

**Consolidated annual financial statements
for the year ended
30 June 2020**

27 August 2020



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Directors' commentary

Introduction

The 2020 financial year comprised two distinct stages. Prior to early March 2020 management were re-positioning the business by disposing of direct and indirect investments in Western Europe (WE) for redeployment in Central and Eastern Europe (CEE). This would enable MAS (hereafter referred to as the Group or the Company) to benefit from long term consumption growth in CEE, with the aim to generate 5% like-for-like (LFL) net rental income (NRI) growth from retail holdings in CEE up until 2024 and benefit from retail developments in CEE and residential developments in Romania through the Development Joint Venture (DJV) with Prime Kapital.

Operations were robust until the end of February 2020, as reflected in the financial results. From mid-March, anticipating Covid-19's unprecedented spread, management started preparing the Group for potential government-enforced lockdowns, social distancing measures and temporary closure of non-essential tenants' premises, which could significantly affect operations. Contingency plans were implemented to reduce disruption in operations and mitigate negative financial impact. Trading conditions and prospects deteriorated and the Group initiated plans to deal with the predicted long-term recessionary consequences including a potential significant and prolonged reduction in consumer spending. This turmoil inevitably precipitated weak operating metrics and financial performance during the last four months of the financial year.

The financial results include, in addition to the reported IFRS results, segmental reporting prepared on a proportionate, consolidated basis. These do not replace IFRS results but assist with interpretation. Detailed financial results, and Company Profile, updated as of 30 June 2020, including highlights and supplemental operational information, are available on the Company's website.

All amounts in the Directors' commentary are presented on a proportionate consolidated basis, unless otherwise indicated.

Financial results and dividend

MAS recorded an adjusted total loss of €85.5million for the six months ending 30 June 2020, leading to an adjusted total loss of €39million for the twelve months ending 30 June 2020. The loss in the second half of the financial year comprises adjusted distributable earnings of €21.9million and an adjusted non-distributable loss of €107.4million. Adjusted net asset value (NAV) is €1.07 per share as of 30 June 2020 (down 13.7% from 31 December 2019).

Adjusted distributable earnings were 3.11eurocents per share for the six months ending 30 June 2020 (compared to 4.24eurocents per share for the previous six months period). A cash dividend of 4.24eurocents per share was paid for the six months ending 31 December 2019. Due to Covid-19's impact, the Company declined to declare a final dividend for the financial year.

MAS will consider resuming dividend payments when the pandemic is effectively over, funding commitments (detailed below), are sustained, business is sufficiently profitable, and depending on the attractiveness of investment opportunities relative to available liquidity at the time. This list is not comprehensive and, if relevant, other factors will be considered.

Operations

Group adjusted total earnings are, on a segmented basis, the combined return of (i) directly owned income property and operations in CEE, (ii) investment in the DJV with Prime Kapital in CEE (including earnings from a proportion of completed DJV-owned income properties and development activities, which are reported on separately under 'Developments, extensions and refurbishments' below), (iii) directly owned income property operations in WE and (iv) investments in listed securities (together with other elements disclosed as Corporate). In the context of the current extraordinary circumstances, the Directors' commentary on operations is focused on the measures taken since March 2020 and Covid-19's impact on the business rather than discussing the pre-pandemic operational performance. Relevant information relating to the period after 30 June 2020, facilitating a complete picture of the Company's financial health, operational performance and prospects of the business, is included but has not been audited.

MAS owns and operates retail assets in CEE, specifically Romania, Bulgaria, and Poland. The Group also owns the following in WE: retail and logistic assets in Germany, a logistic asset in Switzerland (sold post 30 June 2020) and hospitality, retail, office, and industrial assets and development land in UK. The Company has retail and residential development exposure in Romania via the DJV.

Covid-19 continues to significantly impact on MAS' CEE operations due to the high concentration of retail assets. UK hospitality and retail assets were also hit hard, however, the German retail assets, due to a high concentration of essential tenants suffered less severe damage. The Company's office, logistics and industrial assets have not, so far, been materially affected. NRI of €27.2million for the six months ending on 30 June 2020 (€28.6million for the prior six months) is net of €5.97million in provisions, rent holidays and rent discounts granted due to the pandemic.

Initial response to Covid-19

When Covid-19 infections spread exponentially in Italy, management anticipated the disease would spread to Romania and Bulgaria because of the high numbers of migrant workers from these countries working in Italy. All contingencies designed to deal with the anticipated impacts (detailed above), were implemented by the end of March 2020, and included:

1. IT frameworks enabling telecommuting.
2. Operational cost reductions minimising the impact on tenants during mall closures.
3. Draw-downs of all available bank facilities mitigating potential negative impact on the financial system.
4. Preparation for suspension of all non-essential/uncommitted development and extension works, as well as other non-essential capital expenditure (capex) and investments.
5. For developments that could not be halted, plans were put in place to limit disruption including, inter alia, accelerating materials' orders, on site storage solutions, and agreeing extensions to opening dates for tenants committed to ongoing retail developments. This applied to - Dambovită Mall, refurbishments at Stara Zagora and Arad, the works in Zurich, committed capital expenditure in UK, completion of basements and the first two residential towers at Marmura Residence (where 78% of the apartments in the two buildings are sold) and work on phase one of Avalon Estate.

Lockdown

By the end of March, authorities in all MAS' regions of operation had introduced pandemic related restrictions, closing all non-essential retail property and hospitality operations. Duration varied with jurisdiction. Inevitably, this directly and negatively impacted the performance of MAS' non-essential retail and hospitality tenants and the operations of smaller essential retailers, such as opticians and laundries.

For non-essential retail tenants, invoicing was suspended until the full impact of lockdowns on the businesses and financial standing of tenants was evident, at which point management could hold informed negotiations regarding rent deferrals and discounts. Additional plans were made to support retail tenants' sales post-lockdown.

Directors' commentary

Typically, closures commenced in March and remained in full effect until mid-May. By July, most restrictions had been lifted and tenants representing approximately 95.2% of gross rental income were allowed to trade. Notable exceptions were indoor food and beverages and leisure tenants in Romania and the hotel and retail tenants in Scotland. At the date of publication, all Company's tenants have re-opened for trade, excluding aforementioned indoor food and beverages tenants and leisure tenants in Romania.

Preparations for re-opening of malls

In preparation for re-opening, MAS implemented numerous initiatives to create safe retail environments and attract clients, thus boosting sales. Temperature reading equipment and hand sanitising stations were installed, free disposable face masks were provided to shoppers, outdoor food courts' seating solutions were implemented where possible and integrated with food operators in the malls. A network of drive in and outdoor cinemas was designed, permitted and rolled out by the DJV. Where relevant, these facilities were provided at cost to MAS. The first opened at Roman, Baia Mare, Militari, DN1, and Zalau open air malls, followed by another three at enclosed malls. With screens up to 300m², reserved parking for approximately 100 cars and seating for approximately 50 patrons per venue (while respecting social distancing recommendations), these cinemas are particularly impressive. Operated by the asset management team, and integrated with the food and beverages tenants' operations, they have significantly improved evening footfall, providing a lifeline to these tenants.

Retail tenants' trading performances

Footfall was typically encouraging at open-air malls. Anchor tenants benefitted from the issues faced by enclosed malls, and generally reported satisfactory sales levels post-lockdown (sales figures in many cases improved substantially compared to previous years and pre-lockdown). Fashion sales were heavily discounted as tenants cleared out previous season's stock.

Unsurprisingly, footfall in CEE was significantly down during lockdown, from March to June 2020, compared to the same period in 2019. While the number of visitors for this period across the malls is down 51%, the impact of restrictions varied dramatically between open-air malls (36% reduction), and enclosed malls (64% reduction). By July 2020, the total reduction in visitors improved to 21% compared to July 2019. This improvement is driven by open-air malls where comparable footfall was down only 9%; the comparable reduction in visitors for the enclosed malls is 33%. In WE, the Group has a large proportion of essential tenants, single tenant retail assets and assets with exterior entrances. Footfall is measured at Flensburg Galerie (Germany) and was significantly reduced as well, by 52% during the lockdown period and 22% in July, as compared to the same period in 2019.

Total sales in CEE, March to June 2020, were down 48% compared to the same period in 2019 (excluding hypermarket turnovers, as figures were not available on publication of this report). Enclosed malls were significantly affected, reporting a 62% reduction, while sales at open-air malls were down 23% for tenants with exterior entrances and 51% for those with only interior access. During July 2020 tenants' sales were down 15% compared to July 2019. While comparative July sales for open-air mall tenants with exterior entrances improved by 3%, sales were down 27% for enclosed malls and 8% for tenants in open-air malls with only interior access. While do-it-yourself (DIY) sales improved, services, entertainment, food and beverages and smaller retailers were severely hit. Similar sales patterns were reported in WE for non-essential retailers.

Support measures for retail tenants

Given the significant impact on non-essential retail tenants and some essential retailers, MAS offered, post-lockdown, conditional rental holidays to severely affected Romanian and Bulgarian retail tenants. If specified conditions are not met, rental holidays are retrospectively cancelled and full rent becomes payable. Tenants that did not accept the terms offered, were invoiced in full for the lockdown period. In Poland, legislation made rent and service charges during lockdown unrecoverable. Additionally, on a case-by-case basis and dependent on post lockdown sales, partial rent deferrals were offered to smaller and financially vulnerable tenants for the post lockdown period. Similar measures were introduced for some retail tenants in WE. Terms offered were widely accepted by retail tenants across CEE and WE. To date contracts were agreed in respect of 80% of lease agreements of non-essential and other affected retail tenants currently allowed to trade in Romania, 89% in Poland and 57% in Bulgaria, with many contract amendments still being negotiated on publication date.

Invoicing, collections, and occupancy

In CEE, 24.7% of rental income is generated by tenants with uninterrupted trade who were invoiced normally. The table below illustrates invoicing and cash collections in this region compared to pre-pandemic entitlements (the total income that would have been invoiced disregarding support measures), for the March to June 2020 period, when the harshest trading limitations were imposed, and for July 2020, when most restrictions were lifted. Please note, all figures were reported as at 27 August and were not audited.

Period	Pre-Covid-19 total income expectation €million	Invoiced €million	Collected €million	Pre-Covid-19 rent expectation €million	Invoiced €million	Collected €million
Mar-20	3.9	3.1 (79%)	3.1 (78%)	2.8	2.1 (75%)	2.1 (76%)
Apr-20	3.9	1.9 (50%)	1.5 (40%)	2.7	1.1 (40%)	0.9 (31%)
May-20	3.8	2.6 (68%)	2.1 (55%)	2.7	1.7 (61%)	1.4 (51%)
Jun-20	3.8	3.5 (92%)	2.8 (74%)	2.7	2.4 (91%)	2.0 (75%)
Mar-Jun 20	15.4	11.1 (72%)	9.5 (62%)	10.9	7.3 (67%)	6.4 (58%)
Jul-20	3.8	3.7 (97%)	2.9 (76%)	2.7	2.6 (96%)	2.1 (77%)

In CEE, from March to June, 38% of the pre-Covid-19 total property income entitlement was deferred and rescheduled (1%), written-off due to conditional payment holidays or otherwise (28%) or not paid (9%). Invoicing and collection figures for open-air malls were significantly better than for the enclosed malls. The Group invoiced 79% of the former, and collected, to date, 74% of its total pre-Covid-19 entitlements for the March to June 2020 period (compared to 65% and 49% respectively for the enclosed malls).

By July 2020, 24% of the pre-Covid-19 total property income entitlement in CEE was deferred and rescheduled (1%), likely to be written-off (3%) or not paid (20%). July invoicing and collection figures for the open-air malls stood at 97% and 89% respectively of the pre-Covid-19 entitlement, compared to 97% and 62% respectively for the enclosed malls. Non-collection in CEE is more prevalent in Poland and Bulgaria than in Romania and due in part to tenants holding out for discounts (risking late payment penalties), not paying invoices and occasionally absconding (1,938m² in CEE).

In WE 78.7% of rental income is from tenants with operations unaffected by the pandemic, and, to date, 85.5% of the €11.3million pre-Covid-19 entitlements were collected to date for March to June 2020 period. Collections in respect of July improved to 91.9% of pre-Covid-19 entitlements.

The total portfolio occupancy at 31 July 2020 reduced to 95.6%, with 93.1% in CEE and 97.5% in WE, as compared to 96.3% at 31 December 2019.

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Retail prospects

The pandemic altered consumer behaviour and severely disrupted retailers' operations. Leisure and food and beverages tenants including indoor cinema's, playgrounds, restaurants, casinos and fast food operators in food courts (especially in enclosed malls) will continue to experience extremely low turnover until the pandemic ends and shoppers' confidence is restored. These categories amount to approximately 11.2% of rental income in CEE and 2.7% in WE.

Current evidence reveals that larger non-leisure anchor tenants, especially in open-air malls, are performing satisfactorily, showing a 19% increase in sales from mid-May to end of July 2020 compared to the same period in 2019. Smaller retailers and leisure tenants are not performing well and may require ongoing support, which, where warranted, the Group will provide. If present trends continue, consumption stabilises at current levels, and tenants remain solvent, MAS should recover approximately 83% of pre-discounted contractual rental income in CEE and 94% in WE, in respect of the 2021 financial year. However, there is considerable uncertainty over the depth of the recession and strength of the recovery expected to follow pandemic. Initial lockdowns are lifted, and trading restrictions eased, but measures may be re-introduced if there are significant secondary Covid-19 infection outbreaks in the Group's markets, resulting in additional forced trading closures or limitations.

Property valuations

In the six months ending 30 June 2020, €44.1million of negative fair value adjustments to income property was recorded, based on independent external valuations. This is the result of negative fair value adjustments to income property of €35.7million in CEE (decrease of 6.8% compared to valuations at 31 December 2019) and €8.4million in WE (a decrease of 3.7% compared to valuations at 31 December 2019). Valuations are primarily based on discounted forecast cash flows and hence forward looking. The weighted average unlevered discount rate for income property in CEE increased to 10.24% from 9.81%, while cash flows forecasted by valuers were lower than expected at 31 December 2019. The reduction in valuations for WE is mostly a result of negative exchange rate movements in relation to UK properties, partially offset by a substantial increase in the valuation of the Swiss property, where extension and noise reduction works were nearly complete on the valuation date. The management likely-deficit-to-book-value estimate for sales of assets in WE (costs related to punitive fixed-interest arrangements, early debt repayment penalties, agency fees and potential discounts required to facilitate sales where buyers do not agree with valuers' capital expenditure assumptions or ERV assumptions for properties with high vacancies and other costs) were increased by €16.6million as a result of vendor due diligence findings.

Listed securities

Investments in listed securities caused a €0.6million adjusted distributable loss for the six months ending 30 June 2020, as dividends declared and recognised in relation to the six months ending 31 December 2019 were suspended by retail REITs post declaration and previously recognised income was written back. Prior to the pandemic, MAS had commenced restructuring its listed securities portfolio, by selling holdings in illiquid companies and is currently holding shares in Unibail-Rodamco-Westfield and Klépierre, valued at €35.5million at 30 June 2020. On 31 December 2019, MAS held listed securities to the value of €131.4million, with €61.9million of debt secured against it. €57.6million of securities were disposed of by June 2020 at a realised loss of €0.9million (compared to values as at 31 December 2019) while the difference to the €36.2million adjusted non-distributable loss reported for the six months ending 30 June 2020 is unrealised.

Asset sales in WE

Disposal of Western European property remains a strategic priority, but during lockdown purchasers initially adopted a wait-and-see approach. The sale of the Langley plot detailed in the results for the six months ending 31 December 2019 failed when the purchasers' financiers withdrew from the transaction. Additionally, some ongoing, off-market processes launched to select purchasers, prior to the management restructuring in December 2019, stalled when counter parties attempted to exploit market uncertainty. Management quickly responded by re-scheduling sales, enabling comprehensive vendor due diligences and detailed relevant information to be disseminated to numerous potential purchasers. This approach produced an early success with the disposal of the Zurich warehouse (the sale is subject to the completion of works by 31 December 2020) on 7 July 2020 for CHF38.5million, which should lead to a net cash inflow of €19million post bank settlements, taxes and costs by end September 2020. The remaining land in the residential development at New Waverley, Edinburgh, was sold for £6.9million to Queensbury Properties Limited after the buyer exercised an option granted to it in November 2018 when it acquired the first of two adjacent plots. The proceeds are receivable in three instalments, the first was received on 10 August 2020, with the second and third payable on the first and second anniversaries.

MAS aims to dispose of €310.9million of additional property in WE by December 2020, €166.9million by June 2021 and €33.2million by December 2022, with estimated net proceeds of €143.5million, €48.9million and €14.3million, respectively.

Due to Covid-19, the Group expects to manage some assets in WE for longer than anticipated. This includes the Flensburg, Braunschweig and Bruchsal retail assets in Germany as well as the Adagio hotel and the remaining land holdings in UK. The Company is changing the management of these assets to improve operations and reduce the high operating costs. A reconfiguration plan of the shopping centre in Flensburg has been designed.

Debt, cost of debt, and liquidity

MAS drew down in full all available bank debt facilities at the start of the Covid-19 crisis in Europe, and, as a result, had €456.4million of secured and unsecured debt on 30 June 2020. The Group's loan to value (LTV) ratio was 33% on 30 June 2020. The long-term Group set overall net debt limit is a maximum LTV ratio of 40%, or, on a forward-looking basis, seven times net rental income. The weighted average cost of debt is 3.28% per annum as of 30 June 2020.

The Company's secured bank debt requires compliance with both income-based covenants (twelve-month rolling debt service coverage ratios that are backward looking based on reported numbers, and forward looking, based on management forecast) and LTV covenants. As expected, no LTV covenants were breached, and MAS obtained waivers from banks in relation to income covenants on some loans due to lockdown. In addition to secured bank debt, the Company has an unsecured revolving facility at MAS Real Estate Inc level, which is currently fully drawn. Financial covenants governing this facility include a Group wide minimum consolidated net asset value of €600million, a minimum 2.5 ratio of consolidated EBITDA to accrued interest on Group senior debt and a Group LTV ratio not exceeding 50%. The debt expiry profile is published in the Company Profile.

The Group held €51.4million in cash and a further €28.4million in net listed securities at 30 June 2020 (figures not proportionally consolidated) and expects net estimated proceeds of €22.7million from the sales of the Zurich asset and New Waverley plot by September 2020. MAS is in a strong position to meet day-to-day financial obligations, including commitments to the DJV. On 30 June 2020, the Group had an ongoing undrawn commitment to the DJV of €241.3million. If funding is requested, but not immediately available, MAS' obligations are limited to €120million on a rolling six-month basis. Even though no relevant drawdown request has currently been made and the DJV has deferred most construction costs associated with its development pipeline, it may seek to drawdown funds as new investment opportunities are identified. These may include, in addition to development and redevelopment opportunities, acquisitions of income producing assets and investments in listed securities.

Developments, extensions and refurbishments

In the DJV, Prime Kapital completed the Zalau Value Centre and DN1 Value Centre developments (both in Romania) prior to the pandemic, and they opened for trade in November and December 2019, respectively. The planned May 2020 opening of the 32,800m² GLA mall in Targoviste, Romania, was delayed, and it opened on 20 August 2020, with 92% occupancy of 31,200m² completed GLA. The fit-out and opening of the cinema, representing 1,700m² GLA of the originally planned space were postponed while tenants who committed

Directors' commentary

to 1,312m² GLA did not perform fit out and did not open. The development has a potential for a further approximate 10,000m² GLA extension in addition to the space allocated for the cinema.

Construction works on Mall Moldova, a 92,000m² GLA super-regional enclosed mall in Iasi (Romania), and the 17,000m² GLA open-air mall in Sfântu Gheorghe (Romania) were suspended. A significant reduction in consumption will also affect the feasibility of development opportunities in the current pipeline, which is why MAS and DJV are reconsidering the developments and extensions opportunities previously reported. This assessment will be completed when adequate data relating to the second half of the 2020 calendar year is available, assuming further strict trading restrictions are not introduced during this period and that there is a low probability of lockdowns during 2021 calendar year.

Based on the strong performance of anchor tenants in open-air malls post Covid-19 pandemic lockdowns, the DJV decided to proceed with construction at Sfântu Gheorghe in September 2020. The opening of a first phase of the open-air mall (16,300m² GLA), focused on anchor tenants, is scheduled for April 2021. Resumption of further open-air mall developments is expected by March 2021, provided that the end of the pandemic is in sight and that the financial health of anchor tenants for the planned developments remains strong. New estimated start dates, opening dates, updated expected costs and ERVs for retail developments are published in the updated Company Profile and will be further adjusted in line with emerging evidence over the following months. Given the unfolding events, ongoing extension and refurbishment works to retail assets, except for the refurbishment and reconfiguration of Atrium Mall and Galleria Stara Zagora, are on hold. Exposure to suspended DJV projects and retail projects under permitting is €25million on 30 June 2020.

Work continues at the DJV's first residential development in Bucharest, Marmura Residence, with 159 of 459 apartments sold to date (the previously reported 465 units included six small offices). The urban development, consisting of five high-rise buildings above integrated underground parking and 5,000m² of green and pedestrian areas, is the first in a series of high-quality residences sold at lower-quality prices. This is a deliberate strategy aimed at establishing the developer's reputation for reliable, superior housing. Sales figures are encouraging. Currently, 152 (78%) of the 194 apartments in the first two towers have been sold, and consequently the third tower, with 83 apartments, was put on the market late July 2020. Works at Avalon Estate are expected to start in September 2020, and 39 villas, townhouses and apartments were released for sale prior to the issue of the building permit. A further 83 apartments were released for sale in late July 2020. To date, 45 dwellings (including all phase one villas), representing 37% of the phase one units (51% of the estimated sales proceeds thereof), have been sold, prior to the start of construction works. Zoning approval was obtained for The Silk District, a mixed-use office and residential development (Iasi, Romania), that represents €277.2million of DJV projects under permitting. The approved masterplan allows for significant flexibility between office and residential allocations. Given the potential negative impact of the pandemic on office demand, planning continues with primary emphasis on the residential elements.

The DJV achieved two industry firsts in Romania intended to boost residential client confidence and to support property sales during and post-Covid-19. First, all past and future customer deposits paid are now held in independent fiduciary accounts, which means that if the developer fails to complete the project, the return of these deposits is secured. This builds trust with clients and highlights the potential financial risks of acquiring apartments off-plan from competitors that seek high and unsegregated deposits from clients to use as development capital. Second, FlexAssist, an unique help-to-buy scheme for clients seeking to purchase primary residences, was extended into a 'solidarity' program. Qualifying clients obtain the right to occupy a newly built unit on completion, while simultaneously agreeing to complete the acquisition through a promissory sale and purchase agreement with developer that provides finance once they qualify for mortgage. This limited duration offer significantly reduces rent in the first three years of occupation.

MAS shares purchases by the DJV

The DJV acquired 29,993,638 MAS shares on the open market, as reported in a series of announcements commencing 5 June 2020. Although the DJV was established in early 2016 following negotiations between MAS and Prime Kapital with the primary objective to develop assets in CEE, the mandate includes direct investment in real estate in the CEE and real estate listed securities and other instruments.

The rationale for this wide mandate should be considered in the context of DJV's formation. MAS was seeking access to CEE expertise and wished to negotiate an arrangement with Prime Kapital and its partners. Under the terms of this agreement, Prime Kapital (i) would not be allowed to undertake CEE real estate development outside of the DJV, (ii) would invest substantial equity upfront for the duration of the arrangement (iii) would contribute its secured development pipeline to the DJV at cost, (iv) would take responsibility for sourcing further developments (v) would provide the DJV with all the necessary construction and development services utilising its integrated in-house platform and (vi) do all of this exclusively in the DJV. In exchange, Prime Kapital required from MAS an irrevocable funding commitment, management control and an investment mandate to allow it to optimise returns in case of changes in market circumstances. If not, an exclusive arrangement between MAS and Prime Kapital would not have been possible. The DJV's drawdown rights remain the same under any scenario in relation to its investment mandate.

The wide investment mandate serves the DJV and its shareholders (including MAS) better than a limited mandate as, given changes in circumstances precipitated by the pandemic, the latter would incentivise the DJV to focus on developments that, even though profitable, would be sub-optimal compared to other investment opportunities in its area of expertise. There is no doubt that the Company and its shareholders are best served by decisions that are optimal and always maximise (risk-adjusted) returns. Markets are dynamic, therefore capital should be allocated where the best (risk-adjusted) returns are likely to be achieved and flexibility is necessary to achieve this. That being the case, the Board considers the acquisition of MAS shares by the DJV to be beneficial to the Group and its shareholders, as economically it serves as a partial buyback (the DJV is an investment by an associate, as MAS owns a substantial stake therein) with added flexibility as the shares could later be 're-issued' by the DJV at a better price (by selling shares owned) when development opportunities or direct investment opportunities become relatively more attractive. If not, the MAS shares acquired by the DJV could potentially be used at the end of the DJV's term to partially settle the preference shares outstanding by the DJV to MAS). Selling assets in WE and indirectly re-investing in assets in CEE (by acquiring MAS shares) at a substantial implied discount to fair value (at a NAV discount which compares well to the extraordinary development margins achieved by the DJV to date) is an appealing investment. In the current market there are unlikely to be any investments which offer stronger returns and this is highly valuable to the Company and for its long-term investors.

MAS decided to hold off with share buybacks as it has substantial funding commitments, including those towards the DJV, and will consider buying back its own shares once it has provided for its funding commitments in full. This decision is not in any way related to the decision to buy MAS shares in the DJV, as this was taken by the DJV independently from MAS' governance structures.

Corporate structure, relocation of functions to Malta, cost savings in WE, and delisting from Luxembourg Stock Exchange (LuxSE)

The delisting from LuxSE is complete and the Isle of Man office rationalised, with the result that corporate expenses reduced from €3.4million for the six months ending on 31 December 2019 to €2.6million for the six months ending on 30 June 2020. Plans to move some of the Group's functions to Malta are progressing, and the Group's Chief Operational Officer relocated there in July 2020 to oversee set up of functions.

Prospects

Covid-19 caused the major part of the loss during the six month period ending 30 June 2020. The pandemic is not yet over and further uncontrolled outbreaks in the Group's markets may cause further deterioration in trading conditions. The Group is prepared for the impact of the recession on its retail assets. This includes a significant potential contraction in consumption, which will continue to affect tenants' financial health and annual rental income growth. In addition, Covid-19 caused delays in the retail development pipeline and negatively impacted feasibilities. Early indications are that the DJV's residential developments have been less impacted by Covid-19, which disproportionately affects lower income groups who are not the intended market of these developments.

