was the residual value method.

Fair value sensitivity analysis

As at 30 June 2019

		Significant unobservable inputs											
		Discount rate			Net rental growth			Reversionary discount rate			Estimated rental value		
			Sensitivity			Sensitivity			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input %**	**Change**	**Valuation**	**Input %**	**Change**	**Valuation**	**Input %**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
DCF	€71,090,000	5.25%-6.20%	0.5%	€70,760,000	1.00%-2.00%	2.5%	€82,780,000	5.25%-7.25%	0.5%	€70,730,000	4,759,911	10.0%	€78,310,000
			-0.5%	€76,760,000		-2.5%	€66,910,000		-0.5%	€78,430,000		-10.0%	€68,790,000

		GDV			Cost to complete		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input p.a.**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
Residual method	€21,519,919	€23,305,619	5%	€22,68911,9	€1,853,972	5%	€21,426,705
			-5%	€20,350,710		-5%	€21,613,123

Total **€92,609,919**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

18. INVESTMENT PROPERTY HELD FOR SALE (CONTINUED)

MEASUREMENT OF FAIR VALUES (CONTINUED)

As at 30 June 2018

Investment property type	Valuation technique	Significant unobservable inputs	Inter-relation between key unobservable inputs and fair value measurement
Land bank	*Firm offers less costs to complete:* Fair value is based on the amount a third party is willing to pay less any costs to complete.	• Firm offer • Cost to complete	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/ (lower) • The estimated rental value was higher/(lower) • The reversionary discount rate was lower/(higher) • The risk adjusted discount rate was lower/(higher)
Income-generating	*Firm offers:* The valuation model takes into account the amount a third party is willing to pay.	• Firm offer	The estimated fair value would increase/(decrease) if: • The budgeted costs to complete was lower/(higher) and/or, • the residential unit price was higher/(lower)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2018

		Significant unobservable inputs		
		Firm offer		
			Sensitivity	
Technique	**Valuation**	**Input**	**Change**	**Valuation**
Firm offers	€42,528,044	€42,528,044	5%	€44,654,446
			-5%	€40,401,642

		Significant unobservable inputs					
		Firm offers			Costs to complete		
			Sensitivity			Sensitivity	
Technique	**Valuation**	**Input p.a.**	**Change**	**Valuation**	**Input p.a.**	**Change**	**Valuation**
Firm offers less costs to complete	€11,060,400	€13,688,705	5%	€11,744,836	€2,628,305	5%	€10,928,985
			-5%	€10,375,965		-5%	€11,191,816
Total	**€53,588,444**						

19. INVENTORY PROPERTY

ACCOUNTING POLICY

Inventory property is measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to make the sale. The cost of inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

DISCLOSURE

Euro	Note	As at 30 June 2019	As at 30 June 2018
Opening balance		**1,293,501**	**—**
Development expenditure[1]		34,937,271	21,918,133
Disposals (recognised in cost of sales of inventory property)	6	(31,013,909)	(21,704,016)
Transfer from investment property	17	—	1,078,030
General borrowings capitalised	27	68,113	1,354
Foreign currency translation reserve		(15,016)	—
Closing balance		**5,269,960**	**1,293,501**

[1] Of the €34,937,271 (2018: €21,918,133) development expenditure incurred during the year the group paid €37,990,366 (2018: €17,676,966) of which €3,053,095 (2018: €4,241,167) relates to construction payables at 30 June 2018 paid in the year ended 30 June 2019.

The group's inventory property at 30 June 2019 of €5,269,960 (2018: €1,293,501) relates to the construction of a Travelodge hotel at Langley. The group will recognise a disposal on completion of the hotel, which is the point at which control is transferred.

During the year inventory property of €31,013,909 (2018: €21,704,016) was disposed of and relates to the office component of the New Waverley development in Edinburgh. Control of the office component of the New Waverley development is passed over during the period up to practical completion. Practical completion was achieved on 21 May 2019.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

20. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

Refer to note 4 for the group's general accounting policy for financial instruments. Refer to note 22 for the group's accounting policy on cash.

DISCLOSURE

Financial investments other than cash have been classified as fair value through profit or loss. Accordingly, they are measured at fair value at the reporting date with changes in fair value recognised in profit or loss.

Euro	As at 30 June 2019	As at 30 June 2018
Non-current		
Direct financial investments	–	183,052,263
	–	**183,052,263**
Current		
Direct financial investments	41,848,801	–
CFD collateral	45,965,209	–
	87,814,010	**–**

The group's portfolio of listed real estate equity securities is used to manage liquidity, whilst generating a return on euro deposits awaiting investment, including to fund commitments to PKM Developments. In the prior year the portfolio of listed real estate equity securities were longer term strategc positions, and accordingly, were considered non-current.

During the current year, some of the direct financial investments were converted into Contracts for Difference ("CFDs") held with a large investment banking company. The CFDs require the group to maintain a minimum of 40% collateral on all CFD positions. On conversion the group received cash, referred to as the 'on acquisition funding leg', equal to the difference between the initial collateral amount and the initial notional gross exposure of the CFD. The funding leg, including subsequent variable exposure movements, is recognised as an off balance item.

Variable exposure movements in the market value of the gross CFD positions result in the group receiving or paying funds on a daily basis. Any dividends received on the CFD positions are paid directly to the group, net of tax, refer to note 9. The full notional exposure for all positions, including CFDs, are disclosed below.

	As at 30 June 2019						
					Funding leg		
	Share price (Euro)	Number of shares	Fair value direct investments (Euro)	CFD collateral (Euro)	On acquistion (Euro)	Variable exposure movement (Euro)	Gross exposure (Euro)
Direct financial investments							
Eurocommercial Properties NV	23.50	193,051	4,536,699	–	–	–	4,536,699
British Land Company PLC	6.01	1,625,000	9,758,519	–	–	–	9,758,519
Land Securities Group PLC	9.29	1,115,000	10,362,144	–	–	–	10,362,144
Empiric Student Property PLC	1.01	2,685,000	2,719,291	–	–	–	2,719,291
Primary Health Properties PLC	1.49	1,450,000	2,157,493	–	–	–	2,157,493
The PRS REIT PLC	1.05	750,000	786,348	–	–	–	786,348
Real Estate Credit Investments Ltd	1.90	1,582,760	3,009,989	–	–	–	3,009,989
Target Healthcare REIT Ltd	1.29	600,000	773,631	–	–	–	773,631
Tritax Big Box REIT PLC	1.72	4,500,000	7,744,687	–	–	–	7,744,687
			41,848,801	**–**	**–**	**–**	**41,848,801**
Contracts for difference							
Cofinimmo CMN	114.20	64,241	–	3,058,042	4,587,064	(308,784)	7,336,322
Intervest offices & warehouses CMN	24.70	131,641	–	1,312,885	1,969,328	(30,680)	3,251,533
Klepierre	29.48	1,626,364	–	20,393,457	30,590,185	(3,038,431)	47,945,211
Mercialys	11.61	772,934	–	4,033,438	6,050,158	(1,109,832)	8,973,764
Unibail-Rodamco	131.75	264,618	–	15,850,903	23,776,355	(4,763,836)	34,863,422
The PRS REIT PLC	1.05	3,000,000	–	1,316,484	1,974,256	(137,568)	3,153,172
			–	**45,965,209**	**68,947,346**	**(9,389,131)**	**105,523,424**
Total financial investments			**41,848,801**	**45,965,209**	**68,947,346**	**(9,389,131)**	**147,372,225**

Direct financial investments	As at 30 June 2018 Share price (Euro)	Number of shares	Fair value (Euro)
Eurocommercial Properties NV	36.36	497,333	18,083,028
Unibail – Rodamco Westfield SE	188.55	264,618	49,893,724
British Land Company PLC	7.60	1,625,000	12,350,045
Covivio SA	89.10	150,300	13,391,730
Hufvudstaden AB	12.28	1,083,000	13,295,975
Klepierre SA	32.25	1,626,364	52,450,239
Land Securities Group PLC	10.82	1,115,000	12,063,076
Mercialys SA	14.91	772,934	11,524,446
Total direct financial investments			**183,052,263**

RECONCILIATION OF FINANCIAL INVESTMENTS AT FAIR VALUE

Euro	Note	Direct financial investments	CFD collateral	CFD gross exposure
As at 30 June 2017		**—**	**—**	**—**
Purchases		199,557,215[2]	—	—
Fair value adjustment	11	(16,504,952)[1]	—	—
As at 30 June 2018		**183,052,263**	**—**	**—**
Purchases		16,729,049[2]	—	14,259,065[1]
Disposals		(20,794,463)[2]	—	(16,267,129)[1]
Transfer to CFD		(116,089,335)[2]	—	116,089,335[1]
CFD collateral in relation to purchases		—	52,406,643[2]	—
CFD collateral in relation to disposals		—	(6,201,159)[2]	—
Fair value adjustments	11	(21,048,713)[1]	(240,275)[1]	(8,557,847)[2]
As at 30 June 2019		**41,848,801**	**45,965,209**	**105,523,424**

[1] Non cash flow movements
[2] Cash flow movements

DIRECT FINANCIAL INVESTMENTS

Fair value adjustments in relation to direct financial investments represent the full fair value movement of the direct financial investment portfolio, including fair value movements on purchases and disposals during the year.

CFD COLLATERAL

The majority of the CFD collateral is required to be held in the form of German government bonds with a maturity of 1 year or less, with the remainder of CFD collateral held as cash. German bonds are carried at fair value through profit or loss. They have a maturity of 13 March 2020 and par value of €41,200,000. The total cost of the bonds purchased during the year was €41,430,636. The CFD collateral held as cash is carried at amortised cost.

Euro	Held as German bonds	Held as cash	Total
As at 30 June 2018	**—**	**—**	**—**
Purchase price of 1 year German bonds	41,430,636	—	**41,430,636**
Transfer of cash to collateral account	—	4,774,848	**4,774,848**
Fair value adjustment	(240,275)	—	**(240,275)**
As at 30 June 2019	**41,190,361**	**4,774,848**	**45,965,209**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

20. FINANCIAL INVESTMENTS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

CFD GROSS EXPOSURE

The CFD collateral relates to the off-balance sheet gross exposure to the CFD portfolio. All fair value movements are settled in cash on a daily basis, via the collateral deposit.

During the year gross dividend income of €3,812,126 (2018: €8,423,423) was recognised from direct financial assets and €2,877,952 (2018: €Nil) was recognised from the CFD portfolio as other income, refer to note 9.

The financial instrument and fair value disclosures are in note 35

FAIR VALUE HIERARCHY

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

As at 30 June 2019

		Fair value		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Listed real estate equity securities	41,848,801	41,848,801	–	–
CFD collateral	41,190,361	41,190,361	–	–
	83,039,162	**83,039,162**	**–**	**–**

As at 30 June 2018

		Fair value		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Listed real estate equity securities	183,052,263	183,052,263	–	–
	183,052,263	**183,052,263**	**–**	**–**

21. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES

ACCOUNTING POLICY

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

Interests in associates are initially recognised at cost including transaction costs. Subsequently, they are accounted for using the equity method. The group recognises its share of profit or loss and other comprehensive income of the associate from the date on which significant influence commences, until the date on which significant influence ceases. Distributions received from the associates reduce the carrying amount of the investment.

The group's share of interest charged by the group to the associate and capitalised against qualifying assets that are carried at cost (i.e not subsequently measured at fair value) in the equity accounted investee is eliminated by deducting it from its share of earnings in the equity accounted investee.

Unrealised losses on transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

DISCLOSURE

Euro	**As at 30 June 2019**	**As at 30 June 2018**
PKM Developments	**21,888,261**	**23,774,222**

RECONCILIATION OF INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

Euro	**Note**	**As at 30 June 2019**	**As at 30 June 2018**
Opening balance		**23,774,222**	**20,205,297**
Share of profit, net of tax	22,38	11,009,325	3,568,925
Distribution	32,38	(12,895,286)	–
Closing balance		**21,888,261**	**23,774,222**

The group has an investment in PKM Developments Limited, a development property group which develops investment property predominantly in Romania, as well as other central and eastern European countries. PKM Developments is an associate of the group, of which MAS owns 40% of the ordinary shares and therefore has significant influence. The remaining 60% of the ordinary shares is owned by Prime Kapital Holdings Limited ("Prime Kapital"), who is the developer. PKM Developments Limited is incorporated in the Isle of Man.

The distribution received was offset against the consideration paid for the acquisition of the portfolio of shopping centres in Romania, refer to note 32.

In addition to the investment in the ordinary shares, MAS has invested in 7.5% preference shares issued by PKM Developments, refer to note 28. At year end the amount invested was €170,000,000 (2018: €100,000,000). The preference shares issued by PKM Developments are not considered to be part of the long-term interest that the group has in PKM Developments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

21. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES (CONTINUED)

DISCLOSURE (CONTINUED)

The following table summarises the financial information of PKM Developments as included in its own audited financial statements which are prepared in accordance with IFRS:

Euro	As at 30 June 2019	As at 30 June 2018
Statement of financial position – PKM Developments		
Non-current assets	212,433,897	138,511,061
Current assets	30,657,752	41,864,316
Total assets	**243,091,649**	**180,375,377**
Non-current liabilities	178,035,470	109,468,016
Current liabilities	8,444,114	9,311,602
Total liabilities	**186,479,584**	**118,779,618**
Net assets	**56,612,065**	**61,595,759**
Percentage ownership interest	40%	40%
Unadjusted group share of net assets	**22,644,826**	**24,638,304**
Elimination of preference share interest capitalised on qualifying assets carried at cost	(815,373)	(922,890)
Net assets attributable to the group	**21,829,453**	**23,715,414**
Capitalised costs	58,808	58,808
Carrying amount	**21,888,261**	**23,774,222**

Euro	Year ended 30 June 2019	Year ended 30 June 2018
Statement of profit or loss and other comprehensive income – PKM Developments		
Rental income	5,518,492	2,468,271
Service charge income and other recoveries	2,957,429	1,247,193
Service charge and other property operating expenses	(3,120,179)	(1,457,244)
Other income	162,163	2,128
Corporate expenses	(462,408)	(719,216)
Investment expenses	(633,630)	(2,601,061)
Fair value adjustments	29,253,483	16,372,691
Foreign currency exchange differences	(188,159)	(31,399)
Finance income	1,305,205	144,260
Finance costs	(2,863,633)	(36,808)
Tax expense	(4,674,241)	(4,159,274)
Total profit after tax	**27,254,522**	**11,229,541**
Percentage ownership interest	40%	40%
Total profit and other comprehensive income attributable to the group	**10,901,809**	**4,491,816**
Elimination of preference share interest capitalised on qualifying assets carried at cost	107,516	(922,891)
Group's share of profit after tax	**11,009,325**	**3,568,925**

PKM Developments has no other comprehensive income.

PKM Developments is subject to litigation brought by an unpaid lender which was acquired as part of a business combination. The payable was recognised at fair value at acquisition and has a carrying amount of €700,000 at 30 June 2019. The lender is currently under liquidation and is seeking full repayment of €3,500,000 principal as well as the related accrued interest. As at the date of this report legal proceedings are underway, however, it is considered unlikely that the cash outflow will exceed the €700,000 already provided because this amount has been formally agreed with all the lender's creditors as part of its liquidation process.

22. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

The group's cash and cash equivalents are financial instruments and are classified as financial assets at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Euro	**As at 30 June 2019**	**As at 30 June 2018**
Bank balances	**71,155,130**	**147,825,624**

The financial instrument and fair value disclosures are in notes 34 and 35.

Reconciliation of cash generated from operating activities:

Euro	**Note**	**Year ended 30 June 2019**	**Year ended 30 June 2018**
Profit for the year		**61,878,374**	**19,333,422**
Adjustments for:			
Depreciation	12	101,341	100,026
Investment expenses		3,210,128	—
Share-based payment expense		75,464	805,766
Fair value adjustments	11	7,631,570	15,800,127
Foreign currency exchange differences	13	364,553	1,020,787
Finance income	14	(12,057,819)	(7,975,558)
Finance costs	14	10,251,058	5,560,344
Share of profit from equity accounted investees	21	(11,009,325)	(3,568,925)
Goodwill impairment	16	—	1,274,346
Gain on bargain purchase	32	(12,263,193)	—
Tax expense	15	13,373,640	6,867,387
Profit on sales of inventory property	6	(8,150,796)	(4,316,924)
Cash generated from operating activities		**53,404,995**	**34,900,798**

Included within cash from operations is cash received from dividend income from direct financial investments and from CFDs of €3,812,126 (2018: €8,423,423) and €2,877,952 (2018: €nil) respectively, refer to note 9.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

23. SHARE CAPITAL AND GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

ACCOUNTING POLICY

ORDINARY SHARES

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

The group's policy is to maintain a strong capital base to allow sustainable growth in the development of the group.

GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

Geared share purchase plan shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. When geared share purchase plan shares are sold or issued subsequently, the amount received or paid is recognised within equity and the resulting surplus or deficit on the transaction is recognised within share capital. Where share purchase plan shares are forfeited by participants the shares are cancelled.

