ANNUAL REPORT **2013**

NEW EUROPE PROPERTY INVESTMENTS PLC

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PHOTO: AUPARK ZILINA, SLOVAKIA

More information can be found on our website
www.nepinvest.com

The terms 'NEPI', the 'Group', the 'Company', 'we', 'our' and 'us' refer to New Europe Property Investments plc and, as applicable, its subsidiaries and/or interests in joint ventures and associates.
All amounts presented in Euro unless otherwise stated.

Company profile

New Europe Property Investments plc is a commercial property investor and developer listed on the Main Board of the Johannesburg Stock Exchange (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE).

NEPI was set up to acquire, develop and manage regionally dominant retail assets, initially in Romania and subsequently in other Central and Eastern European countries. The Group also invests in office and industrial properties when suitable opportunities arise.

Through a combination of acquisitions, developments and redevelopments the Group built up an exceptional property portfolio in Romania, with significant retail and office developments in the pipeline. NEPI is currently involved in a retail expansion programme in other countries and recently acquired a retail centre in Slovakia.

The investment strategy is biased towards long-term leases in Euro with strong corporate covenants. On 31 December 2013, the portfolio had an outstanding weighted average lease duration of 4.8 years, while 64% of the contracted rental income was generated by contracts signed with large tenants and major franchisees.

The Group is internally managed and combines property and asset management with investment and development skills in an integrated approach.

The Company distributes at least 90% of its net rental profits on a semi-annual basis.

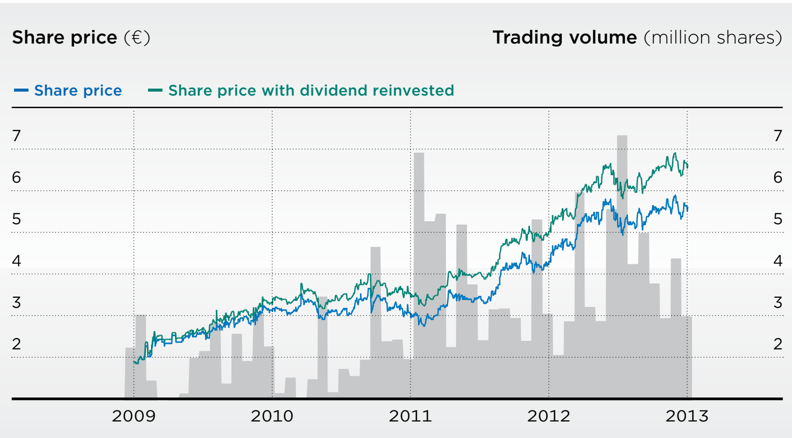
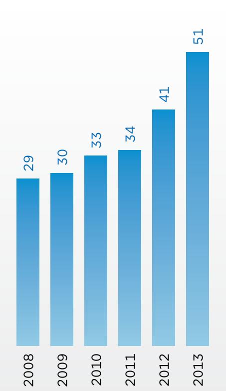
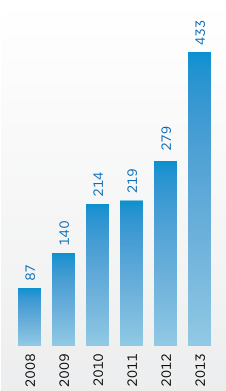