Fortunately, due to early and continued management actions, MAS is well positioned to weather the Covid-19 storm and the recessionary aftermath. Long-term, consumption growth in CEE is still expected to outperform WE. Even if less capital is available for investment over the same timeframe than anticipated prior to the pandemic, it is expected that the

Directors' commentary

downturn should generate investment opportunities involving the acquisition of assets in CEE at attractive prices and the circumstances to participate in growth from a lower base. The recession is also expected to cause a reduction in construction costs and financial distress to competitors. If this occurs, new development and investment opportunities may emerge.

The Board and management remain optimistic and will continue to steer the Company in line with the long-term investment approach of maximising total long-term returns from investments on a per share basis by concentrating on capital allocation, operational excellence, sensible leveraging and cost efficiency, thereby sustainably growing distributable earnings per share.

Martin Slabbert
Chief Executive Officer

Victor Semionov
Chief Financial Officer

27 August 2020
Douglas
Isle of Man

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' commentary and the consolidated annual financial statements in accordance with applicable laws and regulations.

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

In preparing the consolidated annual financial statements, the Directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated annual financial statements;
- making judgements and accounting estimates that are reasonable and prudent;
- preparing the consolidated annual financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- preparing consolidated annual financial statements which give a true and fair view of the financial position of the Group and of the financial performance of the Group for that period.

The Directors confirm that to the best of their knowledge, the consolidated annual financial statements prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Directors' commentary includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

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.

The consolidated annual financial statements on pages 1 to 64 were approved and authorised for issue by the Board of Directors on 27 August 2020 and signed on its behalf by:

Victor Semionov
Chief Financial Officer



27 August 2020
Douglas
Isle of Man

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 2020 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 2020;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code").

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, either directly or indirectly through the equity accounted investee, including material valuation uncertainty as a result of the coronavirus pandemic Refer to Note 14 'Investment property, including investment property held for sale and inventory property', Note 15 'Investment in equity-accounted investees' and Note 26 'Critical estimates, judgements and errors'. 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 €533,649,000 and €429,592,000, respectively. In addition the majority of the assets underlying the Group's investment in the equity-accounted investee of €25,384,000 comprises investment property. The valuation of the Group's and the equity accounted investee's investment property and investment property held for sale was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. Coronavirus further contributed to the subjectivity for the year ended 30 June 2020. The significance of estimates and judgements involved warrants specific audit focus, 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 and the requirements of International Accounting Standard 40 'Investment property'. The valuers used by the Group have considerable experience of the markets in which the Group operates.	Given the inherent subjectivity involved in the valuation of the property portfolio, and therefore the need for strong market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts with relevant qualifications to assist us in this area. 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 in accordance with International Financial Reporting Standards. We have considered the implications of the "Material Valuation Uncertainty" in real estate markets highlighted by the third-party valuers in response to the coronavirus pandemic. We considered the adequacy of the disclosures made in Note 26 'Critical estimates, judgements and errors', Note 14 'Investment property, including investment property held for sale and inventory property' and Note 15 'Investment in equity-accounted investee' to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of all investment properties included in the consolidated statement of financial position as at 30 June 2020 and the fact that values have been reported on the basis of a material valuation uncertainty and consequently there is less certainty and a higher degree of caution should therefore be applied. We discussed this clause with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the consolidated statement of financial position and disclosures made in the financial statements was appropriate.

Key audit matter	How our audit addressed the key audit matter
The third-party valuers engaged by management have included a material valuation uncertainty clause in their reports as at 30 June 2020. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the coronavirus pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment property and investment property held for sale. 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 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, including the impact of the coronavirus pandemic. 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 spoke to the valuers, as appropriate, at which the valuations and the key assumptions and rationale therein were discussed and challenged, particularly in light of coronavirus, focusing on the largest properties in the portfolio, significant valuation movements 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 investee. Based on the work performed we found that the assumptions used in the valuations were supportable by the evidence obtained and the disclosures in relation to the material valuation uncertainty within the financial statements are sufficient and appropriate to highlight the increased estimation uncertainty as a result of the coronavirus pandemic.
Large and/or complex transactions Refer to Note 4 'Material transactions'. The transaction during the year to acquire the Property Management Platform and Prime Kapital Holdings Limited's effective economic interest in PKM CEE Investments Limited warranted particular audit focus. This is due to the magnitude of the transaction, the judgement into whether the allocation of consideration was appropriate and whether the assumptions used were reasonable.	We made enquiries with management in order to understand the nature of the different elements of the transaction and obtained and reviewed supporting documentation as necessary to verify this. We also reviewed the accounting treatment of the transaction for consistency with the Group's accounting policies and relevant International Financial Reporting Standards, particularly IFRS 3 'Business combinations'. We reviewed the reasonableness of management's allocation of the purchase price, including the related estimates of fair value. We considered whether the transaction price was based on appropriate fair values and considered the adequacy of the disclosure. No material exceptions were identified as a result of our testing.
Impact of coronavirus Refer to Note 2 'Going concern and impact of coronavirus outbreak'. The coronavirus outbreak is having a major impact on economies and financial markets and continues to evolve. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be recessions in many of the Group's countries of operation. In order to assess the impact of coronavirus on the Group, management have updated their analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months and over the next five years. This analysis and related assumptions have been used by management in its assessment of the carrying value of several balances, as well as underpinning the Group's going concern analysis. Management's going concern and liquidity analysis includes a number of scenarios and an analysis of planned mitigating actions. In making their assessment management took into account the covenant headroom on the Group's drawn bank debt facilities. After considering all of these factors, management have concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists.	We evaluated the Group's analysis and considered whether it addresses the relevant threats posed by the coronavirus pandemic. We corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. In respect of going concern, we assessed the directors' going concern analysis and the key assumptions used in preparing the going concern model in light of coronavirus, including assessing covenant headroom within the base and downside case scenarios, the potential impact of a second wave of coronavirus and the maximum level of available drawdowns on the Group's preference share commitments. We challenged the key assumptions and the reasonableness of the mitigating actions used in preparing the analysis. In conjunction with the above, we have reviewed management's analysis of liquidity and reviewed loan covenant compliance to satisfy ourselves that no breaches are anticipated over the going concern period of assessment. We considered the disclosures presented in the financial statements in relation to the impact of coronavirus including the appropriateness of the disclosures around the increased uncertainty on its accounting estimates and consider these to be adequate. Our procedures in respect of the valuation of investment property and investment property held for sale are set out in the key audit matter on valuation of investment property and investment property held for sale, either directly or indirectly through the equity accounted investee, including material valuation uncertainty as a result of the coronavirus pandemic, above.

Key audit matter

How our audit addressed the key audit matter

The most significant impact to the financial statements has been in relation to the valuation of investment property and investment property held for sale. This is described in the key audit matter on valuation of investment property and investment property held for sale above.

In addition, the recognition of spreading of rental concessions given to tenants as a result of coronavirus as well as provisions recorded in respect of trade receivables from lessees has warranted additional audit focus due to their non-standard nature.

We used substantive testing procedures to ensure that a sample of rental concessions offered to tenants had been correctly accounted for within the requirements of IFRS 16 'Leases'. We assessed the recoverability of trade receivables from lessees by evaluating the financial viability of the major tenant balances and ensured provisions made are accounted for within the requirements of IFRS 9 'Financial Instruments'.

No material exceptions were identified as a result of our testing.

Other information

The directors are responsible for the other information. The other information comprises the directors' commentary and the statement of directors' responsibilities (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information to be included in the Integrated Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the other information to be included in the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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.
- 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 16 December 2019 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
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA

28 August 2020

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Consolidated statement of profit or loss

	Note	Year ended 30 June 2020	Year ended 30 June 2019
<i>Continuing operations</i>			
Rental income	6.1	66,834	57,620
Service charge income and other recoveries	6.2	14,391	12,455
Impairment of revenue	6	(5,591)	-
Revenue		75,634	70,075
Service charge and other property operating expenses	6.2	(19,158)	(18,479)
Net rental income	6	56,476	51,596
Corporate expenses	7	(6,515)	(5,627)
Profit on sales of inventory property	8	309	8,151
Other income	9	6,308	7,259
Investment expenses	10	(4,530)	(3,210)
Fair value adjustments	11	(42,399)	(7,632)
Foreign currency exchange differences		(1,203)	(365)
Share of profit from equity accounted investee, net of tax	15	4,848	11,009
Gain on bargain purchase	5	-	12,263
Goodwill impairment	16	(29,452)	-
(Loss)/profit before finance (costs)/income		(16,158)	73,444
Finance income	12	13,253	12,058
Finance costs	12	(13,895)	(10,251)
(Loss)/profit before tax		(16,800)	75,251
Current tax		(1,424)	(3,948)
Deferred tax		(1,963)	(9,425)
Tax expense	13	(3,387)	(13,373)
(Loss)/profit for the year		(20,187)	61,878
<i>Attributable to:</i>			
Owners of the Group		(21,615)	55,035
Non-controlling interest	22.3	1,428	6,843
(Loss)/profit for the year		(20,187)	61,878
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Group:	22.4		
Basic (loss)/earnings per share (eurocents)		(3.19)	8.63
Diluted (loss)/earnings per share (eurocents)		(3.19)	8.63

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Consolidated statement of other comprehensive income

	Note	Year ended 30 June 2020	Year ended 30 June 2019
(Loss)/profit for the year		(20,187)	61,878
Other comprehensive (expense)/income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(23)	(1,339)
Total comprehensive (expense)/income for the year		(20,210)	60,539
<i>Attributable to:</i>			
Owners of the Group		(21,638)	53,696
Non-controlling interest	22.3	1,428	6,843
Total comprehensive (expense)/income for the year		(20,210)	60,539

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Consolidated statement of financial position

	Note	As at 30 June 2020	As at 30 June 2019
<i>Non-current assets</i>			
Investment property	14.1	533,649	872,062
Financial assets	19.4	186,050	174,903
Investment in equity-accounted investee	15	26,736	21,888
Intangible assets	16	1,696	30,647
Deferred tax assets	13	3,394	4,280
Other non-current assets	17	11,453	317
Total non-current assets		762,978	1,104,097
<i>Current assets</i>			
Investment property held for sale	14.2	429,592	92,610
Inventory property	14.3	-	5,270
Financial investments	19.1	28,406	87,814
Financial assets	19.4	-	11,594
Trade and other receivables	19.2	20,689	17,306
Cash and cash equivalents	19.3	51,404	71,155
Total current assets		530,091	285,749
Total assets		1,293,069	1,389,846
<i>Equity</i>			
Share capital	22.1	899,858	824,686
Treasury shares – geared share purchase plan shares	22.1	(6,309)	(8,299)
Retained (deficit)/earnings		(85,321)	53,864
Share-based payment reserve	22.2	925	975
Foreign currency translation reserve		(13,130)	(13,107)
Equity attributable to owners of the Group		796,023	858,119
Non-controlling interest	22.3	-	7,439
Total equity		796,023	865,558
<i>Non-current liabilities</i>			
Interest bearing borrowings	20.1	233,666	312,755
Financial liabilities	20.3	2,148	2,735
Deferred tax liabilities	13	27,425	26,270
Other non-current liabilities	18	2,776	-
Total non-current liabilities		266,015	341,760
<i>Current liabilities</i>			
Interest bearing borrowings	20.1	211,081	143,707
Financial liabilities	20.3	2,323	17,309
Trade and other payables	20.2	17,627	21,512
Total current liabilities		231,031	182,528
Total liabilities		497,046	524,288
Total shareholder equity and liabilities		1,293,069	1,389,846
Actual number of ordinary shares in issue	22.1	704,493,798	637,493,798
IFRS Net Asset Value per share (eurocents)		113.0	134.6

These consolidated annual financial statements were approved and authorised for issue by the Board of Directors on 27 August 2020 and signed on their behalf by:

Victor Semionov
Chief Financial Officer



MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Consolidated statement of changes in equity

	Note	Share capital	Treasury shares – geared share purchase plan shares	Retained (deficit) /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 2018		829,250	(12,863)	48,617	1,032	(11,768)	854,268	2,527	856,795
<i>Comprehensive income for the year</i>									
Profit for the year		-	-	55,035	-	-	55,035	6,843	61,878
Other comprehensive expense for the year		-	-	-	-	(1,339)	(1,339)	-	(1,339)
Total comprehensive profit/(loss) for the year		-	-	55,035	-	(1,339)	53,696	6,843	60,539
<i>Equity transactions</i>									
Employee share schemes – value of employee services		-	-	-	(57)	-	(57)	-	(57)
Total equity transactions		-	-	-	(57)	-	(57)	-	(57)
<i>Transactions with the owners of the Group and non-controlling interests</i>									
Issue of shares	22.1	1,990	(1,990)	-	-	-	-	-	-
Shares forfeited and cancelled	22.1	(6,554)	6,554	-	-	-	-	-	-
Dividends paid	22.1	-	-	(49,788)	-	-	(49,788)	(1,931)	(51,719)
Total transactions with the owners of the Group and non-controlling interests		(4,564)	4,564	(49,788)	-	-	(49,788)	(1,931)	(51,719)
Balance at 30 June 2019		824,686	(8,299)	53,864	975	(13,107)	858,119	7,439	865,558
<i>Comprehensive loss for the year</i>									
(Loss)/profit for the year		-	-	(21,615)	-	-	(21,615)	1,428	(20,187)
Other comprehensive expense for the year		-	-	-	-	(23)	(23)	-	(23)
Total comprehensive profit for the year		-	-	(21,615)	-	(23)	(21,638)	1,428	(20,210)
<i>Equity transactions</i>									
Employee share schemes – value of employee services		-	-	-	(50)	-	(50)	-	(50)
Total equity transactions		-	-	-	(50)	-	(50)	-	(50)
<i>Transactions with the owners of the Group and non-controlling interests</i>									
Acquisition of non-controlling interest and related transactions	4; 22.1	77,162	-	(56,014)	-	-	21,148	(5,419)	15,729
Shares forfeited and cancelled	22.1	(1,990)	1,990	-	-	-	-	-	-
Dividends paid	22.1	-	-	(61,556)	-	-	(61,556)	(3,448)	(65,004)
Total transactions with the owners of the Group and non-controlling interests		75,172	1,990	(117,570)	-	-	(40,408)	(8,867)	(49,275)
Balance at 30 June 2020		899,858	(6,309)	(85,321)	925	(13,130)	796,023	-	796,023

The notes on pages 6 to 64 form part of these consolidated annual financial statements.
All amounts in € thousand unless otherwise stated.

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Consolidated statement of cash flows

	Note	Year ended 30 June 2020	Year ended 30 June 2019 (Restated*)
<i>Operating activities</i>			
Cash generated from operating activities	19.3	52,495	55,708
Capitalised expenditure on inventory property	14.3	(339)	(37,990)
Proceeds from the sales of inventory property		6,689	46,609
Interest received on PKM Development preference shares	21	9,911	9,181
Tax paid on operating activities		(2,935)	(1,923)
Distributions paid to salaried plan participants of geared share purchase plan	22.2	(238)	(132)
Net cash inflow from operating activities		65,583	71,453
<i>Investing activities</i>			
Acquisitions of investment property	14.1	-	(87,550)
Capitalised expenditure on investment property	14.1	(8,423)	(18,791)
Settlement of investment property acquisition retentions	21	-	(473)
Capitalised expenditure on investment property held for sale	14.2	(4,449)	(1,717)
Proceeds from the sale of investment property held for sale	14.2	-	49,257
Proceeds from / (payments for) acquisition of subsidiaries, net of cash acquired	5	86	(117,561)
Drawdown of PKM Developments preference shares	21	(8,700)	(70,000)
Acquisition of financial investments	19.1	-	(16,729)
Proceeds from the disposal of direct financial investments	19.1	37,056	20,794
Proceeds from the disposal of direct financial investments - transferred to CFDs	19.1	6,456	116,089
Deposit of CFD collateral on CFD purchases	19.1	(4,066)	(52,407)
Receipt of CFD collateral on CFD disposals	19.1	24,245	6,202
Settlement of fair value adjustments on CFDs	19.1	(28,727)	(8,558)
Settlement of financial liability	21	(5,070)	(7,542)
Investment expenses paid		(4,221)	(2,575)
Acquisitions of non-current assets		-	(298)
Disposals of non-current assets		-	171
Interest on bank deposits, net	12	30	11
Tax paid on investing activities		(872)	(2,543)
Net cash inflow/(outflow) from investing activities		3,345	(194,220)
<i>Financing activities</i>			
Proceeds from interest bearing borrowings	20.1	99,700	218,590
Transaction costs relating to interest bearing borrowings	20.1	(1,734)	(2,535)
Repayment of capital on interest bearing borrowings	20.1	(110,061)	(109,537)
Interest paid on interest-bearing borrowings	20.1	(11,395)	(8,227)
Distributions paid to the owners of the group		(61,556)	(49,788)
Distributions paid to non-controlling interest		(3,448)	(1,931)
Net cash (outflow)/inflow from financing activities		(88,494)	46,572
Net (decrease) in cash and cash equivalents		(19,566)	(76,195)
Cash and cash equivalents at the beginning of the year	19.3	71,155	147,826
Effect of movements in foreign exchange rate fluctuations on cash held		(185)	(476)
Cash and cash equivalents at the end of the year	19.3	51,404	71,155

* See note 26 for details regarding the restatement as a result of an error.

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

Notes to the consolidated annual financial statements

Corporate information

MAS Real Estate Inc. (the "company" or "MAS") is domiciled in the British Virgin Islands ("BVI"). These consolidated annual financial statements are as at, and for the year ended 30 June 2020 and comprise the company and its subsidiaries (together referred to as the "Group").

Comparative figures are included for the year ended 30 June 2019.

All amounts disclosed have been rounded off to the nearest thousand euro ("€ thousand") unless otherwise stated.

Group subsidiaries

The Group's subsidiaries at 30 June 2020 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.

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

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1. Significant events in the reporting period

The financial position and performance of the Group was influenced by the following events and transactions during the reporting period:

- the coronavirus outbreak in March 2020, which had a wide impact on the Group's operations and financial performance; please see further discussion in note 2;
- the acquisition of the Property Management Platform and of Prime Kapital Holdings Limited ("Prime Kapital", "PK")'s 20% effective economic interest in the investment joint venture in November 2019; please see further details in note 5;
- de-listing from Luxembourg Stock Exchange ("LuxSE") in June 2020; please see further details below.

De-listing from LuxSE

The MAS board of directors (the "Board") has assessed the listing of the company's shares on the Euro MTF market of the LuxSE, and has come to the conclusion that this has not provided the anticipated liquidity or access to equity capital markets to facilitate the growth of the Group. The LuxSE has, pursuant to the filing by MAS of the appropriate application in terms of Rule 804 of the Rules and Regulations of the LuxSE, granted MAS the approval for the delisting of all its shares, being 708,343,798 shares, from the Euro MTF market of the LuxSE with effect from 26 June 2020. MAS will retain its primary listing on the Johannesburg Stock Exchange ("JSE").

2. Going concern and impact of coronavirus pandemic

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Responding to the potentially serious threat the coronavirus presents to public health, government authorities in all jurisdictions where the Group operates have taken measures to contain the outbreak, including introducing restrictions on the cross-border movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, transport of people by air and road to and from certain countries affected by the coronavirus outbreaks has been suspended, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers (excluding food retailers, grocery stores and pharmacies) were closed. Some businesses have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of the coronavirus pandemic include:

- Disruption to business operations and economic activity in all jurisdictions where the Group operates, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors due to prolongation of the lock-down period;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Currently, the Group is preparing for the predicted longer-term recessionary consequences, which potentially includes a significant and prolonged reduction in consumption, as well as new investment and development opportunities that may emerge as a result. The pandemic's impact on operations to date, alterations to strategy as the Group prepares for a significant reduction in consumption, potential changes to prospects compared to those described in the consolidated interim financial statements for the six months ending 31 December 2019 and the declaration of dividends for the current year are summarised below.

Operations

The Group owns and operates retail assets in Central and Eastern Europe (CEE) i.e. Romania, Bulgaria, and Poland, retail and logistic assets in Germany, a logistic asset in Switzerland and hospitality, retail, office, industrial assets and development land in the UK (hereafter, the latter three countries are referred to as Western Europe or WE). The Group has retail and residential development exposure in Romania via the Development Joint Venture ("DJV") with PK.

Authorities in all jurisdictions where the Group operates have introduced pandemic regulatory restrictions, which have resulted in the closure of all non-essential retail property and hospitality operations for different periods depending on jurisdiction. Typically, closures commenced in March and remained in full effect until mid-May. This directly impacted the financial health of the Group's retail and hotel tenants. Currently, except for non-essential tenants in Romania's enclosed malls (this includes the enclosed portions of all the open-air malls and the mall in Arad), Bulgarian entertainment and leisure tenants, German leisure operations and the Scottish hotel operations, all tenants in the Group's retail assets have reopened for trade.

CEE

The temporary closures had an immediate impact on collections from non-essential tenants and from tenants which had interrupted operations. Given the significant impact of closures on retail tenants, the Group did not invoice non-essential tenants for April and May (lockdowns were not imposed at the invoice date in March). In Poland, this was enforced by legislation, as a result of which an amount of €1.2 million was recognised as a reduction in net rental income. In Romania and Bulgaria, the Group offered tenants rental holidays for the duration of the lockdown periods in exchange for measures to be negotiated tenant-by-tenant, and additionally, on a case-by-case basis and dependent on sales, partial rent deferrals for the months immediately following lockdown. The result was a reduction of net rental income of €3.6 million. At the reporting date negotiations were ongoing; tenants the Group cannot reach an agreement with were expected to be invoiced in full for the lockdown period. Refer to note 6 for further details on the revenue recognition in the context of the coronavirus pandemic.

Operating costs have been reduced, mitigating closures' impact. Excepting Poland, non-essential tenants' operational costs during lockdown should be recoverable over time, assuming they remain solvent.

In preparation for reopening, the Group has implemented initiatives to create safe shopping environments, attracting clients to boost tenants' sales.

WE

In WE a significant portion of rental income relates to essential retail tenants, and other tenants with operations unaffected by the pandemic. The Group recovered most of the rental income and service charges due in respect of the WE assets for March, April and May. For the amounts deemed as not recoverable, an impairment of €0.8 million was recognised as a reduction of net rental income, see note 6. The Group may agree limited further deferrals for the months immediately following lockdown.

The sale of Langley land failed as purchasers' funders withdrew from the transaction. The Group will be managing some of the WE assets longer than anticipated. This includes the Flensburg, Braunschweig and Bruchsal retail assets in Germany as well as the Adagio hotel and the land holdings in UK. The Group is adopting management changes to effect operational improvements to these assets and to reduce their high operating costs.

Developments

Given the unfolding events, all ongoing construction works in relation to developments, extensions and redevelopments, except for completing Dambovită Mall (originally opening in May 2020 but postponed to August 2020), ongoing works in Zurich and development works in relation to Marmura Residence, were put on hold since March 2020.

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Bank debt and liquidity

To enhance liquidity, the Group drew down in full the available bank debt facilities at the start of the coronavirus crisis in Europe.

The Group's secured bank debt entails compliance with both income-based covenants (twelve-month rolling debt service coverage ratios that are backward looking based on reported numbers, and forward looking, based on management forecast) and loan to value (LTV) covenants. Following appropriate waivers that have been granted, covenants generally are not of concern. Stress test forecasts indicate that breaches of LTV covenants are unlikely. Romania and Bulgaria have introduced measures protecting borrowers in relation to the lockdowns and banks are generally supportive in granting waivers where required due to lockdown. The Group has obtained appropriate waivers as required to deal with income covenant breaches due to lockdown.

In addition to secured bank debt, the Group has an unsecured revolving facility at MAS Real Estate Inc level, which is currently fully drawn and expires in June 2022. The financial covenants governing this facility include a Group wide minimum consolidated net asset value of €600 million, a minimum 2.5 ratio of consolidated EBITDA to accrued interest on Group senior debt and a Group LTV ratio not exceeding 50%. Breach of these covenants, amongst others, results in a suspension of dividend distributions while the breach continues. Current stress test forecasts indicate that breaches are unlikely.

The Group held €51.4 million in cash at 30 June 2020 and a further €28.4 million in cash collateral for listed securities. This leaves the Group in a strong position to meet day-to-day financial obligations, including commitments to the DJV. On 30 June 2020, the Group had an ongoing undrawn commitment to the DJV of €241.3 million. If funding is requested, but not immediately available, the Group's obligations are limited to €120 million on a rolling six-month basis. Even though no relevant drawdown request has currently been made and the DJV has deferred most construction costs associated with its development pipeline, it may seek to drawdown funds as new investment opportunities are identified. These may include, in addition to development and redevelopment opportunities, acquisitions of income producing assets and investments in listed securities.

Dividends

The Group calculates distributable earnings per share consistently and combines this with a sustainable dividend policy. Considering the matters discussed previously, in relation to the impact of the recession on rental income like-for-like growth and long-term borrowing capacity, outstanding funding commitments to the DJV, the uncertainty of asset sales in WE and other capital expenditure (currently postponed), the Group will not be declaring a dividend in respect of the six months ending on 30 June 2020 (4.97 eurocents per share was declared for the six months ended 30 June 2019 and a dividend of 4.24 eurocents per share was declared for the six-month period ended 31 December 2019, which was paid in cash).

Once funding commitments are covered, the Group will consider dividend payments in the context of relevant circumstances and factors, such as the availability and attractiveness of investment opportunities relative to available liquidity and in line with the long-term investment approach of maximising total long-term returns from investments on a per share basis by concentrating on capital allocation, operational excellence, sensible leveraging and cost efficiency, thereby sustainably growing distributable earnings per share.

As discussed above, based on the publicly available information at the date these consolidated annual financial statements were authorised for issue, the Group has considered the potential development of the coronavirus outbreak and its expected impact on the Group and economic environment, in which the Group operates, including the measures already taken by the governments in the countries where the Group operates. Consequently, management prepared these financial statements on a going concern basis. There are no material uncertainties relating to events or conditions that cast a significant doubt upon the Group's ability to continue as a going concern.

3. Segmental analysis – proportionate accounts

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.

Due to changes in the executive management team, the reportable segments have changed during the year so that management can analyse the portfolio on a regional level to be consistent with the Group's strategy to increase its geographical focus in the CEE markets. The Group will prepare proportionate accounts for the use of investors, analysts, rating agencies and any other interested parties for the purpose of providing a more transparent view of how management determines the Group's operational performance and financial position. The measure of segment performance represents tangible net asset value per segment and adjusted distributable earnings per segment, with each segment detailed in the table below.