DISCLOSURE

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

	Share capital		Geared share purchase plan shares (treasury shares)		Total	
	Number of Shares	**Euro**	**Number of shares**	**Euro**	**Number of Shares**	**Euro**
Balance at 30 June 2017	**480,216,299**	**557,556,273**	**(12,850,000)**	**(21,056,010)**	**467,366,299**	**536,500,263**
Issued during the year						
– Issue of share capital	160,299,409	279,917,834	–	–	**160,299,409**	**279,917,834**
– Distributions reinvested	9,828,090	15,918,376	–	–	**9,828,090**	**15,918,376**
– Geared share purchase plan shares forfeited and cancelled	(5,000,000)	(8,193,000)	5,000,000	8,193,000	**–**	**–**
	645,343,798	**845,199,483**	**(7,850,000)**	**(12,863,010)**	**637,493,798**	**832,336,473**
Distributed during the year						
– Scrip distributions	–	(15,949,084)	–	–	**–**	**(15,949,084)**
Balance at 30 June 2018	**645,343,798**	**829,250,399**	**(7,850,000)**	**(12,863,010)**	**637,493,798**	**816,387,389**
Issued during the year						
– Geared share purchase plan shares issued	1,531,127	1,990,465	(1,531,127)	(1,990,465)	**–**	**–**
– Geared share purchase plan shares forfeited and cancelled	(4,000,000)	(6,554,400)	4,000,000	6,554,400	**–**	**–**
Balance at 30 June 2019	**642,874,925**	**824,686,464**	**(5,381,127)**	**(8,299,075)**	**637,493,798**	**816,387,389**

SHARE CAPITAL

There were no capital raises during the year. In the prior year the group issued 160,299,409 shares generating €279,917,834.

DISTRIBUTIONS

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

The following distributions were paid by the group:

Year ended 30 June 2019

Euro	**Scrip**	**Cash**	**Total**	**Distribution per share (euro cents)**
2 October 2018	–	25,691,000	**25,691,000**	4.03
2 April 2019	–	24,097,266	**24,097,266**	3.78
	–	**49,788,266**	**49,788,266**	

Year ended 30 June 2018

Euro	**Scrip**	**Cash**	**Total**	**Distribution per share (euro cents)**
11 November 2017	10,424,724	6,957,823	**17,382,547**	3.19
6 April 2018	5,524,360	17,169,809	**22,694,169**	3.58
	15,949,084	**24,127,632**	**40,076,716**	

The directors are pleased to propose a final distribution to shareholders of 4.97 euro cents per share (2018: 4.03 euro cents per share).

GEARED SHARE PURCHASE PLAN SHARES (TREASURY SHARES)

Malcolm Levy transitioned to the role of non-executive director with effect from 26 June 2019. This necessitated his exit from the geared share purchase plan, refer to note 33, which occurred on the same date. All 4,000,000 geared shared purchase plan (treasury) shares that related to Malcolm were forfeited and cancelled upon his exit from the scheme.

On 25 June 2019 Werner Behrens, CEO and Paul Osbourn, CFO were invited to join the MAS Share Purchase Scheme and the group subsequently issued 1,531,127 shares at an issue price of €1.30 (ZAR 21.08), refer to note 33

In the prior year, 5,000,000 shares held in the share purchase plan were forfeited and cancelled by the group refer to note 33.

Distributions on the geared share purchase plan shares are referred to in note 24.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

24. SHARE-BASED PAYMENT RESERVE

ACCOUNTING POLICY

Refer to note 33 for the accounting policy for share-based payment arrangements.

DISCLOSURE

RECONCILIATION OF GEARED SHARE PURCHASE PLAN

Euro	Note	As at 30 June 2019	As at 30 June 2018
Opening balance		**1,031,739**	**225,973**
Shared-based payment expense	22,33	75,464	902,386
Recognised during the year		539,234	902,386
Recycled during the year – forfeited shares		(463,770)	—
Non-forfeitable distribution paid		(131,839)	(96,620)
Closing balance		**975,364**	**1,031,739**

SHARE BASED PAYMENT ARRANGEMENTS

On 26 June 2019, Malcolm Levy's shares in the geared share purchase plan were forfeited and cancelled upon his exit from the scheme, refer to note 23, accordingly €463,770 which relates to unvested shares was recycled to profit or loss within employment expense.

Refer to note 38 for further disclosures of the share-based payment expense included in key management compensation and directors' remuneration.

25. FOREIGN CURRENCY TRANSLATION RESERVE

ACCOUNTING POLICY

Refer to note 13 for the accounting policy for foreign currency translation reserve.

DISCLOSURE

The group recognised a foreign currency translation loss arising from foreign operations of €1,338,770 (2018: €1,207,816 loss) resulting in a foreign currency translation reserve deficit at the reporting date of €13,106,889 (2018: €11,768,119 deficit).

26. NON-CONTROLLING INTEREST

ACCOUNTING POLICY

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

DISCLOSURE

Euro	As at 30 June 2019	As at 30 June 2018
Opening balance	**2,527,202**	**988,063**
Share of profit	6,842,577	2,477,116
Distribution to NCI	(1,930,777)	(937,977)
Closing balance	**7,439,002**	**2,527,202**

The non-controlling interest relates to the participation by Prime Kapital in PKM Investments Limited, the co-investment venture entered into with the group. This co-investment venture is registered in the Isle of Man and focuses on investing in income-generating properties in CEE. Under the terms of the co-investment agreement, Prime Kapital's effective economic interest is equivalent to a 20% direct participation in the co-investment venture, less the interest cost on the participation funding that is provided by MAS. The effective interest rate on this participation funding is equivalent to the weighted average cost of external funding achieved by the co-investment venture of 3.24% (2018: 3.51%). During the year Prime Kapital received a dividend of €1,930,777 (2018: €937,977) in relation to its participation in the co-investment venture.

The following tables summarise the financial information of the co-investment venture:

Reconciliation of profit or loss to NCI

Euro	Year ended 30 June 2019	Year ended 30 June 2018
Statement of profit or loss and other comprehensive income		
Rental income	27,948,626	14,039,515
Net service charge and property expense	(1,572,533)	(1,495,154)
Corporate expenses	(891,908)	(690,381)
Finance costs	(13,186,009)	(9,133,938)
Finance income	212,190	1,778
Other income	557,044	145,136
Investment expenses	(1,710,778)	(1,060,257)
Exchange differences	—	(1,785)
Fair value adjustments	28,939,197	9,061,080
Tax expense	(8,256,306)	(2,008,472)
Total profit	**32,039,523**	**8,857,522**
Elimination of intercompany transactions	8,940,666	7,274,874
Total adjusted profit	**40,980,189**	**16,132,396**
Percentage ownership interest	20%	20%
Total profit and other comprehensive income attributable to NCI	**8,196,038**	**3,226,479**
Elimination of interest cost on participation loan	(1,353,461)	(749,363)
NCI's share of profit	**6,842,577**	**2,477,116**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

26. NON-CONTROLLING INTEREST (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

RECONCILIATION OF NET ASSETS TO NCI;

Euro	As at 30 June 2019	As at 30 June 2018
Statement of financial position		
Investment property	437,690,000	166,000,000
Non-current assets	8,020,463	255,155
Cash and cash equivalents	13,828,060	10,664,140
Other current assets	13,339,316	3,635,366
Total assets	**472,877,839**	**180,554,661**
Non-current liabilities	406,925,458	169,187,857
Current liabilities	28,874,912	6,328,858
Total liabilities	**435,800,370**	**175,516,715**
Net assets	**37,077,469**	**5,037,946**
Elimination of intercompany transactions to date	27,646,707	18,706,041
Closing adjusted net assets	**64,724,176**	**23,743,987**
Percentage ownership interest	20%	20%
Total adjusted net assets attributable to NCI	**12,944,835**	**4,748,797**
Elimination of interest cost on participation loan to date	(2,637,079)	(1,283,618)
Distribution paid to date	(2,868,754)	(937,977)
NCI's share of net assets	**7,439,002**	**2,527,202**

27. INTEREST-BEARING BORROWINGS

ACCOUNTING POLICY

The group's interest-bearing borrowings are financial instruments and are classified as financial liabilities at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

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

Euro	Note	As at 30 June 2019	As at 30 June 2018
Non-current			
Bank borrowings		312,754,576	214,407,455
		312,754,576	**214,407,455**
Current			
Bank borrowings		51,945,592	28,305,652
Amounts owed to PKM Developments	38	91,761,152	—
		143,706,744	**28,305,652**
		456,461,320	**242,713,107**

The amount owed to PKM Developments of €91,761,152 (2018: €nil) relates to the interest-bearing deferred consideration on the portfolio of shopping centres in Romania that was acquired from PKM Developments, refer to note 32. The interest-bearing deferred consideration accrues interest at 3.81% and is payable on demand, it is expected that PKM Developments will require payment before the end of the 2019 calendar year. Since the acquisition, interest expense of €1,244,271 (2018: €nil) has been recognised on the interest-bearing deferred consideration, and €2,797,955 has been repaid to PKM Developments, refer note 38. The amounts owed to PKM Developments are guaranteed by the Company and are secured against the PKM Developments preference shares and the shares of the property owning SPVs that were acquired in the transaction.

Included within bank borrowing is €34,442,028 (2018: €22,225,094) of debt which is secured against investment property held for sale with a value of €71,090,000 (2018: €42,528,444), refer to note 18. The remaining bank borrowings of €330,258,140 (2018: €220,488,013) are secured against income generating investment property with a value of €655,451,788 (2018:€278,470,100), refer to note 17.

The carrying amount of the group's bank borrowings relating to specific properties was as follows:

Euro	As at 30 June 2019	As at 30 June 2018
Non-current		
German investment property	141,391,749	108,187,711
CEE investment properties	104,281,451	48,358,450
UK investment property	59,920,150	50,650,037
Swiss investment property	7,161,226	7,211,257
	312,754,576	**214,407,455**
Current		
German investment property	38,235,125	2,707,840
CEE investment properties	5,136,922	1,988,212
UK investment property	8,222,350	23,272,484
Swiss investment property	351,195	337,116
	51,945,592	**28,305,652**
	364,700,168	**242,713,107**

The financial instrument and fair value disclosures are in notes 34 and 35.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

27. INTEREST-BEARING BORROWINGS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

RECONCILIATION OF THE GROUP'S CARRYING AMOUNT OF INTEREST-BEARING BORROWINGS:

Euro	Note	As at 30 June 2019	As at 30 June 2018
Opening balance		**242,713,107**	**147,213,397**
Changes from financing cash flows			
Proceeds from interest-bearing borrowings		218,590,164	104,067,925
Transaction costs related to interest-bearing borrowings		(2,534,979)	(1,431,560)
Repayment of interest-bearing borrowings		(109,537,321)	(7,350,266)
Interest paid		(8,226,934)	(4,435,102)
Non cash flow movements			
Borrowings acquired through business combinations	32	12,842,369	—
Interest-bearing deferred consideration	32	93,314,836	—
Finance costs		**9,818,203**	**5,341,556**
Finance costs – expense	14	9,398,534	4,771,171
Finance costs – general borrowings capitalised	17,19	419,669	570,385
Foreign currency translation difference		(518,125)	(692,843)
Closing balance		**456,461,320**	**242,713,107**

The gross interest-bearing deferred consideration drawn down was €109,140,787 (refer to note 32) which was offset against distributions received from PKM Developments on the preference shares of €2,930,665 (refer to note 28) and distributions received on ordinary shares of €12,895,286 (refer to note 21).

Interest from general borrowings of €419,669 (2018: €570,385) was capitalised during the year at a capitalisation rate of 2.64% (2018: 2.60%).

FIXED AND VARIABLE DEBT

The group is subject to both fixed and variable interest rates on its interest-bearing borrowings:

Euro	As at 30 June 2019	As at 30 June 2018
Fixed/hedged debt	418,842,626	199,289,452
Floating rate debt	37,618,694	43,423,655
	456,461,320	**242,713,107**

SUMMARY OF BORROWING TERMS AND COVENANTS

As at 30 June 2019

BORROWING TERMS

Jurisdiction	Currency	Weighted average remaining term of debt	Weighted average interest rate	Significant terms and conditions
CEE - Owed to PKM Developments	EUR	On demand	3.81%	- Owed to PKM Developments in respect of portfolio acquired, refer to note 32
UK - Floating/hedged debt	GBP	3.20 years	1.64 % + 3M UK Libor[1]	- All loans were utilised to purchase properties or to invest in shares of property owning entities - Some loans have covenants as reported below - All loans are secured against specific properties
German - Fixed debt	EUR	5.46 years	1.97 %	
Swiss - Hedged debt	CHF	6.00 years	1.29 % + 3M Swiss Libor[1]	
CEE - Fixed debt	EUR	12.50 years	3.50 %	
CEE - Floating/hedged debt	EUR	17.52 years	2.50 % + 1M Euro Libor[1]	
CEE - Hedged debt	EUR	3.00 years	2.50 % + 12M Euro Libor[1]	

[1] The group has entered into interest rate swaps to hedge some of the group's exposure to the applicable Libor, refer to note 28 and 29 for further information. The group has not applied hedge accounting.

COVENANTS

Jurisdiction	Weighted average debt service cover ratio	Weighted average interest cover	Weighted average loan to value
UK investment property			
- UK floating/hedged debt	n/a	240%	66%
German investment property			
- German fixed debt	98%	n/a	52%
Swiss investment property			
- Swiss hedged debt	n/a	n/a	n/a
CEE investment property			
- CEE fixed debt	120%	n/a	65%
- CEE floating/hedged debt	120%	n/a	63%

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

27. INTEREST-BEARING BORROWINGS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

As at 30 June 2018

BORROWING TERMS

Jurisdiction	Currency	Weighted average remaining term of debt	Weighted average interest rate	Significant terms and conditions
UK				
- Floating/hedged debt	GBP	3.44 years	1.70% + 3M UK Libor[2]	- All loans were utilised to purchase properties or to invest in shares of property owning entities - Some loans have covenants as reported below - All loans are secured against specific properties
German				
- Fixed debt	EUR	7.09 years	1.87%	
Swiss				
- Hedged debt	CHF	7.00 years	1.29% + 3M Swiss Libor[2]	
CEE				
- Hedged debt	EUR	6.58 years	2.50% + 12M Euro Libor[2]	

[2] The group has entered into interest rate swaps to hedge some of the group's exposure to the applicable Libor, refer to note 28 and 29 for further information.

COVENANTS

Jurisdiction	Weighted average debt service cover ratio	Weighted average interest cover	Weighted average loan to value
UK investment property			
- UK floating/hedged debt	n/a	222%	68%
German investment property			
- German fixed debt	140%	n/a	73%
Swiss investment property			
- Swiss hedged debt	n/a	n/a	n/a
CEE investment property			
- CEE hedged debt	120%	n/a	65%

The group has complied with its loan covenants during the current and prior reporting periods.

28. FINANCIAL ASSETS

ACCOUNTING POLICY

The group's financial assets are classified as financial assets at amortised cost and financial assets at fair value through profit or loss. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Euro	Note	As at 30 June 2019	As at 30 June 2018
Non-current assets			
PKM Developments preference shares		174,128,273	105,045,768
Interest rate swaps		775,179	349,224
		174,903,452	**105,394,992**
Current assets			
Capital contribution receivable	29	11,593,528	24,507,316
		11,593,528	**24,507,316**
		186,496,980	**129,902,308**

PKM DEVELOPMENTS PREFERENCE SHARES

The group has invested €170,000,000 (2018: €100,000,000) to acquire 170,000,000 (2018: 100,000,000) 7.5% preference shares in PKM Developments. The preference shares are held at amortised cost. Accordingly, the group has performed an impairment assessment and considers that there has not been a significant increase in credit risk in relation to PKM Developments, and that the expected credit loss is €nil (2018: €nil).

Distributions received on the preference shares of €2,930,665 have been offset against the consideration for the acquisition of the Shopping Centre Portfolio in Romania, refer to note 32.

CAPITAL CONTRIBUTION

A financial asset and corresponding financial liability have been recognised in respect of the capital contribution due from Legal & General, and due to the UK Government, under the terms of the Pre-Let Agreement. Both the financial asset and financial liability are held at amortised cost, refer to note 34. The expected credit loss allowance is €nil (2018: €nil).

INTEREST RATE SWAP

The group has entered into additional interest rate swaps during the current year. Interest rate swaps are held at fair value, with any changes in fair value recognised in profit or loss in the period in which it occurs.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

28. FINANCIAL ASSETS (CONTINUED)

DISCLOSURE (CONTINUED)

RECONCILIATION OF THE GROUP'S FINANCIAL ASSETS HELD AT AMORTISED COST:

Euro	PKM Developments preference shares	Capital contribution	Total
Balance at 30 June 2017	**101,134,245**	**—**	**101,134,245**
Capital contribution	—	24,052,119	**24,052,119**
Finance income	7,514,384	—	**7,514,384**
Distribution received	(3,602,861)	—	**(3,602,861)**
Finance income – amortisation of capital contribution	—	456,951	**456,951**
Foreign currency translation reserve	—	(1,754)	**(1,754)**
Balance at 30 June 2018	**105,045,768**	**24,507,316**	**129,553,084**
Drawdown of preference shares	70,000,000	—	**70,000,000**
Finance income	11,194,662		**11,194,662**
Distribution received	(12,112,157)	—	**(12,112,157)**
Cash	(9,181,492)	—	**(9,181,492)**
Non-cash	(2,930,665)	—	**(2,930,665)**
Finance income – amortisation of capital contribution	—	603,431	**603,431**
Amounts invoiced and received[1]	—	(13,228,958)	**(13,228,958)**
Foreign currency translation reserve	—	(288,261)	**(288,261)**
Balance at 30 June 2019	**174,128,273**	**11,593,528**	**185,721,801**

[1] Amounts invoiced and received of €13,228,958 (2018: €nil) in relation to the capital contribution have been offset against amounts invoiced and paid of €13,228,958 (2018: €nil) in relation to the capital contribution payable, refer to note 29.