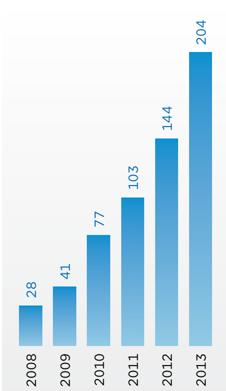
PHOTO: THE OFFICE, CLUJ-NAPOCA, ROMANIA



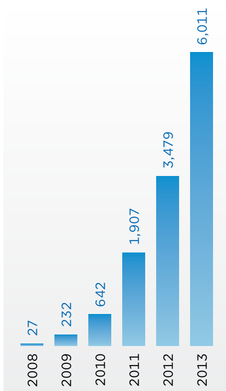
TOTAL NUMBER OF PROPERTIES



LETTABLE AREA OF PROPERTIES
thousand m²

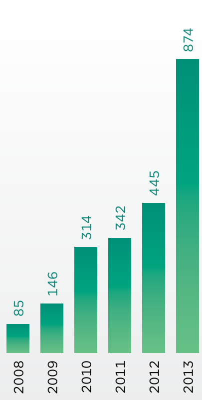


SHARES IN ISSUE
million

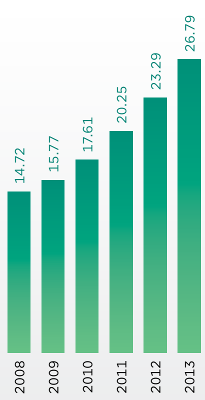


NUMBER OF SHAREHOLDERS

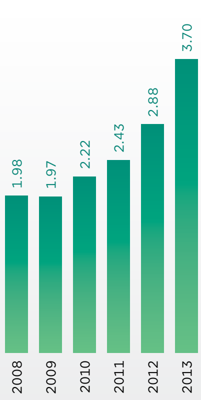
PHOTO: AUPARK ZILINA, SLOVAKIA



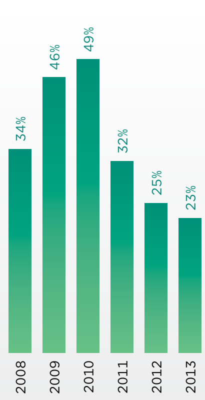
FAIR VALUE OF PROPERTIES
€ million



DISTRIBUTION PER SHARE
€ cents



ADJUSTED NAV PER SHARE
€



GEARING
(loans-cash)/(investment property+listed securities)

Board of Directors

Executive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01 **Martin Slabbert** (43)

Chief Executive Officer
Appointed on 14 August 2007
BCom, LLB (cum laude), MCom (cum laude), Dip FMI, CF (England and Wales)

Martin Slabbert started his career in South Africa. Here he held positions at Arthur Andersen and HSBC Investment Services (Africa) (Pty) Ltd, gaining experience in mergers and acquisitions, turn-around strategies and financial restructuring. He was Senior Vice-President for the shareholders' funds and member of the Executive Committee at Nedcor Investment Bank Ltd, and later General Manager in the capital management cluster of the Nedbank Group. In Romania he served as Partner at Deloitte Central Europe. Mr Slabbert co-founded NEPI in 2007, and has been managing the Group since then.

02 **Victor Semionov** (36)

Finance Director
Appointed on 13 May 2010
BCom

Victor Semionov graduated with a degree in finance in 1999 and started his career with the financial advisory practice of Deloitte Central Europe where he gained experience in mergers, acquisitions, turn-arounds and debt finance. Mr Semionov co-founded NEPI in 2007 and he has worked for the Group since then.

03 **Alex Morar** (30)

Executive Director
Appointed on 25 September 2013
BSc Finance and Information Systems

Alexandru Morar graduated with a degree in finance from Stern School of Business, New York University, and spent two years with the financial advisory practice of Deloitte Romania. He joined NEPI in 2007 and is currently focused on the investments and acquisitions programme and oversees elements of asset management.

04 **Tiberiu Smaranda** (32)

Executive Director
Appointed on 25 September 2013
BA

Tiberiu Smaranda graduated with a degree in management and marketing, and started his career at the Flamingo Group (Flanco), one of Romania's leading white goods retailers. Here he was involved in retail management, development and expansion for nearly eight years, and was responsible for company's expansion into Bulgaria, Croatia, Hungary, Macedonia, Moldova and Serbia. He joined NEPI in 2009 as Leasing Manager, and is now responsible for the retail developments, including retail asset management and maintaining relationships with key retail tenants.

Non-executive

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01 **Dan Pascariu** (63)

Independent Non-executive Chairman
Appointed on 30 March 2009
MBA

Dan Pascariu is one of the most renowned figures in the Romanian banking industry. He started his career with the Romanian Bank for Foreign Trade in 1973, attaining the position of Chairman and CEO. Mr Pascariu is a non-executive Board member of the leasing, investment banking and building society subsidiaries of the Unicredit Group in Romania. He was the founder, and first President, of the Romanian Banking Association, as well as a co-founder and associate professor at the Romanian Banking Institute. Mr Pascariu is currently on the board of directors at various financial institutions in Romania and abroad.

02 **Desmond de Beer** (53)

Non-independent Non-executive Director
Appointed on 21 October 2008
BProc, MAP

Desmond de Beer has significant experience in property investment and management. He spent several years in the banking industry, firstly at Barclays Bank in South Africa where he was Bond Manager at the Barclays Trust. Later he was appointed General Manager Corporate Equity, and became a member of the Executive Committee at Nedcor Investment Bank. Since 2003, Mr de Beer has been the Managing Director of the Resilient Property Income Fund, and a Director of Capital Property Fund, both listed on the JSE.