The Group's business is more complex as compared to other industry peers due to the development joint venture arrangement with PK. Presentation of financial information by using the proportionate consolidation method enhances clarity to interested parties in the Group's operations. The Group's proportionate accounts financial information is not aimed to be a replacement of the Group's IFRS financial statements but a complement to these.

Reportable segment	Description
CEE direct portfolio (CEE)	Income properties located in CEE fully owned and managed by the Group. Until 27 November 2019, these properties were housed in the IJV and consequently the company recognised 80% of the financial result in respect thereof. Following the Transaction explained in note 4, the Group accounts for 100% of these properties.
CEE development joint venture (DJV)	Income and development properties located in CEE, indirectly owned through the DJV with PK. Information presented represents the Group's 40% share in the joint venture. In addition, the segment includes other balances and transactions in relation to the DJV, including 60% of the preference share exposure (40% of the redemption value and income related to preference shares is eliminated on proportionate consolidation).
WE direct portfolio (WE)	Income properties located in WE (Germany, UK, Switzerland) fully owned by the Group.
Corporate (Co)	Other assets, liabilities and activities related to the Group's management, including investments in listed securities, Group level financing, as well as corporate level administration.

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.

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Segmental analysis basis for preparation – proportionate accounts

The Group's management accounts financial information is not intended to be a replacement of the Group's IFRS financial statements but a complement to these.

In considering the accounting policies for the management accounts, management analysed in-depth best practice recommendations by industry institutions (EPRA, SA REIT) and the main changes in presentation are as follows:

Presentation	IFRS	Segmental analysis – proportionate accounts
Joint ventures and non-controlling interests	Equity accounting	Proportionate accounting
Income statement	Aggregation based on function	Aggregation based on nature
Properties held for sale	Current assets	Investment property based on type
Statement of financial position – line descriptions	Aggregation with limited details (explanatory notes needed for clarity)	Comprehensive detail with limited aggregation
Statement of financial position – classification by current/non-current	Yes	No
Statement of financial position – equity	Classification by type	Total equity amount

Proportionate accounts have been prepared to reflect the Group's proportion of its 40% interest in the DJV and 80% interest in the IJV until the Transaction date, and 100% thereafter.

Presentation of income statement for the purpose of proportionate accounts reflects the main areas of the business whose operational performance is monitored by management, in respect of distributable earnings to shareholders as well as non-distributable earnings. Management monitors earnings generated by each area of the business and its impact on the total adjusted earnings for each segment.

Presentation of the statement of financial position has been disaggregated in a similar manner, so as to clarify to management the assets and liabilities generating the corresponding earnings for each main area of the business comprehensively. As such, for a more comprehensive review process by management the following line items have been presented differently as compared to IFRS so as to more clearly show elements included in each category as followed by management:

- Investment property and investment property held for sale have been disaggregated to show income property, developments – income property and developments – residential property.
- Financial assets and investments have been disaggregated to show Preference shares, Listed securities gross exposure, Interest rate derivative financial assets and Other assets.
- Trade and other receivables have been split to VAT receivable, Share-based payment prepayments and Trade and other receivables under the proportionate accounts.
- Debt financing has been grossed-up to include the funding leg related to listed securities investments.
- Financial liabilities have been split to Interest rate derivative financial liabilities and Other liabilities.

Segment adjusted proportionate accounts

In addition to segmental proportionate accounts, management presents a set of segment-adjusted proportionate accounts. The latter include adjustments typical for real estate companies described in more detail below.

- Net dividends - listed securities**
Dividends from listed securities are recognised in adjusted distributable earnings on a basis which is commensurate and is matching the holding period of the securities with the reporting period of the company. Consequently, any excess or shortfall in dividends received is reclassified "to" and, respectively, "from" non-distributable earnings (fair value movements in listed securities).
- Goodwill**
No goodwill is included in adjusted proportionate accounts. Consequently, goodwill and related impairments are eliminated.
- Share-based payments**
The allocation of part of the purchase price to share-based payments is an accounting treatment required under IFRS. Share-based payments related to the Transaction are reversed in adjusted proportionate accounts so that the entire Transaction purchase price is treated as being paid for PK's effective economic interest in the IJV and all amounts exceeding the net tangible asset value thereof eliminated.
- Deferred tax**
Deferred tax, which is unlikely to crystallise on disposal as an actual tax, a purchase price adjustment or any other cost.
- Estimation for WE disposal realisation costs and losses**
Estimated costs likely to crystallise on disposal of the assets in WE, including punitive fixed-interest arrangements, early bank debt repayment penalties, agency fees and other related costs or losses.
- Elimination of crossholding between MAS and associate**
Elimination of the proportionate part of the financial asset recognised by the associate representing MAS shares, at cost. Weighted number of shares for the period and Closing number of shares for proportionate accounting purposes are computed by elimination of MAS' 40% share of own shares acquired by the associate.

A reconciliation of the amounts reported in these consolidated annual financial statements to the proportionate accounts is presented in note 29.

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Year ended 30 June 2020	Proportionate accounts					Adjustments					Adjusted proportionate accounts				
	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
EARNINGS	(21,615)	7,704	16,430	7,447	(53,196)	(17,378)	8,853	3,607	(52,690)	22,852	(38,993)	16,557	20,037	(45,243)	(30,344)
DISTRIBUTABLE EARNINGS	52,516	22,636	11,233	18,038	609	(3,094)	-	-	-	(3,094)	49,422	22,636	11,233	18,038	(2,485)
Net rental income – income property	55,884	27,570	2,321	25,993	-	-	-	-	-	-	55,884	27,570	2,321	25,993	-
Net income – preference shares	7,880	-	7,880	-	-	-	-	-	-	-	7,880	-	7,880	-	-
Net dividends – listed securities ¹	6,190	-	-	-	6,190	(3,094)	-	-	-	(3,094)	3,096	-	-	-	3,096
Net corporate expenses	(5,976)	(552)	(191)	(752)	(4,481)	-	-	-	-	-	(5,976)	(552)	(191)	(752)	(4,481)
Interest on debt financing	(12,668)	(3,695)	(802)	(6,363)	(1,808)	-	-	-	-	-	(12,668)	(3,695)	(802)	(6,363)	(1,808)
Interest capitalised on developments	2,173	-	2,173	-	-	-	-	-	-	-	2,173	-	2,173	-	-
Other distributable net income/(cost)	305	(488)	(80)	(8)	881	-	-	-	-	-	305	(488)	(80)	(8)	881
Income tax	(1,272)	(199)	(68)	(832)	(173)	-	-	-	-	-	(1,272)	(199)	(68)	(832)	(173)
NON-DISTRIBUTABLE EARNINGS	(74,131)	(14,932)	5,197	(10,591)	(53,805)	(14,284)	8,853	3,607	(52,690)	25,946	(88,415)	(6,079)	8,804	(63,281)	(27,859)
Fair value adjustments – income property	(2,055)	(5,060)	9,123	(6,118)	-	-	-	-	-	-	(2,055)	(5,060)	9,123	(6,118)	-
Fair value adjustments – interest rate derivatives	(2,299)	(218)	-	(2,081)	-	-	-	-	-	-	(2,299)	(218)	-	(2,081)	-
Fair value adjustments – listed securities ¹	(27,064)	-	-	-	(27,064)	3,094	-	-	-	3,094	(23,970)	-	-	-	(23,970)
Fair value adjustments – other financial liabilities	(1,865)	(2,058)	(265)	458	-	2,058	2,058	-	-	-	193	-	(265)	458	-
Foreign currency exchange differences	(935)	-	1	-	(936)	-	-	-	-	-	(935)	-	1	-	(936)
Goodwill impairment ²	(29,453)	(6,826)	-	-	(22,627)	29,453	6,826	-	-	22,627	-	-	-	-	-
Investment expenses	(4,272)	(801)	(44)	(603)	(2,824)	-	-	-	-	-	(4,272)	(801)	(44)	(603)	(2,824)
Share-based payment expense ³	(648)	(423)	-	-	(225)	648	423	-	-	225	-	-	-	-	-
Other non-distributable (cost)	(140)	-	(11)	-	(129)	-	-	-	-	-	(140)	-	(11)	-	(129)
Tax on sale of property	(61)	-	-	(61)	-	-	-	-	-	-	(61)	-	-	(61)	-
Deferred tax ⁴	(5,339)	454	(3,607)	(2,186)	-	3,153	(454)	3,607	-	-	(2,186)	-	-	(2,186)	-
Estimation for WE disposal realisation costs and losses ⁵	-	-	-	-	-	(52,690)	-	-	(52,690)	-	(52,690)	-	-	(52,690)	-
<i>Adjusted distributable earnings per share (eurocents)</i>											7.35				
<i>Dividend per share (eurocents)</i>											4.24				

All amounts in € thousand unless otherwise stated.

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Year ended 30 June 2020	Proportionate accounts					Adjustments					Adjusted proportionate accounts				
	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
NET ASSET VALUE	796,023	299,283	212,729	282,400	1,611	(52,369)	4,132	(3,811)	(52,690)	-	743,654	303,415	208,918	229,710	1,611
ASSETS	1,317,243	473,178	229,818	543,505	70,742	(23,369)	(15,396)	(7,973)	-	-	1,293,874	457,782	221,845	543,505	70,742
Income property	1,007,451	435,699	45,116	526,636	-	-	-	-	-	-	1,007,451	435,699	45,116	526,636	-
Developments – income property	41,682	907	40,775	-	-	-	-	-	-	-	41,682	907	40,775	-	-
Developments – residential property	15,322	-	15,322	-	-	-	-	-	-	-	15,322	-	15,322	-	-
Preference shares	111,630	-	111,630	-	-	-	-	-	-	-	111,630	-	111,630	-	-
Listed securities ⁵	43,469	-	7,973	-	35,496	(7,973)	-	(7,973)	-	-	35,496	-	-	-	35,496
Goodwill ²	1,696	1,696	-	-	-	(1,696)	(1,696)	-	-	-	-	-	-	-	-
Deferred tax asset	3,519	2,218	125	1,176	-	-	-	-	-	-	3,519	2,218	125	1,176	-
Other assets	1,756	464	289	783	220	-	-	-	-	-	1,756	464	289	783	220
VAT receivable	4,465	2	4,028	347	88	-	-	-	-	-	4,465	2	4,028	347	88
Share-based payment prepayments ³	13,700	13,700	-	-	-	(13,700)	(13,700)	-	-	-	-	-	-	-	-
Trade and other receivables	17,768	8,914	1,179	7,366	309	-	-	-	-	-	17,768	8,914	1,179	7,366	309
Cash and cash equivalents	54,785	9,578	3,381	7,197	34,629	-	-	-	-	-	54,785	9,578	3,381	7,197	34,629
LIABILITIES	521,220	173,895	17,089	261,105	69,131	29,000	(19,528)	(4,162)	52,690	-	550,220	154,367	12,927	313,795	69,131
Debt financing	456,484	143,166	4,646	241,999	66,673	-	-	-	-	-	456,484	143,166	4,646	241,999	66,673
Interest rate derivative financial liabilities	4,175	1,930	-	2,245	-	-	-	-	-	-	4,175	1,930	-	2,245	-
Other liabilities	1,349	-	1,054	295	-	-	-	-	-	-	1,349	-	1,054	295	-
Deferred tax liability ⁴	31,586	19,528	4,162	7,896	-	(23,690)	(19,528)	(4,162)	-	-	7,896	-	-	7,896	-
Trade and other payables	27,626	9,271	7,227	8,670	2,458	-	-	-	-	-	27,626	9,271	7,227	8,670	2,458
Estimation for WE disposal realisation costs and losses ⁵	-	-	-	-	-	52,690	-	-	52,690	-	52,690	-	-	52,690	-
Closing number of shares in issue											692,496,344				
NAV per share (eurocents)	115	43	31	41	-						107	44	30	33	-
Tangible NAV per share (eurocents)															

All amounts in € thousand unless otherwise stated.

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Year ended 30 June 2019	Proportionate accounts					Adjustments					Adjusted proportionate accounts				
	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
EARNINGS	55,035	34,132	21,207	26,784	(27,088)	8,085	6,194	1,850	-	41	63,120	40,326	23,057	26,784	(27,047)
DISTRIBUTABLE EARNINGS	49,065	18,543	9,552	18,170	2,800	1,457	-	-	-	1,457	50,522	18,543	9,552	18,170	4,257
Net rental income – income property	48,968	21,541	2,207	25,220	-	-	-	-	-	-	48,968	21,541	2,207	25,220	-
Net income – preference shares	6,717	-	6,717	-	-	-	-	-	-	-	6,717	-	6,717	-	-
Net dividends – listed securities ¹	5,904	-	-	-	5,904	1,457	-	-	-	1,457	7,361	-	-	-	7,361
Net corporate expenses	(5,594)	(714)	(185)	(562)	(4,133)	-	-	-	-	-	(5,594)	(714)	(185)	(562)	(4,133)
Interest on debt financing	(8,471)	(1,956)	(499)	(5,692)	(324)	(8,471)	(1,956)	(499)	(5,692)	(324)	(8,471)	(1,956)	(499)	(5,692)	(324)
Interest capitalised on developments	1,882	-	1,462	420	-	-	-	-	-	-	1,882	-	1,462	420	-
Other distributable net income/(cost)	1,212	83	(110)	(114)	1,353	-	-	-	-	-	1,212	83	(110)	(114)	1,353
Income tax	(1,553)	(411)	(40)	(1,102)	-	-	-	-	-	-	(1,553)	(411)	(40)	(1,102)	-
NON-DISTRIBUTABLE EARNINGS	5,970	15,589	11,655	8,614	(29,888)	6,628	6,194	1,850	-	(1,416)	12,598	21,783	13,505	8,614	(31,304)
Fair value adjustments – income property	53,048	23,877	13,558	15,613	-	-	-	-	-	-	53,048	23,877	13,558	15,613	-
Fair value adjustments – interest rate derivatives	(751)	(1,161)	-	410	-	-	-	-	-	-	(751)	(1,161)	-	410	-
Fair value adjustments – listed securities ¹	(29,847)	-	-	-	(29,847)	(1,457)	-	-	-	(1,457)	(31,304)	-	-	-	(31,304)
Fair value adjustments – other financial liabilities	(1,589)	-	200	(1,789)	-	-	-	-	-	-	(1,589)	-	200	(1,789)	-
Foreign currency exchange differences	(365)	-	-	(365)	-	-	-	-	-	-	(365)	-	-	(365)	-
Investment expenses	(3,230)	(933)	(253)	(2,044)	-	-	-	-	(2,044)	-	(3,230)	(933)	(253)	(2,044)	-
Share-based payment expense ³	(41)	-	-	-	(41)	41	-	-	-	41	-	-	-	-	-
Other non-distributable income	18	-	-	18	-	-	-	-	-	-	18	-	-	18	-
Tax on sale of property	(1,546)	-	-	(1,546)	-	-	-	-	-	-	(1,546)	-	-	(1,546)	-
Deferred tax ⁴	(9,727)	(6,194)	(1,850)	(1,683)	-	8,044	6,194	1,850	-	-	(1,683)	-	-	(1,683)	-
<i>Adjusted distributable earnings per share (eurocents)</i>											7.93				
<i>Dividend per share (eurocents)</i>											8.75				

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Year ended 30 June 2019	Proportionate accounts					Adjustments					Adjusted proportionate accounts				
	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
NET ASSET VALUE	858,119	263,028	122,410	291,094	181,587	(10,699)	9,462	1,371	-	(21,532)	847,420	272,490	123,781	291,094	160,055
ASSETS	1,360,468	378,074	163,899	577,350	241,145	(28,508)	(6,976)	-	-	(21,532)	1,331,960	371,098	163,899	577,350	219,613
Income property	850,324	349,944	13,880	486,500	-	-	-	-	-	-	850,324	349,944	13,880	486,500	-
Developments – income property	73,762	273	27,818	45,671	-	-	-	-	-	-	73,762	273	27,818	45,671	-
Developments – residential property	9,790	-	9,790	-	-	-	-	-	-	-	9,790	-	9,790	-	-
Preference shares	104,477	-	104,477	-	-	-	-	-	-	-	104,477	-	104,477	-	-
Listed securities ⁵	147,372	-	-	-	147,372	-	-	-	-	-	147,372	-	-	-	147,372
Goodwill ²	28,508	6,976	-	-	21,532	(28,508)	(6,976)	-	-	(21,532)	-	-	-	-	-
Deferred tax asset	4,773	2,411	1,096	1,266	-	-	-	-	-	-	4,773	2,411	1,096	1,266	-
Other assets	775	-	-	775	-	-	-	-	-	-	775	-	-	775	-
VAT receivable	50,183	50	204	12,456	37,473	-	-	-	-	-	50,183	50	204	12,456	37,473
Share-based payment prepayments ³	2,819	916	855	1,048	-	-	-	-	-	-	2,819	916	855	1,048	-
Trade and other receivables	14,293	6,442	776	6,790	285	-	-	-	-	-	14,293	6,442	776	6,790	285
Cash and cash equivalents	73,392	11,062	5,003	22,844	34,483	-	-	-	-	-	73,392	11,062	5,003	22,844	34,483
LIABILITIES	502,349	115,046	41,489	286,256	59,558	(17,809)	(16,438)	(1,371)	-	-	484,540	98,608	40,118	286,256	59,558
Debt financing	439,347	87,535	36,704	255,550	59,558	-	-	-	-	-	439,347	87,535	36,704	255,550	59,558
Interest rate derivative financial liabilities	2,383	1,410	-	973	-	-	-	-	-	-	2,383	1,410	-	973	-
Other liabilities	17,220	1,935	284	15,001	-	-	-	-	-	-	17,220	1,935	284	15,001	-
Deferred tax liability ⁴	23,532	16,438	1,371	5,723	-	(17,809)	(16,438)	(1,371)	-	-	5,723	-	-	5,723	-
Trade and other payables	19,867	7,728	3,130	9,009	-	-	-	-	-	-	19,867	7,728	3,130	9,009	-
Closing number of shares in issue											637,493,798				
NAV per share (eurocents)	135	41	19	46	29										
Tangible NAV per share (eurocents)											133	43	19	46	25

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The reconciliations of distributable earnings for the years ended 30 June 2020 and 30 June 2019 are provided below:

Segment	Adjusted distributable earnings for the six-months period ended 31 Dec 2019	Adjusted distributable earnings for the six-months period ended 30 Jun 2020	Adjusted distributable earnings for the financial year ended 30 Jun 2020
CEE	12,680	9,956	22,636
DJV	4,920	6,313	11,233
WE	8,691	9,347	18,038
Co	1,259	(3,744)	(2,485)
Total	27,550	21,872	49,422
Weighted average number of shares for the period	649,874,233	703,288,679	
Adjusted distributable earnings per share (eurocents)	4.24	3.11	7.35
Dividend per share (eurocents)	4.24	-	4.24

Segment	Adjusted distributable earnings for the six-months period ended 31 Dec 2018	Adjusted distributable earnings for the six-months period ended 30 Jun 2019	Adjusted distributable earnings for the financial year ended 30 Jun 2019
CEE	7,758	10,785	18,543
DJV	4,097	5,455	9,552
WE	9,226	8,944	18,170
Co	1,874	2,383	4,257
Total	22,955	27,567	50,522
Weighted average number of shares for the period	637,493,798	637,493,798	
Adjusted distributable earnings per share (eurocents)	3.60	4.33	7.93
Dividend per share (eurocents)	3.78	4.97	8.75

The Weighted average number of shares and Closing number of shares for the six-month period ended 31 Dec 2019 are:

Date	Transaction	Number of shares	Cumulative number of shares outstanding	% of period	Weighted average
01-Jul-19	Opening	637,493,798	637,493,798	81.5%	519,696,031
27-Nov-19	Shares issued	67,000,000	704,493,798	18.5%	130,178,202
31-Dec-19	Closing	704,493,798	704,493,798	100.0%	649,874,233

The Weighted average number of shares and Closing number of shares for the six-month period ended 30 June 2020 are:

Date	Transaction	Number of shares	Cumulative number of shares outstanding	% of period	Weighted average
01-Jan-20	Opening	704,493,798	704,493,798	85.1%	596,110,137
02-Jun-20	40% of shares purchased by DJV	(1,137,347)	703,356,451	0.5%	3,864,596
03-Jun-20	40% of shares purchased by DJV	(686,977)	702,669,474	0.5%	3,860,821
04-Jun-20	40% of shares purchased by DJV	(543,870)	702,125,604	0.5%	3,857,833
05-Jun-20	40% of shares purchased by DJV	(2,770,030)	699,355,574	2.3%	15,370,452
09-Jun-20	40% of shares purchased by DJV	(824,770)	698,530,804	0.5%	3,838,081
10-Jun-20	40% of shares purchased by DJV	(1,940,000)	696,590,804	0.5%	3,827,422
11-Jun-20	40% of shares purchased by DJV	(3,750)	696,587,054	0.5%	3,827,401
12-Jun-20	40% of shares purchased by DJV	(1,315,684)	695,271,370	3.9%	26,741,207
19-Jun-20	40% of shares purchased by DJV	(485)	695,270,885	1.6%	11,460,509
22-Jun-20	40% of shares purchased by DJV	(130,280)	695,140,605	0.5%	3,819,454
23-Jun-20	40% of shares purchased by DJV	(346,475)	694,794,130	0.5%	3,817,550
24-Jun-20	40% of shares purchased by DJV	(12,082)	694,782,048	0.5%	3,817,484
25-Jun-20	40% of shares purchased by DJV	(114,806)	694,667,242	0.5%	3,816,853
26-Jun-20	40% of shares purchased by DJV	(244,705)	694,422,537	1.6%	11,446,525
29-Jun-20	40% of shares purchased by DJV	(574,193)	693,848,344	0.5%	3,812,354
30-Jun-20	40% of shares purchased by DJV	(1,352,000)	692,496,344	0.0%	-
30-Jun-20	Closing	692,496,344	692,496,344	100%	703,288,679

The Weighted average number of shares and Closing number of shares for the six-month period ended 31 Dec 2018 are:

Date	Transaction	Cumulative number of shares outstanding	% of period	Weighted average
01-Jul-18	Opening	637,493,798	100%	637,493,798
31-Dec-18	Closing	637,493,798	100%	637,493,798

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The Weighted average number of shares and Closing number of shares for the six-months period ended 30 June 2019 are:

Date	Transaction	Cumulative number of shares outstanding	% of period	Weighted average
01-Jan-19	Opening	637,493,798	100%	637,493,798
30-Jun-19	Closing	637,493,798	100%	637,493,798

4. Material transactions

In November 2016 the Group entered into a joint venture with Prime Kapital Holdings Limited through PKM CEE Investments Limited, in which PK's effective economic interest was equivalent to 20% direct participation in the joint venture less the interest cost on the participation funding that is provided by the Group. Under the terms of the joint venture, Prime Kapital provided property investment and management services to the venture on a cost recovery basis. The property investment and management services were provided by three entities, PK Property Management (Bulgaria) EOOD (the "Bulgarian Property Management Platform"); PK Property Management (Poland) sp zoo (the "Polish Property Management Platform"); and Prime Kapital Development S.R.L. (the "Romanian Property Management Platform"), (together the "Property Management Platform").

On 27 November 2019, with shareholder approval, the Group acquired the Property Management Platform and PK's effective economic interest in the joint venture through the acquisition of the entire share capital of PK Mezz BV and Prime Kapital CEE Property Investment Management Limited (the "Transaction").

The acquisition is part of the Group's strategy of continued investment into Central and Eastern Europe ("CEE") to enhance the Group's distributions over the immediate, medium and long-term.

Consideration transferred

The purchase price of €77,314 thousand relates to the issue of 67,000,000 MAS shares (the "Consideration Shares") at €1.15395 per share. The Consideration Shares are locked for 3 years commencing on the date of the Transaction ("the Lock-In Period"). Prime Kapital will not during the Lock-In Period, transfer any interest in the Consideration Shares to another person (other than the Incentive Shares to be issued to key individuals that are part of the Property Management Platform ("Incentive Share Participants")). The Group considered the requirements of IFRS 2 'Share-based Payments', and of IFRS 3 'Business Combinations' to determine whether any of the Consideration Shares relate to components other than the settlement of the purchase consideration. This resulted in an equity-settled share-based payment being recognised in respect of the Executive Management, an equity-settled share-based payment being recognised in relation to the Incentive Share Participants and an equity-settled share-based payment being recognised in relation to PK Prepaid Development Services.

The purchase price has been allocated to the following components at fair value:

	Note	Number of shares	Amount
Acquisition of the Property Management Platform	5	331,221	382
Equity-settled share-based payment			
– Incentive Share Participants	22.2	3,350,000	3,866
– PK Prepaid Development services	22.2	8,813,237	10,170
– Executive Management	22.2	1,858,331	2,144
Acquisition of non-controlling interest in joint venture	22.3	52,647,211	60,752
Total		67,000,000	77,314

Acquisition of the Property Management Platform

At acquisition, the Group obtained control of the Bulgarian, the Polish and the Romanian Property Management Platforms (the "Property Management Platform"). The Group has treated the acquisitions as business combinations because substantially all business operations were acquired, refer to note 5.

The fair value of the Property Management Platform has been determined in accordance with the market approach of IFRS 13 'Fair Value Measurement', which uses prices and other relevant information from transactions of comparable assets.

Equity-settled share-based payments

The Transaction resulted in equity-settled share-based payments being recognised as follows:

Equity-settled share-based payment – Incentive Share Participants

In accordance with the terms of the Transaction, Prime Kapital has placed in reserve 5% of the Consideration Shares which are to be allocated to existing and future employees and service providers who, directly or indirectly, provide services to or for the benefit of MAS through the Property Management Platform or as otherwise required by MAS from time to time (the "Incentive Share Participants"). The incentive shares are held in trust for the benefit of Incentive Share Participants. The incentive shares have been treated as a share-based payment in accordance with the requirements of IFRS 2 'Share-based Payments'. The incentive shares represent issued shares as part of the Transaction for the benefit of present and future Incentive Share Participants.

The terms of share-based payment had not been communicated to the Incentive Share Participants at 30 June 2020. Consequently, the incentive shares were initially recognised as a prepaid employee's service expense of €3,866 thousand, refer to note 22.2.