RECONCILIATION OF THE GROUP'S FINANCIAL ASSETS HELD AT FVTPL:

Euro	Note	Interest rate swaps
Balance at 30 June 2017		**—**
Fair value adjustment	11	350,585
Foreign currency exchange difference in OCI		(1,361)
Balance at 30 June 2018		**349,224**
Fair value adjustment	11	432,554
Foreign currency exchange difference in OCI		(6,599)
Balance at 30 June 2019		**775,179**

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

As at 30 June 2019 and 30 June 2018

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Interest rate swaps	The fair value is based on discounting future cash flows using the interest rate swap curves plus the current credit margin at the valuation date.	• 3-month GBP Libor • Swap rate • Notional loan value • Fixed rate of interest	The estimated fair value would increase/ (decrease) if: • 3-month GBP libor was higher/ (lower) • Swap rate was lower/ (higher)

The financial instrument and fair value disclosures are in notes 34 and 35.

29. FINANCIAL LIABILITIES

ACCOUNTING POLICY

The group's financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss. Refer to note 4 for the group's general accounting policy for financial instruments.

DISCLOSURE

Euro	Note	As at 30 June 2019	As at 30 June 2018
Non-current liabilities			
Interest rate swaps		2,735,096	1,222,944
Deferred consideration		—	473,061
		2,735,096	**1,696,005**
Current liabilities			
Capital contribution payable	28	11,593,528	24,507,316
Priority participating profit dividend		3,429,519	6,912,756
Development management fee		2,286,346	4,701,505
		17,309,393	**36,121,577**
		20,044,489	**37,817,582**

FINANCIAL LIABILITIES AT AMORTISED COST

RECONCILIATION OF THE GROUP'S FINANCIAL LIABILITIES HELD AT AMORTISED COST:

Euro	Note	Deferred consideration	Capital contribution
Balance at 30 June 2017		**500,000**	**—**
Purchase price released		(500,000)	—
Purchase price retained		473,061	
Capital contribution	28	—	24,052,119
Finance cost – amortisation of capital contribution	14	—	456,951
Foreign currency exchange difference in OCI		—	(1,754)
Balance at 30 June 2018		**473,061**	**24,507,316**
Purchase price released		(473,061)	—
Finance cost – amortisation of capital contribution	14	—	603,431
Amounts invoiced and paid[1]		—	(13,228,958)
Foreign currency exchange difference in OCI		—	(288,261)
Balance at 30 June 2019		**—**	**11,593,528**

[1] Amounts invoiced and paid of €13,228,958 (2018:€nil) in relation to the capital contribution have been offset against amounts invoiced and received of €13,228,958 (2018: €nil) in relation to the capital contribution receivable, refer to note 28.

CAPITAL CONTRIBUTION

A financial liability and corresponding financial asset have been recognised in respect of the capital contribution due from Legal & General, and due to the UK Government, under the terms of the Pre-let Agreement, see note 28. Both the financial asset and financial liability are held at amortised cost, refer to note 34.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

29. FINANCIAL LIABILITIES (CONTINUED)

FINANCIAL LIABILITIES AT FVTPL

RECONCILIATION OF THE GROUP'S FINANCIAL LIABILITIES HELD AT FVTPL:

Euro	Note	Interest rate swaps	Development management fee	Priority participating profit dividend
Balance at 30 June 2017		**2,251,649**	**4,052,171**	**6,078,256**
Fair value adjustment	11	123,226	682,956	884,397
Foreign currency translation difference in OCI		(58,931)	(33,622)	(49,897)
Settlement		(1,093,000)	—	—
Balance at 30 June 2018		**1,222,944**	**4,701,505**	**6,912,756**
Settlement	38	—	(3,017,367)	(4,524,296)
Fair value adjustment	11	1,473,614	660,671	1,127,939
Foreign currency translation difference in OCI		38,538	(58,463)	(86,880)
Balance at 30 June 2019		**2,735,096**	**2,286,346**	**3,429,519**

FAIR VALUE HIERARCHY

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

As at 30 June 2019		**Fair value**		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Non-current liabilities				
Interest rate swaps	2,735,096	—	2,735,096	—
	2,735,096	**—**	**2,735,096**	**—**
Current liabilities				
Development management fee	2,286,346	—	—	2,286,346
Priority participating profit dividend	3,429,519	—	—	3,429,519
	5,715,865	**—**	**—**	**5,715,865**

As at 30 June 2018		**Fair value**		
Euro	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Non-current liabilities				
Interest rate swaps	1,222,944	—	1,222,944	—
	1,222,944	**—**	**1,222,944**	**—**
Current liabilities				
Development management fee	4,701,505	—	—	4,701,505
Priority participating profit dividend	6,912,756	—	—	6,912,756
	11,614,261	**—**	**—**	**11,614,261**

INTEREST RATE SWAPS

The group has hedged some of the interest rate exposure on the interest-bearing borrowings using interest rate swaps, refer to note 27. These interest rate swaps are classified as fair value through profit or loss. Accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss. Hedge accounting under IFRS 9 has not been applied.

DEVELOPMENT MANAGEMENT FEE AND PRIORITY PARTICIPATING PROFIT DIVIDEND

The group has a development management agreement with New Waverley Advisers Limited and New Waverley Holdings Limited ("the developer") under which a fee and a priority participating profit dividend is payable to the developer in relation to the development of the New Waverley site in Edinburgh, Scotland. Under the terms of the agreement, MAS is entitled to a 7.5% annualised preferred return on invested capital. The developer then earns one third of this annualised return and thereafter is entitled to a fee or profit dividend that together approximate 25% of any further development profit. With the services required under the Development Management Agreement now complete, the group paid €3,071,367 and €4,524,296 of the Development Management Fee and the Priority Participating Profit Dividend respectively for the completed New Waverley Sites. €2,286,346 and €3,429,519 of the Development Management fee and Priority Participating Profit Dividend respectively remain outstanding relating to components of the development where there is still an element of valuation uncertainty.

These financial liabilities were designated and classified on initial recognition as FVTPL. Accordingly, they are measured at fair value at the reporting date with changes in fair value being recognised in profit or loss. There has been no change to the fair value of the financial liabilities as a result of the group's own credit risk.

LEVEL 2 FINANCIAL LIABILITIES

VALUATION TECHNIQUES AND UNOBSERVABLE INPUTS

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

As at 30 June 2019 and as at 30 June 2018

Financial liability	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Interest rate swaps	The fair value is based on discounting future cash flows using the interest rate swap curves plus the current credit margin at the valuation date.	• 3-month EUR/ GBP/CHF Libor • Swap rate • Notional loan value • Fixed rate of interest	The estimated fair value would increase/ (decrease) if: • 3-month Euro Libor/Swiss Libor was higher/ (lower) • Swap rate was lower/ (higher)

LEVEL 3 FINANCIAL LIABILITIES

VALUATION PROCESS OF LEVEL 3 FINANCIAL LIABILITIES

The fair value of the level 3 financial liabilities in respect of New Waverley Advisers Limited and New Waverley Holdings Limited is calculated semi-annually. The investment property valuation process (refer to note 17) is part of this valuation process as the financial liability is derived from the fair value of New Waverley investment property.

VALUATION TECHNIQUES AND UNOBSERVABLE INPUTS

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

As at 30 June 2019 and as at 30 June 2018

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

29. FINANCIAL LIABILITIES (CONTINUED)

LEVEL 3 FINANCIAL LIABILITIES (CONTINUED)

FAIR VALUE SENSITIVITY ANALYSIS

As at 30 June 2019

			Gross development value		
				Sensitivity	
Financial liability	**Technique**	**Valuation**	**Input (Euro)**	**Change**	**Valuation**
Development management fee	Development profit	2,286,346	22,863,255	+5% -5%	2,400,663 2,173,029
Priority participating profit dividend	Development profit	3,429,519	22,863,255	+5% -5%	3,600,995 3,258,043

As at 30 June 2018

			Gross development value		
				Sensitivity	
Financial liability	**Technique**	**Valuation**	**Input (Euro)**	**Change**	**Valuation**
Development management fee	Development profit	4,701,505	46,457,049	+5% -5%	4,936,580 4,466,430
Priority participating profit dividend	Development profit	6,912,756	46,457,049	+5% -5%	7,258,394 6,567,118

The financial instrument and fair value disclosures are in notes 34 and 35.

30. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

The group's trade and other receivables include financial instruments and non-financial instruments. The financial instruments are classified as financial assets at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments. The non-financial instruments include prepayments, lease incentive accrual and VAT.

DISCLOSURE

Euro	Note	As at 30 June 2019	As at 30 June 2018
Trade receivables from lessees		7,198,454	3,308,938
Prepayments		2,215,405	1,009,668
VAT receivable		2,193,220	1,141,499
Lease incentive accrual	17	2,188,706	279,620
Receivables		1,491,408	4,132,645
Other		936,740	799,070
Property retentions held in escrow		796,684	20,316
Dividends receivable		285,355	322,240
Contract assets[1]		—	5,134,337
		17,305,972	**16,148,333**

[1] In the prior year receivables from contracts with customers were not shown separately. This has been reclassified to Contract assets as a result of the group adopting IFRS 15, refer to note 3 for further detail regarding the adoption of IFRS 15.

Contract assets in the prior year relate to the group's right to consideration for work completed. Contract assets are transferred to receivables when the rights become unconditional. €4,338,266 of the prior year balance related to profit receivable under the Forward Funding Agreement, which was paid on completion of the development, refer to note 19.

Receivables of €1,491,408 (2018: €4,132,645) relate to development costs receivable in relation to the development of the Pre-Let office at New Waverley. This receivable is only conditional on the passage of time and is therefore a receivable from a contract with the group's customers.

Significant changes to contract assets during the period are as follows:

Euro	As at 30 June 2019	As at 30 June 2018
Opening balance	**5,134,337**	**—**
Increase in measure of progress	8,813,835	5,134,337
Received during the year	(13,948,172)	—
Closing balance	**—**	**5,134,337**

The financial instrument and fair value disclosures are in notes 34 and 35.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

31. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

The group's trade and other payables include financial instruments and non-financial instruments. The financial instruments are classified as financial liabilities at amortised cost. Refer to note 4 for the group's general accounting policy for financial instruments. The non-financial instruments include deferred income, current tax payable and VAT payable.

DISCLOSURE

The group's trade and other payables comprise:

Euro	**As at 30 June 2019**	**As at 30 June 2018**
Trade payables	9,169,004	4,524,420
Deferred income	4,844,924	1,904,870
VAT payable	3,709,255	1,765,052
Construction payables	2,060,132	4,551,993
Current tax payable	1,065,875	1,599,942
Other	422,221	386,987
	21,271,411	**14,733,264**

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

The financial instrument and fair value disclosures are in notes 34 and 35.

32. BUSINESS COMBINATIONS

ACCOUNTING POLICY

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in investment expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IFRS 9 (2014) Financial Instruments*, is measured at fair value with the changes in fair value recognised in profit or loss. Other contingent consideration that is not within the scope of *IFRS 9 (2014) Financial Instruments* is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

DISCLOSURE

ACQUISITION OF MILITARI SHOPPING CENTRE ("MILITARI")

On 5 July 2018, the group acquired 100% of the shares and the voting interests of Militari in Romania.

The group acquired the shares to gain control over the operations of the investment property portfolio. The entities held and operated 9 investment properties. The acquisition is part of the group's strategy and continued investment into central and eastern Europe to enhance the group's distributions. The acquisition has been treated as business combinations as the group acquired substantially all of the business operations.

From the date of acquisition to 30 June 2019 Militari contributed revenue of €11,158,678 and profit of €5,794,890.

ACQUISITION OF ATRIUM MALL ("ARAD").

On 5 December 2018, the group acquired 100% of the shares and the voting interests of the Atrium Mall in Arad.

The group acquired the shares to gain control over the operations of the investment property, namely Atrium Mall located in Romania. The entity held and operated a single investment property, Atrium Mall shopping centre. The acquisition is part of the group's strategy and continued investment into central and eastern Europe to enhance the group's distributions over the immediate, medium and long term. The acquisition has been treated as a business combination as the group acquired substantially all of the business operations.

From the date of acquisition to 30 June 2019 Arad contributed revenue of €4,241,162 and profit of €14,465,513.

ACQUISITION OF A PORTFOLIO OF SHOPPING CENTRES IN ROMANIA ("SHOPPING CENTRE PORTFOLIO")

On 28 February 2019, the group acquired 9 investment properties from PKM Developments through the acquisition of the 100% of the share capital of the respective holding companies.

The group acquired the shares to gain control over the operations of the investment property portfolio. The entities held and operated 9 investment properties. The acquisition is part of the group's strategy and continued investment into central and eastern Europe to enhance the group's distributions over the immediate, medium and long term. The acquisition has been treated as business combinations as the group acquired substantially all of the business operations.

In terms of the agreements, the purchase price of €112,969,279 related to the acquisition of 9 completed investment properties (€106,328,625) plus a portion of development land that formed part of the registered land plot (€3,828,492), cash and cash equivalents (€1,653,226) and the remaining net liabilities (€7,061,019). The development land was to be subsequently transferred back to PKM Developments at the same price, adjusted for accrued interest. As expected, the development land was legally transferred back to PKM Developments on 28 June 2019 and will be developed by PKM Developments. In terms of IFRS, the development land was not considered to be controlled by the group and has therefore not been recognised as an asset of the group. Instead it has been recognised as a financing transaction. The corresponding purchase price of €3,828,492 has also not been included in the interest-bearing deferred consideration of €91,761,152 as at 30 June 2019, refer to note 27.

In addition, MAS has granted PKM Developments an option ("the put option"), under the terms of which PKM Developments can put these completed extensions to MAS at an acquisition yield of 7.5% if developed over the next five years, and thereafter at an acquisition yield equating to the latest valuation yield of the relevant property. The extensions have zoning approval. The put option is outside the scope of IFRS 9 (2014) Financial Instruments as it relates to the 'own use' exemption (i.e. the purpose of entering into the contract is to meet the group's expected purchase, sale or usage requirements and cannot be net settled). Accordingly, it is not accounted for as a derivative financial instrument. Instead IAS 37 - Provisions, Contingent Liabilities and Contingent Assets is considered in assessing whether an onerous contract exists.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

32. BUSINESS COMBINATIONS (CONTINUED)

DISCLOSURE (CONTINUED)

ACQUISITION OF A PORTFOLIO OF SHOPPING CENTRES IN ROMANIA ("SHOPPING CENTRE PORTFOLIO") (CONTINUED)

The value of the acquisition was calculated on the basis the investment property acquired was fully let with an estimated net operating income of €8,148,431 ("Estimated NOI"). If the actual NOI for the period 1 January 2019 to 31 December 2019 is greater than the Estimated NOI a balancing payment will be due to PKM Developments for the difference. This contingent consideration was measured at a fair value of €nil at acquisition and a fair value of €nil at 30 June 2019.

PKM Developments is a related party of the group, accordingly, the transaction has been disclosed as a related party transaction, refer to note 38.

From the date of acquisition to 30 June 2019 the shopping centre portfolio in Romania contributed revenue of €3,645,520 and profit of €551,958.

If the acquisitions of: Militari; Arad; and the shopping centre portfolio in Romania had occurred on 1 July 2018, management estimates that the group's revenue for the year ended 30 June 2019 would have been €76,408,007 and profit for the year would have been €88,466,025 including fair value adjustments.

CONSIDERATION TRANSFERRED

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

Euro	**Consideration**
Militari	94,472,318
Arad	28,145,360
Shopping centre portfolio	109,140,787
	231,758,465

The interest-bearing deferred consideration of €109,140,787 in respect of the shopping centre portfolio was offset against distributions received from PKM Developments on the preference shares of €2,930,665 (refer to note 28), and distributions received on the ordinary shares of €12,895,286 (refer to note 21). Consequently, the net consideration was €93,314,836, refer to note 27.

ACQUISITION RELATED COSTS

The group incurred acquisition-related costs of €1,886,510 (2018: €nil) on legal and due diligence fees. These costs have been included in profit or loss within investment expenses, refer to note 10.

GOODWILL

Goodwill arose on the acquisition of the shopping centre portfolio due to the recognition of deferred tax liabilities at the carrying amount as determined by IAS 12 Income Taxes, rather than fair value. IFRS does not permit the deferred tax liabilities to be discounted, which creates a mismatch between the recognition of the consideration at fair value and the deferred tax liabilities at the carrying amount. This difference has been recognised as goodwill. The goodwill arising on the acquisition of the shopping centre portfolio has been allocated to the 9 properties as individual cash generating units.

GAIN ON BARGAIN PURCHASE

A gain on bargain purchase of €12,263,193 arose on the acquisition of Arad because the consideration paid was less than the fair value of net assets acquired, and liabilities assumed. The transaction price was based on the offer made at the start of the negotiations, 12 months prior to closing the deal. Within this year the footfall, tenants' turnover and the net operating income increased significantly, which implicitly led to an increase in the valuation of the property.