03 **Jeffrey Zidel** (63)

Independent Non-executive Director
Appointed on 11 November 2009

Jeffrey Zidel is a successful property developer and investor, and has been involved in all aspects of the property industry for over 40 years. He is currently Chairman of Fortress Income Fund Ltd and Property Index Tracker Managers (Proprietary) Ltd, both listed on the JSE. Mr Zidel has been the President of the Roodepoort Chamber of Commerce three times, and one of the co-founders of Resilient Property Income Fund Ltd.

04 **Michael Mills** (66)

Independent Non-executive Director
Appointed on 13 August 2007
BSc, FCA

Michael Mills is an experienced public company chairman and managing director with significant operating and financial experience. A chartered accountant, he has worked across a range of sectors including technology, engineering, service and distribution, paper and packaging, food and textiles. His recent positions include, amongst others, Chairman of Advance Value Realisation, non-executive Director of Ultrasis, Managing Director of Atlas Medical Recruitment, Chairman of Athanor Capital Partners, Legacy Distribution Group and CEO of Drew Scientific Group.

05 **Dewald Joubert** (41)

Independent Non-executive Director
Appointed on 23 July 2007
BCom, LLB, Adv Cert Tax

Dewald Joubert has extensive experience in international tax planning for corporations, transaction structuring and corporate governance. Formerly a practicing lawyer, he began his professional career with Arthur Andersen in South Africa and thereafter in the Isle of Man with the Maitland Group, where he was appointed partner of the firm. Mr Joubert holds a number of independent non-executive directorships on the boards of various listed companies and significant subsidiaries of listed multinational businesses.

Senior management team

NEPI's senior management consists of the Executive Directors and the individuals presented below. This multifaceted multinational team is proud of its successful track record and comprehensive collection of in-house experts fully conversant with property and asset management, investment and property development.


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01 **Michael Beux** (46)
Construction project management
BSc

Michael Beux studied civil engineering in South Africa and started his career in the construction industry with Goldstein Civil Engineering (later Group Five Civil Engineering). In 2000, he moved to Romania where he spent five years contracting for Kier International, after which he moved into project management and construction consulting as Projects Director for Gleeds Romania. He joined NEPI in 2010 where he manages the internal project management function and provides technical advice.

02 **Neal Farley** (52)
Construction project management
BSc, PG Dip

Neal Farley graduated with a degree in minerals estate management and a post graduate diploma in project and construction management. He began his careerin London working on the construction of numerous office and retail developments before moving to Poland where he spent ten years gaining Eastern European experience. Mr Farley has been in Romania for seven years working on office, industrial and retail developments.

03 **Anca Gania** (33)
Acquisitions and planning
BCom, ACCA, Chamber of Financial Auditors of Romania

Anca Gania graduated with a degree in finance and has ten years of experience in corporate finance. Prior to joining NEPI, she was a senior manager with the transaction services practice at PricewaterhouseCoopers where she spent nine years mainly performing merger and acquisition assignments.

04 **Sorin Badea** (36)
Acquisitions and legal
LLB

Sorin Badea is a lawyer with over twelve years of experience in mergers and acquisitions, real estate and developments. Prior to joining NEPI, he practiced law as part of the Romanian legal teams at Clifford Chance and Deloitte.

05 **Adrian Boca** (33)
Construction project management
BSc

Adrian Boca graduated with a degree in civil engineering and has ten years of experience in construction project management. Prior to joining NEPI, he held similar positions at Gardiner&Theobald and Lidl Romania, part of the Schwarz Group, one of Europe's largest discount retailers.

06 **Adrian Rosca** (39)
Construction project management
BSc

Adrian Rosca graduated with a degree in civil engineering and has sixteen years of experience in construction project management. Prior to joining NEPI, he held construction project management positions at Mivan, the Romanian arm of Ed Züblin, a German contractor, and Gardiner&Theobald.

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07 **Estera Enache** (34)

Retail leasing

BLS

Estera Enache has twelve years of experience in sales and retail leasing. Prior to joining NEPI, she was senior consultant at DTZ Echinox for seven years.

08 **Iulian Rusu** (37)

Retail leasing

BJ

Iulian Rusu has nineteen years of experience in journalism, public relations and retail leasing. Prior to joining NEPI, he was senior consultant at the Romanian office of Krammer&Wagner where he was responsible for retail leasing.

09 **Lori Collin** (40)

Office leasing

BSc

Lori Collin has twenty years of experience in real estate and is specialised in office leasing. Her career started in the USA covering the commercial, investment and residential sectors, spending the last five years specialising in office leases in Romania. Prior to joining NEPI, Ms Collin was associate director at Jones Lang LaSalle Romania.