The equity-settled share-based payment expense has been calculated at Transaction date based on 3,350,000 Consideration Shares at market price as at 27 November 2019 and subsequently a fair value adjustment has been recognised to reflect a reasonable expected grant date fair value (refer to note 11). The Incentive shares cannot be delisted, have attached rights to vote, exercise pre-emptive rights as shareholders and to receive distributions.

Equity-settled share-based payment – PK Prepaid Development Services

In accordance with the terms of the Transaction Prime Kapital committed to provide property development services in relation to the extension of commercial real estate assets held within the joint venture on a cost recovery basis. The fair value of these services has been determined in accordance with the market approach of IFRS 13 'Fair Value Measurement', and a corresponding share-based payment has been recognised, refer to note 22.2.

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At 30 June 2020, Prime Kapital has not provided the relevant development services to the Group and therefore a prepayment for the future development services of €10,170 thousand has been recognised. The fair value of the equity-settled share-based payment expense has been calculated based on 8,813,237 Consideration Shares at market price as at 27 November 2019. It remains the intention of the Group to utilise the development management services in the future.

Equity-settled share-based payment – Executive Management

In accordance with the terms of the Transaction, Martin Slabbert and Victor Semionov will not be paid any remuneration during the three-year Lock-In period from the date of the Transaction. In accordance with IFRS 2 'Share Based payments' and IFRS 3 'Business Combinations' it has been determined that 1,858,331 Consideration Shares are recognised as an equity-settled share-based payment expense, which represents the value of the Share-based payment in relation to IFRS 2 for the respective executives based on their estimated implied remuneration. The treatment does not affect the commercial structure of the Transaction, and Martin Slabbert and Victor Semionov will not receive cash or other actual remuneration for the duration of the Lock-In period.

The fair value of the equity-settled share-based payment expense has been calculated based on 1,858,331 Consideration Shares at market price as at 27 November 2019.

At 30 June 2020, €1,722 thousand has been recognised as a prepaid Share-based payment in relation to IFRS 2 for the respective executives. During the year an amount of €422 thousand has been recognised in the consolidated statement of profit or loss as an employment share-based payment expense and disclosed as a related party transaction (refer to note 28) in relation to employment services provided by Martin Slabbert and Victor Semionov.

The following table summarises the prepaid equity settled share-based payment expenses:

	Note	As at 30 June 2020	As at 30 June 2019
Included in Other non-current assets			
– Incentive Share Participants	17	1,059	-
– PK Prepaid Development Services	17	7,918	-
– Executive Directors	17	1,008	-
		9,985	-
Included in Trade and other receivables			
– Incentive Share Participants	19.2	749	-
– PK Prepaid Development Services	19.2	2,252	-
– Executive Directors	19.2	714	-
		3,715	-

Acquisition of non-controlling interest in joint venture

Represents the acquisition of PK's 20% effective economic interest in the joint venture, refer to note 5.

5. 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, which is not equity, is measured at fair value through profit and loss.

On 27 November 2019, the Group acquired the Property Management Platform, refer to note 4. The acquisition has been treated as a business combination as the Group acquired substantially all business operations.

Acquisition related costs

The Group incurred acquisition-related costs of €49 thousand on legal and due diligence fees. €4 thousand of these costs have been included in profit or loss within investment expenses, refer to note 10 and €45 thousand of these costs have been included within share capital.

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:

	Amount
Consideration paid in shares issued	382
Non-current assets	18
Trade and other receivables	338
Trade and other payables	(128)
Net assets excluding cash	228
Cash and cash equivalents	86
Net assets	314
Goodwill	68
	382

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The gross contracted value of trade and other receivables was €338 thousand, which the Group expects to receive in full.

Goodwill of €68 thousand arose on the acquisition of the Property Management Platform as the consideration paid was greater than the fair value of assets acquired and liabilities assumed, refer to note 16.

Gain on bargain purchase

On 5 December 2018, the Group acquired 100% of the shares and the voting interests of the Atrium Mall in Arad from PKM Development Limited ("PKM Development"). A gain on bargain purchase of €12,263 thousand arose on the acquisition of the Atrium Mall 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 the year the footfall, tenants' turnover and the net operating income increased significantly, which implicitly led to an increase in the valuation of the property.

6. Net rental income

	Note	Year ended 30 June 2020	Year ended 30 June 2019
Rental income	6.1	66,834	57,620
Service charge income and other recoveries	6.2	14,391	12,455
Impairment of revenue		(5,591)	-
Revenue		75,634	70,075
Service charge and other property operating expenses	6.2	(19,158)	(18,479)
Net rental income		56,476	51,596

For disclosures on disaggregation of the Net rental income by segment, refer to note 3.

As discussed above in note 2, the coronavirus pandemic has had a significant impact in the net rental income of the Group for the duration of the lockdown periods (which generally extended between March and June 2020 in CEE, March and May 2020 in Germany and March and August 2020 in UK). An impairment of revenue was recognised as an effect of the lockdown and other economic consequences caused by the coronavirus pandemic; the expected collectability from the Group's tenants was significantly impacted.

Management expects an impact in revenues and collections to continue beyond the reporting date, albeit such impact will be significantly reduced compared to what was already recorded as at the reporting date. Basic rent discounts will be granted after lockdown period mainly to the tenants with very low turnover for the following months up to 31 December 2020.

The Group applied the principles of IFRS 16 for revenue recognition in the context of the coronavirus pandemic:

- gross rental income and gross service charge income were recognised in full for the lockdown periods;
- rent reliefs granted to tenants, where such relief qualified as a lease modification because the tenant agreed the concession, were charged to the income statement in amounts in line with the signed agreements;
- rent reliefs without changes to the lease contract, imposed by laws in force before an event giving rise to the relief, such as in Poland, and where tenants have sent notifications as per regulatory requirements, were charged to the income statement in full;
- For tenants where no agreement was signed or no deal was agreed informally, a tenant by tenant review of financial status and collectability was performed and an impairment was charged to the income statement in full or in specific amounts, on a case by case basis.

All amounts charged to the income statement as described above were treated as a reduction of the gross rental income and gross service charge income, respectively, see notes 6.1 and 6.2 below. The impairment amounts split by region and by type (waived and deferred amounts and additional specific provisions) is presented below:

	Waived and/or deferred	Additional provision	Total impairment net rental income
CEE	3,936	827	4,763
Romania	1,964	288	2,252
Bulgaria	1,022	318	1,340
Poland	950	221	1,171
WE	700	128	828
Germany	435	-	435
UK	265	128	393
Total	4,636	955	5,591

6.1. Rental income

Accounting policy

Rental income from investment properties 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.

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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 represents the portion of the Group's rental income related to variable lease payments. Turnover rent is contingent on the underlying performance of the tenant, as such it is recognised as incurred.

	Year ended 30 June 2020	Year ended 30 June 2019
Gross rental income	64,537	54,702
Turnover rent	2,297	2,918
Rental income	66,834	57,620
Impairment adjustment	(5,108)	-
Rental income, net of impairment	61,726	57,620

Out of the Group's total rental income during the year, no single tenant represented a quantum of more than 10% (2019: Edeka MIHA AG – €5,856 thousand).

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

	Year ended 30 June 2020	Year ended 30 June 2019
No later than 1 year	64,633	61,801
Greater than 1 year and less than 2 years	62,704	56,667
Greater than 2 years and less than 3 years	58,071	52,513
Greater than 3 years and less than 4 years	48,010	45,753
Greater than 4 years and less than 5 years	37,490	38,980
Greater than 5 years	162,949	233,893
Total	433,857	489,607

6.2. Service charge

Accounting policy

Service charge income and other recoveries

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). These contracts are concluded between the Group subsidiaries which own the properties and the direct supplier. As the Group sometimes uses the same providers for services across its portfolio, it can negotiate better prices through economies of scale. The Group is considered principal in these transactions, per IFRS 15 'Revenue from Contracts with Customers' requirements.

The Group negotiates and pays all expenses incurred by the tenants and then re-invoices these costs to them as defined in the contractual clauses included in the lease agreements. A flat fee is charged monthly during the year. This fee is estimated based on the previous year's actual costs, with an annual service charge reconciliation performed based on current year's actual costs incurred by the Group. For contracts terminated during the year, the Group estimates the service charge to be collected based on the current budget and last year's actual costs.

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.

Service charge and other property operating expenses

Service charge and other property operating expenses are expenses incurred in relation to the properties held by the Group. These expenses comprise of direct expenses in relation to income-generating properties and indirect expenses in relation to development properties and land bank. These expenses are recognised in profit or loss in the period in which they are incurred, on an accrual basis.

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

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	Year ended 30 June 2020	Year ended 30 June 2019
Gross service charge income	14,391	12,455
Impairment adjustment	(483)	-
Service charge income and other recoveries, net	13,908	12,455
Property expenses	(14,221)	(12,833)
Property management expenses	(2,494)	(3,319)
Marketing fees	(1,127)	(975)
Insurance expenses	(809)	(752)
Other service charge expenses	(507)	(600)
Service charge and other property operating expenses	(19,158)	(18,479)
Net service charge	(5,250)	(6,024)

7. 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. These expenses include items such as: employee costs, office and administration expenses, professional fees (legal, accounting, audit, listing fees), depreciation, etc.

Employee costs comprise the total costs of employment to the Group, which consist of salary, annual leave, sick leave, employment taxes and employer and employee pension contributions. 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.

	Year ended 30 June 2020	Year ended 30 June 2019
Employee costs and non-executive director fees	(2,356)	(2,509)
Legal and professional	(1,616)	(723)
Share-based payments	(610)	-
Office and administration expenses	(448)	(1,112)
Audit and accounting fees	(1,044)	(560)
Depreciation	(318)	(101)
Investor communications	(106)	(536)
Listing fees	(102)	(86)
Net earnings from management services	85	-
Corporate expenses	(6,515)	(5,627)

8. 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.

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	Note	Year ended 30 June 2020	Year ended 30 June 2019
Sales of inventory property*		6,689	39,165
Cost of sales of inventory property		(6,380)	(31,014)
Profit on sales of inventory property	14.3	309	8,151

*The Group received cash of €6,689 thousand (2019: €46,609 thousand) in relation to sales of inventory property, €nil thousand (2019: €7,444 thousand) of which relates to receivables from contract assets and receivables which were outstanding at the start of the relevant financial year.

During the year, a total profit of €309 thousand (2019: €8,151 thousand) in relation to inventory property related to the construction of a Travelodge hotel at Langley was recognised. For the comparative period, profit on sale of inventory property derived 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.

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.

	Year ended 30 June 2020	Year ended 30 June 2019
Dividend income earned on direct financial investments	861	3,812
Dividend income earned on CFDs	5,447	2,878
Other	-	569
Other income	6,308	7,259

Dividend income earned on direct financial investments is disclosed gross of tax, with any tax consequences included as part of tax, as the Group is liable to settle the related taxes. The amount of tax on dividends from direct financial investments for the year was €930 thousand (2019: €786 thousand).

10. Investment expenses

Accounting policy

Investment expenses are incurred in the process of acquiring and disposing of 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.

	Year ended 30 June 2020	Year ended 30 June 2019
Transaction fees on business combinations and costs related to material transactions	(2,686)	(1,886)
Transaction fees on disposal of investment property	(1,284)	(895)
Other investment expenses	(560)	(429)
Investment expenses	(4,530)	(3,210)

Transaction fees on business combinations and costs related to material transactions

From the total amount of €2,686 thousand, €2,041 thousand represented transaction fees on business combinations and material transactions in the current year, and an amount of €645 thousand relates to business combinations acquired in the previous year. Transaction fees on material transactions include redundancy costs of €688 thousand in respect of amounts paid to Werner Behrens and Paul Osbourn.

11. Fair value adjustments

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:

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	Note	Year ended 30 June 2020	Year ended 30 June 2019
(Loss)/gain on fair value of investment property	14.1	(12,539)	24,087
Gain on fair value of investment property held for sale	14.2	1,052	958
(Loss) on fair value of financial investments	19.1	(27,064)	(29,847)
(Loss)/gain on fair value of financial assets		(2,833)	433
(Loss) on fair value of financial liabilities – swap liabilities		(1,015)	(1,474)
(Loss) on fair value of financial liabilities – other liabilities		-	(1,789)
Fair value adjustments		(42,399)	(7,632)
<i>Detailed as follows:</i>			
Change in fair value of investment property			
Income property	14.1	(9,365)	30,318
Development property	14.1	-	(475)
Land bank	14.1	(3,174)	(5,756)
		(12,539)	24,087
Change in fair value of investment property held for sale			
Investment property held for sale	14.2	1,052	958
		1,052	958
Change in fair value of financial investments			
Direct financial investments	19.1	1,663	(21,049)
Contracts for difference	19.1	(28,727)	(8,798)
		(27,064)	(29,847)
Change in fair value of financial assets			
Incentive share participants	22.2	(2,058)	-
Interest rate swaps	21	(775)	433
		(2,833)	433
Change in fair value of financial liabilities			
Interest rate swaps	21	(1,473)	(1,474)
Development management fee	21	183	(661)
Priority participating profit dividend	21	275	(1,128)
		(1,015)	(3,263)

12. 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.

	Note	Year ended 30 June 2020	Year ended 30 June 2019
Finance income			
Interest on PKM Development preference shares	21	13,133	11,195
Amortisation of capital contribution receivable		-	603
Interest on bank deposits and other finance income		120	260
		13,253	12,058
Finance costs			
Interest on interest bearing borrowings	20.1	(13,805)	(9,399)
Amortisation of capital contribution payable		-	(603)
Negative interest on bank deposits and other finance expense		(90)	(249)
		(13,895)	(10,251)

13. Taxation

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

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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 Group recognises deferred taxes on temporary differences on an asset by asset basis. 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 purposes of calculating 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.

MAS is registered in the BVI but it is not subject to income tax in that jurisdiction; it is tax resident in the Isle of Man. Operating subsidiaries of the Group, however, are subject to tax in the jurisdictions in which they operate and, potentially, in the jurisdictions through which the subsidiary investment companies are held. The current tax expense incurred by the Group reflects tax accrued in its subsidiaries located in Romania, Bulgaria, Poland, Germany, Switzerland, the Netherlands, Luxembourg, the United Kingdom, Jersey and the Isle of Man.

Output Value Added Tax (VAT) related to sales is payable to tax authorities on either the collection of receivables from customers or the delivery of services to customers depending on which occurs first. Input VAT is generally recoverable against output VAT upon receipt of the invoice. The tax authorities in individual countries permit the settlement of VAT on a net basis. VAT relating to sales and purchases is recognised in the statement of financial position on a net basis and is disclosed separately as an asset or liability, as the case may be. Where provision has been made for impairment of receivables, the loss is recorded for the gross amount of the debt, including VAT.

	Year ended 30 June 2020	Year ended 30 June 2019
Current tax	(1,424)	(3,948)
Deferred tax expense	(1,963)	(9,425)
Tax expense	(3,387)	(13,373)

The current tax, including under/over-provisions in respect of earlier periods, for each jurisdiction is as follows:

	Applicable rate %	Year ended 30 June 2020 Amount	Applicable rate %	Year ended 30 June 2019 Amount
Income/corporation tax				
Isle of Man	-	-	-	-
Jersey	-	-	-	-
UK – income tax	20.0	(146)	20.0	(601)
UK – corporation tax	19.0	(383)	19.0	(1,546)
Germany	15.8	(331)	15.8	(416)
Poland	19.0	(240)	19.0	(357)
Switzerland	26.8	(4)	26.8	(24)
Netherlands	20.0	(110)	20.0	(33)
Bulgaria	10.0	-	10.0	-
Romania	16.0	-	16.0	(17)
Withholding tax				
Poland	5.0	(53)	5.0	(104)
UK	20.0	(118)	20.0	(251)
France	30.0	-	30.0	(375)
Netherlands	15.0	-	15.0	(160)
Luxembourg	15.0	-	15.0	(5)
Wealth tax				
Switzerland	0.2	-	0.2	6
Luxembourg	0.5	(39)	0.5	(65)
		(1,424)		(3,948)

The UK corporation tax in the prior year relates to the sale of inventory property at New Waverley (2019: €1,546 thousand) which was fully disposed of during the prior year. There was €nil tax charge on the sale of inventory in the current year.

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Reconciliation of deferred tax:

	Year ended 30 June 2020	Year ended 30 June 2019
Net deferred tax liability brought forward	(21,990)	(5,532)
Current year deferred tax movement	(1,963)	(9,425)
Deferred tax recognised from business combinations	-	(7,020)
Foreign currency translation difference in OCI	(78)	(13)
Net deferred tax liability carried forward	(24,031)	(21,990)

The net deferred tax liability is split as follows:

	As at 30 June 2020	As at 30 June 2019
Deferred tax asset	3,394	4,280
Deferred tax liability	(27,425)	(26,270)
Net deferred tax liability	(24,031)	(21,990)

Deferred tax asset and liability result from the following types of differences:

	Year ended 30 June 2020	Year ended 30 June 2019
Revaluation of investment property and investment property cumulative statutory tax allowance	1,171	569
Fiscal losses	1,985	2,962
Other taxable temporary differences	238	749
Deferred tax asset	3,394	4,280
Revaluation of investment property and investment property cumulative statutory tax allowance	(28,665)	(26,060)
Other taxable temporary differences	1,240	(210)
Deferred tax liability	(27,425)	(26,270)
Net deferred tax liability	(24,031)	(21,990)

Reconciliation of effective tax rate:

	Year ended 30 June 2020		Year ended 30 June 2019	
	Applicable rate %	Amount	Applicable rate %	Amount
(Loss)/profit before tax		(16,800)		75,251
Tax using the company's domestic rate	0.0	-	0.0	-
Effect of tax rates in foreign jurisdictions	9.5	(1,724)	(5.2)	(3,866)
Over provision in respect of previous years	(1.7)	300	(0.1)	(82)
Current tax expense	7.8	(1,424)	(5.3)	(3,948)
<i>Change in recognised deductible temporary differences</i>				
Revaluation of investment property	(4.1)	742	(11.2)	(8,291)
Investment property cumulative statutory tax allowance	16.2	(2,936)	(2.0)	(1,450)
Fiscal losses	2.4	(436)	(0.2)	(142)
Thin capitalisation	(3.7)	675	0.0	-
Other temporary differences	(0.0)	(8)	0.6	458
Deferred tax expense	10.8	(1,963)	(12.8)	(9,425)
Net tax expense	18.6	(3,387)	(18.1)	(13,373)

The Isle of Man domestic tax rate of 0% (2019: 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 increase in the effective tax rate from (18.1)% for the year ended 30 June 2019 to 18.6% for the year ended 30 June 2020 is a result of changes in the geographical mix of taxable profits.

14. Investment property, including investment property held for sale and inventory property

Accounting policy

1) Investment property – initial recognition and measurement

The Group's investment property is comprised of:

- Income property
- Development property
- Land bank
- Investment property held for sale
- Inventory property

Income property

Income properties are held to earn rental income, for capital appreciation or for both.

Income property is initially recognised at cost. The cost of income property acquired by any other means than a business combination consists of the purchase price (including related transaction costs) and directly attributable expenditure. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent expenditure relating to income property is capitalised when future economic benefits from the use of the asset are probable and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, income properties are measured at fair value.

Development property and land bank

Property that is being constructed or developed for future use as income property is classified as development property and carried at cost until construction or development is complete, or until its fair value can be reliably determined.

The land on which development properties are constructed is carried at fair value.

Advances for developments are generally for land bank or other properties; these are generally subject to pre-conditions to be met by the seller. They are presented as part of development property in the consolidated statement for financial position.

Land bank refers to land plots held for future development. Land bank is initially recognised at cost. The cost of land bank acquired by any other means than a business combination consists of the purchase price (including related transaction costs) and directly attributable expenditure. Transaction costs include transfer taxes, professional fees for legal services etc. After initial recognition, land bank properties are measured at fair value.

Investment property held for sale

An investment property is classified as held for sale when it is expected that its carrying amount will be recovered principally through sale rather than from continuing use.

For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated.
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value ("NRV").

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less estimated costs of completion and the estimated costs necessary to make the sale, considering the time value of money if material.

The cost of inventory property recognised on disposal in the consolidated statement of profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Leasing fees

Leasing fees incurred before the property was operational are capitalised against the asset to which they relate. These are assumed to have contributed to the decision to build the property.

Any other leasing fees (for example, for leases incurred after the property became operational, lease renewals etc.) will not be capitalised against the asset to which they relate, they will be presented as current assets and expensed in profit or loss over the lease term of each leasing fee.

Borrowing costs capitalised

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. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

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

Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all the development work is completed. The capitalisation of interest is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

2) Investment property – measurement of fair values

Valuation process for level 3 investment property

Fair value of investment property is determined semi-annually, on 30 June and 31 December, by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. For details of the respective valuers used by the Group in its valuation process at 30 June 2020, refer to page 65. For all investment properties their current values equate to the highest and best use.

Fair value hierarchy

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

Valuation techniques and significant unobservable inputs

Discounted cash flows (DCF) method:

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.

Unobservable inputs used in the DCF valuation model are risk adjusted discount rates (yields), net rental income, net rental income growth, unrecoverable capital expenditures etc. The most significant inputs are considered to be the net rental income and the yield; the estimated fair value would increase/(decrease) if the expected net rental income was higher/(lower) and/or the yield was lower/(higher).

Capitalisation method:

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. Significant unobservable inputs used in the capitalisation rate model are the capitalisation rate (yield) and the estimated rental value. The estimated fair value would increase/(decrease) if either the yield was lower/(higher) or if the estimated market rent were 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 build costs. The method starts with an estimation of the value of the completed development, normally referred to as the Gross Development Value (GDV). Thereafter, various costs to complete the development are deducted (including construction costs, professional fees, marketing fees/costs, finance, etc. together with developer's profit); to arrive at a 'residual' site value, which is the price which a developer could afford to pay for the land (and still generate their target profit level). Significant unobservable inputs used in the residual method are the gross development value and the profit on GDV. The estimated fair value would increase/(decrease) if the GDV were higher/(lower) or if the target profit was lower/(higher).

Purchase price:

The valuation model takes into account the recent acquisition price, which equals the amount a third party would be willing to pay. Significant unobservable inputs used in the purchase price method represents the purchase price for the property. The estimated fair value would increase/(decrease) if the number of the interested parties were higher/(lower) or if the availability of comparable properties were lower/(higher), thus altering the acquisition price.

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. Significant unobservable inputs used in the firm offers less costs to complete method are the firm offer and costs to complete (excluding transaction costs). The estimated fair value would increase/(decrease) if the number of the interested parties were higher/(lower) and/or, the availability of comparable properties lower/(higher), thus altering the offer price, or the budgeted costs to complete was lower/(higher) and/or, the residential unit price was higher/(lower).

Changes to valuation methods used

There were no changes to valuation methods used in the year ended 30 June 2020 compared to the previous year.

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14.1. Investment property

	As at 30 June 2020	As at 30 June 2019
Income property	532,742	852,840
Development property and land bank	907	19,222
	533,649	872,062

At 30 June 2020	Note	Income property	Development property and land bank	Total
Opening balance		852,840	19,222	872,062
Transfer to investment property held for sale	14.2	(315,937)	(16,575)	(332,512)
Capitalised expenditure ¹		6,966	1,648	8,614
Fair value adjustment	11	(9,365)	(3,174)	(12,539)
Foreign currency translation difference		(1,762)	(214)	(1,976)
Closing balance		532,742	907	533,649

¹The Group paid €8,423 thousand in relation to capitalised expenditure during the year.

At 30 June 2019	Note	Income property	Development property and land bank	Total
Opening balance		546,237	32,975	579,212
Property acquisitions		87,550	-	87,550
Property acquired in business combinations		249,114	-	249,114
Capitalised acquisition costs ¹		7,135	-	7,135
Capitalised expenditure ¹		4,753	7,256	12,009
Capitalised interest on general borrowings		-	352	352
Transfer to investment property held for sale	14.2	(71,090)	(14,779)	(85,869)
Fair value adjustment	11	30,318	(6,231)	24,087
Foreign currency translation difference		(1,177)	(351)	(1,528)
Closing balance		852,840	19,222	872,062

¹The Group paid €18,791 thousand in relation to capitalised expenditure during the year.

Lease incentive accrual

Investment property has been adjusted to take into account the lease incentive accruals as follows:

	As at 30 June 2020	As at 30 June 2019
Gross valuation	534,999	855,028
Lease incentive accrual	(2,257)	(2,188)
Carrying value	532,742	852,840

Interest bearing borrowings

Bank borrowings of €183,097 thousand (30 June 2019: €330,258 thousand) are secured against investment property with a carrying amount of €532,742 thousand (2019: €655,452 thousand), refer to note 20.1.

14.2. Investment property held for sale

Reconciliation of the Group's investment property held for sale were as follows:

	Note	As at 30 June 2020	As at 30 June 2019
Opening balance		92,610	53,588
Transfer from investment property	14.1	332,512	85,869
Transfer to inventory property	14.3	(839)	-
Disposals		-	(49,257)
Capitalised expenditure ¹		4,613	1,975
Fair value adjustment	11	1,052	958
Foreign currency translation reserve		(356)	(523)
Closing balance		429,592	92,610

¹Of the €4,613 thousand (2019: €1,975 thousand) capitalised expenditure incurred during the year the Group paid €4,449 thousand (2019: €1,717 thousand). The Group incurred capitalised expenditure of €2,389 thousand (2019: €1,975 thousand) in order to maximise the capital value of the assets held for sale.

Bank borrowings of €202,068 thousand (30 June 2019: €34,442 thousand) are secured against investment property held for sale with a carrying amount of €385,396 thousand (30 June 2019: €71,090 thousand), refer to note 20.1.

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14.3. Inventory property

	Note	As at 30 June 2020	As at 30 June 2019
Opening balance		5,270	1,294
Development expenditure ¹		339	34,937
Transfer from investment property held for sale	14.2	839	-
Disposals (recognised in cost of sales of inventory property)	8	(6,380)	(31,014)
General borrowings capitalised		-	68
Foreign currency translation reserve		(68)	(15)
Closing balance		-	5,270

¹ Of the €339 thousand (2019: €34,937 thousand) development expenditure incurred during the year the Group paid €339 thousand (2019: €37,990 thousand) of which €nil thousand (2019: €3,053 thousand) relates to construction payables at 30 June 2019 paid in the year ended 30 June 2020.

The Group's inventory property at 30 June 2020 is €nil. Inventory property as at 30 June 2019: €5,270 thousand relates to the construction of a Travelodge hotel at Langley. The Group recognised a disposal on completion of the hotel during the year, at the point at which control was transferred.