IDENTIFIED ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

				Shopping centre portfolio			
Euro	**Note**	**Militari**	**Arad**	**Assets and liabilities not acquired or recognised**	**Assets and liabilities acquired: Investment property and working capital**	**Total**	**Total**
Investment property	17	93,854,946	48,930,000	—	106,328,625	106,328,625	**249,113,571**
Development land		—	—	3,828,492	—	3,828,492	**3,828,492**
Trade and other receivables		1,543,313	1,325,825	—	7,508,423	7,508,423	**10,377,561**
Trade and other payables		(846,799)	(1,047,884)	—	(6,987,053)	(6,987,053)	**(8,881,736)**
Interest-bearing borrowings	27	—	(12,842,369)	—	—	—	**(12,842,369)**
Deferred tax (liability)/asset	15	(203,919)	766,579	—	(7,582,389)	(7,582,389)	**(7,019,729)**
Net assets excluding cash		**94,347,541**	**37,132,151**	**3,828,492**	**99,267,606**	**103,096,098**	**234,575,790**
Cash and cash equivalents		124,777	3,276,402	—	1,655,226	1,655,226	**5,056,405**
Net assets		**94,472,318**	**40,408,553**	**3,828,492**	**100,922,832**	**104,751,324**	**239,632,195**
Goodwill	16	—	—	—	8,217,955	8,217,955	**8,217,955**
Gain on bargain purchase		—	(12,263,193)	—	—	—	**(12,263,193)**
Total net assets		**94,472,318**	**28,145,360**	**3,828,492**	**109,140,787**	**112,969,279**	**235,586,957**
Interest bearing deferred consideration		—	—	3,828,492	109,140,787	112,969,279	**112,969,279**
Cash consideration transferred		94,472,318	28,145,360	—	—	—	**122,617,678**
Consideration		**94,472,318**	**28,145,360**	**3,828,492**	**109,140,787**	**112,969,279**	**235,586,957**
Cash and cash equivalents acquired		(124,777)	(3,276,402)	—	(1,655,226)	(1,655,226)	**(5,056,405)**
Cash consideration transferred, net of cash acquired		**94,347,541**	**24,868,958**	**—**	**(1,655,226)**	**(1,655,226)**	**117,561,273**

The gross contracted value of trade and other receivables of the business combinations acquired was €10,377,651 which management expected to receive in full.

The fair value of the investment property purchased as part of the business combination was based upon valuations performed by independent property valuers.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

33. SHARE-BASED PAYMENT ARRANGEMENTS

ACCOUNTING POLICY

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. A corresponding increase is recognised in the share-based payment reserve.

Non-forfeitable distributions paid as part of the share-based payment awards are included within the fair value at the grant date of the share-based payment.

Options are forfeited if the employee leaves the group before the options vest.

DISCLOSURE

The group has two geared share purchase plans, a Salaried and a Non-Salaried purchase plan. In terms of these, the group granted participants a loan to acquire shares issued by the company. The loans accrue interest at the weighted average cost of debt of the group. If distributions are declared, the participants are entitled to distributions on all their shares, irrespective of vesting. A portion of any distribution received must be used to settle the interest accrued on the loan. Recourse on the loans is limited to the value of the shares acquired plus any unpaid interest accrued, and the shares are pledged as security for repayment of the loan.

Salaried plan participants continue to receive basic salary and normal employment benefits from the group. The participants are entitled to retain the surplus of any distributions received on their shares less the cost of interest on the loans. On 25 June 2019, 842,980 and 688,147 shares were issued to Werner Behrens, CEO and Paul Osbourn, CFO respectively.

In the non-salaried variant, participants do not receive any distributions on the shares, instead the distributions are applied, firstly, to reduce the interest cost on the loans and, thereafter, to reduce the loan balance.

On 26 June 2019 Malcolm Levy transitioned to a non-executive director, and fully exited the share scheme. All 4,000,000 shares issued to him under the scheme were forfeited and cancelled by the group (see note 23).

The key terms and conditions related to participation in the plans are as follows:

	Shares						Initial term of loan	
	Grant date	**As at 30 June 2019 Number**	**As at 30 June 2018 Number**	**Issue price**	**Vesting period**	**Vesting conditions**	**Interest rate**	**Initial term**
Salaried variant	9 March 2017	3,850,000	3,850,000	€1.64	20% annually	Service until vesting dates	WA D of the group 2.64%	10 years
	25 June 2019	1,531,127	-	€1.30			WA D of the group 2.95%	
Non-salaried variant	9 March 2017	-	4,000,000	€1.64	15% annually for 4 years, and then 20% annually	Service until vesting dates	WA D of the group 2.60%	10 years
		5,381,127	**7,850,000**					

The loans to acquire shares are, in substance, call options in terms of IFRS 2: 'Share-based Payments'. The options were valued at the grant date. The cost thereof is recognised over the vesting period as an employment benefit, with a corresponding increase in the share-based payment reserve. During the year €75,464 (2018: €902,386) was recognised in the share-based payment reserve in relation to the options, refer to note 24.

As the options relate to multiple service periods, the awards have a graded vesting pattern whereby each tranche relating to a particular service period is recognised as an expense in profit or loss over that service period.

MEASUREMENT OF FAIR VALUE

The fair values of the options of the Salaried and Non-salaried share option plans have been determined by using the Black-Scholes-Merton model. The participants' service related vesting conditions have not been considered in the valuation of the options. Instead, the expense has been recognised based on the group's estimate of shares that will eventually vest.

The valuation assumptions used to measure the grant date fair value of the options of the equity settled share-based payments were as follows:

Salaried and Non-salaried plan	**For shares granted on 9 March 2017**	**For shares granted on 25 June 2019**
Share price at grant date	€1.64	€1.30
Exercise price	€2.10	€1.65
Expected volatility	21.16%	21.56%
Risk free rate	0.43%	0.29%
Expected distribution	0.00%	0.00%
Time to expiration	10 years	10 years
Fair value of option	€0.31	€0.23

As participants are effectively entitled to distributions, or distribution equivalents, between grant date and exercise date, the options are valued as if no distributions will be paid on the underlying share. The input for expected distributions is accordingly zero.

Expected volatility has been based upon the evaluation of the company's historic volatility and market conditions to determine the future implied volatility of the company's share price over the term of the options in the geared purchase plans.

RECONCILIATION OF OUTSTANDING LOAN AND SHARES

The number of shares and the loan value of the employee incentive plans were as follows:

As at 30 June 2019

	Non-Salaried purchase plan			**Salaried purchase plan**		
	Number of shares	**Weighted average share price**	**Weighted average loan per share**	**Number of shares**	**Weighted average share price**	**Weighted average loan per share**
Opening outstanding balance	**4,000,000**	**€1.3083**	**€1.5985**	**3,850,000**	**€1.3083**	**€1.6490**
Granted	—	—	—	1,531,127	—	(€0.0993)
Forfeited	(4,000,000)	—	—	—	—	
Interest	—	—	€0.0412	—	—	€0.0440
Interest repayment	—	—	(€0.0505)	—	—	(€0.0440)
Capital repayment	—	—	(€1.5892)	—	—	—
Share price movement	—	(€0.0119)	—	—	(€0.0119)	—
Closing outstanding balance	**—**	**€1.2964**	**—**	**5,381,127**	**€1.2964**	**€1.5497**
Exercisable	—	—	—	1,540,000	€1.2964	€1.5497

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

33. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

DISCLOSURE (CONTINUED)

As at 30 June 2018

	Non-Salaried purchase plan			Salaried purchase plan		
	Number of shares	**Weighted average share price**	**Weighted average loan per share**	**Number of shares**	**Weighted average share price**	**Weighted average loan per share**
Opening outstanding balance	**9,000,000**	**€1.5750**	**€1.6270**	**3,850,000**	**€1.5750**	**€1.6512**
Forfeited	(5,000,000)	—	—	—	—	—
Interest	—	—	€0.0392	—	—	€0.0426
Interest repayment	—	—	(€0.0417)	—	—	(€0.0448)
Capital repayment	—	—	(€0.0260)	—	—	—
Share price movement	—	(€0.2667)	—	—	(€0.2667)	—
Closing outstanding balance	**4,000,000**	**€1.3083**	**€1.5985**	**3,850,000**	**€1.3083**	**€1.6490**
Exercisable	666,667	€1.3083	€1.5985	770,000	€1.3083	€1.6490

The remaining term of the loans were as follows:

	As at 30 June 2019	**As at 30 June 2018**
Shares granted on 9 March 2017	7.69 years	8.69 years
Shares granted on 25 June 2019	9.99 years	—

The call options on all vested and unvested shares in the share scheme are out of the money at 30 June 2019 and 30 June 2018.

Refer to note 38 for further disclosures of the share-based payment expense included in key management compensation and directors' remuneration.

34. ACCOUNTING CLASSIFICATION AND FAIR VALUES

As at 30 June 2019

Euro	Note	FVTPL				Amortised cost	Non-financial instruments	Total
		Level 1	Level 2	Level 3	Total FVTPL			
Financial assets								
Interest rate swaps	28	–	775,179	–	775,179	–	–	**775,179**
PKM Developments preference shares	28	–	–	–	–	174,128,273	–	**174,128,273**
Direct financial investments	20	41,848,801	–	–	41,848,801	–	–	**41,848,801**
CFD collateral	20	41,190,361	–	–	41,190,361	4,774,848	–	**45,965,209**
Capital contribution receivable	28	–	–	–	–	11,593,528	–	**11,593,528**
Trade and other receivables held at amortised cost	30	–	–	–	–	10,708,641		**10,708,641**
VAT receivable, prepayments, contract assets and lease incentive accruals	30	–	–	–	–	–	6,597,331	**6,597,331**
Cash and cash equivalents	22	–	–	–	–	71,155,130	–	**71,155,130**
		83,039,162	**775,179**	**–**	**83,814,341**	**272,360,420**	**6,597,331**	**362,772,092**
Financial liabilities								
Interest rate swaps	29	–	2,735,096	–	2,735,096	–	–	**2,735,096**
Interest-bearing borrowings	27	–	–	–	–	456,461,320	–	**456,461,320**
Capital contribution payable	29	–	–	–	–	11,593,528	–	**11,593,528**
Priority participation dividend	29	–	–	3,429,519	3,429,519	–	–	**3,429,519**
Development management fee	29	–	–	2,286,346	2,286,346	–	–	**2,286,346**
Trade and other payables held at amortised cost	31	–	–	–	–	11,651,357	–	**11,651,357**
Deferred income, VAT payable and tax payable	31	–	–	–	–	–	9,620,054	**9,620,054**
		–	**2,735,096**	**5,715,865**	**8,450,961**	**479,706,205**	**9,620,054**	**497,777,220**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

34. ACCOUNTING CLASSIFICATION AND FAIR VALUES (CONTINUED)

As at 30 June 2018

		FVTPL						
Euro	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total FVTPL**	**Amortised cost**	**Non-financial instruments**	**Total**
Financial assets								
Interest rate swaps	28	–	349,224	–	349,224	–	–	**349,224**
PKM Developments preference shares	28	–	–	–	–	105,045,768	–	**105,045,768**
Direct financial investments	20	183,052,263	–	–	183,052,263	–	–	**183,052,263**
Capital contribution receivable	28	–	–	–	–	24,507,316	–	**24,507,316**
Trade and other receivables held at amortised cost	30	–	–	–	–	8,583,209		**8,583,209**
VAT receivable, prepayments, contract assets and lease incentive accruals	30	–	–	–	–	–	7,565,124	**7,565,124**
Cash and cash equivalents	22	–	–	–	–	147,825,624	–	**147,825,624**
		183,052,263	**349,224**	**–**	**183,401,487**	**285,961,917**	**7,565,124**	**476,928,528**
Financial liabilities								
Interest rate swaps	29	–	1,222,944	–	1,222,944	–	–	**1,222,944**
Deferred consideration	29	–	–	–	–	473,061	–	**473,061**
Interest-bearing borrowings	27	–	–	–	–	242,713,107	–	**242,713,107**
Capital contribution payable	29	–	–	–	–	24,507,316	–	**24,507,316**
Priority participation dividend	29	–	–	6,912,756	6,912,756	–	–	**6,912,756**
Development management fee	29	–	–	4,701,505	4,701,505	–	–	**4,701,505**
Trade and other payables held at amortised cost	31	–	–	–	–	9,463,400	–	**9,463,400**
Deferred income, VAT payable and tax payable	31	–	–	–	–	–	5,269,864	**5,269,864**
		–	**1,222,944**	**11,614,261**	**12,837,205**	**277,156,884**	**5,269,864**	**295,263,953**

The group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables, contract assets, trade and other payables and interest-bearing borrowings because their carrying amounts are a reasonable approximation of fair values. The disclosures for level 2 and level 3 can be found in the relevant note to each line item.

35. FINANCIAL RISK MANAGEMENT

OVERVIEW

The group is exposed to the following risks from its use of financial instruments:

- Liquidity risk
- Market price risk
- Interest rate risk: fair value interest rate risk and cash flow interest rate risk
- Foreign exchange risk
- Credit risk

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

The group has an internal treasury function focused on ensuring the efficient but prudent use of cash and availability of working capital, including future cashflows and liabilities. The liquidity risks inherent in the business are: tenant default, should a tenant default, this may result in the inability of the group to cover the interest and capital payments; and PKM Developments preference share drawdowns, the group has to have sufficient liquidity to meet drawdown requests from PKM Developments. The group mitigates the liquidity risk by maintaining adequate: cash; assets readily convertible into cash such as listed real estate equity securities; and access to undrawn debt facilities.

The group intends to invest up to a further €250,000,000 in PKM Developments, refer to note 41. Other than the commitments to PKM Developments, the group has no significant concentration of liquidity risk on the basis that the group holds all cash and cash equivalents on demand.

The following reflects the contractual maturities of payments, and includes interest payments:

As at 30 June 2019

Euro	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	**41**	**121,251,386**	**120,000,000**	**10,000,000**	**—**	**251,251,386**
– Inventory property[1]		1,251,386	—	—	—	**1,251,386**
– PKM Developments preference shares		120,000,000	120,000,000	10,000,000	—	**250,000,000**
Interest-bearing borrowings		148,756,661	8,756,216	158,497,367	171,311,749	**487,321,993**
Trade and other payables		11,651,357	—	—	—	**11,651,357**
Financial instruments		**17,309,393**	**—**	**—**	**2,735,096**	**20,044,489**
– Current financial liabilities	29	17,309,393	—		—	**17,309,393**
– Non-current derivative financial instruments	29	—	—	—	2,735,096	**2,735,096**
		298,968,797	**128,756,216**	**168,497,367**	**174,046,845**	**770,269,225**

[1] Non financial instruments

The PKM Developments preference shares are with a single counterparty PKM Developments. The preference shares do not have contractual drawdowns, consequently, the concentration risk is principally managed by maintaining sufficient liquidity to match PKM Developments budgeted drawdowns of the preference shares. The maturity disclosure represents PKM Developments' maximum drawdown, it does not reflect the budgeted or expected drawdowns.

As at 30 June 2018

Euro	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	**41**	**242,754,299**	**30,103,744**	**160,807,972**	**—**	**433,666,015**
– Investment property[1]		118,800,000	—	—	—	**118,800,000**
– Inventory property[1]		23,954,299	30,103,744	10,807,972	—	**64,866,015**
– PKM Developments preference shares		100,000,000	—	150,000,000	—	**250,000,000**
Interest-bearing borrowings		6,732,069	6,225,490	30,293,331	229,009,978	**272,260,868**
Trade and other payables		14,733,264	—	—	—	**14,733,264**
Financial instruments		**—**	**36,121,577**	**473,061**	**1,222,944**	**37,817,582**
– Current financial liabilities		—	36,121,577	—	—	**36,121,577**
– Non-current financial liabilities		—	—	473,061	—	**473,061**
– Non-current derivate financial instruments		—	—	—	1,222,944	**1,222,944**
		264,219,632	**72,450,811**	**191,574,364**	**230,232,922**	**758,477,729**

[1] Non financial instruments

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

OVERVIEW (CONTINUED)

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

The risk to the group arises due to an imbalance between demand and supply for the relevant investments and financial instruments in the portfolio, which could potentially result in a disorderly market. Market price risk is mitigated through a combination of extensive initial market research prior to acquiring the asset, ongoing monitoring of the share price of the listed real estate equity securities and maintaining a sufficiently diversified asset portfolio.

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

Euro	As at 30 June 2019	As at 30 June 2018
Assets		
Direct financial investments	41,848,801	183,052,263
CFD collateral held as German bonds	41,190,361	—
CFD positions	—	—
Interest rate swaps	775,179	349,224
	83,814,341	**183,401,487**
Liabilities		
Interest rate swaps	2,735,096	1,222,944
Priority participation dividend	3,429,519	6,912,756
Development management fee	2,286,346	4,701,505
	8,450,961	**12,837,205**

the breakdown of market risk exposure to direct financial investments and CFD positions is as follows;

	Notional exposure		Gross exposure	
Euro	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
Direct financial investments				
Empiric Student Property PLC	2,719,291	—	2,719,291	—
Primary Health Properties PLC	2,157,493	—	2,157,493	—
The PRS REIT PLC	786,348	—	786,348	—
Real Estate Credit Investments Ltd	3,009,989	—	3,009,989	—
Target Healthcare REIT Ltd	773,631	—	773,631	—
Tritax Big Box REIT PLC	7,744,687	—	7,744,687	—
Eurocommercial Properties NV	4,536,699	18,083,028	4,536,699	18,083,028
British Land Company PLC	9,758,519	12,350,045	9,758,519	12,350,045
Land Securities Group PLC	10,362,144	12,063,076	10,362,144	12,063,076
Unibail-Rodamco Westfield SE	—	49,893,724	—	49,893,724
Covivio SA	—	13,391,730	—	13,391,730
Hufvudstaden AB	—	13,295,975	—	13,295,975
Klepierre SA	—	52,450,239	—	52,450,239
Mercialys SA	—	11,524,446	—	11,524,446
	41,848,801	**183,052,263**	**41,848,801**	**183,052,263**

	Notional exposure		Gross exposure	
Euro	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
Contracts for difference				
Cofinimmo CMN	—	—	7,336,322	—
Intervest offices & warehouses CMN	—	—	3,251,533	—
Klepierre	—	—	47,945,211	—
Mercialys	—	—	8,973,764	—
Unibail-Rodamco	—	—	34,863,422	—
The PRS REIT PLC	—	—	3,153,172	—
	—	**—**	**105,523,424**	**—**

At 30 June 2019, if market prices at that date had been 5% (2018: 5%) higher/lower with all other variables held constant, post-tax profit for the year would have been €9,044,340 (2018: €8,528,214) higher/lower. The change post-tax profit for the year has a linear relationship with the percentage change in market price. This sensitivity analysis is based on the gross exposure of financial investments and assumes that all other variables remain constant.