During the previous year inventory property €31,014 thousand was disposed of and related 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 year up to practical completion. Practical completion was achieved on 21 May 2019.

14.4. Valuation sensitivity analysis

Significant inputs and coronavirus impact

The general risk environment in which the Group operates has heightened in the three months prior to the reporting date, largely due to the coronavirus outbreak. For some of the Group's properties, the outbreak has had a significant impact on valuations. As at 30 June 2020, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to the outbreak means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across all asset classes are therefore reported on the basis of a "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed that the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. In light of this material valuation uncertainty we have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Group's property portfolio.

There has been no change in valuation methodology used for investment property as a result of coronavirus. Whilst the property valuations reflect the external valuers' assessment of the impact of the coronavirus at the valuation date, we consider +/-5% for Net Rental Income and +/-0.5% for Yields to capture the increased uncertainty in these key valuation assumptions. The results of this analysis are detailed in the sensitivity tables below.

Other inputs

Ranges of other inputs considered by the valuers in their discounted cash flow models (where such method was applied for the assets' valuation) are presented below:

Year ended 30 June 2020

	Discount rates (unlevered)	Estimated rental value long-term growth rate	Capex reserve as % of Net Rental Income
Retail assets			
Romania	9.8-10.5%	2.5-3.3%	5.0-10.0%
Bulgaria	10.4-11.2%	3.0%	10.0%
Germany	4.3-6.3%	0.8-2.0%	3.0-15.0%
Industrial & Logistics assets			
Germany	6.0%	1.4-2.0%	6.0%
UK	7.0%	0.0-2.0%	5.0-7.0%
Switzerland	3.5%	0.0%	2.0%

Year ended 30 June 2019

	Discount rates (unlevered)	Estimated rental value long-term growth rate	Capex reserve as % of Net Rental Income
Retail assets			
Romania	9.1-9.8%	1.8%	5.0-10.0%
Bulgaria	11.0-11.8%	2.3%	10.0%
Germany	4.5-6.2%	1.0%	3.1-14.1%
Industrial & Logistics assets			
Germany	4.8-6.4%	0.0-1.0%	6.8%
UK	6.4-7.0%	0.0-2.0%	5.0-7.0%
Switzerland	4.5%	0.0%	8.0%

The Hotel and Office type assets are valued under the capitalisation method, therefore are not included in the analysis above.

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30 June 2020	Location	Type	Valuation Method	Rental income	Fair value	Lease incentive	Book Value	Yield %	Sensitivity analysis (variance)			
				€	€	€	€		NRI +5% €	NRI -5% €	Yield -0.5% €	Yield +0.5% €
Investment property, including Investment property held for sale				62,536	962,334	(2,257)	962,334	6.5%	46,365	(46,365)	78,171	(66,412)
CEE income property				34,219	435,694	-	435,694	7.8%	21,804	(21,804)	29,816	(26,217)
Militari Shopping	RO, Bucharest	Retail	DCF	7,948	104,310	-	104,310	7.6%	5,216	(5,216)	7,326	(6,424)
Galleria Burgas	BG, Burgas	Retail	DCF	6,048	72,590	-	72,590	8.3%	3,630	(3,630)	4,635	(4,110)
Nova Park	PL, Gorzów	Retail	Capitalisation	5,892	82,264	-	82,264	7.1%	4,130	(4,130)	6,226	(5,410)
Atrium Mall	RO, Arad	Retail	DCF	4,418	54,910	-	54,910	8.0%	2,746	(2,746)	3,638	(3,213)
Kaufland centres	RO, Various	Retail	DCF	2,944	36,970	-	36,970	8.0%	1,849	(1,849)	2,477	(2,184)
Baia Mare Value Centre	RO, Baia Mare	Retail	DCF	2,549	31,570	-	31,570	8.1%	1,579	(1,579)	2,084	(1,841)
Roman Value Centre	RO, Roman	Retail	DCF	2,537	33,140	-	33,140	7.7%	1,657	(1,657)	2,315	(2,032)
Galleria Stara Zagora	BG, Stara Zagora	Retail	DCF	1,883	19,940	-	19,940	9.4%	997	(997)	1,115	(1,003)
WE income property and land bank				28,317	526,640	(2,257)	526,640	5.4%	24,561	(24,561)	48,355	(40,195)
Edeka portfolio	DE, Various	Retail	DCF	5,396	90,990	-	90,990	5.9%	4,550	(4,550)	8,377	(7,075)
New Ueberior House	UK, Edinburgh	Office	Capitalisation	4,714	83,734	(1,334)	82,400	5.6%	4,187	(4,187)	8,161	(6,830)
DIY portfolio	DE, Various	Retail	DCF	3,399	50,570	-	50,570	6.7%	2,529	(2,529)	4,065	(3,502)
Retail portfolio	DE, Various	Retail	DCF	3,010	57,170	-	57,170	5.3%	2,859	(2,859)	5,998	(4,958)
Flensburg Galerie	DE, Flensburg	Retail	DCF	2,757	67,400	(102)	67,298	4.1%	3,370	(3,370)	9,386	(7,341)
Industrial portfolio	UK, Various	Industrial	DCF	2,650	32,853	(666)	32,187	8.1%	1,643	(1,643)	2,171	(1,917)
Adagio, retail and arches	UK, Edinburgh	Hotel and Retail	Capitalisation	1,954	33,209	(155)	33,054	5.9%	1,660	(1,660)	3,084	(2,601)
Zurich	CH, Buchs	Logistics	DCF	1,287	25,069	-	25,069	5.6%	1,253	(1,253)	2,467	(2,062)
Bruchsal	DE, Bruchsal	Retail	DCF	1,399	22,600	-	22,600	5.7%	1,130	(1,130)	2,175	(1,824)
Gotha	DE, Gotha	Retail	DCF	878	11,100	-	11,100	7.9%	555	(555)	749	(660)
Munich	DE, Munich	Industrial	DCF	873	16,500	-	16,500	5.3%	825	(825)	1,722	(1,425)
Lewes NSQ	UK, Lewes	Land	Residual	-	16,221	-	16,221					
Langley Park	UK, Chippenham	Land	Residual	-	15,782	-	15,782					
New Waverley	UK, Edinburgh	Land	Residual	-	5,699	-	5,699					
Lease incentive accruals					(2,257)							

Net Rental income (NRI): rental income less non-recoverable property related expenses for properties valued using the discounted cash flow method; estimated rental value for properties valued using the capitalisation method.

All properties except land are valued either by discounted cash flows or by capitalisation method.

Land is valued either by residual or by firm offers less costs-to-complete method.

The Group does not present any sensitivity analysis for the land, as it is not considered relevant – land is valued considering its best use.

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									Sensitivity analysis (variance)			
30 June 2019	Location	Type	Valuation method	Rental income €	Fair value €	Lease incentive €	Book Value €	Yield %	NRI +2.5% €	NRI -2.5% €	Yield -0.25% €	Yield +0.25% €
Investment property, including Investment property held for sale				64,076	969,942	(2,188)	969,942	6.6%	23,156	(23,156)	36,728	(33,918)
CEE income property				34,275	437,430	-	437,430	7.8%	10,937	(10,937)	15,046	(14,055)
Militari Shopping	RO, Bucharest	Retail	DCF	7,455	108,730	-	108,730	6.9%	2,718	(2,718)	4,115	(3,825)
Galleria Burgas	BG, Burgas	Retail	DCF	6,501	67,390	-	67,390	9.6%	1,685	(1,685)	1,793	(1,702)
Nova Park	PL, Gorzów	Retail	Capitalisation	6,210	89,700	-	89,700	6.9%	2,243	(2,243)	3,361	(3,126)
Atrium Mall	RO, Arad	Retail	DCF	4,140	50,870	-	50,870	8.1%	1,272	(1,272)	1,612	(1,516)
Kaufland centres	RO, Various	Retail	DCF	2,946	39,090	-	39,090	7.5%	977	(977)	1,341	(1,255)
Baia Mare Value Centre	RO, Baia Mare	Retail	DCF	2,266	34,320	-	34,320	6.6%	858	(858)	1,350	(1,252)
Roman Value Centre	RO, Roman	Retail	DCF	2,290	33,630	-	33,630	6.8%	841	(841)	1,281	(1,191)
Galleria Stara Zagora	BG, Stara Zagora	Retail	DCF	2,467	13,700	-	13,700	18.0%	343	(343)	193	(188)
WE income property and land bank				29,801	532,512	(2,188)	532,512	5.6%	12,219	(12,219)	21,682	(19,863)
Edeka portfolio	DE, Various	Retail	DCF	5,380	88,980	-	88,980	6.0%	2,225	(2,225)	3,838	(3,533)
New Ueberior House	UK, Edinburgh	Office	Capitalisation	5,343	85,217	(1,469)	83,748	6.3%	2,130	(2,130)	3,539	(3,267)
DIY portfolio	DE, Various	Retail	DCF	3,425	51,190	-	51,190	6.7%	1,280	(1,280)	1,987	(1,844)
Retail portfolio	DE, Various	Retail	DCF	3,052	55,520	-	55,520	5.5%	1,388	(1,388)	2,645	(2,415)
Flensburg Galerie	DE, Flensburg	Retail	DCF	3,132	71,300	(111)	71,189	4.4%	1,783	(1,783)	4,303	(3,840)
Industrial portfolio	UK, Various	Industrial	DCF	2,831	32,765	(562)	32,203	8.6%	819	(819)	976	(921)
Adagio, retail and arches	UK, Edinburgh	Hotel and Retail	Capitalisation	2,178	37,589	(46)	37,543	5.8%	940	(940)	1,695	(1,555)
Bruchsal	DE, Bruchsal	Retail	DCF	1,309	23,000	-	23,000	5.7%	575	(575)	1,056	(968)
Zurich	CH, Buchs	Logistics	DCF	1,398	14,228	-	14,228	9.8%	356	(356)	372	(353)
Gotha	DE, Gotha	Retail	DCF	880	12,400	-	12,400	7.1%	310	(310)	453	(422)
Munich	DE, Munich	Industrial	DCF	873	16,500	-	16,500	5.3%	413	(413)	818	(745)
Lewes NSQ	UK, Lewes	Land	Residual	-	19,223	-	19,223					
Langley Park	UK, Chippenham	Hotel	Capitalisation	-	5,270	-	5,270					
Langley Park	UK, Chippenham	Land	Residual	-	14,779	-	14,779					
New Waverley	UK, Edinburgh	Land	Residual	-	6,739	-	6,739					
Lease incentive accruals					(2,188)							

Net Rental income (NRI): rental income less non-recoverable property related expenses for properties valued using the discounted cash flow method; estimated rental value for properties valued using the capitalisation method.

All properties except land are valued either by discounted cash flows or by capitalisation method.

Land is valued either by residual or by firm offers less costs-to-complete method.

The Group does not present any sensitivity analysis for the land, as it is not considered relevant – land is valued considering its best use.

15. Investment in equity-accounted investee

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.

	As at 30 June 2020	As at 30 June 2019
Opening balance	21,888	23,774
Share of profit from equity accounted investee, net of tax	4,848	11,009
Distribution	-	(12,895)
Closing balance	26,736	21,888

The Group has an investment in PKM Development Limited (incorporated in the Isle of Man), a holding entity of a group which develops investment property predominantly in Romania, as well as other central and eastern European countries. PKM Development is an associate of the Group, of which the Group owns 40% of the ordinary shares and therefore has significant influence. The remaining 60% of the ordinary shares are owned by Prime Kapital. Prime Kapital provides development services and oversees the development process for the DJV.

In addition to the investment in the ordinary shares, the Group has invested in 7.5% preference shares issued by PKM Development, refer to note 19. At the year end the amount invested was €178.7 million (30 June 2019: €170 million). The preference shares issued by PKM Development are not considered to be part of the long-term interest that the Group has in PKM Development.

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

Statement of financial position PKM Development	As at 30 June 2020	As at 30 June 2019
Non-current assets	232,443	212,434
Current assets	63,301	30,658
Total assets	295,744	243,092
Non-current liabilities	210,467	178,036
Current liabilities	18,306	8,444
Total liabilities	228,773	186,480
Net assets	66,971	56,612
Percentage of the Group's ownership interest	40%	40%
Un-adjusted Group share of net assets	26,788	22,644
Elimination of preference share interest capitalised on qualifying assets carried at cost	-	(815)
Elimination of cross-shareholding	(111)	-
Net assets attributable to the Group	26,677	21,829
Capitalised costs	59	59
Carrying amount	26,736	21,888

The majority of PKM Development's non-current assets represent investment property. These properties have been valued by external independent valuers in a manner consistent with the policies disclosed in note 14. As with the other properties, at 30 June 2020 these valuations were also reported on the basis of a "material valuation uncertainty" due to the coronavirus outbreak, as explained in note 14.

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Statement of profit or loss and other comprehensive income PKM Development	Year ended 30 June 2020	Year ended 30 June 2019
Rental income	6,636	5,519
Service charge income and other recoveries	2,248	2,958
Impairment of revenue	(958)	-
Service charge and other property operating expenses	(2,228)	(3,120)
Other income	102	162
Corporate expenses	(477)	(462)
Investment expenses	(216)	(634)
Fair value adjustments	17,496	29,253
Foreign currency exchange differences	(574)	(188)
Finance income	1,689	1,305
Finance costs	(3,723)	(2,864)
Tax expense	(9,187)	(4,674)
Total profit	10,808	27,255
Percentage of the Groups ownership interest	40%	40%
Total profit and other comprehensive income attributable to the Group	4,323	10,902
Adjustments in respect of interest	636	107
Elimination of cross-shareholding	(111)	-
Group's share of profit	4,848	11,009

PKM Development has no other comprehensive income.

At 30 June 2019, PKM Development was subject to litigation brought forward by an unpaid lender which was acquired as part of a business combination. The matter was settled during the year for €620 thousand. PKM Development is currently not subject to any significant litigation further to the settlement mentioned.

Acquisition of MAS shares by PKM Development and dealings in securities by an associate of Directors of MAS

Given the predicted longer-term recessionary consequences of the coronavirus pandemic, the DJV has put on hold and is reconsidering the development opportunities previously reported and is positioning for new investment opportunities that may emerge in due course. Investments in listed securities, including MAS' ordinary shares, that could be disposed of to fund developments or other investment opportunities when appropriate, form part of this strategy.

During June 2020 PKM Development acquired 29,993,638 of MAS shares, with a total value of €20,209 thousand at 30 June 2020; the weighted average price per security is €0.665 at 30 June 2020. On consolidation, MAS shares are adjusted to their original cost of €7,973 thousand so that no gains or losses are recognised on these assets within Share of profit from equity accounted associate, net of tax. The purchases were conducted on-market on the JSE Limited. As a result of these transactions Martin Slabbert and Victor Semionov have indirect beneficial interests in the MAS ordinary shares acquired by PKM Development.

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.

	As at 30 June 2020	As at 30 June 2019
Goodwill	1,696	30,252
Other assets	-	395
Intangible assets	1,696	30,647
	As at 30 June 2020	As at 30 June 2019
Goodwill		
MAS Prop	-	22,034
Spark portfolio	1,628	8,218
Property Management Platform ("PMP")	68	-
	1,696	30,252

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Reconciliation of goodwill:	PMP	Spark portfolio	MAS Prop	Total
Balance at 30 June 2018	-	-	22,293	22,293
Acquisition of subsidiaries	-	8,218	-	8,218
Foreign currency translation difference in OCI	-	-	(259)	(259)
Balance at 30 June 2019	-	8,218	22,034	30,252
Acquisition of subsidiaries	68	-	-	68
Purchase price adjustment	-	236	-	236
Foreign currency translation difference in OCI	-	-	592	592
Impairment	-	(6,826)	(22,626)	(29,452)
Balance at 30 June 2020	68	1,628	-	1,696

Property Management Platform

On 27 November 2019, the Group acquired the Romanian, Bulgarian and Polish property management platform. The acquisition resulted in recognition of goodwill, refer to note 5.

An impairment test was performed at 30 June 2020, in accordance with the Group's accounting policies, as a result of which no impairment charge arose.

Spark portfolio

On 28 February 2019, the Group acquired 9 properties from PKM Development through the acquisition of 100% of the share capital of the legal entities holding the properties. The acquisitions (collectively referred to as the "Spark portfolio") have all been treated as business combinations as the Group acquired substantially all of the business operations of the entities. Goodwill arose on the acquisition 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 properties as individual cash generating units.

The Spark portfolio was considered a single Cash Generating Unit ("CGU"). The carrying amount of the CGU, which included goodwill, exceeded its recoverable amount by €6,826 thousand, accordingly the goodwill attributable to the CGU has been impaired. The recoverable amount of the asset was deemed to be its value in use. In determining the recoverable amount, the Group expects that the income generated by the CGU would decrease in line with the cash flows generated by the properties.

MAS Property Advisors Limited ("MAS Prop")

An impairment test was performed at 30 June 2020 as a result of the acquisition of the Property Management Platform, refer to note 5. The Property Management Platform included a change in management to enact the Group's announced strategy to dispose of the Western European portfolio and reinvest in Central and Eastern Europe, therefore with no intention to continue its use of the services provided by MAS Prop. Therefore, the acquisition of the platform represented an impairment indicator in respect of the goodwill attributable to MAS Prop. The discount rate used was 5.86% and the budgeted period was 4 years.

The carrying amount of the CGU, which included goodwill, exceeded its recoverable amount by €22,627 thousand, accordingly the goodwill attributable to the CGU has been fully impaired. The recoverable amount of the asset was deemed to be its value in use. In determining the recoverable amount, the Group expects that the income generated by the CGU would significantly decrease as the Western European portfolio is disposed in line with the Group's strategy.

17. Other non-current assets

Accounting policy

Other non-current assets include prepaid equity share-based payments, property, plant and equipment, computer and other licenses, guarantees received from property suppliers and lease incentives.

For the accounting policy regarding share-based payments, please see note 22.2.

Property, plant and equipment and computer and other licenses

Items of property, plant and equipment and computer and other licenses are measured at cost, less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Computer and other licences: 1–3 years
- Office improvements: over the term of the underlying lease
- Office equipment 2–6 years
- Equipment used in owner-managed activities 3-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The costs of minor repairs and maintenance are expensed when incurred, while gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Any gain or loss on disposal of an item of property, plant and equipment or computer and other licences is recognised in profit or loss.

Lease incentives

Lease incentives represent the non-recurring amount granted (in cash or as fit-out works) by the Group, to a new or an existing tenant, in connection with a new or renewed lease. Lease incentives are straight-lined over the lease term. The lease term corresponds to the contractual duration for the majority of the leases, except for the anchor tenants, for which the lease duration is assessed by the Group based on past experience and taking into account factors such as: GLA of the property where the anchor tenant is located, catchment area, dominance/competition in the catchment area or purchasing power.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

	Note	As at 30 June 2020	As at 30 June 2019
Equity settled share-based payment expense	4		
– Incentive Share Participants		1,059	-
– PK Prepaid Development Services		7,918	-
– Executive Directors		1,008	-
Other intangible assets		133	-
Property, plant and equipment		252	317
Lease incentive accrual	14.1	651	-
Other non-current assets		432	-
Total non-current assets		11,453	317

18. Other non-current liabilities

Accounting policy

Other non-current liabilities include security deposits received from tenants and construction suppliers, with an expiry date of more than one year from the reporting date, as well as other non-current liabilities. These are measured at amortised cost.

	As at 30 June 2020	As at 30 June 2019
Security deposits from tenants	1,613	-
Security deposits from construction suppliers	270	-
Other non-current liabilities	893	-
Total non-current liabilities	2,776	-

19. Financial assets

Accounting policy

Financial instruments

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.

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.

Financial assets measured at amortised cost comprise receivables, cash and cash equivalents, loans granted and the CFD collateral held as cash.

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 Development preference shares and capital contribution receivable, as well as undrawn PKM Development 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.

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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.

Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets at fair value through profit or loss

Financial assets are classified as 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 when the contractual terms of the asset expire or 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. The fair value measurement of all the Group's direct financial investments, CFD collateral held as German bonds have been categorised as level 1 in the fair value hierarchy as they are traded in active markets and are measured at quoted market prices at the end of the reporting period. The Contracts for difference are categorised as level 2. 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.

Trade and other receivables

The Group's trade and other receivables include financial assets and non-financial assets. The non-financial assets include prepayments, lease incentive accrual and VAT.

Cash and cash equivalents

The group's cash and cash equivalents are financial instruments and are classified as financial assets at amortised cost.

19.1. Financial investments

	As at 30 June 2020	As at 30 June 2019
Direct financial investments	-	41,849
Contract for difference collateral held	28,406	45,965
	28,406	87,814

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. During the year ended 30 June 2019 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.

						At 30 June 2020		
						Funding leg		Gross exposure
	Share price €	No of shares '000	Fair value direct investments	CFD collateral	Total financial investments	On acquisition	Variable exposure movement	
Contracts for difference								
Klepierre SA	17.74	1,626	-	20,394	20,394	30,590	(22,140)	28,844
Unibail-Rodamco Westfield SE	50.16	133	-	8,012	8,012	12,018	(13,378)	6,652
Total financial investments			-	28,406	28,406	42,608	(35,518)	35,496

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						At 30 June 2019		
	Share price €	No of shares '000	Fair value direct investments	CFD collateral	Total financial investments	On acquisition	Funding leg Variable exposure movement	Gross exposure
Direct financial investments								
Eurocommercial Properties NV	23.50	193	4,537	-	4,537	-	-	4,537
British Land Company PLC	6.01	1,625	9,759	-	9,759	-	-	9,759
Land Securities Group PLC	9.29	1,115	10,362	-	10,362	-	-	10,362
Empiric Student Property PLC	1.01	2,685	2,719	-	2,719	-	-	2,719
Primary Health Properties PLC	1.49	1,450	2,157	-	2,157	-	-	2,157
PRS REIT PLC	1.05	750	786	-	786	-	-	786
Real Estate Credit Investments Ltd	1.90	1,583	3,010	-	3,010	-	-	3,010
Target Healthcare REIT Ltd	1.29	600	774	-	774	-	-	774
Tritax Big Box REIT PLC	1.72	4,500	7,745	-	7,745	-	-	7,745
			41,849	-	41,849	-	-	41,849
Contracts for difference								
Cofinimmo CMN	114.20	64	-	3,058	3,058	4,587	(309)	7,336
Intervest offices & warehouses CMN	24.70	132	-	1,313	1,313	1,969	(30)	3,252
Klepierre SA	29.48	1,626	-	20,393	20,393	30,590	(3,038)	47,945
Mercialys	11.61	773	-	4,033	4,033	6,050	(1,109)	8,974
Unibail-Rodamco Westfield SE	131.75	265	-	15,851	15,851	23,776	(4,764)	34,863
PRS REIT PLC	1.05	3,000	-	1,317	1,317	1,975	(139)	3,153
			-	45,965	45,965	68,947	(9,389)	105,523
Total financial investments			41,849	45,965	87,814	68,947	(9,389)	147,372

Reconciliation of financial investments:

	Note	Fair value direct financial investments	CFD collateral	CFD gross exposure
At 30 June 2018		183,052	-	-
Purchases		16,729 ²	-	14,259 ¹
Disposals		(20,794) ²	-	(16,267) ¹
Transfer to CFD		(116,089) ²	-	116,089 ¹
CFD collateral in relation to purchases		-	52,407 ²	-
CFD collateral in relation to disposals		-	(6,202) ²	-
Fair value adjustment	11	(21,049) ¹	(240) ¹	(8,558) ²
At 30 June 2019		41,849	45,965	105,523
Purchases		-	-	10,164 ¹
Disposals		(37,056) ²	-	(58,151) ¹
Transfer to CFD		(6,456) ²	-	6,456 ¹
CFD collateral in relation to purchases		-	6,670 ²	-
CFD collateral in relation to disposals		-	(24,245) ²	-
Foreign exchange in relation to CFD Collateral		-	247 ¹	-
Fair value adjustment	11	1,663 ¹	(231) ²	(28,496) ²
At 30 June 2020		-	28,406	35,496

¹ Non-cash flow movements

² Cash flow movements

CFD Collateral

The CFD collateral is contractually required to be held either in the form of German government bonds with a maturity of 1 year or less or cash.

German bonds as at 30 June 2019 were carried at fair value through profit or loss. They had a maturity of 13 March 2020, with the remaining portion of the collateral held as cash. The total cost of the bonds purchased during the year was €nil (2019: €41,430 thousand).

As at 30 June 2020 the CFD collateral was entirely held as cash. The CFD collateral held as cash is carried at amortised cost.

	Held as German bonds	Held as cash	Total
At 30 June 2018	-	-	-
Purchase price of 1-year German bonds	41,430	-	41,430
Transfer of cash to collateral account	-	4,775	4,775
Fair value adjustment	(240)	-	(240)
At 30 June 2019	41,190	4,775	45,965
Transfer of cash from collateral account	-	11,168	11,168
Amounts transferred to held as cash	(40,959)	40,959	-
Fair value adjustment	(231)	(28,496)	(28,727)
At 30 June 2020	-	28,406	28,406

All amounts in € thousand unless otherwise stated.

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During the year gross dividend income of €861 thousand (2019: €3,812 thousand) was recognised from direct financial assets and €5,447 thousand (2019: €2,878 thousand) was recognised from the CFD portfolio as other income, refer to note 9.

The total fair value gains/(losses) related to financial investments represents a loss of €27,064 thousand (2019: loss of €29,847 thousand), refer to note 11.

19.2. Trade and other receivables

	Note	As at 30 June 2020	As at 30 June 2019
Trade receivables from lessees	21	9,686	7,198
Equity settled share-based payment expense			
– Incentive Share Participants	4	749	-
– PK Prepaid Development Services	4	2,252	-
– Executive Directors	4	714	-
VAT and other tax receivable	21	2,556	2,194
Lease incentive accrual	14.1; 21	1,606	2,188
Prepaid expenses	21	1,576	2,215
Other receivables	21	1,550	2,429
Property retentions held in escrow	21	-	797
Dividends receivable	21	-	285
Trade and other receivables		20,689	17,306

Other receivables of €1,550 thousand (30 June 2019: €1,491 thousand from total balance) 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.

19.3. Cash and cash equivalents

	As at 30 June 2020	As at 30 June 2019
Bank balances	51,404	71,155
	51,404	71,155

Cash flow information

Reconciliation of cash generated from operating activities:

	Note	Year ended 30 June 2020	Year ended 30 June 2019 (Restated*)
(Loss)/profit for the year		(20,187)	61,878
<i>Adjustments for non-cash movements:</i>			
Fair value adjustments	11	42,399	7,632
Finance income	12	(13,253)	(12,058)
Finance costs	12	13,895	10,251
Share of profit from equity accounted investee	15	(4,848)	(11,009)
Tax expense	13	3,387	13,373
Investment expenses	10	4,530	3,210
Share-based payment expense		610	75
Depreciation and amortisation	7	318	101
Gain on bargain purchase	5	-	(12,263)
Goodwill impairment	16	29,452	-
Profit on sales of inventory property	8	(309)	(8,151)
Foreign exchange differences		1,203	365
Decrease in trade receivables and other operating assets		8,554	1,678
(Decrease)/increase in trade payables and other operating liabilities		(13,256)	626
Cash generated from operating activities		52,495	55,708

* See note 26 for details regarding the restatement as a result of an error.

Included within cash from operations is cash received from dividend income from direct financial investments and from CFDs of €861 thousand (2019: €3,812 thousand) and €5,447 thousand (2019: €2,878 thousand) respectively, refer to note 9.

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19.4. Financial assets

	As at 30 June 2020	As at 30 June 2019
Non-current assets		
PKM Development preference shares	186,050	174,128
Interest rate swap	-	775
	186,050	174,903
Current assets		
Capital contribution receivable	-	11,594
	-	11,594
Total financial assets	186,050	186,497

PKM Development preference shares

The preference shares are held at amortised cost. The Group has performed an impairment assessment and considers that there has not been a significant increase in credit risk in relation to PKM Development, and that the expected credit loss is €nil (30 June 2019: €nil). To determine whether there has been a significant increase in credit risk, management have considered quantitative factors such as forecasted profits and actual profits, and qualitative factors such as progress of the development pipeline.

20. 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. Financial liabilities are recognised when the Group becomes party to the contractual terms of the liability.

Financial liabilities at amortised cost

All financial liabilities are classified as financial liabilities at amortised cost unless they meet the criteria for classification as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost comprise interest-bearing borrowings and trade and other payables.

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.

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

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.

Trade and other payables

The Group's trade and other payables include financial and non-financial liabilities. The non-financial liabilities include deferred income, provisions, current tax payable and VAT payable.

20.1. Interest bearing borrowings

	Note	As at 30 June 2020	As at 30 June 2019
Non-current			
Bank borrowings	21	233,666	312,755
		233,666	312,755
Current			
Bank borrowings	21	211,081	51,946
Amounts owed to PKM Development Limited	21	-	91,761
		211,081	143,707
Total interest-bearing borrowings		444,747	456,462

The amount owed to PKM Development of €nil (30 June 2019: €91,761 thousand) relates to the interest-bearing deferred consideration on the Spark portfolio acquired from PKM Development in the prior financial year. During the year, interest expense of €1,569 thousand (2019: €1,244 thousand) has been recognised on the interest-bearing deferred consideration, and €1,946 thousand (2019: €2,798 thousand) has been repaid to PKM Development. The amounts owed to PKM Development are guaranteed by the Group and are secured against the PKM Development preference shares and the shares of the property-owning legal entities acquired in the transaction.

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Included within bank borrowings is €202,068 thousand (30 June 2019: €34,442 thousand) of current debt which is secured against investment property held for sale with a carrying amount of €385,396 thousand (30 June 2019: €71,090 thousand), refer to note 14.2. Bank borrowings of €183,097 thousand (30 June 2019: €330,258 thousand) are secured against investment property with a carrying amount of €532,742 thousand (30 June 2019: €655,452 thousand), refer to note 14.1.

The carrying amount of the Group's bank borrowings by jurisdiction was as follows:

	As at 30 June 2020	As at 30 June 2019
Non-current		
German investment property	22,177	141,393
CEE investment property	135,266	104,281
UK investment property	16,640	59,920
Swiss investment property	-	7,161
Corporate	59,583	-
	233,666	312,755
Current		
German investment property	153,323	38,236
CEE investment property	7,899	5,137
UK investment property	42,393	8,222
Swiss investment property	7,466	351
	211,081	51,946
	444,747	364,701

Reconciliation of the Group's carrying amount of interest-bearing borrowings:

	Note	As at 30 June 2020	As at 30 June 2019
Opening balance		456,462	242,713
<i>Changes from financing cash flows</i>			
Proceeds from interest-bearing borrowings		99,700	218,590
Transaction costs related to interest-bearing borrowings		(1,734)	(2,535)
Repayment of interest-bearing borrowings		(110,061)	(109,537)
Interest paid		(11,395)	(8,227)
<i>Non cash-flow movements</i>			
Borrowings acquired through business combinations	5	-	12,842
Interest-bearing deferred consideration ¹		(1,187)	93,315
Finance costs		13,805	9,818
Finance costs – expenses	12	13,805	9,398
Finance costs – general borrowings capitalised		-	420
Foreign currency translation difference		(843)	(517)
Closing balance		444,747	456,462

¹The gross interest-bearing deferred consideration drawn down for the Spark portfolio was €109,140 thousand which was offset against distributions received from PKM Development on the preference shares of €2,931 thousand (refer to note 19.4) and distributions received on ordinary shares of €12,895 thousand (refer to note 15).

Interest from general borrowings of €nil (2019: €420 thousand) was capitalised during the year at a capitalisation rate of nil (2019: 2.64%).

Fixed and variable debt

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

	As at 30 June 2020	As at 30 June 2019
Fixed/hedged debt	248,750	418,842
Variable debt	195,997	37,620
	444,747	456,462

Summary of interest-bearing borrowing terms and covenants

Jurisdiction	Currency	Weighted average remaining term		Weighted average interest rate		Significant terms and conditions
		30 June 2020	30 June 2019	30 June 2020	30 June 2019	
CEE						
Owed to PKM Development	EUR	On demand	On demand	3.81%	3.81%	Owed to PKM Development in respect of portfolio acquired in 2019

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		Weighted average remaining term		Weighted average interest rate		Significant terms and conditions
Jurisdiction	Currency	30 June 2020	30 June 2019	30 June 2020	30 June 2019	
CEE						• All loans were utilised to purchase properties or to invest in shares of property-owning entities
Fixed debt	EUR	8.5 years	12.5 years	3.35%	3.5%	
				2.50%	2.5%	
Floating/hedged debt	EUR	11.24 years	17.52 years	+ 1M EUR LIBOR ¹	+ 1M EUR LIBOR ¹	
				2.5%	2.5%	• Some loans have covenants attached, please see below
Hedged debt	EUR	2 years	3 years	+ 12M EUR LIBOR ¹	+ 12M EUR LIBOR ¹	
UK						
Floating/hedged debt	GBP	2.53 years	3.2 years	1.64%	1.64%	• All loans are secured against specific properties
				+ 3M UK LIBOR ¹	+ 3M UK LIBOR ¹	
Germany						
Fixed debt	EUR	4.46 years	5.46 years	1.97%	1.97%	
Swiss						
				1.29%	1.29%	
Hedged debt	CHF	5 years	6 years	+ 12M Swiss LIBOR ¹	+ 12M Swiss 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 19.4 and 20.3 for further information. The Group has not applied hedge accounting.

The Group has obtained appropriate waivers as required to deal with income covenant breaches due to lockdown. Apart from two bank loans which are already covered by waivers, the Group has complied with its loan covenants during the current year and the prior years.

20.2. Trade and other payables

	As at 30 June 2020	As at 30 June 2019
Trade payables	6,901	8,659
Deferred income	5,638	4,845
Security deposits from construction suppliers	1,497	200
VAT payable	1,427	3,709
Current tax payable	606	1,066
Security deposits from tenants	457	310
Construction payables	355	2,060
Other payables, including provisions	746	663
Trade and other payables	17,627	21,512

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

20.3. Financial liabilities

	Note	As at 30 June 2020	As at 30 June 2019
Non-current liabilities			
Interest rate swaps	27	2,148	2,735
		2,148	2,735
Current liabilities			
Interest rate swaps	27	2,028	-
Capital contribution payable	27	-	11,594
Priority participating profit dividend	27	177	3,430
Development management fee	27	118	2,285
		2,323	17,309
Total financial liabilities		4,471	20,044

Interest rate swaps

The Group has hedged some of the interest rate exposure on the interest-bearing borrowings using interest rate swaps. 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.

Capital contribution

A financial liability and corresponding financial asset were recognised in prior years in respect of the capital contribution due from Legal and General, and due to the UK Government, under the terms of the Pre-Let Agreement. Both the financial asset and financial liability were held at amortised cost, refer to note 26. The asset and liability were settled on a net basis during the year ended 30 June 2020.

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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, the Group 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 during the year €118 thousand and €117 thousand of the Development Management Fee and Priority Participating Dividend respectively for the completed New Waverley Sites. As the developer's services provided are similar in nature to an investment expense, the settlement of this financial liability is considered to represent an investing activity.

21. Classification, valuation and offsetting of financial assets and financial liabilities

Accounting policy

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.

At 30 June 2020	Note	Level 1	Level 2	Level 3	Total FVTPL	Amortised cost	Non- financial instruments	Total
Financial assets								
PKM Development preference shares	19.4	-	-	-	-	186,050	-	186,050
CFD collateral	19.1	-	-	-	-	28,406	-	28,406
Trade and other receivables held at amortised cost	19.2	-	-	-	-	11,236	-	11,236
VAT receivable, prepayments, contract assets and lease incentive accruals	19.2	-	-	-	-	-	5,738	5,738
Equity-settled share-based payment - Incentive share participants	22.2; 19.2	1,808	-	-	1,808	11,892	-	13,700
Other non-current assets	17	-	-	-	-	-	1,468	1,468
Cash and cash equivalents	19.3	-	-	-	-	51,404	-	51,404
		1,808	-	-	1,808	288,988	7,206	298,002
Financial liabilities								
Interest rate swaps	20.3	-	4,176	-	4,176	-	-	4,176
Interest-bearing borrowings	20.1	-	-	-	-	444,747	-	444,747
Priority participation dividend	20.3	-	-	177	177	-	-	177
Development management fee	20.3	-	-	118	118	-	-	118
Trade and other payables held at amortised cost	20.2	-	-	-	-	9,956	-	9,956
Deferred income, VAT payable and tax payable	20.2	-	-	-	-	-	7,671	7,671
		-	4,176	295	4,471	454,703	7,671	466,845
At 30 June 2019	Note	Level 1	Level 2	Level 3	Total FVTPL	Amortised cost	Non- financial instruments	Total
Financial assets								
Interest rate swaps	19.4	-	775	-	775	-	-	775
PKM Development preference shares	19.4	-	-	-	-	174,128	-	174,128
Direct financial investments	19.1	41,849	-	-	41,849	-	-	41,849
CFD collateral	19.1	41,190	-	-	41,190	4,775	-	45,965
Capital contribution receivable	19.4	-	-	-	-	11,594	-	11,594
Trade and other receivables held at amortised cost	19.2	-	-	-	-	10,709	-	10,709
VAT receivable, prepayments, contract assets and lease incentive accruals	19.2	-	-	-	-	-	6,597	6,597
Cash and cash equivalents	19.3	-	-	-	-	71,155	-	71,155
		83,039	775	-	83,814	272,361	6,597	362,772

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At 30 June 2019	Note	Level 1	Level 2	Level 3	Total FVTPL	Amortised cost	Non-financial instruments	Total
Financial liabilities								
Interest rate swaps	20.3	-	2,735	-	2,735	-	-	2,735
Interest-bearing borrowings	20.1	-	-	-	-	456,462	-	456,462
Capital contribution payable	20.3	-	-	-	-	11,594	-	11,594
Priority participation dividend	20.3	-	-	3,430	3,430	-	-	3,430
Development management fee	20.3	-	-	2,285	2,285	-	-	2,285
Trade and other payables held at amortised cost	20.2	-	-	-	-	11,892	-	11,892
Deferred income, VAT payable and tax payable	20.2	-	-	-	-	-	9,620	9,620
		-	2,735	5,715	8,450	479,948	9,620	498,018

The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables, 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.

Financial assets at amortised cost

	Note	PKM Development preference shares	Capital Contribution	Total
Balance at 30 June 2018		105,046	24,507	129,553
Drawdown of preference shares		70,000	-	70,000
Finance income	12	11,194	-	11,194
Distribution received		(12,112)	-	(12,112)
Cash		(9,181)	-	(9,181)
Non-cash ¹		(2,931)	-	(2,931)
Finance income – amortisation of capital contribution	12	-	603	603
Amounts invoiced and received ¹		-	(13,229)	(13,229)
Foreign currency translation reserve		-	(287)	(287)
Balance at 30 June 2019		174,128	11,594	185,722
Finance income	12	13,133	-	13,133
Drawdown of preference shares		8,700	-	8,700
Distribution received in cash		(9,911)	-	(9,911)
Amounts invoiced and collected ¹		-	(12,218)	(12,218)
Foreign currency translation reserve		-	624	624
Balance at 30 June 2020		186,050	-	186,050

¹ Distributions received on the preference shares of €2,931 thousand were offset against the consideration for the acquisition of the Spark Portfolio in prior year.

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. Both the financial asset and financial liability are held at amortised cost. Amounts invoiced and collected of €nil (2019: €13,229 thousand) in relation to the capital contribution have been offset against amounts invoiced and paid of €nil (2019: €13,229 thousand) in relation to the capital contribution payable, also refer to note 20.3.

Financial assets at FVTPL

	Note	Interest rate swap	Total
Balance at 30 June 2018		349	349
Fair value adjustment	11	433	433
Foreign currency exchange difference in OCI		(7)	(7)
Balance at 30 June 2019		775	775
Fair value adjustment	11	(775)	(775)
Foreign currency exchange difference in OCI		-	-
Balance at 30 June 2020		-	-

Financial liabilities at amortised cost

	Note	Deferred consideration	Capital contribution	Total
Balance at 30 June 2018		473	24,507	24,980
Purchase price paid		(473)	-	(473)
Finance cost – amortisation of capital contribution	12	-	603	603
Amounts invoiced and paid ¹		-	(13,229)	(13,229)
Foreign currency exchange difference in OCI		-	(287)	(287)
Balance at 30 June 2019		-	11,594	11,594
Amounts invoiced and paid ¹		-	(12,218)	(12,218)
Foreign currency exchange difference in OCI		-	624	624
Balance at 30 June 2020		-	-	-

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¹Amounts invoiced and paid of €12,218 (2019: €13,229 thousand) in relation to the capital contribution have been offset against amounts invoiced and received of €12,218 (2019: €13,229 thousand) in relation to the capital contribution receivable, refer to note 20.3.

Financial liabilities at FVTPL

	Note	Interest rate swaps	Development management fee	Priority participating profit dividend	Total
Balance at 30 June 2018		1,223	4,702	6,913	12,838
Fair value adjustment	11	1,474	661	1,128	3,263
Foreign currency translation difference in OCI		38	58	(96)	(100)
Settlement		-	(3,017)	(4,534)	(7,551)
Balance at 30 June 2019		2,735	2,285	3,430	8,450
Settlement		-	(2,028)	(3,042)	(5,070)
Fair value adjustment	11	1,473	(183)	(275)	1,015
Foreign currency translation difference in OCI		(32)	44	64	76
Balance at 30 June 2020		4,176	118	177	4,471

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 in the period €2,028 thousand and €3,042 thousand of the Development Management Fee and Priority Participating Dividend respectively for the completed New Waverley Sites.

Level 2 financial instruments

Valuation techniques and observable inputs

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

At 30 June 2020 and 30 June 2019

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Interest rate swaps - asset	The fair value is based on discounting future cash flows using the interest rate swap curves plus the historic charged credit margin at the dates when the cash flows will take place.	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) - Notional loan value was lower/ (higher) - Fixed rate of interest was lower/ (higher)
Interest rate swaps - liability	The fair value is based on discounting future cash flows using the interest rate swap curves plus the historic charged credit margin at the dates when the cash flows will take place.	3-month EUR/CHF Libor - Swap rate - Notional loan value - Fixed rate of interest	The estimated fair value would increase/(decrease) if: 3-month EUR LIBOR/CHF LIBOR was higher/ (lower) - Swap rate was lower/ (higher) - Notional loan value was lower/ (higher) - Fixed rate of interest was lower/ (higher)

Level 3 financial instruments

Valuation techniques and unobservable inputs

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

At 30 June 2020 and 30 June 2019

Financial instrument	Valuation technique	Inputs	Inter-relationship between inputs and fair value measurement
Development management fee and priority profit dividend	<i>Gross development value:</i> The fair value of the level 3 financial liability in respect of New Waverley Advisers Limited and New Waverley Holdings Limited is the net development value calculated semi-annually. The fair value is derived from the fair value of the properties in the New Waverley development up to completion less costs incurred. Consequently, the investment property valuation process, is part of this valuation process, refer to note 14.	Value of investment property	The estimated fair value would increase/(decrease) if: Value of investment property was higher/(lower)

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Fair value sensitivity analysis

At 30 June 2020 Financial liability	Technique	Valuation	Input	Sensitivity	
				Change	Valuation
Priority participating profit dividend	Development profit	177	1,182	+5%	9
				-5%	(9)
Development management fee	Development profit	118	1,182	+5%	6
				-5%	(6)

At 30 June 2019 Financial liability	Technique	Valuation	Input	Sensitivity	
				Change	Valuation
Development management fee	Development profit	2,285	22,863	+5%	2,401
				-5%	2,173
Priority participating profit dividend	Development profit	3,430	22,863	+5%	3,602
				-5%	3,259

22. Equity

22.1. Share capital and treasury shares

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. The Group's policy is to maintain a strong capital base to allow sustainable growth in the development of the Group.

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

	Note	Treasury shares – geared share purchase plan shares				Total	
		Share capital		No of shares		No of shares	
		No of shares		No of shares		No of shares	
Balance at 30 June 2018		645,343,798	829,250	(7,850,000)	(12,863)	637,493,798	816,387
Issued during the year							
Geared share purchase plan shares issued	22.2	1,531,127	1,990	(1,531,127)	(1,990)	-	-
Geared share purchase plan shares forfeited and cancelled	22.2	(4,000,000)	(6,554)	4,000,000	6,554	-	-
Balance at 30 June 2019		642,874,925	824,686	(5,381,127)	(8,299)	637,493,798	816,387
Issued during the year							
Consideration shares issued	22.2	67,000,000	77,162	-	-	67,000,000	77,162
Geared share purchase plan shares forfeited and cancelled	22.2	(1,531,127)	(1,990)	1,531,127	1,990	-	-
Balance at 30 June 2020		708,343,798	899,858	(3,850,000)	(6,309)	704,493,798	893,549

Consideration shares issued

The Group issued 67,000,000 shares at an issue price of €1.15395 (ZAR 18.96) per share in consideration for the acquisition of the Property Management Platform and Prime Capital's effective economic interest in the Joint venture, refer to note 5. Transaction costs of €152 thousand (2019: €nil) were deducted from share capital.

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.

	Note	As at 30 June 2020	As at 30 June 2019
Distribution to shareholders of the Group		61,556	49,788
Distribution to non-controlling interest	22.3	3,448	1,931

The Board has approved an interim distribution to shareholders of 4.24 eurocents per share, refer to note 3.

Treasury shares - geared share purchase plan shares

Werner Behrens and Paul Osbourn resigned as CEO and CFO respectively on 20 November 2019, and their 1,531,127 allocated geared share purchase plan shares were forfeited and cancelled upon their exit from the scheme, refer to note 22.2.

22.2. 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.

The share-based payment reserve within equity relates to the option expense of the Group's geared share purchase plan.

Geared share purchase plan share (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.

In terms of these, the Group granted participants a loan to acquire shares issued by the Group. 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.

At 30 June 2020, the Group had the following share-based payment arrangements:

- Incentive Share Participants;
- PK Prepaid Development Services;
- Executive Management; and
- Salaried geared share purchase plan.

The Incentive Share Participants, PK Prepaid Development Services and the Executive Management share-based payment arrangements (the "Transaction Share-Based Payments") have been recognised as a result of the Transaction (refer to note 4).

Incentive Share Participants

Please refer to description in note 4 of the equity-settled share-based payment in relation to Incentive Share Participants.

The terms of the share-based payment had not been communicated to the Incentive Share Participants by 30 June 2020 and have not been granted, however the best estimate at the time of preparation of these financial statements is that the vesting date will be similar to the remaining Lock-In period from the date of communication to the Incentive Share Participants. Consequently, the incentive shares were recognised as a prepaid employees' service expense of €1,808 thousand and the share-based payment will be expensed over the vesting period.

The expected price at grant date has been estimated at the MAS share price as of 17 August 2020, €0.53975, with the difference to the price at Transaction date recognised as a fair value difference through profit or loss, as shown in the table below.

	Note	No of shares	Share price	Value
Transaction date	4	3,350,000	1.15395	3,866
Fair value loss	11			(2,058)
Closing balance	19.2, 17	3,350,000	0.53975	1,808

Executive Management

Please refer to description in note 4 of the equity-settled share-based payment in relation to Executive Management.

The key terms of the Executive Management share-based payment are:

Share-based payment	Grant date	Number of shares	Issue price	Vesting period	Vesting conditions
Executive Management	27 Nov 2019	1,858,331	€1.15395	3 years	Service for the Lock-In period

The grant date fair value has been determined using the share price of the company at 27 November 2019.

During the year €422 thousand has been recognised in profit or loss as an employment share-based payment expense and disclosed as a related party transaction (refer to note 28) in relation to employment services provided by Martin Slabbert and Victor Semionov.

The Group incurred transaction-related costs of €24 thousand on legal and due diligence fees. These costs have been included in profit or loss within investment expenses, refer to note 10.

PK Prepaid Development Services

Please refer to description in note 4 of the equity-settled share-based payment in relation to Executive Management.

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As the development services provided by Prime Kapital to the joint venture is a pre-existing relationship that existed before the transaction was completed, Prime Kapital is acting as counterparty, not as shareholder of the Group and therefore the provision of the development services on a cost recovery basis at below market value is determined to be an equity-settled share-based payment arrangement with a non-employee.

The key terms of the PK Prepaid Development Services share-based payment are:

Share-based payment	Grant date	Number of shares	Issue price	Vesting period
PK Prepaid Development Services	Transaction date	8,813,237	€1.15395	Services to be performed for a period of up to 5 years

At 30 June 2020, Prime Kapital has not provided the relevant development services to the Group and therefore a prepayment for the future development services of €10,170 thousand has been recognised. It remains the intention of the Group to utilise the development management services in the future.

The Group incurred transaction-related costs of €157 thousand on legal and due diligence fees. These costs have been included in profit or loss within investment expenses, refer to note 10.

Measurement of fair value of the Transaction share-based payments

The fair value of the share-based payments has been determined using the quoted share price on the grant date being €1.15395, multiplied by the number of shares allocated to the share-based payment for Share-based payment in relation to IFRS 2.

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

Salaried variant	Shares			Issue price	Initial term of loan			Interest rate	Initial term
	Grant date	As at 30 June 2020	As at 30 June 2019		Vesting period	Vesting conditions			
Granted	9 March 2017	3,850,000	3,850,000	€1.64	20% annually	Service until vesting dates	WACD of the Group 2.64%	10 years	
Forfeited	25 June 2019	1,531,127	1,531,127	€1.30			WACD of the Group 2.95%		
	30 June 2020	(1,531,127)	-	-			WACD of the Group 3.28%		
		3,850,000	5,381,127						

Salaried geared purchase plan

Reconciliation of geared share purchase plan:

	As at 30 June 2020	As at 30 June 2019
Opening balance	975	1,032
Shared-based payment expense	188	75
Recognised during the year	258	539
Recycled during the year - forfeited shares	(70)	(464)
Non-forfeitable distribution	(238)	(132)
Closing balance	925	975

Werner Behrens and Paul Osbourn resigned as CEO and CFO respectively on 20 November 2019, and their 1,531,127 allocated geared share purchase plan shares were forfeited and cancelled upon their exit from the scheme. Accordingly, €70 thousand which relates to unvested shares was recycled to profit or loss within employment expenses.

Reconciliation of outstanding loans and shares

At 30 June 2020	Geared salaried purchase plan		
	Number of shares	Weighted average share price	Weighted average loan per share
Opening outstanding balance	5,381,127	€1.2964	€1.5497
Granted	-	-	-
Forfeited	(1,531,127)	-	-
Interest	-	-	€0.05923
Interest repayment	-	-	(€0.06224)
Capital repayment	-	-	€0.09750
Share price movement	-	(€0.6230)	-
Closing outstanding balance	3,850,000	€0.6734	€1.6442
Exercisable	2,310,000	€0.6734	€1.6442

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	Geared non-salaried purchase plan			Geared 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
At 30 June 2019						
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

The remaining term of the loans in relation to the geared purchase plan were as follows:

	At 30 June 2020	At 30 June 2019
Shares granted on 9 March 2017	6.69 years	7.69 years
Shares granted on 25 June 2019	-	9.99 years

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.

During the year €188 thousand (June 2019: €75 thousand) was recognised in the share-based payment reserve in relation to the options, refer to note 7.

22.3. 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.

	As at 30 June 2020	As at 30 June 2019
Opening balance	7,439	2,527
Share of profit	1,428	6,843
Distribution to NCI	(3,448)	(1,931)
Acquisition of NCI	(5,419)	-
Closing balance	-	7,439

The non-controlling interest related to the participation by Prime Kapital in PKM CEE Investments Limited, the joint venture entered into with the Group. Under the terms of the joint venture agreement, Prime Kapital's effective economic interest was equivalent to a 20% direct participation in the joint venture, less the interest cost on the participation funding that was provided by the Group. The effective interest rate on this participation funding was equivalent to the weighted average cost of external funding achieved by the joint venture.

On 27 November 2019, the Group acquired Prime Kapital's effective economic interest in PKM CEE Investments Limited. The Group issued 52,647,211 shares to Prime Kapital with a value of €60,752 thousand in consideration of the economic interest, refer to note 4. At transaction date, the carrying amount of the existing 20% non-controlling interest in PKM CEE Investments Limited represented €5,419 thousand. During the year and until the transaction date, Prime Kapital's share of the economic interest has generated distributable earnings of €1,549 thousand (2019: €1,931 thousand) in relation to its participation in the joint venture.

The following tables summarise the financial information of the joint venture up to the transaction date (27 November 2019), being the acquisition date.