INTEREST RATE RISK- A significant part of the funding of the group's portfolio derives from debt. Debt is managed on an active basis, with interest rate swaps used sometimes to hedge against adverse movements in interest rates. Details of the hedging arrangements of the group are disclosed in note 27.

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

	As at 30 June 2019					As at 30 June 2018				
Euro	Fixed rate	Variable	No exposure	Non-financial instruments	Total	Fixed rate	Variable	No exposure	Non-financial instruments	Total
Assets										
Financial assets	41,190,361	4,774,848	–	–	**45,965,209**					
Financial assets	174,128,273	11,593,528	–	–	**185,721,801**	105,045,768	24,507,316	–	–	**129,553,084**
Trade and other receivables	–	–	12,897,347	4,408,625	**17,305,972**	–	–	13,997,166	2,151,167	**16,148,333**
Cash and cash equivalents	–	71,155,130	–	–	**71,155,130**	–	147,825,624	–	–	**147,825,624**
	215,318,634	**87,523,506**	**12,897,347**	**4,408,625**	**320,148,112**	**105,045,768**	**172,332,940**	**13,997,166**	**2,151,167**	**293,527,041**
Liabilities										
Interest bearing borrowings	283,591,618	172,869,702	–	–	**456,461,320**	133,111,243	109,601,864	–	–	**242,713,107**
Financial instruments	**135,251,008**	**(123,657,480)**	**5,715,865**	**–**	**17,309,393**	**66,178,209**	**(41,197,832)**	**11,614,261**	**–**	**36,594,638**
- Effect of derivative financial instruments	135,251,008	(135,251,008)	–	–	**–**	66,178,209	(66,178,209)	–	–	**–**
- Financial liabilities	–	11,593,528	5,715,865	–	**17,309,393**	–	24,980,377	11,614,261	–	**36,594,638**
Trade and other payables	–	–	11,651,357	9,620,054	**21,271,411**	–	–	14,733,265	–	**14,733,265**
	418,842,626	**49,212,222**	**17,367,222**	**9,620,054**	**495,042,124**	**199,289,452**	**68,404,032**	**26,347,526**	**–**	**294,041,010**

FAIR VALUE SENSITIVITY FOR FIXED-RATE INSTRUMENTS

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

CASH FLOW SENSITIVITY FOR VARIABLE RATE INSTRUMENTS

At 30 June 2019, if interest rates at that date had been 25 basis points higher/lower (2018: 25 basis points) with all other variables held constant, post-tax profit for the year would have been €347,838 (2018: €330,003) lower/higher, arising mainly as a result of the higher/lower interest expense on variable borrowings. This sensitivity analysis assumes that all other variables remain constant.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

OVERVIEW (CONTINUED)

FOREIGN EXCHANGE RISK – The group is exposed to currency risk because it holds both assets and liabilities denominated in currencies other than euro, the presentation currency. It is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk is mitigated as management monitors exchange rates against assets and liabilities on a regular basis, in addition effort is made to match assets and liabilities in foreign currency against each other to reduce any foreign exchange risk.

As at 30 June 2019 the group had the following functional currency exposures:

CURRENCY RISK EXPOSURE

	GBP	CHF	ZAR	USD	PLN	SEK	BGN	RON
Closing exchange rate	0.8965	1.1105	16.1218	1.1380	4.2496	10.5633	1.9558	4.7343
FINANCIAL INSTRUMENTS – ASSETS								
Financial investments								
Foreign currency	33,450,300	–	–	–	–	–	–	–
Euro equivalent	37,312,103	–	–	–	–	–	–	–
Financial assets								
Foreign currency	11,088,546	–	–	–	–	–	–	–
Euro equivalent	12,368,707	–	–	–	–	–	–	–
Trade and other receivables								
Foreign currency	5,839,852	370,927	–	–	3,361,893	–	3,938,083	23,068,520
Euro equivalent	6,514,057	334,018	–	–	791,108	–	2,013,541	4,872,636
Cash and cash equivalents								
Foreign currency	31,669,522	1,293,100	187,464	7,048	3,533,822	–	3,733,364	33,391,134
Euro equivalent	35,325,736	1,164,430	11,628	6,193	831,566	–	1,908,868	7,053,025
FINANCIAL INSTRUMENTS – LIABILITIES								
Financial liabilities								
Foreign currency	15,517,871	1,080,083	–	–	–	–	–	–
Euro equivalent	17,309,393	972,609	–	–	–	–	–	–
Interest bearing borrowings								
Foreign currency	61,089,752	8,342,544	–	–	–	–	–	–
Euro equivalent	68,142,501	7,512,421	–	–	–	–	–	–
Trade and other payables								
Foreign currency	6,674,409	364,608	–	–	3,127,682	–	3,163,531	15,419,231
Euro equivalent	7,444,963	328,328	–	–	735,995	–	1,617,512	3,256,919
Total net financial (liability)/ asset exposure								
Foreign currency	**(1,233,812)**	**(8,123,208)**	**187,464**	**7,048**	**3,768,033**	**–**	**4,507,916**	**41,040,423**
Euro equivalent	**(1,376,254)**	**(7,314,910)**	**11,628**	**6,193**	**886,679**	**–**	**2,304,897**	**8,668,742**

As at 30 June 2018 the group had the following currency exposures:

CURRENCY RISK EXPOSURES

	GBP	CHF	ZAR	USD	PLN	SEK	BGN
Closing exchange rate	0.8861	1.1569	16.0514	1.1658	4.3725	10.4560	1.9560
FINANCIAL INSTRUMENTS – ASSETS							
Financial investments							
Foreign currency	21,633,249	—	—	—	—	139,022,719	—
Euro equivalent	24,413,121	—	—	—	—	13,295,975	—
Financial instruments							
Foreign currency	22,026,176	—	—	—	—	—	—
Euro equivalent	24,856,540	—	—	—	—	—	—
Trade and other receivables							
Foreign currency	10,736,098	53,258	—	—	3,909,118	—	3,508,951
Euro equivalent	12,115,687	46,036	—	—	894,015	—	1,794,098
Cash and cash equivalents							
Foreign currency	15,417,936	844,729	154,061	14,623	1,546,070	—	5,479,690
Euro equivalent	17,399,141	730,184	9,598	12,544	353,586	—	2,801,721
FINANCIAL INSTRUMENTS – LIABILITIES							
Financial instruments							
Foreign currency	32,427,681	1,054,990	—	—	1,359,909	—	—
Euro equivalent	36,594,639	911,933	—	—	311,011	—	—
Interest bearing borrowings							
Foreign currency	65,513,444	8,732,500	—	—	—	—	—
Euro equivalent	73,931,921	7,548,373	—	—	—	—	—
Trade and other payables							
Foreign currency	8,764,932	53,924	—	—	1,338,840	—	3,790,847
Euro equivalent	9,891,226	46,612	—	—	306,193	—	1,938,229
Total net financial (liability)/asset exposure							
Foreign currency	**(36,892,598)**	**(8,943,427)**	**154,061**	**14,623**	**2,756,439**	**139,022,719**	**5,197,794**
Euro equivalent	**(41,633,297)**	**(7,730,698)**	**9,598**	**12,544**	**630,397**	**13,295,975**	**2,657,590**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

CURRENCY RISK EXPOSURES (CONTINUED)

As at 30 June 2019 and 30 June 2018, if the euro had strengthened/weakened against other currencies used by the group with all other variables held constant, post-tax profit for the year would have been:

		30 June 2019			30 June 2018	
		Profit or loss			Profit or loss	
Euro	**Movement**	**Strengthening**	**Weakening**	**Movement**	**Strengthening**	**Weakening**
GBP	10%	(125,114)	125,114	5%	2,081,665	(2,081,665)
CHF	5%	(348,329)	348,329	5%	386,535	(386,535)
ZAR	10%	1,057	(1,057)	10%	(960)	960
USD	5%	295	(295)	5%	(627)	627
PLN	5%	42,223	(42,223)	5%	(31,520)	31,520
SEK	5%	—	—	5%	(664,799)	664,799
BGN[1]	0%	—	—	0%	—	—
RON	5%	232,030	(232,030)	5%	—	—
		(197,838)	**197,838**		**1,770,294**	**(1,770,294)**

[1] The Bulgarian Lev is fixed to the euro exchange rate therefore there was no currency risk exposure.

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

CREDIT RISK – The group is exposed to credit risk primarily as a result of its banking relationships, trade receivables and contract assets owed by tenants, capital contribution receivable, CFD collateral and its investment in the PKM Developments preference shares.

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

	As at 30 June 2019				As at 30 June 2018			
Euro	Credit risk exposure	No exposure	Non-financial instruments	Total	Credit risk exposure	No exposure	Non-financial instruments	Total
Non-current financial assets								
Financial assets	174,903,452	—	—	**174,903,452**	105,394,992	—	—	**105,394,992**
Financial investments	—	—	—	**—**		183,052,263		**183,052,263**
	174,903,452	**—**	**—**	**174,903,452**	**105,394,992**	**183,052,263**	**—**	**288,447,255**
Current financial assets								
Financial assets	—	11,593,528	—	**11,593,528**	-	24,507,316	—	**24,507,316**
Trade and other receivables	12,897,347	—	4,408,625	**17,305,972**	13,997,166	—	2,151,167	**16,148,333**
Financial investments	45,965,209	41,848,801	—	**87,814,010**				
Cash and cash equivalents	71,155,130	—	—	**71,155,130**	147,825,624	—	—	**147,825,624**
	130,017,686	**53,442,329**	**4,408,625**	**187,868,640**	**161,822,790**	**24,507,316**	**2,151,167**	**188,481,273**
	304,921,138	**53,442,329**	**4,408,625**	**362,772,092**	**267,217,782**	**207,559,579**	**2,151,167**	**476,928,528**

The group's PKM Developments preference shares €174,128,273 (2018: €105,045,768) included within financial assets are with a single counterparty PKM Developments. This concentration of credit risk is principally managed by assessing credit quality through quarterly reviews of PKM Developments management accounts, annually reviewing the audited annual financial statements and property valuation reports. The PKM Developments preference shares have no expected credit losses.

The group's financial investments with credit risk exposure €45,965,209 relate to the CFD collateral which is held with a single investment banking company. This concentration of credit risk is managed by assessing the counterparty's credit rating is rated B+ or better by Moody's rating agency.

There are no other concentration credit risks related to trade and other receivables as the group does not place reliance on a single counterparty. In order to manage the credit risk after initial recognition of the group's: financial instruments; trade and other receivables; and cash and cash equivalents, management:

- deposits cash and cash equivalents with banks and financial institution counterparties which are rated B+ or better by Moody's rating agency; and
- delegates the oversight of credit risk of trade and other receivables and financial instruments to MAS Prop as investment advisors to the group.

In calculating the expected credit loss rates, the group considers the historic loss rates and adjusts for forward looking macroeconomic data. There are no material impairment losses. Any significant changes to credit risk are escalated to the Audit and Risk Committee. There have been no changes to the group's estimation of credit risk from the prior financial year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS

ACCOUNTING POLICY

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

The risks and rewards faced by the group relate primarily to the business segment of the assets and therefore this forms the basis of the reporting segment.

DISCLOSURE

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

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

As at and for the year ended 30 June 2019

	Reportable segments				
Euro	**Income-generating property**	**Development property**	**Land bank and other strategic assets**	**Corporate**	**Total**
Statement of profit or loss					
External revenue	69,634,262	—	398,198	42,364	**70,074,824**
Segment profit/(loss) before tax	79,309,116	29,722,534	(28,229,876)	(5,549,760)	**75,252,014**
Finance income	226,245	11,799,324	—	32,250	**12,057,819**
Interest earned on preference shares	—	11,194,662	—	—	**11,194,662**
Finance costs	(9,323,741)	(603,377)	(323,940)	—	**(10,251,058)**
Current tax	(1,606,902)	(1,545,817)	(786,172)	(9,434)	**(3,948,325)**
Deferred tax	(9,425,315)	—	—	—	**(9,425,315)**
Share of profit from equity-accounted investee	—	11,009,325	—	—	**11,009,325**
Other material non-cash items					
Fair value adjustments gain/(loss)	26,960,098	(558,095)	(34,033,573)	—	**(7,631,570)**
Gain on bargain purchase	12,263,193	—	—	—	**12,263,193**
Foreign currency exchange differences	680,113	(133)	—	(1,044,533)	**(364,553)**
Depreciation	(51,001)	—	—	(50,340)	**(101,341)**
Statement of financial position					
Segment non-current assets	866,176,406	196,016,469	19,251,750	22,654,238	**1,104,098,863**
Investment in equity-accounted investee	—	21,888,261	—	—	**21,888,261**
Segment current assets	113,818,372	27,743,728	124,878,431	19,307,988	**285,748,519**
Investment property held for sale	71,090,000	—	21,519,919	—	**92,609,919**
Segment non-current liabilities	(341,759,439)	—	—	—	**(341,759,439)**
Segment current liabilities	(159,181,200)	(20,945,560)	(1,764,392)	(637,682)	**(182,528,834)**

As at and for the year ended 30 June 2018

	Reportable segments				
Euro	Income-generating property	Development property	Land bank and other strategic assets	Corporate	Total
Statement of profit or loss					
External revenue	43,010,408	—	396,153	—	**43,406,561**
Segment profit/(loss) before tax	37,329,217	9,938,530	(18,696,118)	(2,370,820)	**26,200,809**
Finance income	3,744	7,971,335	479	—	**7,975,558**
Interest earned on preference shares	—	7,514,384	—	—	**7,514,384**
Finance costs	(4,944,538)	(456,951)	—	(158,855)	**(5,560,344)**
Current tax	(788,830)	(2,394,030)	(2,369,785)	(3,357)	**(5,556,002)**
Deferred tax	(3,730,148)	2,418,763	—	—	**(1,311,385)**
Share of profit from equity-accounted investee	—	3,568,925	—	—	**3,568,925**
Other material non-cash items					
Fair value adjustments gain/(loss)	12,357,437	(5,388,602)	(22,921,758)	152,796	**(15,800,127)**
Exchange differences	(837)	—	—	(1,019,950)	**(1,020,787)**
Goodwill impairment	—	—	—	(1,274,346)	**(1,274,346)**
Depreciation	(85,088)	—	—	(14,938)	**(100,026)**
Statement of financial position					
Segment non-current assets	548,602,766	128,784,871	216,150,430	21,581,047	**915,119,114**
Investment in equity-accounted investee	—	23,774,222	—	—	**23,774,222**
Segment current assets	72,949,162	37,001,253	15,532,543	117,880,260	**243,363,218**
Investment property held for sale	42,528,044	—	11,060,400	—	**53,588,444**
Segment non-current liabilities	(222,239,291)	—	—	(3,542)	**(222,242,833)**
Segment current liabilities	(47,772,895)	(29,887,847)	(1,419,996)	(363,838)	**(79,444,576)**

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS (CONTINUED)

DISCLOSURE (CONTINUED)

GEOGRAPHICAL INFORMATION

The group invests in investment property in Europe. The geographical information below analyses the group's rental income and service charge income and other recoveries and non-current assets by the company's country of domicile and the jurisdiction in which the underlying assets are held: Western Europe (UK, Germany and Switzerland) and Central and Eastern Europe (Poland, Bulgaria and Romania) as a result of the investment in associate, refer to note 21.

Revenue

Euro	Year ended 30 June 2019	Year ended 30 June 2018
BVI	42,364	—
Western Europe	31,945,702	24,865,399
Central and Eastern Europe (CEE)	38,086,758	18,541,162
	70,074,824	**43,406,561**

Non-current assets

Euro	As at 30 June 2019	As at 30 June 2018
BVI	22,654,238	204,633,310
Western Europe	436,124,009	414,204,311
CEE	645,320,616	296,281,493
	1,104,098,863	**915,119,114**

Income from contracts with customers

Euro	Year ended 30 June 2019	Year ended 30 June 2018
Sales of inventory property	39,164,705	26,020,940
Service charges and other recoveries	12,455,268	5,954,048
	51,619,973	**31,974,988**

DISAGGREGATION

The following table disaggregates the income from contracts with customers by jurisdiction and explains the timing of income recognition. The table also includes a reconciliation to the group's reportable segments.