Reconciliation of profit or loss to NCI:

	Period ended 27 November 2019	Year ended 30 June 2019
Statement of profit or loss and other comprehensive income		
Rental income	14,562	27,949
Service charge income and other recoveries	4,318	10,138
Service charge and other property expenses	(4,873)	(11,711)
Other income	579	558
Corporate expenses	(395)	(892)
Investment expenses	(413)	(1,711)
Fair value adjustments	252	28,939
Foreign currency exchange differences	22	-
Finance income	42	212
Finance costs	(6,477)	(13,186)

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	Period ended 27 November 2019	Year ended 30 June 2019
Tax expense	(1,357)	(8,256)
Total profit	6,260	32,040
Elimination of intercompany transactions	3,600	8,940
Total adjusted profit	9,860	40,980
Percentage ownership interest	20%	20%
Total profit and other comprehensive income attributable to NCI	1,972	8,196
Elimination of interest cost on participation loan	(544)	(1,353)
NCI's share of profit	1,428	6,843

Reconciliation of net assets to NCI:

	As at 27 November 2019	As at 30 June 2019
Statement of financial position		
Investment property	439,747	437,690
Other non-current assets	11,098	8,020
Cash and cash equivalents	22,364	13,828
Other current assets	7,974	13,339
Total assets	481,183	472,877
Non-current liabilities	423,111	406,925
Current liabilities	14,735	28,875
Total liabilities	437,846	435,800
Net assets	43,337	37,078
Elimination of intercompany transactions to date	31,247	27,647
Closing adjusted net assets	74,584	64,725
Percentage ownership interest	20%	20%
Total adjusted net assets attributable to NCI	14,917	12,945
Elimination of interest cost on participation loan to date	(3,181)	(2,637)
Distribution paid to date	(6,317)	(2,869)
NCI's share of net assets	5,419	7,439

Consideration paid for NCI

The difference between the consideration shares issued for the acquisition of Prime Kapital's effective economic interest in the joint venture at acquisition date, together with the transaction fees incurred on acquisition of the balance of NCI, has been deducted from the Group's retained earnings, as shown in the table below. The consideration to be paid in shares has been determined based on the fair value of discounted cash flows representing Prime Kapital's effective economic interest in the joint venture, for the remaining term of the agreement with the Group. In estimating future cash flows, future potential of assets has been considered, including organic growth of net rental income, as well as estimated growth from future extensions and refurbishments of existing assets. The excess has been recognised as a debit to retained earnings (not within profit or loss) in accordance with IFRS 10 'Consolidated Financial Statements'.

	As at 30 June 2020
Consideration shares issued	60,752
Acquisition of NCI	(5,419)
Transaction fees incurred on acquisition of NCI	681
Adjustment to retained earnings	56,014

22.4. 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.

Headline earnings is derived from basic earnings adjusted for re-measurements that relate to the capital platform of the Group per Circular 1/2019 issued by the South African Institute of Chartered Accountants.

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).

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.

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Basic EPS

	Year ended 30 June 2020	Year ended 30 June 2019
Opening issued ordinary shares	637,493,798	637,493,798
Effect of shares issued	39,540,984	-
Weighted-average number of ordinary shares	677,034,782	637,493,798
	Year ended 30 June 2020	Year ended 30 June 2019
(Loss)/profit attributable to owners of the Group	(21,615)	55,035
Weighted-average number of ordinary shares	677,034,782	637,493,798
Basic (loss)/earnings per share (eurocents)	(3.19)	8.63

Diluted EPS

	Year ended 30 June 2020	Year ended 30 June 2019
Weighted-average number of ordinary shares (basic)	677,034,782	637,493,798
Effect of share options	-	-
Weighted-average number of ordinary shares (diluted)	677,034,782	637,493,798
	Year ended 30 June 2020	Year ended 30 June 2019
(Loss)/profit attributable to ordinary shareholders	(21,615)	55,035
Weighted-average number of ordinary shares	677,034,782	637,493,798
Diluted (loss)/earnings per share (eurocents)	(3.19)	8.63

Options on 3,850,000 shares (30 June 2019: 5,381,127 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/(loss) and diluted headline earnings/(loss) per share

	Note	Year ended 30 June 2020		Year ended 30 June 2019	
		Gross	Net	Gross	Net
(Loss)/profit for the year attributable to ordinary shareholders		(21,615)	(21,615)	55,035	55,035
Adjusted for:					
Fair value loss/(gain) on investment property	11	12,539	10,749	(24,087)	(15,796)
Fair value (gain) on investment property in associate		(6,746)	(5,862)	(11,809)	(9,393)
Fair value (gain) on investment property held for sale	11	(1,052)	(648)	(958)	(958)
Gain on bargain purchase		-	-	(12,263)	(12,263)
Goodwill impairment	16	29,452	29,452	-	-
Loss on disposal of property, plant and equipment		1	1	91	91
Recycle of foreign currency exchange through profit and loss		(1)	(1)	(679)	(679)
Headline earnings		12,578	12,076	5,330	16,037
Headline earnings per share					
Weighted-average number of ordinary shares (basic)		677,034,782	677,034,782	637,493,798	637,493,798
Headline earnings per share (eurocents)		1.86	1.78	0.84	2.52
Diluted headline earnings per share					
Weighted-average number of ordinary shares (diluted)		677,034,782	677,034,782	637,493,798	637,493,798
Diluted headline earnings per share (eurocents)		1.86	1.78	0.84	2.52

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.

23. Contingent liabilities and contingent assets

The Group won a litigation in Court regarding a disputed lease agreement in one of its subsidiaries; the matter is now subject to a possible appeal. The maximum potential claim is €3 million; at the date of this report the success of the claim is not considered to be probable.

There are no contingent assets at 30 June 2020 and 30 June 2019.

24. Commitments

The Group has committed to fund PKM Development through 7.5% cumulative preference shares issued by PKM Development. The Group is committed to fund up to a total of €420 million (June 2019: €420 million). The outstanding commitment at the reporting date was €241.3 million (30 June 2019: €250 million) which is expected to be funded by 23 March 2025. The commitments have been reviewed and are not considered to be onerous at the reporting date.

On 28 February 2019, the Group acquired 7 properties (collectively referred to as the "Spark portfolio") from PKM Development through the acquisition of 100% of the share capital of their holding company. In the following years PKM Development may develop extensions for 3 of the completed properties on adjacent land plots. The Group has granted PKM Development an option ("the put option"), under the terms of which it can sell these completed extensions to the Group at an acquisition yield of 7.5% if developed over the following 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 was to meet the Group's expected purchase, sale or usage requirements and cannot be net settled). Accordingly, it was not accounted for as a derivative financial instrument. Instead IAS 37 - Provisions, Contingent Liabilities and Contingent Assets was considered in assessing whether an onerous contract exists.

25. Events after the reporting date

Disposal of investment property in Buchs, Switzerland

In July 2020 the Group, through its wholly owned subsidiary, Petrusse Capital S.à.r.l., has entered into an agreement ("the transaction") for the sale of its single-tenant logistics property with associated office space in Buchs, Switzerland ("the property"). The purchaser is Swiss Prime Site Immobilien AG, a listed real estate company based in Switzerland. The transaction is implemented as an asset sale with limited representations and warranties, consistent with general practice for a transaction of this type, provided by the selling subsidiary.

The transaction is in line with the Group's investment strategy involving the disposal of Western European investment property of the company and a redeployment of capital to more attractive investments in CEE. The proceeds of the transaction after taxes and mandatory settlements of senior debt facilities, will be redeployed in line with the above strategy.

The sale price of the property is CHF 38.5 million (€36.2 million), excluding VAT ("sale price") which will be settled in cash upon completion. Completion is subject to the satisfaction of a condition precedent which requires practical completion of construction and extension works. The transaction is anticipated to complete on or before 31 December 2020.

Fair value of financial investments

At 26 Aug 2020, gross exposure on financial investments had decreased by €7.1 million as compared to reported amounts as at 30 June 2020.

26. Critical estimates, judgements and errors

The Board has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts in the consolidated annual 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 judgements and estimates are:

Determination of whether shares issued as part of a transaction are share based payments

During the year, the Group entered into a transaction with Prime Kapital. Under the terms of the agreement Martin Slabbert and Victor Semionov were appointed as CEO and CFO of the Group, respectively. The Group has applied judgement to determine if a component of the consideration shares issued represent Share-based payment in relation to IFRS 2, refer to note 4.

Determination of whether the acquisition of the property management platform is a business combination

The Group applied judgement to determine whether an 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 control over the Romanian, Bulgarian and Polish Property Management Platforms, refer to notes 4 and 5. The acquisition has been treated as a business combination as inputs, outputs and substantive processes that are capable of providing a return were acquired.

Determination of whether investment property is classified as held for sale

The Group applies judgements to determine whether investment property meets the criteria to be classified as held for sale under IFRS 5 'Non-current assets held for sale'. The Group's strategy is to dispose of its Western European portfolio of investment property, however, in accordance with the standard, it does not classify an asset as held for sale until the relevant criteria has been met.

Determination of 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.

The key areas of estimation uncertainty are:

Valuation of investment properties and investment properties held for sale

The Group uses external professional valuers to determine the relevant amounts. The external property valuation experts use recognised valuation techniques and apply the principles of IFRS 13: Fair Value Measurement. The primary source of evidence for property valuations is recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio is inherently subjective, as they are based upon valuer assumptions which may prove to be inaccurate. The methods and significant assumptions used by the valuers in estimating fair value are set out in note 14.

The valuers have modified some of their assumptions in light of the effects of the coronavirus pandemic:

- Assumptions affecting short-term cash flows: depending on the types of assets as well as the market the properties are operating in, the appraisers took into account various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2020/2021. The appraisers also factored in lower levels of sales-based rents and of ancillary income over the same period.

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- Assumptions affecting long-term cash flows and values: the appraisers applied lower levels of indexation and considered higher levels of structural vacancy, although future estimated market rents have not been significantly revised at this stage in view of the dearth of leasing transactions.
- The appraisers also increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity and value and growth prospects on exit.
- The appraisers have included a "material valuation uncertainty clause" in their reports, as per the RICS recommendation, which states that the valuations can be relied upon, but need to be monitored, due to the lack of market comparable and appreciation of the long-term effects of Covid-19. As a result, the assumptions may be revised significantly in the second half of 2020. Further information and sensitivity tables are included within note 14.4.

Valuation of financial instruments

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 note 21.

Loan commitments

The Group has committed to advancing funds to PKM Development in the future by acquiring preference shares, refer to note 24. 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 Development preference share commitments are a market related rate.

Continuous-sale transaction

In the prior year 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 management made assumptions to estimate the costs of completion to determine the amount of revenue recognised related to construction costs and the stage of completion.

Restatement of prior year presentation error in the statement of cash flows

The presentation of Capitalised expenditure on inventory property of €(37,990) and Proceeds from the sales of inventory property of €46,609, previously presented within Net cash outflow from investing activities for the year ended 30 June 2019, have been restated and presented within Net cash inflow from operating activities for the year ended 30 June 2019. The presentation of these items has been restated as the categorisation as an investing activity was considered a prior year presentation error due to inconsistency with the categorisation of these transactions and balances within the other primary statements. There was no impact on the other primary statements or basic/diluted earnings per share.

27. Financial risk management

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 main liquidity risk inherent in the business is due to tenant default; should a tenant default, this may result in the inability of the Group to cover the interest and capital payments and PKM Development preference share drawdowns. The Group has to have sufficient liquidity to meet drawdown requests from PKM Development Limited. 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. There are no undrawn debt facilities as at 30 June 2020 (30 June 2019: €98 million).

The Group intends to invest up to a further €241,300 thousand in PKM Development. Other than the commitments to PKM Development, 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:

At 30 June 2020	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	24	37,000	46,000	130,000	28,300	241,300
- PKM Development preference shares		37,000	46,000	130,000	28,300	241,300
Interest-bearing borrowings		11,958	13,085	229,568	229,335	483,946
Trade and other payables		9,956	-	-	-	9,956
Financial instruments		2,323	-	815	1,333	4,471
- Current financial liabilities	20.3	2,323	-	-	-	2,323
- Non-current derivative financial instruments	20.3	-	-	815	1,333	2,148
		61,237	59,085	360,383	258,968	739,673

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At 30 June 2019	Note	1-6 months	6-12 months	1-3 years	>3 years	Total
Capital commitments	24	121,251	120,000	10,000	-	251,251
- Inventory property ¹		1,251	-	-	-	1,251
- PKM Development preference shares		120,000	120,000	10,000	-	250,000
Interest-bearing borrowings		148,757	8,756	158,497	171,312	487,322
Trade and other payables		11,892	-	-	-	11,892
Financial instruments		17,309	-	-	2,735	20,044
- Current financial liabilities	20.3	17,309	-	-	-	17,309
- Non-current derivative financial instruments	20.3	-	-	-	2,735	2,735
		299,209	128,756	168,497	174,047	770,509

¹Non-financial instruments

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

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 carrying amounts of assets and liabilities affected by market price risk are as follows:

	As at 30 June 2020	As at 30 June 2019
Assets		
Direct financial investments	-	41,849
CFD collateral held as German bonds	-	41,190
Gross exposure on contracts for difference*	35,496	105,523
Interest rate swaps	-	775
	35,496	189,337
Liabilities		
Interest rate swaps	4,176	2,735
Priority participation dividend	118	3,430
Development management fee	177	2,285
	4,471	8,450

*Gross exposure on contracts for difference is reflected in the Group's financial statements only through the net collateral.

The breakdown of market risk exposure to direct financial investments and CFD positions is as follows:

	Notional exposure		Gross exposure	
	At 30 June 2020	At 30 June 2019	At 30 June 2020	At 30 June 2019
Direct financial investments				
Empiric Student Property PLC	-	2,719	-	2,719
Primary Health Properties PLC	-	2,157	-	2,157
The PRS REIT PLC	-	786	-	786
Real Estate Credit Investments Ltd	-	3,010	-	3,010
Target Healthcare REIT Ltd	-	774	-	774
Tritax Big Box REIT PLC	-	7,745	-	7,745
Eurocommercial Properties NV	-	4,537	-	4,537
British Land Company PLC	-	9,759	-	9,759
Land Securities Group PLC	-	10,362	-	10,362
	-	41,849	-	41,849
Contracts for difference				
Cofinimmo CMN	-	-	-	7,336
Intervest offices & warehouses CMN	-	-	-	3,252
Klepierre	50,984	-	28,844	47,945
Mercialys	-	-	-	8,974
Unibail-Rodamco	20,030	-	6,652	34,863
The PRS REIT PLC	-	-	-	3,153
	71,014	-	35,496	105,523

At 30 June 2020, if market prices at that date had been 5% (30 June 2019: 5%) higher/lower with all other variables held constant, pre-tax profit for the year would have been €1,998 thousand (30 June 2019: €9,889 thousand) higher/lower. The change pre-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.

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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 20.3.

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

At 30 June 2020					
	Fixed rate	Variable rate	No exposure	Non-financial instruments	Total
Assets					
Financial investments	-	28,406	-	-	28,406
Financial assets	186,050	-	-	-	186,050
Trade and other receivables	-	-	14,951	5,738	20,689
Cash and cash equivalents	-	51,404	-	-	51,404
	186,050	79,810	14,951	5,738	286,549
Liabilities					
Interest bearing borrowings	248,751	195,997	-	-	444,748
Financial instruments	178,964	(178,964)	295	-	295
Effect of derivative financial instruments	178,964	(178,964)	-	-	-
Financial liabilities	-	-	295	-	295
Trade and other payables	-	-	9,956	7,671	17,627
	427,715	17,033	10,251	7,671	462,670
At 30 June 2019					
	Fixed rate	Variable rate	No exposure	Non-financial instruments	Total
Assets					
Financial investments	41,190	4,775	-	-	45,965
Financial assets	174,128	11,594	-	-	185,722
Trade and other receivables	-	-	12,897	4,409	17,306
Cash and cash equivalents	-	71,155	-	-	71,155
	215,318	87,524	12,897	4,409	320,148
Liabilities					
Interest bearing borrowings	283,592	172,870	-	-	456,462
Financial instruments	135,251	(123,657)	5,716	-	17,310
- Effect of derivative financial instruments	135,251	(135,251)	-	-	-
- Financial liabilities	-	11,594	5,716	-	17,310
Trade and other payables	-	-	11,651	9,620	21,271
	418,843	49,213	17,367	9,620	495,043

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 2020, if interest rates at that date had been 25 basis points higher/lower (30 June 2019: 25 basis points) with all other variables held constant, pre-tax profit for the year would have been €243 thousand (30 June 2019: €347 thousand) lower/higher, arising mainly as a result of the higher/lower interest expense on variable borrowings. This sensitivity analysis assumes that all other variables remain constant.

Foreign exchange risk

The Group 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.

At 30 June 2020, the Group had the following functional currency exposures:

	GBP	CHF	ZAR	USD	PLN	BGN	RON
Closing exchange rate	1.096	0.9389	0.0514	0.893	0.2244	0.5113	0.2065
FINANCIAL INSTRUMENTS – ASSETS							
Financial investments							
Foreign currency	-	-	-	-	-	-	-
Euro equivalent	-	-	-	-	-	-	-
Financial assets							
Foreign currency	-	-	-	-	-	-	-
Euro equivalent	-	-	-	-	-	-	-

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	GBP	CHF	ZAR	USD	PLN	BGN	RON
Trade and other receivables							
Foreign currency	2,223	-	-	-	9,554	5,073	20,444
Euro equivalent	2,436	-	-	-	2,144	2,594	4,222
Cash and cash equivalents							
Foreign currency	6,040	55	2,062	4	2,099	1,240	22,308
Euro equivalent	6,620	52	106	4	471	634	4,607
FINANCIAL INSTRUMENTS – LIABILITIES							
Financial liabilities							
Foreign currency	1,312	860	-	-	-	-	-
Euro equivalent	1,438	807	-	-	-	-	-
Interest bearing borrowings							
Foreign currency	53,862	7,953	-	-	-	-	-
Euro equivalent	59,033	7,467	-	-	-	-	-
Trade and other payables							
Foreign currency	5,362	-	-	-	6,359	3,139	18,038
Euro equivalent	5,877	-	-	-	1,427	1,605	3,725
Total net financial (liability)/asset exposure							
Foreign currency	(52,273)	(8,758)	2,062	4	5,294	3,174	24,714
Euro equivalent	(57,292)	(8,222)	106	4	1,188	1,623	5,104

At 30 June 2019, the Group had the following functional currency exposures:

	GBP	CHF	ZAR	USD	PLN	SEK	BGN
Closing exchange rate	0.8965	1.1105	16.1218	1.1380	0.2353	0.5113	0.2112
FINANCIAL INSTRUMENTS – ASSETS							
Financial investments							
Foreign currency	33,450	-	-	-	-	-	-
Euro equivalent	37,312	-	-	-	-	-	-
Financial assets							
Foreign currency	11,089	-	-	-	-	-	-
Euro equivalent	12,369	-	-	-	-	-	-
Trade and other receivables							
Foreign currency	5,840	371	-	-	3,362	3,938	23,069
Euro equivalent	6,514	334	-	-	791	2,014	4,873
Cash and cash equivalents							
Foreign currency	31,670	1,293	187	7	3,534	3,733	33,391
Euro equivalent	35,326	1,164	12	6	832	1,909	7,053
FINANCIAL INSTRUMENTS – LIABILITIES							
Financial liabilities							
Foreign currency	15,518	1,080	-	-	-	-	-
Euro equivalent	17,309	973	-	-	-	-	-
Interest bearing borrowings							
Foreign currency	61,090	8,343	-	-	-	-	-
Euro equivalent	68,143	7,512	-	-	-	-	-
Trade and other payables							
Foreign currency	6,674	365	-	-	3,128	3,164	15,419
Euro equivalent	7,445	328	-	-	736	1,618	3,257
Total net financial (liability)/asset exposure							
Foreign currency	(1,233)	(8,124)	187	7	3,768	4,507	41,041
Euro equivalent	(1,376)	(7,315)	12	6	887	2,305	8,669

All amounts in € thousand unless otherwise stated.

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If the euro had strengthened/weakened against other currencies used by the Group with all other variables held constant, pre-tax profit for the year would have been:

	Movement	30 June 2020		Movement	30 June 2019	
		Strengthening	Weakening		Strengthening	Weakening
GBP	10%	5,729	(5,729)	10%	(125)	125
CHF	10%	822	(822)	5%	(348)	348
ZAR	10%	(11)	11	10%	1	(1)
USD	10%	(0)	0	5%	-	-
PLN	10%	(119)	119	5%	42	(42)
BGN	0%	-	-	0%	-	-
RON	10%	(510)	510	5%	232	(232)
		5,911	(5,911)		(198)	198

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 Development Limited preference shares.

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

	At 30 June 2020			
	Credit risk exposure	No exposure	Non-financial instruments	Total
Non-current financial assets				
Financial assets	186,050	-	-	186,050
Financial investments	-	-	-	-
	186,050	-	-	186,050
Current financial assets				
Financial assets	-	-	-	-
Trade and other receivables	14,951	-	5,738	20,689
Financial investments	28,406	-	-	28,406
Cash and cash equivalents	51,404	-	-	51,404
	94,761	-	5,738	100,499
	280,811	-	5,738	286,549
	At 30 June 2019			
	Credit risk exposure	No exposure	Non-financial instruments	Total
Non-current financial assets				
Financial assets	174,903	-	-	174,903
Financial investments	-	-	-	-
	174,903	-	-	174,903
Current financial assets				
Financial assets	-	11,594	-	11,594
Trade and other receivables	12,897	-	4,409	17,306
Financial investments	45,965	41,849	-	87,814
Cash and cash equivalents	71,155	-	-	71,155
	130,017	53,443	4,409	187,869
	304,920	53,443	4,409	362,772

The Group's preference shares €186,050 thousand (30 June 2019: €174,128 thousand) included within financial assets are with a single counterparty, PKM Development. This concentration of credit risk is principally managed by assessing credit quality through quarterly reviews of PKM Development's management accounts, annually reviewing the audited annual financial statements and property valuation reports. The PKM Development preference shares have no expected credit losses, see note 19.4.

The Group's financial investments with credit risk exposure of €28,406 thousand relate to the CFD collateral as at 30 June 2020 (30 June 2019: €45,965 thousand) which is held with a single investment banking company. This concentration of credit risk is managed by assessing the counterparty's investment grade which is rated A3 by Moody's.

In order to manage the credit risk of the Group's financial instruments and cash and cash equivalents, management deposits the majority of its cash and cash equivalents with banks and financial institutions which are rated investment grade.

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 related to trade and other receivables, the Group continuously monitors the financial performance and reputation of its tenants. In calculating the expected credit loss rates for trade and other receivables, the Group considers the historic loss rates and adjusts for forward looking macroeconomic data. There are no material impairment losses, see note 19.2.

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28. 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

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

Transactions with key management

Year ended 30 June 2020

	Role	During the year	Basic salary	Benefits ²	Short-term incentive	Long-term incentive	Sub Total	IFRS 2 option expense	Total
Martin Slabbert	CEO	Appointed	-	-	-	-	-	211	211
Victor Semionov	CFO	Appointed	-	-	-	-	-	211	211
Jonathan Knight ¹	Alternative director	Appointed	69	-	109	-	178	-	178
Dan Petrisor	Alternative director	Appointed	-	-	-	-	-	-	-
Malcolm Levy	NED		35	-	-	-	35	-	35
Pierre Goosen	NED		42	-	-	-	42	-	42
Werner Alberts	NED		36	-	-	-	36	-	36
Melt Hamman	NED		35	-	-	-	35	-	35
Claudia Pendred	NED	Appointed	20	-	-	-	20	-	20
Brett Nagle	NED	Appointed	22	-	-	-	22	-	22
Vasile Iuga	NED		20	-	-	-	20	-	20
Dan Pascariu	NED		18	-	-	-	18	-	18
Timothy Callister	Company secretary	Appointed	-	-	-	-	-	-	-
Helen Cullen ²	Company secretary	Resigned	106	3	58	-	167	-	167
Werner Behrens ²	Former CEO	Resigned	214	243	48	-	505	-	505
Paul Osbourn ²	Former CFO	Resigned	252	193	139	-	584	-	584
Ron Spencer	Former Chairman	Resigned	49	-	-	-	49	-	49
Jaco Jansen	Former NED	Resigned	38	-	-	-	38	-	38
Glynnis Carthy	Former NED	Resigned	40	-	-	-	40	-	40
			996	439	354	-	1,789	422	2,211

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 charged by Corona in relation to services provided to MAS by Jonathan Knight was €165 thousand out of which Jonathan Knight received a salary of €78 thousand. Jonathan Knight received a salary of €69 thousand through MAS payroll. Amounts presented in the table above reflect Jonathan Knight's period of directorship.

² The benefits provided to Helen Cullen were from pension contribution. Starting 1st July 2020, the new Company secretary is Timothy Callister.

The benefits provided to Werner Behrens and Paul Osbourn were in relation to pension contributions and payments in relation to their resignations.

All amounts presented in the table above are cost to company.

Year ended 30 June 2019

	Role	During the year	Basic salary/ Fees	Benefits ³	Short-term incentive	Long-term incentive	Sub total	IFRS 2 option expense	Total
Werner Behrens ³	CEO	Appointed	52	7	-	-	59	1	60
Paul Osbourn ³	CFO	Appointed	186	3	-	-	189	1	190
Jonathan Knight ¹	CIO		89	-	-	-	89	51	140
Ron Spencer	Chairman		49	-	-	-	49	-	49
Malcolm Levy	NED	Appointed	-	-	-	-	-	-	-
Malcolm Levy	Former CFO /Interim CEO	Resigned	206	-	-	-	206	(464)	(258)
Jaco Jansen	NED		38	-	-	-	38	-	38
Pierre Goosen	NED		52	-	-	-	52	-	52
Glynnis Carthy	NED		40	-	-	-	40	-	40
Werner Alberts	NED	Appointed	28	-	-	-	28	-	28
Melt Hamman	NED	Appointed	20	-	-	-	20	-	20
Helen Cullen ³	Company secretary		97	1	4	-	102	17	119
Morné Wilken ²	Former CEO	Resigned	146	112	-	-	258	-	258
Gideon Oosthuizen	Former NED	Resigned	19	-	-	-	19	-	19
			1,022	123	4	-	1,149	(394)	755

¹ The total remuneration paid to Corona Real Estate Partners Limited in relation to services provided to the Group by Jonathan Knight was €162 thousand. Jonathan Knight received a salary of €67 thousand from Corona Real Estate Partners Limited.