	Year ended 30 June 2019 Reportable segments				
Euro	Income-generating property	Development property	Land bank and other strategic assets	Corporate	Total
Jurisdiction					
BVI	—	—	—	42,364	**42,364**
Western Europe	2,227,667	39,164,705	47,105	—	**41,439,477**
CEE	10,138,132	—	—	—	**10,138,132**
	12,365,799	**39,164,705**	**47,105**	**42,364**	**51,619,973**
Timing of income recognition					
Over a period of time	12,365,799	39,164,705	47,105	42,364	**51,619,973**
	12,365,799	**39,164,705**	**47,105**	**42,364**	**51,619,973**

	Year ended 30 June 2018 Reportable segments				
Euro	Income-generating property	Development property	Land bank and other strategic assets	Corporate	Total
Jurisdiction					
BVI	—	—	—	46,946	**46,946**
Western Europe	1,369,015	26,020,940	46,364	—	**27,436,319**
CEE	4,491,723	—	—	—	**4,491,723**
	5,860,738	**26,020,940**	**46,364**	**46,946**	**31,974,988**
Timing of income recognition					
Over a period of time	5,860,738	26,020,940	46,364	46,946	**31,974,988**
	5,860,738	**26,020,940**	**46,364**	**46,946**	**31,974,988**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS (CONTINUED)

DISCLOSURE (CONTINUED)

DIRECT AND INDIRECT INVESTMENT RESULTS

In order to provide information of relevance to investors and a meaningful basis of comparison for users of the financial information, a statement of direct and indirect investment results for the year ended 30 June 2019 has been prepared and presented below. It allocates the IFRS result between direct and indirect investment result respectively.

The directors consider that the distribution statement is useful in interpreting the performance of the group.

Year ended 30 June 2019
Statement of Direct and Indirect Investment Result

Euro	Direct investment result	Indirect investment result	Total IFRS
Rental income	57,619,556	–	**57,619,556**
Service charge income and other recoveries	12,455,268	–	**12,455,268**
Revenue	**70,074,824**	**–**	**70,074,824**
Service charge and other property operating expenses	(18,478,661)	–	**(18,478,661)**
Net rental income	**51,596,163**	**–**	**51,596,163**
Sales of inventory property	–	39,164,705	**39,164,705**
Cost of sales of inventory property	–	(31,013,909)	**(31,013,909)**
Profit on sale of inventory property	–	8,150,796	**8,150,796**
Other income	7,259,104	–	**7,259,104**
Corporate expenses	(5,627,077)	–	**(5,627,077)**
Investment expenses	–	(3,210,128)	**(3,210,128)**
Net operating income	**53,228,190**	**4,940,668**	**58,168,858**
Fair value adjustments	–	(7,631,570)	**(7,631,570)**
Foreign currency exchange differences	–	(364,553)	**(364,553)**
Share of profit from equity accounted investee, net of tax[3]	–	11,009,325	**11,009,325**
Gain on bargain purchase	–	12,263,193	**12,263,193**
Profit before net financing costs	**53,228,190**	**20,217,063**	**73,445,253**
Finance income	12,057,819	–	**12,057,819**
Finance costs	(10,251,058)	–	**(10,251,058)**
Profit before tax	**55,034,951**	**20,217,063**	**75,252,014**
Current tax	(2,402,508)	(1,545,817)	**(3,948,325)**
Deferred tax	–	(9,425,315)	**(9,425,315)**
Profit for the year	**52,632,443**	**9,245,931**	**61,878,374**
Attributable to:			
Owners of the group	**49,696,674**	**5,339,123**	**55,035,797**
Non-controlling interest	**2,935,769**	**3,906,808**	**6,842,577**

Distributable earnings and basis of distribution

Euro	Year ended 30 June 2019
Direct investment result distributable to owners of the group	**49,696,674**
Company specific adjustments	
Net attributable profit on sales of inventory property[1]	4,953,734
Accrued dividends on REIT portfolio[2]	2,760,225
Distributable earnings before effect of shares issues during the year	**57,410,633**
Weighted average number of shares in issue	637,493,798
Distributable earnings per share (euro cents per share)	**9.01**
Distributable earnings before effect of shares issued during the year	57,410,633
Adjustment relating to shares issued during the year	—
Distributable earnings (after adjustment for shares issued during the year)	**57,410,633**
Closing number of shares in issue	**637,493,798**

DISTRIBUTION

Euro cents	Six-month period ended 31 December 2018	Six-month period ended 30 June 2019	Year ended 30 June 2019
Distributable earnings per share	**3.78**	**5.23**	**9.01**
Adjustment (to)/from reserves per share	—	(0.26)	(0.26)
Distribution per share	**3.78**	**4.97**	**8.75**

[1] The profit on sales of inventory property during the year was €8,150,796. The tax recognised on these sales was €1,545,817, refer to note 15, giving a net amount of profit of €6,604,979. The group has recognised 75% (€4,953,734) of this balance as a company specific adjustment as approximately 25% of profit is payable to the developer, refer to note 29.

[2] The accrued dividend adjustment provides consistency and comparability of dividend receipts between financial years, particularly with respect to the lag between declaration date and distribution. In the prior year, both Unibail and Klepierre declared and paid dividends relating to their previous reporting period. In the current year, these comparable dividends were declared during the year, but a portion of the payment was delayed to July. The accrued dividend adjustment corrects for this timing anomaly. The accrued dividend adjustment is in line with the Best Practice Recommendations of the South African REIT Association.

[3] In the current year the earnings in associate are all included in the indirect investment result and are not included in the distributable earnings. Going forward the earnings in associate will be split into direct and indirect investment result and the direct investment result from earnings in associate will be included in distributable earnings. The direct and indirect investment result for the year was €1,486,696 and €9,522,629 respectively.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS (CONTINUED)

DISCLOSURE (CONTINUED)

Reconciliation of cash from operations to direct investment result

Euro	**Year ended 30 June 2019**
Cash from operations	**62,835,056**
Finance cost	**(10,251,058)**
Finance cost	(10,251,058)
Finance income	**2,876,327**
Finance income	12,057,819
Finance income received – interest on preference shares	(9,181,492)
Tax	**(479,571)**
Tax expense	(2,402,508)
Tax paid on operating activities	1,922,937
Non-cash items	**(176,805)**
Depreciation	(101,341)
Share based payment expenses	(75,464)
Working capital movement	**(2,303,345)**
Decrease in receivables	(1,677,151)
Increase in payables	(666,063)
Decrease in provisions	39,869
Other	**131,839**
Non-forfeitable distribution	131,839
TOTAL DIRECT INVESTMENT RESULT	**52,632,443**
Attributable to:	
Owners of the group	**49,696,674**
Non-controlling interest	**2,935,769**

Year ended 30 June 2018
Statement of Direct and Indirect Investment Result

Euro	Direct investment result	Indirect investment result	Total IFRS
Rental income	37,452,513	—	**37,452,513**
Service charge income and other recoveries	5,954,048	—	**5,954,048**
Revenue	**43,406,561**	**—**	**43,406,561**
Service charge and other property operating expenses	(11,073,518)	—	**(11,073,518)**
Net rental income	**32,333,043**	**—**	**32,333,043**
Sales of inventory property	—	26,020,940	**26,020,940**
Cost of sales of inventory property	—	(21,704,016)	**(21,704,016)**
Profit on sale of inventory property	—	4,316,924	**4,316,924**
Other income	8,585,032	—	**8,585,032**
Corporate expenses	(4,946,973)	—	**(4,946,973)**
Investment expenses	—	(1,976,096)	**(1,976,096)**
Net operating income	**35,971,102**	**2,340,828**	**38,311,930**
Fair value adjustments	—	(15,800,127)	**(15,800,127)**
Foreign currency exchange differences	—	(1,020,787)	**(1,020,787)**
Share of profit from equity-accounted investee, net of tax	—	3,568,925	**3,568,925**
Goodwill impairment	—	(1,274,346)	**(1,274,346)**
Profit/(loss) before net financing costs	**35,971,102**	**(12,185,507)**	**23,785,595**
Finance income	7,975,558	—	**7,975,558**
Finance costs	(5,560,344)	—	**(5,560,344)**
Profit/(loss) before tax	**38,386,316**	**(12,185,507)**	**26,200,809**
Current tax	(2,979,626)	(2,576,376)	**(5,556,002)**
Deferred tax	—	(1,311,385)	**(1,311,385)**
Profit/(loss) for the year	**35,406,690**	**(16,073,268)**	**19,333,422**
Attributable to:			
Owners of the group	**34,078,183**	**(17,221,877)**	**16,856,306**
Non-controlling interest	**1,328,507**	**1,148,609**	**2,477,116**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS (CONTINUED)

DISTRIBUTABLE EARNINGS AND BASIS OF DISTRIBUTION

Euro	Year ended 30 June 2018
Direct investment result distributable to shareholders	**34,078,183**
Company specific adjustments	
Net attributable profit on sales of inventory property[1]	2,628,067
Distributable earnings before effect of shares issued during the year	**36,706,250**
Weighted average number of shares in issue	577,814,866
Distributable earnings per share (euro cents per share)	**6.35**
Distributable earnings before effect of shares issued during the year	36,706,250
Adjustment relating to shares issued during the year	3,772,061
Distributable earnings (after adjustment for shares issued during the year)	**40,478,311**
Closing number of shares in issue	**637,493,798**

DISTRIBUTION

Euro cents	Six-month period ended 31 December 2017	Six-month period ended 30 June 2018	Year ended 30 June 2018
Distributable earnings per share	**2.70**	**3.65**	**6.35**
Adjustment from reserves per share	0.88	0.38	**1.26**
Distribution per share	**3.58**	**4.03**	**7.61**

[1] The profit on sales of inventory property during the year ended 30 June 2018 was €4,316,924. The tax recognised on these sales was €812,835, refer to note 15, giving a net amount of profit of €3,504,089. The group has recognised 75% (€2,628,067) of this balance as a company specific adjustment as approximately 25% of profit is payable to the developer, refer to note 29.

Reconciliation of cash from operations to direct investment result

Euro	Year ended 30 June 2018
Cash from operations	**35,386,649**
Finance cost	**(5,560,344)**
Finance cost	(5,560,344)
Finance income	**4,372,697**
Finance income	7,975,558
Finance income received – interest on preference shares	(3,602,861)
Tax	**454,869**
Tax expense	(2,979,626)
Tax paid on operating activities	3,434,495
Non-cash items	**(905,792)**
Depreciation	(100,026)
Share based payment expenses	(805,766)
Working capital movement	**(317,485)**
Decrease in receivables	(1,029,613)
Decrease in payables	904,406
Increase in provisions	(192,278)
Other	**1,976,096**
Investment expenses	1,976,096
TOTAL DIRECT INVESTMENT RESULT	**35,406,690**
Attributable to:	
Owners of the group	**34,078,183**
Non-controlling interest	**1,328,507**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

36. OPERATING SEGMENTS (CONTINUED)

EPRA NAV

The European Public Real Estate Association (EPRA) is an organisation that promotes, develops and represents the European public real estate sector. EPRA sets out best practice reporting guidelines on a number of financial and operational performance indicators relevant to the real estate sector. As the business of the group matures, the board intends to adopt the EPRA performance measures on a comprehensive basis. However, as the business goes through the current stage of rapid change and growth, some of the metrics are currently considered not to be relevant. Initially, EPRA NAV and EPRA NAV per share have been computed, which provides an industry standard methodology for the computation of the net asset value per share of the group.

RECONCILIATION OF IFRS NAV TO EPRA NAV

Euro	Note	As at 30 June 2019	As at 30 June 2018
Equity attributable to owners of the group		**858,120,107**	**854,267,721**
Adjustments for:			
Change in fair value of interest rate swaps – financial liability	11	1,473,614	873,720
Change in fair value of interest rate swaps – financial asset	11	(432,554)	—
Deferred tax asset	15	(4,280,027)	(607,179)
Deferred tax liability	15	26,269,767	6,139,373
Non-controlling interest share of the above adjustments		(3,796,923)	(616,418)
EPRA NAV		**877,353,984**	**860,057,217**
Fully diluted number of shares		637,493,798	637,556,656
Closing number of shares		637,493,798	637,493,798
Effect of share options	37	—	62,858
EPRA NAV per share (euro cents)		**137.63**	**134.90**

37. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

ACCOUNTING POLICY

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

DISCLOSURE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE GROUP

Euro	Year ended 30 June 2019	Year ended 30 June 2018
Profit for the year attributable to owners of the group	**55,035,797**	**16,856,306**

WEIGHTED-AVERAGE NUMBER OF ORDINARY SHARES

	Note	Year ended 30 June 2019	Year ended 30 June 2018
Opening issued ordinary shares	23	**637,493,798**	**467,366,299**
Effect of shares issued for capital raise		—	105,128,974
Effect of shares issued for scrip distributions		—	5,319,593
Weighted-average number of ordinary shares		**637,493,798**	**577,814,866**

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

BASIC EARNINGS PER SHARE

	Year ended 30 June 2019	Year ended 30 June 2018
Profit attributable to owners of the group (euro)	**55,035,797**	**16,856,306**
Weighted-average number of ordinary shares	637,493,798	577,814,866
Basic earnings per shares (euro cents)	**8.63**	**2.92**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

37. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE (CONTINUED)

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share has been based on the following weighted-average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

	Year ended 30 June 2019	Year ended 30 June 2018
Weighted-average number of ordinary shares (basic)	**637,493,798**	**577,814,866**
Effect of share options	–	62,858
Weighted-average number of ordinary shares (diluted)	**637,493,798**	**577,877,724**

DILUTED EARNINGS PER SHARE

	Year ended 30 June 2019	Year ended 30 June 2018
Profit attributable to ordinary shareholders (euro)	**55,035,797**	**16,856,306**
Weighted-average number of ordinary shares	637,493,798	577,877,724
Diluted earnings per share (euro cents)	**8.63**	**2.92**

At 30 June 2019, options on 5,381,127 shares (2018: 7,850,000 shares) were excluded from the diluted weighted-average number of ordinary shares because their effect would have been anti-dilutive.

The average market value of the company's shares for the purpose of calculating the dilutive effect of the share options was based on quoted market prices for the period during which the options were outstanding.

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

ACCOUNTING POLICY

Headline earnings is derived from basic earnings adjusted for re-measurements that relate to the capital platform of the group per Circular 4/2018 issued by the South African Institute of Chartered Accountants.

DISCLOSURE

Headline earnings and headline earnings per share was as follows:

		Year ended 30 June 2019		Year ended 30 June 2018	
Euro	**Note**	**Gross**	**Net**	**Gross**	**Net**
Profit attributable to owners of the group		**55,035,797**	**55,035,797**	**16,856,306**	**16,856,306**
Adjusted for:					
Fair value gain on investment property	17	(24,086,880)	(15,795,671)	721,387	232,813
Fair value gain on investment property in associate		(11,808,911)	(9,393,173)	(6,179,920)	(3,878,272)
Fair value gain on investment property held for sale	18	(958,055)	(958,055)	(2,766,206)	(2,766,206)
Gain on bargain purchase	32	(12,263,193)	(12,263,193)	—	—
Goodwill impairment	16	—	—	1,274,346	1,274,346
Loss on disposal of property, plant and equipment	22	90,672	90,672	—	—
Recycle of foreign currency exchange through profit and loss		(679,034)	(679,034)	—	—
Headline earnings		**5,330,396**	**16,037,343**	**9,905,913**	**11,718,987**
Basic headline earnings per share					
Weighted-average number of ordinary shares (basic)		**637,493,798**	**637,493,798**	**577,814,866**	**577,814,866**
Headline earnings per share (euro cents)		**0.84**	**2.52**	**1.71**	**2.03**
Diluted headline earnings per share					
Weighted-average number of ordinary shares (diluted)		637,493,798	637,493,798	577,877,724	577,877,724
Diluted headline earnings per share (euro cents)		**0.84**	**2.52**	**1.71**	**2.03**

The JSE Listings Requirements require the calculation of headline earnings and diluted headline earnings per share and the disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share, as required by IAS 33 – 'Earnings per Share'. Disclosure of headline earnings is not an IFRS requirement. The directors do not use headline earnings or headline earnings per share in their analysis of the group's performance, and do not consider it to be a useful or relevant metric for the group. The directors make no reference to headline earnings or headline earnings per share in their commentaries, instead, the directors use distributable earnings as a more relevant measure, refer to note 36.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

38. RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

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

KEY MANAGEMENT – TRANSACTIONS

Year ended 30 June 2019

Euro	Role	During the year	Basic salary/ fees	Benefits[3]	Short-term incentive	Long-term incentive	Sub total	IFRS 2 option expense	Total
Werner Behrens	CEO	appointed	52,052	7,019	–	–	**59,071**	1,214	**60,285**
Paul Osbourn	CFO	appointed	185,900	3,346	–	–	**189,246**	991	**190,237**
Jonathan Knight[1]	CIO		89,232	–	–	–	**89,232**	51,255	**140,487**
Ron Spencer	Chairman		48,500	–	–	–	**48,500**	–	**48,500**
Malcolm Levy	NED	appointed	–	–	–	–	**–**	–	**–**
Malcolm Levy	Former CFO /Interim CEO	resigned	206,349	–	–	–	**206,349**	(463,770)	**(257,421)**
Jaco Jansen	NED		37,500	–	–	–	**37,500**	–	**37,500**
Pierre Goosen	NED		51,500	–	–	–	**51,500**	–	**51,500**
Glynnis Carthy	NED		40,000	–	–	–	**40,000**	–	**40,000**
Werner Alberts	NED	appointed	27,805	–	–	–	**27,805**	–	**27,805**
Melt Hamman	NED	appointed	20,173	–	–	–	**20,173**		**20,173**
Helen Cullen	Company Secretary		96,854	1,440	4,253	–	**102,547**	17,086	**119,633**
Morné Wilken[2]	Former CEO	resigned	146,396	111,540	–	–	**257,936**	–	**257,936**
Gideon Oosthuizen	Former NED	resigned	18,530	–	–	–	**18,530**	–	**18,530**
			1,020,791	**123,345**	**4,253**	**–**	**1,148,389**	**(393,224)**	**755,165**

[1] Jonathan Knight has a contract of employment with Corona Real Estate Partners Limited, a service provider to MAS Property Advisors Limited. The total remuneration paid to Corona in relation to services provided to MAS by Jonathan Knight was €161,733 (2018: €130,284). Jonathan Knight received a salary of €66,924 (2018: €67,974) from Corona.

[2] When recruited, a sum of £500,000 (approximately €557,700) was awarded and paid to Morné Wilken as recognition that he would forfeit an in-the money incentive scheme by becoming CEO of MAS. This amount was repayable on a pro-rata basis should he cease to be employed by the company from 1 January 2018 to 30 June 2020, and accordingly £16,667 (approximately €18,590) was expensed monthly and recognised as a benefit paid to him. Morné refunded the outstanding amount, totalling £300,000 (approximately €334,620), when he ceased to be director.

[3] The benefits provided to Werner Behrens are in relation to relocation fees, those provided to Paul Osbourn and Helen Cullen are in relation to pension contributions.

Year ended 30 June 2018

Euro	Role	During the year	Basic salary/ fees	Benefits	Short-term incentive	Long-term incentive	Sub total	IFRS 2 option expense	Total
Morné Wilken			**188,432**	**141,613**	–	–	**330,045**		**330,045**
	CEO	appointed	178,432	141,613	–	–	**320,045**	–	**320,045**
	Former NED	resigned	10,000	–	–	–	**10,000**	–	**10,000**
Malcolm Levy	CFO		–	–	–	–	**–**	425,758	**425,758**
Jonathan Knight	CIO		67,974	–	–	–	**67,974**	164,354	**232,328**
Ron Spencer	Chairman		30,000	–	–	–	**30,000**	–	**30,000**
Gideon Oosthuizen	NED		27,500	–	–	–	**27,500**	–	**27,500**
Jaco Jansen	NED		25,000	–	–	–	**25,000**	–	**25,000**
Pierre Goosen	NED		22,500	–	–	–	**22,500**	–	**22,500**
Glynnis Carthy	NED		27,500	–	–	–	**27,500**	–	**27,500**
Helen Cullen	Company Secretary		95,778	–	–	–	**95,778**	66,441	**162,219**
Lukas Nakos[4]	Former CEO	resigned	–	157,794	–	–	**157,794**	–	**157,794**
			484,684	**299,407**	**–**	**–**	**784,091**	**656,553**	**1,440,644**

[4] During January 2018 the Board of Directors approved a payment of £140,000 (€157,794) to Lukas Nakos.

KEY MANAGEMENT – SHAREHOLDINGS

As at 30 June 2019

Euro	Direct	Indirect	Associate	Total
Werner Behrens	19,629	842,980	—	**862,609**
Paul Osbourn	—	688,147	—	**688,147**
Jonathan Knight	626,525	1,500,000	—	**2,126,525**
Ron Spencer	12,061	—	—	**12,061**
Malcolm Levy	11,633	—	1,568,928[1]	**1,580,561**
Jaco Jansen	—	—	—	**—**
Pierre Goosen	—	—	46,679[1]	**46,679**
Glynnis Carthy	—	—	—	**—**
Werner Alberts	—	—	—	**—**
Melt Hamman	—	3,300[2]	990[1]	**4,290**
Helen Cullen	14,936	500,000	—	**514,936**
	684,784	**3,534,427**	**1,616,597**	**5,835,808**

[1] Non-beneficial to director
[2] Family trust

4,000,000 shares have been forfeited during the year by Malcolm Levy in respect of the geared share purchase plan. 1,531,127 new shares have been issued during the year to 30 June 2019, 842,980 to Werner Behrens and 688,147 to Paul Osbourn. The number of shares in the scheme at the year end is 5,381,127, refer to note 33.

As at 30 June 2018

Euro	Direct	Indirect	Associate	Total
Morné Wilken	284,039	—	—	**284,039**
Malcolm Levy	11,633	4,000,000	1,568,928[2]	**5,580,561**
Jonathan Knight	626,525	1,500,000	—	**2,126,525**
Ron Spencer	12,061	—	—	**12,061**
Gideon Oosthuizen	—	240,000[1]	—	**240,000**
Jaco Jansen	—	—	—	**—**
Pierre Goosen	—	—	46,679[2]	**46,679**
Glynnis Carthy	—	—	—	**—**
Helen Cullen	14,936	500,000	—	**514,936**
	949,194	**6,240,000**	**1,615,607**	**8,804,801**

[1] Associate company
[2] Non-beneficial to director

There has been no change in the shareholding of the directors or key management from 30 June 2019 to the date of approval of these consolidated financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

38. RELATED PARTIES (CONTINUED)

OTHER RELATED PARTY TRANSACTIONS:

Euro	Note	Income/(expenses) for the year ended 30 June 2019	Income/(expenses) for the year ended 30 June 2018	Net (receipts)/payments for the year ended 30 June 2019	Net (receipts)/payments for the year ended 30 June 2018	Capitalised for the year ended 30 June 2019	Capitalised for the year ended 30 June 2018	Balances assets/(liabilities) as at 30 June 2019	Balances assets/(liabilities) as at 30 June 2018
New Waverley Advisers Limited									
- On-charged development costs		–	–	–	–	2,653,770	2,287,409	–	–
- Development management fee[1]	29	(660,671)	(682,957)	3,071,367	–	–	–	(2,286,346)	(4,701,505)
		(660,671)	**(682,957)**	**3,071,367**	**–**	**2,653,770**	**2,287,409**	**(2,286,346)**	**(4,701,505)**
New Waverley Holdings Limited									
- Priority participating profit dividend[1]	29	(1,127,939)	(884,397)	4,524,296	–	–	–	(3,429,519)	(6,912,757)
		(1,127,939)	**(884,397)**	**4,524,296**	**–**	**–**	**–**	**(3,429,519)**	**(6,912,757)**
Corona Real Estate Partners Limited									
- Legal and professional expenses[2]		(879,538)	(804,187)	1,007,541	1,042,996	–	132,549	(136,637)	(124,474)
		(879,538)	**(804,187)**	**1,007,541**	**1,042,996**	**–**	**132,549**	**(136,637)**	**(124,474)**
Artisan Real Estate Limited									
- On-charged administrative expenses[2]		42,115	46,946	(41,599)	(78,300)	–	–	12,007	–
		42,115	**46,946**	**(41,599)**	**(78,300)**	**–**	**–**	**12,007**	**–**
PKM Developments									
- Equity accounted investee	21	11,009,325	3,568,925	–	–	(12,895,286)	–	21,888,261	23,774,222
- PKM Developments preference shares	28	11,194,662	7,514,384	60,818,508	(3,602,862)	(2,930,665)	–	174,128,273	105,045,768
- Other income		292,861	–	(292,861)	–	–	–	–	–
- Interest-bearing deferred consideration	27	(1,244,271)	–	2,797,955	–-	(93,314,836)	–	(91,761,152)	–
- Net assets acquired in business combination (including goodwill)	32	–	–	–	–	109,140,787	–	–	–
		21,252,577	**11,083,309**	**63,323,602**	**(3,602,862)**	**–**	**–**	**104,255,382**	**128,819,990**
Momats									
- Directors fee and legal and professional expenses		(17,637)	(12,621)	23,445	25,693	–	–	8,793	2,180
		(17,637)	**(12,621)**	**23,445**	**25,693**	**–**	**–**	**8,793**	**2,180**
		18,608,907	**8,746,093**	**71,908,652**	**(2,612,473)**	**2,653,770**	**2,419,958**	**98,423,680**	**117,083,434**

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

[2] Differences between the income/(expense) and the corresponding receivable/(payable) relate to VAT receivables and payables.

KEY MANAGEMENT

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

RELATED PARTY RELATIONSHIPS

ARTISAN REAL ESTATE LIMITED, NEW WAVERLEY HOLDINGS LIMITED AND NEW WAVERLEY ADVISERS LIMITED

Artisan Real Estate Limited ("Artisan") is a real estate management company which controls both New Waverley Holdings ("NW Holdings") and New Waverley Advisers ("NW Advisers"). Up to 1 October 2018 Artisan's board comprised of four directors, two of which were key management personnel of the group, therefore, Artisan, NW Holdings and NW Advisers were considered to be related parties. On 1 October 2018, a key management personnel of the group resigned as a director of Artisan, at this date, Artisan, NW Holdings and NW Advisers ceased to be a related party of the group. For transparency and comparability with the prior year, the group has disclosed the transactions with Artisan, NW Holdings and NW Advisers for the year although these entities were only related parties up to 1 October 2018.

CORONA REAL ESTATE PARTNERS LIMITED

Corona Real Estate Partners Limited ("Corona") is a real estate management company with five staff members and is owned 100% by Jonathan Knight who is the chief investment officer of the group.

PKM DEVELOPMENTS

PKM Developments is an associate of the group and MAS owns 40% of the ordinary shares, refer to note 21.

MOMATS

Momats provides BVI corporate services and is a director of MAS (BVI) Holdings Limited and MAS CEE Investments Limited, 100% owned subsidiaries of the company.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

38. RELATED PARTIES (CONTINUED)

GROUP SUBSIDIARIES

The group's subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Entity name	Ownership interest held by the group	Ownership interest held by NCI	Effective ownership interest held by the group	Effective ownership interest held by NCI
MAS REI	100%	–	100%	–
MAS (BVI) Holdings Limited	100%	–	100%	–
MAS Mezzi Limited	100%	–	100%	–
MAS Property Advisors Limited	100%	–	100%	–
MAS (IOM) Holdings Limited	100%	–	100%	–
MAS CEE Developments Limited	100%	–	100%	–
MAS CEE Investments Limited	100%	–	100%	–
Braehead Properties Limited	100%	–	100%	–
Chippenham Properties Limited	100%	–	100%	–
Langley Properties Limited	100%	–	100%	–
North Street Quarter Limited	100%	–	100%	–
New Waverley 10 Limited	100%	–	100%	–
New Waverley 12 Limited	100%	–	100%	–
New Waverley 14 Limited	100%	–	100%	–
New Waverley 20 Limited	100%	–	100%	–
MAS (European) Holdings Limited	100%	–	100%	–
Braunschweig Limited	100%	–	100%	–
Flensburg Limited	100%	–	100%	–
New Uberior House Limited	100%	–	100%	–
Brandenburg Retail Capital SARL	100%	–	100%	–
European Property Holdings SARL	100%	–	100%	–
Impromptu Capital SARL	100%	–	100%	–
Incantada Capital SARL	100%	–	100%	–
Innova Capital SARL	100%	–	100%	–
Interlude Capital SARL	100%	–	100%	–
Intermezzo Capital SARL	100%	–	100%	–
Istempo Capital SARL	100%	–	100%	–
Instrumento Capital SARL	100%	–	100%	–
Intonata Capital SARL	100%	–	100%	–
Inventive Capital SARL	100%	–	100%	–
Leipzig Retail Capital SARL	100%	–	100%	–
Magdeburg Retail Capital SARL	100%	–	100%	–
Petrusse Capital SARL	100%	–	100%	–
PKM CEE Investments Ltd	100%	–	80%	20%
PKM Investments Finance Ltd	100%	–	80%	20%
PKM Investment Sarl	100%	–	80%	20%
PKM Ariel SRL	100%	–	80%	20%
PKM Neptune SRL	100%	–	80%	20%
Land Development Proiect SRL	100%	–	80%	20%
PKM Gemini SRL	100%	–	80%	20%
Mastweight SRL	100%	–	80%	20%
PK Black SRL	100%	–	80%	20%
PK Red SRL	100%	–	80%	20%
PK Indigo SRL	100%	–	80%	20%
Galleria Burgas ead	100%	–	80%	20%
Galleria Stara Zagora ead	100%	–	80%	20%
PKM Investments (Netherlands) BV	100%	–	80%	20%
Nova Park sp zoo	100%	–	80%	20%
Prime Kapital CEE Property Investment Management Ltd	–	100%	80%	20%
PK Mezz BV	–	100%	80%	20%

39. SIGNIFICANT SHAREHOLDERS

The significant shareholders of the group are:

	Number of shares as at 30 June 2019	Percentage of shares as at 30 June 2019
Attacq Limited	146,818,251	22.84%
Argosy	54,772,439	8.52%
Government Employees Pension Fund	52,962,397	8.24%
	254,553,087	**39.60%**

	Number of shares as at 30 June 2018	Percentage of shares as at 30 June 2018
Attacq Limited	146,818,251	22.75%
Argosy	55,841,264	8.65%
Public Investment Corporation	49,504,171	7.67%
	252,163,686	**39.07%**

40. CONTINGENT LIABILITIES

The group is subject to possible litigation regarding a disputed lease agreement in one of its subsidiaries. The maximum potential claim is €3,000,000 (2018:€nil).

PKM Developments is subject to litigation brought by an unpaid lender which was acquired as part of a business combination, refer to note 21.

41. CAPITAL COMMITMENTS

INVENTORY PROPERTY

The group entered into contracts for the construction and development of the New Waverley office, refer to note 19. These contracts will give rise to committed expenses of £287,713 (approximately €320,914) (2018: £53,092,275 (approximately €59,914,632) over the next 12 months, which will be capitalised as part of the New Waverley development.

The group entered into contracts for the construction and development of Travelodge at Langley. These contracts will give rise to committed expenses of £834,205 (approximately €930,472) (2018: £4,387,579 (approximately €4,951,383) over the next 12 months, which will be capitalised as part of the Langley development.

INVESTMENT IN EQUITY ACCOUNTED INVESTEE

The group has committed to fund PKM Developments through 7.5% cumulative preference shares issued by PKM Developments. During the current year, the group committed to funding up to a total of €420,000,000 (2018: €350,000,000). The outstanding commitment at the reporting date was €250,000,000 (2018: €250,000,000) which is expected to be funded by 23 March 2025. The loan commitments have been reviewed and are not considered to be onerous at the reporting date.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

42. EVENTS AFTER THE REPORTING DATE

FINANCIAL INVESTMENTS

After the reporting date the group made a number of purchases and sales of the listed real estate equity securities portfolio as detailed below. As at 30 August 2019 the group's listed real estate securities had a fair value of €67,656,273.

Euro	**Direct financial investments**	**CFD Margin**	**CFD gross exposure**
As at 30 June 2019	**41,848,801**	**45,965,209**	**105,523,424**
Purchases	—	—	10,164,484
Disposal	(8,363,752)	—	(16,007,840)
CFD Margin in relation to CFD purchases	—	4,065,793	—
CFD Margin in relation to CFD disposals	—	(7,838,762)	—
Fair value adjustment	(7,988,119)	(32,897)	(5,378,026)
As at 30 August 2019	**25,496,930**	**42,159,343**	**94,302,042**

After the reporting date to 30 August 2019 the group received a total of €408,424 dividends from direct financial investments and €2,760,225 from CFD positions.

INTEREST-BEARING DEFERRED CONSIDERATION

As at 30 August 2019 the total amount outstanding under interest-bearing deferred considerations was €66,298,309. Since the reporting period the group has incurred €537,157 of interest and repaid a total of €26,000,000 against accrued interest and principal balances.

MEMORANDUM OF UNDERSTANDING WITH PRIME KAPITAL

On 4 June 2019 the group announced that it had entered into a non-binding memorandum of understanding with Prime Kaptial to acquire a call option to purchase Prime Kapital's effective 20% interest in the investment joint venture. After the reporting period on 28 August 2019, the group announced that negotiations with Prime Kaptial have been terminated without a conclusion of a binding call option agreement.