² When recruited, a sum of £500 thousand (approximately €558 thousand) was awarded and paid to Morné Wilken as recognition that he would forfeit an in-the money incentive scheme by becoming CEO of the Group. 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 £17 thousand (approximately €19 thousand) was expensed monthly and recognised as a benefit paid to him. Morné refunded the outstanding amount, totalling £300,000 (approximately €335 thousand), when he ceased to be director.

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

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Related party relationships

	Note	Income/(expenses)		Net (receipts)/payments		Balances receivable/(payable)	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>New Waverley Advisers Limited</i>							
• On-charged development costs		-	2,654	-	-	-	-
• Development management fee		-	(661)	-	3,071	-	-
		-	1,993	-	3,071	-	-
<i>New Waverley Holdings Limited</i>							
• Priority participating profit dividend		-	(1,128)	-	4,525	-	-
		-	(1,128)	-	4,525	-	-
<i>Artisan Real Estate Limited</i>							
• On-charged administrative expenses		-	42	-	(42)	-	-
		-	42	-	(42)	-	-
<i>Corona Real Estate Partners Limited</i>							
• Legal and professional expenses		(1,143)	(880)	1,222	1,008	(365)	(137)
		(1,143)	(880)	1,222	1,008	(365)	(137)
<i>Prime Kapital Development SRL</i>							
• Other income		145	-	(138)	-	-	-
• Rental income		48	-	(56)	-	-	-
• Service charge and other property operating expenses		(613)	-	1,118	-	(168)	-
		(420)	-	924	-	(168)	-
<i>PKM Development Limited</i>							
• Equity accounted investee	15	4,848	11,009	-	(12,895)	26,736	21,888
• Preference shares	12; 19.4	13,133	11,195	(1,211)	60,819	186,050	174,128
• Interest bearing consideration	20.1	(1,569)	(1,247)	1,946	-	-	(91,761)
• Net assets acquired in business combinations		(236)	109,141	-	-	-	-
• Other income		-	293	-	(293)	-	-
		16,176	130,391	735	47,631	212,786	104,255
<i>PK Energy Control SRL</i>							
• Electrical energy transformation fee		(122)	-	89	-	(4)	-
• Rental income energy equipment		132	-	(121)	-	1	-
		10	-	(32)	-	(3)	-
<i>Hameys Fiduciary</i>							
• Directors fees and legal and professional fees		(43)	(18)	44	23	9	9
		(43)	(18)	44	23	9	9
<i>Prime Kapital Holdings Limited</i>							
• Prepaid development services	17; 19.2	-	-	-	-	10,170	-
• Dividend from non-controlling interest		-	-	(1,684)	-	-	-
		-	-	(1,684)	-	10,170	-
		14,580	130,400	1,209	56,216	222,429	104,127

New Waverley Advisers Limited, New Waverley Holdings Limited and Artisan Real Estate 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 is a real estate management company with five staff members and is owned 100% by Jonathan Knight who is an Alternate Director of the Group.

Prime Kapital Development SRL

Prime Kapital Development SRL is one of the subsidiaries of Prime Kapital Holdings Limited, providing property management, construction and development services to the Group and PKM Development.

PKM Development Limited

PKM Development is an associate of the Group and the Group owns 40% of the ordinary shares. In June 2020 PKM Development acquired shares in MAS, refer to note 15.

PK Energy Control SRL

PK Energy Control SRL is one of the subsidiaries of PKM Development Limited. It rents equipment from the Group's subsidiaries and provides energy transformation services in return.

Hameys Fiduciary

Hameys Fiduciary provides BVI corporate services and is a director of MAS (BVI) Holdings Limited and MAS CEE Investments Limited, 100% owned subsidiaries of the company. Services are provided by its subsidiary Epstone formally known as Momats.

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Prime Kapital Holdings Limited

Prime Kapital Holdings Limited is an integrated real estate developer, investor and operator. Martin Slabbert, CEO and Victor Semionov, CFO are partners and jointly control Prime Kapital. Prime Kapital became a related party of the Group on 27 November 2019, the date on which Martin and Victor were appointed to the MAS Board.

Key management shareholdings

As at 30 June 2020

Euro	Direct	Indirect	Associate	Total
Martin Slabbert	-	3,793,900	*	3,793,900*
Victor Semionov	-	1,462,037	*	1,462,037*
Malcolm Levy	11,633	-	1,568,928 ¹	1,580,561
Pierre Goosen	-	-	46,679 ¹	46,679
Werner Alberts	-	-	-	-
Melt Hamman	-	11,600 ²	990 ¹	12,590
Claudia Pendred	-	-	-	-
Brett Nagle	-	-	86,675 ¹	86,675
Vasile Iuga	-	-	-	-
Dan Pascariu	-	-	-	-
Jonathan Knight ³	674,575	1,500,000	-	2,174,575
Dan Petrisor ³	-	-	-	-
	686,208	6,767,537	1,703,272*	9,157,017*

¹ Non-beneficial to director

² Family trust

³ Alternate directors as of 28 February 2020

*PKM Development Limited is an associate of Martin Slabbert and Victor Semionov via Prime Kapital which holds 60% of the ordinary shares in the DJV. Martin and Victor are the founders of and have indirect beneficial interests in Prime Kapital. PKM Development Limited holds 29,993,638 shares in MAS, and Prime Kapital holds 60,650,000 shares in MAS.

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

During the year ended 30 June 2019, 4,000,000 shares have been forfeited 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 was 5,381,127, refer to note 22.2.

MAS Real Estate Inc.
Consolidated annual financial statements for the year ended 30 June 2020

29. Reconciliation of amounts reported under IFRS to Segmental analysis – proportionate accounts

Year ended 30 June 2020

Consolidated Statement of Profit and Loss	Proportionate accounts Line Item	IFRS accounts	Add 40% DJV	Deduct 20% NCI	Other reclass	Proportionate accounts
Rental income	Net rental income - income property	66,834	2,293	(2,912)	(10,331)	55,884
Service charge income and other recoveries		14,391	878	(864)	(14,405)	-
Impairment of revenue		(5,591)	-	-	5,591	-
Revenue		75,634				
Service charge and other property operating expenses		(19,158)	(891)	975	19,074	-
Net rental income		56,476				
Corporate expenses		(6,515)				
Corporate expenses	Net corporate expenses	(6,515)	(191)	79	651	(5,976)
	Share-based payment expense	-	-	-	(648)	(648)
Profit on sales of inventory property		309	-	-	(309)	-
Other income		6,308				
Dividend income (note 9)	Net dividends - listed securities	6,308	-	-	(118)	6,190
Other income (note 9)	Other distributable net income/(cost)	-	41	428	(164)	305
	Other non-distributable income/(cost)	-	-	-	(140)	(140)
Investment expenses	Investment expenses	(4,530)	(86)	83	261	(4,272)
Fair value adjustments		(42,399)				
Gain/(loss) on fair value of inv. prop, incl. inv. prop. held for sale (note 11)	Fair value adj. – income property	(11,487)	6,746	-	2,686	(2,055)
Loss on FV of fin. investments (note 11)	Fair value adj. – listed securities	(27,064)	142	-	(142)	(27,064)
Change in FV of interest rate swaps (note 11)	Fair value adj. – interest rate derivatives	(3,848)	-	(50)	1,599	(2,299)
Other financial liabilities (note 11)	Fair value adj. – other fin. liabilities	-	-	-	(1,865)	(1,865)
Foreign currency exchange differences	Foreign currency exchange differences	(1,203)	(229)	(5)	502	(935)
Share of profit from eq. acc. investees		4,848	(4,848)	-	-	-
Gain on bargain purchase		-	-	-	-	-
Goodwill impairment	Goodwill impairment	(29,452)	-	-	(1)	(29,453)
(Loss)/profit before finance income/(costs)		(16,158)				
Finance income		13,253				
Interest on preference shares (note 12)	Net income - preference shares	13,133	627	(720)	(5,160)	7,880
Amort. of cap. contrib. recvb. (note 12)		-	-	-	-	-
Interest on bank deposits (note 12)		120	47	(8)	(159)	-
	Interest capitalised on developments	-	-	-	2,173	2,173
Finance costs		(13,895)				
Interest on interest bearing borrowings (note 12)	Interest on debt financing	(13,805)	(2,140)	1,290	1,987	(12,668)
Amort. cap. contrib. payable (note 12)		-	-	-	-	-
Neg. int on bank deposits (note 12)		(90)	(66)	5	151	-
(Loss)/profit before tax		(16,800)				
Current tax		(1,424)				
Current tax (note 13)	Income tax	(1,424)	(68)	(593)	813	(1,272)
	Tax on sale of property	-	-	-	(61)	(61)
Deferred tax (note 13)	Deferred tax	(1,963)	(3,607)	864	(633)	(5,339)
Tax expense		(3,387)				
(Loss)/profit for the year, attributable to:		(20,187)	-	(1,428)	-	(21,615)
Owners of the group	Earnings	(21,615)	-	-	-	(21,615)
Non-controlling interest		1,428				

All amounts in € thousand unless otherwise stated.

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As at 30 June 2020

Consolidated Statement of Financial Position	Proportionate accounts Line Item	IFRS accounts	Add 40% DJV	Deduct 20% NCI	Other reclass	Proportionate accounts
<i>Non-current assets</i>						
Investment property		533,649				
Income-generating property (note 14)	Income property	532,742	45,116	-	429,593	1,007,451
Dev. property and land bank (note 14)	Developments - income property	907	40,775	-	-	41,682
	Developments - residential property	-	15,322	-	-	15,322
Intangible assets		1,696				
Goodwill (note 16)	Goodwill	1,696	-	-	-	1,696
Other intangible assets (note 16)		-	-	-	-	-
Inv. in equity-accounted investees		26,736	(26,736)	-	-	-
Financial assets		186,050				
PKM Dev preference shares (note 19.4)	Preference shares	186,050	-	-	(74,420)	111,630
Interest rate swaps (note 19.4)	Interest rate derivative financial assets	-	-	-	-	-
Property, plant and equipment		-	-	-	-	-
Other receivables		11,453	24	-	(11,477)	-
Deferred tax asset	Deferred tax asset	3,394	124	-	1	3,519
Total non-current assets		762,978				
<i>Current assets</i>						
Financial assets	Other assets	-	-	-	1,756	1,756
Inventory property		-	-	-	-	-
Investment property held for sale		429,592	-	-	(429,592)	-
Financial investments	Listed securities	28,406	7,973	-	7,090	43,469
Trade and other receivables		20,689				
Trade and other receivables	Trade and other receivables	20,252	1,503	-	(3,987)	17,768
VAT receivable	VAT receivable	437	4,028	-	-	4,465
	Share-based payment prepayments	-	-	-	13,700	13,700
Cash and cash equivalents	Cash and cash equivalents	51,404	3,381	-	-	54,785
Total current assets		530,091				
Total assets	Assets	1,293,069	91,510	-	(67,336)	1,317,243
<i>Non-current liabilities</i>						
Interest bearing borrowings	Debt financing	233,666	78,660	-	144,158	456,484
Financial liabilities	Interest rate derivative fin. liabilities	2,148	-	-	2,027	4,175
Other non-current liabilities		2,776	1,389	-	(4,165)	-
Deferred tax liability	Deferred tax liability	27,425	4,162	-	(1)	31,586
Total non-current liabilities		266,015				
<i>Current liabilities</i>						
Interest bearing borrowings		211,081	406	-	(211,487)	-
Financial liabilities	Other liabilities	2,323	-	-	(974)	1,349
Trade and other payables	Trade and other payables	17,627	6,893	-	3,106	27,626
Total current liabilities		231,031				
Total liabilities	Liabilities	497,046	91,510	-	(67,336)	521,220
Total equity, attributable to:		796,023	-	-	-	796,023
Owners of the group	Net asset value	796,023	-	-	-	796,023
Non-controlling interest		-	-	-	-	-

All amounts in € thousand unless otherwise stated.

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Consolidated annual financial statements for the year ended 30 June 2020

Year ended 30 June 2019

Consolidated Statement of Profit and Loss	Proportionate accounts Line Item	IFRS accounts	Add 40% DJV	Deduct 20% NCI	Other reclass	Proportionate accounts
Rental income	Net rental income - income property	57,620	2,208	(5,590)	(5,270)	48,968
Service charge income and other recoveries		12,455	1,183	(2,028)	(11,610)	-
Revenue		70,075				
Service charge and other property operating expenses		(18,479)	(1,248)	2,342	17,385	-
Net rental income		51,596				
Corporate expenses		(5,627)				
Corporate expenses	Net corporate expenses	(5,627)	(185)	178	40	(5,594)
	Share-based payment expense	-	-	-	(41)	(41)
Profit on sales of inventory property		8,151	-	-	(8,151)	-
Other income		7,259				
Dividend income (note 9)	Net dividends - listed securities	6,690	-	-	(786)	5,904
Other income (note 9)	Other distributable net income/(cost)	569	65	1,241	(663)	1,212
	Other non-distributable income/(cost)	-	-	-	18	18
Investment expenses	Investment expenses	(3,210)	(254)	342	(108)	(3,230)
Fair value adjustments		(7,632)				
Gain/(loss) on fair value of inv. prop, incl. inv. prop. held for sale (note 11)	Fair value adj. - income property	25,045	11,701	(6,078)	22,380	53,048
Loss on FV of fin. investments (note 11)	Fair value adj. - listed securities	(29,847)	-	-	-	(29,847)
Change in FV of interest rate swaps (note 11)	Fair value adj. - interest rate derivatives	(1,041)	-	290	-	(751)
Other financial liabilities (note 11)	Fair value adj. - other fin. liabilities	(1,789)	-	-	200	(1,589)
Foreign currency exchange differences	Foreign currency exchange differences	(365)	(74)	-	74	(365)
Share of profit from eq. acc. investees		11,009	(11,009)	-	-	-
Gain on bargain purchase		12,263	-	-	(12,263)	-
Goodwill impairment	Goodwill impairment	-	-	-	-	-
(Loss)/profit before finance income/(costs)		73,444				
Finance income		12,058				
Interest on preference shares (note 12)	Net income - preference shares	11,195	612	(1,788)	(3,302)	6,717
Amort. of cap. contrib. recvb. (note 12)		603	-	-	(603)	-
Interest on bank deposits (note 12)		260	17	(42)	(235)	-
	Interest capitalised on developments	-	-	-	1,882	1,882
Finance costs		(10,251)				
Interest on interest bearing borrowings (note 12)	Interest on debt financing	(9,399)	(1,139)	2,628	(561)	(8,471)
Amort. cap. contrib. payable (note 12)		(603)	-	-	603	-
Neg. int on bank deposits (note 12)		(249)	(7)	9	247	-
(Loss)/profit before tax		75,251				
Current tax		(3,948)				
Income tax - other jurisd. (note 13)	Income tax	(2,402)	(40)	105	784	(1,553)
UK - corporation tax (note 13)	Tax on sale of property	(1,546)	-	-	-	(1,546)
Deferred tax (note 13)	Deferred tax	(9,425)	(1,830)	1,548	(20)	(9,727)
Tax expense		(13,373)				
(Loss)/profit for the year, attributable to:		61,878	-	(6,843)	-	55,035
Owners of the group	Earnings	55,035	-	-	-	55,035
Non-controlling interest		6,843				

All amounts in € thousand unless otherwise stated.

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As at 30 June 2019

Consolidated Statement of Financial Position	Proportionate accounts Line Item	IFRS accounts	Add 40% DJV	Deduct 20% NCI	Other reclass	Proportionate accounts
<i>Non-current assets</i>						
Investment property		872,062				
Income-generating property (note 14)	Income property	852,840	13,880	(87,486)	71,090	850,324
Dev. property and land bank (note 14)	Developments - income property	19,222	27,818	(68)	26,790	73,762
	Developments - residential property	-	9,790	-	-	9,790
Intangible assets		30,647				
Goodwill (note 16)	Goodwill	30,252	-	(1,744)	-	28,508
Other intangible assets (note 16)		395	-	-	(395)	-
Inv. in equity-accounted investees		21,888	(21,888)	-	-	-
Financial assets		174,903				
PKM Dev preference shares (note 19.4)	Preference shares	174,128	-	-	(69,651)	104,477
Interest rate swaps (note 19.4)	Interest rate derivative financial assets	775	-	-	-	775
Property, plant and equipment		317	75	-	(392)	-
Other receivables		-	-	-	-	-
Deferred tax asset	Deferred tax asset	4,280	1,096	(603)	-	4,773
Total non-current assets		1,104,097				
<i>Current assets</i>						
Financial assets	Other assets	11,594	-	37,473	1,116	50,183
Inventory property		5,270	-	-	(5,270)	-
Investment property held for sale		92,610	-	-	(92,610)	-
Financial investments	Listed securities	87,814	-	-	59,558	147,372
Trade and other receivables		17,306				
Trade and other receivables	Trade and other receivables	15,113	776	(1,596)	-	14,293
VAT receivable	VAT receivable	2,193	855	(229)	-	2,819
	Share-based payment prepayments	-	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	71,155	5,003	(2,766)	-	73,392
Total current assets		285,749				
Total assets	Assets	1,389,846	37,405	(57,019)	(9,764)	1,360,468
<i>Non-current liabilities</i>						
Interest bearing borrowings	Debt financing	312,755	32,617	(40,215)	134,190	439,347
Financial liabilities	Interest rate derivative fin. liabilities	2,735	-	-	(352)	2,383
Deferred tax liability	Deferred tax liability	26,270	1,371	(4,109)	-	23,532
Total non-current liabilities		341,760				
<i>Current liabilities</i>						
Interest bearing borrowings		143,707	-	-	(143,707)	-
Financial liabilities	Other liabilities	17,309	287	(481)	105	17,220
Trade and other payables	Trade and other payables	21,512	3,130	(4,775)	-	19,867
Total current liabilities		182,528				
Total liabilities	Liabilities	524,288	37,405	(49,580)	(9,764)	502,349
Total equity, attributable to:		865,558	-	(7,439)	-	858,119
Owners of the group	Net asset value	858,119	-	-	-	858,119
Non-controlling interest		7,439	-	(7,439)	-	-

All amounts in € thousand unless otherwise stated.

30. Summary of general accounting policies

Basis of preparation – statement of compliance

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standard as issued by the IASB ("IFRS"), the Johannesburg Stock Exchange ("JSE") Listings Requirements, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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 at fair value through profit or loss ("FVTPL"), refer to note 21;
- Financial investments, refer to note 19.1;
- Share-based payments on grant date, refer to note 22.2; and
- Investment property and investment property held for sale, refer to notes 14.1 and 14.2.

Accounting policies

The specific accounting policies applied in the preparation of these consolidated annual financial statements have been described in each note, where applicable. The following general accounting policies have also been applied. All policies have been applied consistently to all years presented, unless otherwise stated.

Principles of consolidation

Subsidiaries

The consolidated financial statements of the Group incorporate the assets, liabilities, operating results and cash flows of the company and its subsidiaries. Subsidiaries are all entities, including those that are structured, over which the Group has control. The Group controls an entity when it 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 over it. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the date control ceases. The acquisition method is used to account for the acquisition of subsidiaries. Identifiable acquired assets and liabilities, and contingent liabilities, assumed in a business combination are measured at their fair values on the date of acquisition. The consideration transferred for the acquired entity is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred, or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs, such as advisory, legal, valuation and similar professional services.

The accounting policies of the subsidiaries are consistent with those of the company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in equity.

Transactions and balances eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intragroup transactions, as well as investments in subsidiaries and corresponding equity in the subsidiaries are eliminated in preparing the consolidated financial statements.

Functional and presentation currency

These consolidated annual financial statements are presented in euro ("€"), the Group's presentation currency.

The functional currency is determined by the relevant, primary economic environment of each entity in the Group. The other determining factor is the currency in which the majority of cash flows, goods and services are denominated and settled in the respective country. When the functional currency cannot be clearly identified, management uses judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Translation into functional currency

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. 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;
- 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.

Adoption of new/revised standards

During the year, the Group adopted the following amendments/improvements to standards and interpretations:

- IFRS 16 – Leases
- IFRS 3 – Amendment to IFRS 3 'Business combinations'
- IFRIC 23 – Uncertainty over income tax treatments
- IAS 28 – Amendments to IAS 28 'Investments in Associates and Joint Ventures'

IFRS 16 – Leases

The Group has adopted IFRS 16 'Leases' with effect from 1 July 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments

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Consolidated annual financial statements for the year ended 30 June 2020

less any lease incentives receivable and termination payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The right-of-use asset is depreciated over the minimum between the asset's useful life, and the lease term on a straight-line basis. The new standard does not have a material impact on the consolidated financial statements.

IFRS 3 – Amendment to IFRS 3 'Business combinations'

The Group adopted the amendment to IFRS 3 on 1 July 2019. The amendments apply prospectively to transactions that occur on or after the date of first application, while transactions in prior periods do not need to be revisited. The Group has applied the amendment for the business combination that occurred during the year.

IFRIC 23 – Uncertainty over income tax treatments

The Group adopted IFRIC 23 on 1 July 2019, with effect from 1 July 2018. There has been no impact on the amounts or disclosures previously reported as a result of the adoption of the amendment to IFRIC 23.

IAS 28 – Amendments to IAS 28 'Investments in Associates and Joint Ventures'

The Group adopted IAS 28 on 1 July 2019, with effect from 1 July 2018. There has been no impact on amounts or disclosures previously reported as a result of the adoption of the amendment to IAS 28. The preference shares in PKM fall within the scope of the amendment. There has been no change to the accounting treatment of the preference shares as these had already been recognised as a financial asset at amortised cost, in accordance with IFRS 9 'Financial Instruments'.

New and amended standards and interpretations not yet adopted

Below is a summary of new standards and amendments/improvements to existing standards and interpretations that are not yet effective, and which are expected to be applicable to the Group:

Amendments/improvements to standards and interpretations not yet effective	Effective for annual periods beginning on or after
Definition of material (Amendments to IAS 1 and IAS 8)	1 Jan 2020
The conceptual framework for financial reporting	1 Jan 2020
Interest rate benchmark reform (Amendment to IFRS 9, IAS 39 and IFRS 7)	1 Jan 2020

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Company information and advisors

Identification

MAS Real Estate Inc.
Registration number 1750199
JSE share code: MSP
ISIN: VGG5884M1041
LEI code: 213800T1TZPGQ7HS4Q13

Registered office in the BVI

MAS Real Estate Inc.
Craigmuir Chambers Road Town
Tortola VG1110
British Virgin Islands

Correspondence address

MAS Real Estate Inc.
2nd Floor, Clarendon House Victoria Street Douglas
Isle of Man IM1 1LN

Company secretary

Timothy Callister

Independent auditor

PricewaterhouseCoopers LLC
Sixty Circular Road Douglas
Isle of Man IM1 1SA

JSE Sponsor

Java Capital Trustees and Sponsors Proprietary Limited
6th Floor, 1 Park Lane, Sandton
Johannesburg 2196
South Africa

BVI Administrator

Hameys Corporate and Trust Services Limited
Craigmuir Chambers Road Town, Tortola VG1110 British Virgin Islands

Registrar / Transfer Secretaries

British Virgin Islands
Computershare Investor Services (BVI) Limited
Registration number 003287V Woodbourne Hall
PO Box 3162
Road Town, Tortola British Virgin Islands

South Africa
Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
PO Box 61051 Marshalltown 2107

Depository

Computershare Investor Services PLC
The Pavilions Bridgewater Road Bristol,
BS13 8AE

Property Valuers

Germany

Cushman & Wakefield (UK) LLP – German Branch
Rathenauplatz 1
D-60313 Frankfurt am Main
Germany

Jones Lang LaSalle SE
Blockenhaimer Landstrasse 55
60325 Frankfurt
Germany

Poland

Cushman & Wakefield Polska Sp. z o.o.
Metropolitan
Plac Pilsudskiego 1
Warsaw, 00-078
Poland

Romania and Bulgaria

Cushman & Wakefield Echinox
Banu Antonache Street
No 40-44, 3rd Floor Sector 1,
Bucharest

Switzerland

Wüest & Partner AG
Bleicherweg 5
CH-8001
Zürich
Switzerland

United Kingdom

Gerald Eve LLP
72 Welbeck Street
London, W1G 0AY
England

Montagu Evans LLP
4th Floor Exchange Tower
19 Canning Street
Edinburgh, EH3 8EG
Scotland

CBRE Limited
7 Castle Street,
Edinburgh, EH2 3AH
Scotland

Avison Young (GVA Grimley Limited)
Sutherland House 149
St. Vincent Street
Glasgow, G2 5NW
Scotland

Jones Lang LaSalle Limited
7 Exchange Crescent Conference Square
Edinburgh, EH3 8LL
Scotland

Glossary

Adjusted distributable earnings	Adjusted distributable earnings represents the adjusted underlying earnings of the Group from net rental income from income property, net income from preference shares, net dividends on listed securities, net corporate expenses, interest on debt financing, interest capitalised on developments, other distributable net income or cost and income tax
BVI	British Virgin Islands
CEE	Central and Eastern Europe
CFDs	Contract for Differences
CGU	Cash-generating unit
Company	MAS Real Estate Inc.
Covid-19	Pandemic resulted following the global spread of the infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Development property	Property under construction, in process of being developed for future use as income property or for sale and land plots to be utilised for future developments
EPRA	European Public Real Estate Association
ERV	Estimated rental value
FVTPL	Fair value through profit and loss
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 reporting date For clarity this excludes the geared share purchase plan shares
Income property	Property held to earn rental income
Investment property	Income property, Development property and Land bank
IOM	Isle of Man
IJV	Investment joint venture, former joint venture with PK, 80% owned and controlled by the company, for investing in CEE Income properties
JSE	Johannesburg Stock Exchange
King IV	King IV Code of Corporate Governance for South Africa
Land bank	Land plots held for future developments
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
LTV	Loan to value, the ratio of the nominal value of debt net of cash to investment property, listed securities and preference shares
LuxSE	Luxembourg Stock Exchange
Median daily share volume	The median number of shares traded per day during the reporting period on the JSE

NAV	Net asset value
SA REIT	South African Real Estate Investment Trust Association, the representative umbrella body comprised of voluntary members of South African listed REIT companies and trusts
Tangible NAV	Net asset value which includes only assets and liabilities likely to crystallise on disposal, and corresponds to net asset value under adjusted proportionate accounts
Transaction	The acquisition on 27 November 2019 by the Group of PK's effective economic interest in the IJV with MAS
NCI	Non-controlling interest
NRI	Net rental income
Prime Kapital / PK	Prime Kapital Holdings Limited
PKM Development	PKM Development Limited
REIT	Investment in listed real estate equity securities
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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