43. OTHER JSE DISCLOSURES

UNAUDITED PROPERTY PROFILE

Property	Property address	Type	Rentable area (sqm)	Current vacancy area (sqm)	Passing rent per sqm (Euro)	WALT
Bulgaria						
Galleria portfolio - Burgas	Yanko Komitov Street 6, Burgas, Bulgaria	Retail	38,372	2,772	158.0	5.4
Galleria portfolio - Stara Zagora	Han Asparuh Street 30, Stara Zagora, Bulgaria	Retail	25,393	2,615	96.6	3.6
Germany						
Braunschweig	Varrentrappstraße 2, 14, Braunschweig, Germany	Retail	19,066	913	80.3	5.4
Bruchsal	Kaiserstraße 66, Bruchsal, Germany	Retail	7,119	–	204.7	4.3
Donaueschingen	Bregstraße, Donauschingen, Germany	Retail	8,235	–	87.4	9.6
Edeka portfolio - Miha	Heidelberger Straße 90, Berlin, Germany	Retail	1,674	–	173.8	12.1
Edeka portfolio - Miha	Flankenschnze 32, Berlin, Germany	Retail	1,432	–	170.4	12.1
Edeka portfolio - Miha	Waldring 190, 110, Haldensleben, Germany	Retail	1,470	–	88.4	12.1
Edeka portfolio - Miha	Bahnhofstraße 12, Holzminden, Germany	Retail	1,924	–	129.4	12.1
Edeka portfolio - Miha	Alte Poststraße 1, Müllrose, Germany	Retail	1,676	–	155.7	12.1
Edeka portfolio - Miha	Erlenweg 3, Nebra, Germany	Retail	1,423	–	98.4	12.1
Edeka portfolio - Miha	Händelstraße 1-2, Zepernick-Panketal, Germany	Retail	1,656	–	140.7	12.1
Edeka portfolio - Miha	Rudolf-Breitscheid-Straße 193, Potsdam, Germany	Retail	2,012	–	127.8	8.8
Edeka portfolio - Miha	Platz des Friedens 10, Sandersdorf, Germany	Retail	1,633	–	130.4	12.1
Edeka portfolio - Miha	Goethepromenade 13, Gröningen, Germany	Retail	1,170	–	78.6	12.2
Edeka portfolio - Miha	Adolf-Meyer-Straße 15, Neinburg, Germany	Retail	989	–	100.1	12.2
Edeka portfolio - Miha	Marktstraße 6, Oldisleben, Germany	Retail	965	–	113.0	12.2
Edeka portfolio - Miha	Hallesche Straße 51 A, Raguhn, Germany	Retail	859	–	101.3	12.2
Edeka portfolio - Miha	Bahnhofstraße 21, Sangerhausen, Germany	Retail	888	–	102.5	12.2
Edeka portfolio - Miha	Haupstraße 29, Thale-Neinstedt, Germany	Retail	709	–	112.8	12.2
Edeka portfolio - Miha	Am Wiesenhof 147-148, Wilelmshaven, Germany	Retail	1,140	–	74.6	12.2
Edeka portfolio - Miha	August-Bebel-Damm 25, Magdeburg, Germany	Retail	8,428	–	38.0	12.2
Edeka portfolio - Miha	Otto-von-Guericke-Straße 1A, Magdeburg, Germany	Retail	6,455	–	46.5	12.2
Edeka portfolio - Miha	Westringstraße 179, 181, 193, Dölzig-Schkeuditz, Germany	Retail	9,167	–	40.9	12.2
Edeka portfolio - Miha	Vor dem Weiherbusch 9, Soltau-Tetendorf, Germany	Retail	5,442	–	36.8	12.2
Edeka portfolio - Thales	Alte Schmelze 23, 65201 Wiesbaden, Germany	Retail	11,502	–	105.2	11.5
Edeka portfolio - Thales	In der Teichmatt 6, 79689 Maulburg, Germany	Retail	4,435	–	78.9	11.5
Edeka portfolio - Thales	Rudolf-Diesel-Straße 6, 72250 Freudenstadt, Germany	Retail	5,908	925	74.5	11.5
Flensburg Galerie	Angelburger Straße 15-17, 24937 Flensburg, Germany	Retail	24,540	4,915	158.9 159.5	6.3
Gotha	Schubert-straße 20, Gotha, Germany	Retail	9,442	–	105.0	7.0
Heppenheim retail park	Tiergartenstraße 7, Heppenheim, Germany	Retail	16,978	–	111.1	8.4
Lehrte	Germaniastraße 18, Lehrte, Germany	Retail	9,203	–	82.5	7.6
Munich	Wasserburger, Landstraße 133, Munich, Germany	Industrial	13,090	–	71.4	4.5
Toom Portfolio - Frankenthal	Eisenbahnstraße 77, Frankenthal, Germany	Retail	7,425	–	74.1	9.8
Toom Portfolio - Gummersbach	Vollmerhauser Straße 36, Gummersbach, Germany	Retail	10,937	–	100.6	9.8
Toom Portfolio - Nordhausen	Hallesche Straße 141, Nordhausen, Germany	Retail	7,164	–	76.8	9.8

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

43. OTHER JSE DISCLOSURES (CONTINUED)

UNAUDITED PROPERTY PROFILE (CONTINUED)

Poland						
Nova Park	Przemysłowa 2, 66-400 Gorzów Wielkopolski, Poland	Retail	32,683	2,399	175.3	3.4
Romania						
Militari Shopping Centre	303 Maniu Boulevard, Bucharest 061129, Romania	Retail	56,245	22	148.2	9.5
Atrium Mall	10-12, Aurel Vlaicu Street, Arad, 310365, Romania	Retail	28,672	849	173.1	2.7
Roman Value Centre	Strada Mihai Viteazul 3, Roman 617135, Romania	Retail	18,808	326	126.8	9.4
Baia Mare Value Centre	Bulevardul Bucuresti nr 53, Baia Mare 430013, Romania	Retail	21,318	753	111.2	11.3
Kaufland - Fagaras	Strada Tudor Vladimirescu 85-87, Fagaraș 505200, Romania	Retail	3,176	—	90.9	5.4
Kaufland - Focsani	Bulevardul Brailei 102, Focșani 620170, Romania	Retail	6,099	—	126.4	6.0
Kaufland - Gheorgheni	Fratiei 44, Gheorgheni 535500, Romania	Retail	1,396	—	118.4	3.9
Kaufland - Ramnicu Sarat	C. Brancoveanu 46, Ramnicu Sarat,125300, Romania	Retail	3,998	—	97.5	5.1
Kaufland - Sebes	Strada Augustin Bena 88, Sebeș 515800, Romania	Retail	3,176	—	101.2	4.9
Kaufland - Targu Secuiesc	Strada Cernatului 20, Targu Secuiesc 525400, Romania	Retail	3,248	359	87.0	4.8
Kaufland - Slobozia	Șoseaua București-Constana 16, Slobozia 920051, Romania	Retail	6,741	828	81.4	10.3
Switzerland						
Zurich	Mulbachstraße 41, Zurich, Switzerland	Logistics	5,699	—	206.0	5.3
United Kingdom						
Adagio Aparthotel	New Waverley, Edinburgh (NW), United Kingdom	Hotel/Retail	8,481	102	198.3	16.4
Braehead	Old Govan Road, Glasgow (BL), United Kingdom	Industrial	18,476	—	46.0	5.6
Chippenham	Langley Park, Chippenham (CL), United Kingdom	Industrial	37,350	631	51.7	6.2
Langley park	Langley Park, Chippenham (LPL), United Kingdom	Residential/ Hotel	9,184	9,184	—	—
The Arches	New Waverley, Edinburgh (NW), United Kingdom	Retail	522	61	337.4	0.5
New Uberior House	9 Earl Grey Street, Edinburgh, United Kingdom	Office	14,718	—	318.7	11.5
North Street Quarter	Phoenix Works, Lewes, United Kingdom	Residential	16,381	9,746	14.4	1.1
New Waverley PA4 North	New Waverley, Edinburgh (NW), United Kingdom	Land	—	—	—	—
New Waverley PA7	New Waverley, Edinburgh (NW), United Kingdom	Land	—	—	—	—

UNAUDITED GEOGRAPHICAL PROFILE

Jurisdiction	Rentable area (sqm)	Rental income (Euro)	Current vacancy area (sqm)	Passing rent per sqm (Euro)
Bulgaria	63,765	8,338,695	5,387	133.5
Germany	206,156	18,023,897	6,753	98.2
Poland	32,683	6,060,023	2,399	175.3
Romania	152,876	13,549,908	3,137	136.2
Switzerland	5,699	1,162,577	—	206.0
United Kingdom	105,112	10,484,456	19,724	91.0
	566,291	**57,619,556**	**37,400**	**116.6**

UNAUDITED SECTOR PROFILE

Sector	Rentable area (sqm)	Rental income (Euro)	Current vacancy area (sqm)	Passing rent per sqm (Euro)
Hotel	7,424	2,369,905	—	196.5
Industrial	68,873	2,697,273	631	54.0
Logistics	5,699	2,068,658	—	206.0
Office	14,869	4,635,208	—	315.4
Residential	26,355	391,403	18,930	11.7
Retail	443,071	45,457,109	17,839	123.4
	566,291	**57,619,556**	**37,400**	**116.6**[1]

[1] Total is weighted average passing rent per square metre

UNAUDITED TENANT PROFILE

Category	Number
A	264
B	258
C	381
	903

"A": large national tenants, large listed tenants, government and major franchisees;
"B": national tenants, listed tenants, franchisees, medium to large professional firms; and
"C": other

UNAUDITED PORTFOLIO YIELD

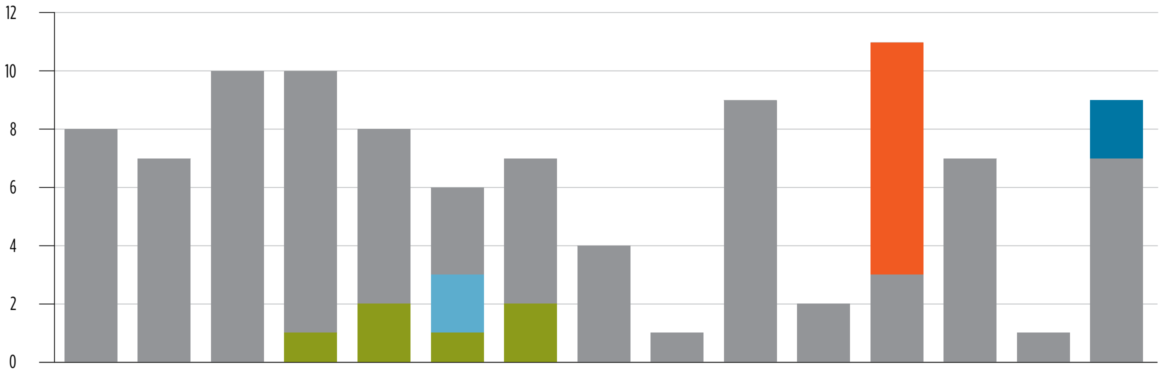
Yield	%
Average annualised property yield	7.58%

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

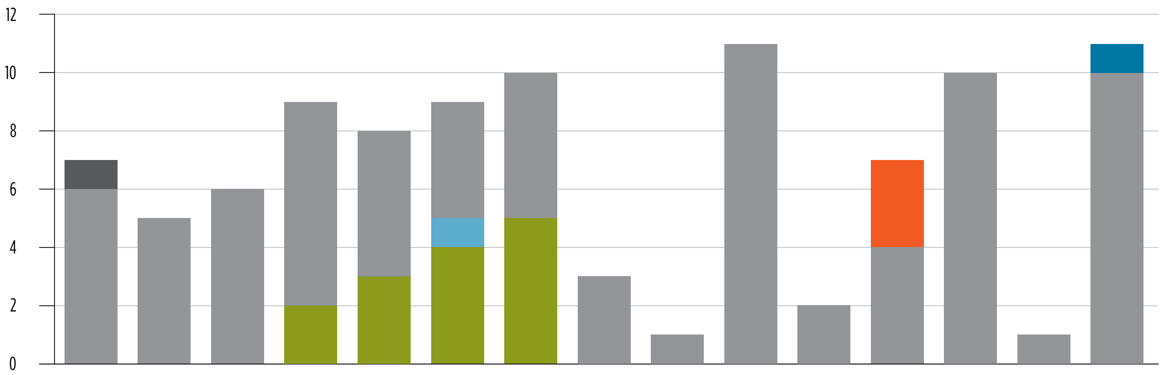
43. OTHER JSE DISCLOSURES (CONTINUED)

LEASE EXPIRY PASSING RENT %



	Jun20	Jun21	Jun22	Jun23	Jun24	Jun25	Jun26	Jun27	Jun28	Jun29	Jun30	Jun31	Jun32	Jun33	Jun34+
Passing rent %	8%	7%	10%	10%	8%	6%	7%	4%	1%	9%	2%	11%	7%	1%	9%
Industrial	0%	0%	0%	1%	2%	1%	2%	0%	0%	0%	0%	0%	0%	0%	0%
Logistics	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Retail	8%	7%	10%	9%	6%	3%	5%	4%	1%	9%	2%	3%	7%	1%	7%
Hotel	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%
Office	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	0%	0%	0%
Residential	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

LEASE EXPIRY GLA %



	Jun20	Jun21	Jun22	Jun23	Jun24	Jun25	Jun26	Jun27	Jun28	Jun29	Jun30	Jun31	Jun32	Jun33	Jun34+
GLA %	7%	5%	6%	9%	8%	9%	10%	3%	1%	11%	2%	7%	10%	1%	11%
Industrial	0%	0%	0%	2%	3%	4%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Logistics	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Retail	6%	5%	6%	7%	5%	4%	5%	3%	1%	11%	2%	4%	10%	1%	10%
Hotel	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Office	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%
Residential	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

SHAREHOLDING DISCLOSURES

MAS Real Estate Inc. (the "company")

Public and non-public	No of shareholders	Percentage of total	No of shares	Percentage of total
Public	9,829	99.82%	488,370,866	75.97%
Non-public				
Significant shareholders	1	0.01%	146,818,251	22.84%
Directors and their associates	13	0.13%	5,835,808	0.90%
Other share scheme participants	4	0.04%	1,850,000	0.29%
Total shareholders	**9,847**	**100%**	**642,874,925**	**100%**

SIGNIFICANT SHAREHOLDERS

Name	Number of shares as at 30 June 2019	Percentage of shares as at 30 June 2019
Attacq Limited	146,818,251	22.84%
Argosy	54,772,439	8.52%
Government Employees Pension Fund	52,962,397	8.24%
	254,553,087	**39.60%**

Name	Number of shares as at 30 June 2018	Percentage of shares as at 30 June 2018
Attacq Limited	146,818,251	22.75%
Argosy	55,841,264	8.65%
Public Investment Corporation	49,504,171	7.67%
	252,163,686	**39.07%**

COMPANY INFORMATION AND ADVISORS

REGISTERED OFFICE IN THE BVI
MAS Real Estate Inc.
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Road Town, Tortola VG1110
British Virgin Islands

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COMPANY SECRETARY
Helen Cullen ACIS
(Associate of the Institute of
Chartered Secretaries &
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LUXEMBOURG ADMINISTRATOR
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BVI ADMINISTRATOR
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REGISTRAR/ TRANSFER SECRETARIES

BRITISH VIRGIN ISLANDS
Computershare Investor Services
(BVI) Limited
Registration number 003287V
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PO Box 3162
Road Town, Tortola
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SOUTH AFRICA
Computershare Investor Services
Proprietary Limited
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PROPERTY VALUERS

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CBRE
7 Castle Street, Edinburgh, EH2 3AH

Avison Young (GVA Grimley Limited)
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EH3 8EG

SHAREHOLDER INFORMATION

Registered in the British Virgin Islands	ompany number 1750199
JSE share code	MSP
SEDOL (EMTF)	B96VLJ5
SEDOL (JSE)	B96TSD2
ISIN	VGG5884M1041
LEI code	213800T1TZPGQ7HS4Q13
Number of shares in issue as at 30 June 2019	637,493,798

DEFINITIONS AND ABBREVIATIONS

Artisan	Artisan Real Estate Investors
BVI	British Virgin Islands
CEE	Central and Eastern Europe
CGU	Cash-generating unit
Company	MAS Real Estate Inc.
Development property	Property that is being developed in order to create income-producing property held for the purpose of earning a better yield than by acquiring standing property
Direct investment result	The underlying earnings of the group that derive from investment into property and related assets and entities. This includes: net rental income, dividends received, finance income on preference shares, and the related taxation and non-controlling interest adjustments. This excludes: profit on sales of inventory property, exchange differences, changes in fair value, goodwill impairment, investment/transaction expenses not capitalised, related taxation and non-controlling interest adjustments, and deferred taxation. Other adjustments may be made in order to reflect the underlying earnings of the group.
Distributable earnings	Distributable earnings is the Direct investment result, adjusted for company specific adjustments made to reflect the underlying earnings of the group. This final number is adjusted for the dilutionary impact of shares issued during the year.
Distributable earnings per share	Distributable earnings before the impact of shares issued during the year divided by the basic weighted average number of shares in issue.
Distribution per share	The distribution per share to be paid to shareholders as determined by the directors at their discretion. The group's policy is to pay out all distributable earnings per share on a semi-annual basis, as well as capital or other profits as the directors may, at their discretion.
EPRA	European Public Real Estate Association
EPRA Net Asset Value	IFRS net assets adjusted for the dilutive impact of share options, deferred taxation on property and derivative valuations and the mark-to-market of effective cash flow hedges and related adjustments
EPRA NAV per share	EPRA Net Asset Value divided by the IFRS diluted number of shares in issue at the end of the year
ERV	Estimated rental value
FVTPL	Fair value through profit or loss
GLA	Gross leasable area
Group	MAS Real Estate Inc. and its subsidiaries
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the IASB
IFRS NAV per share	IFRS Net Asset Value divided by the IFRS basic number of shares in issue at the end of the year. For clarity this excludes the geared share purchase plan shares
Income-generating property	Property that is currently producing income and held for the purpose of earning a yield. There may be further asset management opportunities on these properties, which could further enhance income returns.

Indirect investment result	The earnings of the group that do not relate to underlying operational activities. This includes the earnings excluded from the Direct investment result, including profit on sales of inventory property, exchange differences, changes in fair value, goodwill impairment, investment/transaction expenses not capitalised, related taxation and non-controlling interest adjustments, and deferred taxation.
Investment property	Income-generating property, Development property and Land-Bank
IOM	Isle of Man
JSE	Johannesburg Stock Exchange
Land bank	Land plots held for schemes that have not yet commenced and residential developments
Land bank and inventory	Land plots held for schemes that have not yet commenced, residential developments and Inventory property
Lease incentives	Incentives offered to lessees to enter into a lease, typically in the form of a rent-free period or cash contribution towards fit-out costs
Loan to value (LTV)	Loan to value (LTV) is the ratio of the nominal value of debt net of cash and equivalents to the aggregate value of property assets, including investment property held for sale, equity accounted investments, preference share investments and listed investments (REIT portfolio). CFDs are included on a gross basis, with the funding leg as debt and gross exposure as the related asset value.
LuxSE	Luxembourg Stock Exchange
Manco	Prime Kapital CEE Property Investment Management Ltd
Median daily share volume	The median number of shares traded per day during the financial year on the JSE
NAV	Net asset value
NCI	Non-controlling interest
OCI	Other Comprehensive Income
PKM Developments	PKM Development Limited
REIT	Investment in listed real estate equity securities
Scrip distribution	Distributions elected to be received in the form of shares in the company, typically paid as a return of capital
WE	Western Europe
WALT	Weighted average lease term across the portfolio weighted by passing rent
WACD	Weighted average cost of debt

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MAS REAL ESTATE INC

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