10 **Mirela Covasa** (31)

Reporting and controlling

BCom, ACCA, Chamber of Financial Auditors of Romania

Mirela Covasa graduated with a degree in finance and has worked in accounting and auditing for over twelve years. Prior to joining NEPI, she was senior manager at PricewaterhouseCoopers where she spent eight years performing audit assignments in Romania, Slovenia and India.

11 **Marius Barbu** (34)

Asset and property management

BCom, MSc

Marius Barbu has fourteen years of experience in marketing and real estate. Prior to joining NEPI, he held marketing executive positions with Unilever, and asset and property management appointments with Mivan, an Irish developer, and Argo Investment Fund, a retail property owner and operator.

12 **Daniel Bod'a** (34)

Asset and property management

BSc, MBA

Daniel Bod'a has a master's degree in natural sciences and later completed an MBA at Nottingham Trent University. Prior to joining NEPI, he spent five years in retail before moving into asset and property management when he joined HB Reavis, a property developer.

Directors' report

Distributable earnings

The Group has achieved distributable earnings of 13.92 euro cents per share for the second half of the financial year ended 31 December 2013. This result, combined with the 11.87 euro cents per share for the first half of the financial year, represents a 23.5% improvement in recurring income per share when compared to 2012.

The improvement is due to the continued strong performance of the Group's assets and the favourable impact of acquisitions and developments completed during the financial year, which are detailed below.

Distribution

The Board of Directors has resolved to set the 2013 full year distribution to 26.79 euro cents per share, an improvement of 15% over the 23.29 euro cents distribution declared in relation to 2012. Accordingly, the Board has declared a final distribution of 13.86 euro cents per share for the six months ended 31 December 2013.

Option to receive capital return

Consistent with the practice introduced in 2012, the Board has resolved to offer shareholders the option to receive their distribution as either cash or an issue of fully-paid shares up at a ratio of 2.742 new shares for each 100 held.

A circular that contains details of this resolution, accompanied by announcements on the Stock Exchange News Service (SENS) of the Johannesburg Stock Exchange (JSE), the Regulatory News Service (RNS) of the London Stock Exchange (LSE) and the Bucharest Stock Exchange (BVB) has been issued on 6 March 2014.

Retained distributable earnings

In recent years the Board has adopted a policy of retaining non-recurring distributable earnings and considering them for distribution as the Group increasingly pursued various property developments that are expected to have a positive impact on per share distributions once complete, but that are earnings dilutive during construction. This policy was adopted during the 2011 financial year to maintain a constant growth profile in per share distributions during the construction phase at an annualised target rate of 15% over a three-year period (from the 2010 base). In the second half of the 2013 financial year, the Group achieved its three year growth target in distribution per share without making use of retained distributable earnings.

PHOTO: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA

The balance of retained distributable earnings carried forward from prior financial periods on 31 December 2013, after the final period distribution of 2013, is €6.7 million.

This amount will be considered for distribution during 2014 and 2015. The Group will continue to focus on maximising long-term distribution per share by investing in further development opportunities with acceptable risk profiles, even if these lead to a reduction in year-on-year distribution growth in some years. As a result the growth in distributable earnings per share could be irregular in the future.

23.5%

increase in recurring distributable earnings per share (YOY)

28.5%

increase in adjusted NAV per share (YOY)

12.7%

nominal average compounded annual growth rate in distribution per share since 2008

PHOTO: CITY PARK, CONSTANTA, ROMANIA

Retail property acquisitions and completed developments

Aupark Zilina

Effective acquisition date: 31 July 2013

The Group has acquired Aupark Zilina, a regional mall with 24,874m^2 of Gross Leasable Area (GLA), situated in the historic centre of Zilina, Slovakia, 200 km from the capital Bratislava and close to the Czech and Polish borders. Zilina, with a population of 85,000 is the country's third largest city, an important industrial hub and the capital of a region with 700,000 residents. Within 30-minute drive of the shopping centre are 380,000 citizens. Major tenants include international brands such as Billa, C&A, Deichmann, H&M and New Yorker.

162%
increase in retail asset base (YOY)

Directors' report

City Park Constanta

Effective acquisition date: 31 October 2013

The Group has acquired City Park, a mall of 29,284m² GLA situated in Constanta, Romania. It is located on a busy intersection close to the centre and a short distance from Mamaia, the country's most popular seaside resort. The Constanta metropolitan area has 425,000 residents, while Mamaia attracts large numbers of visitors each summer. City Park hosts a wide range of global fashion brands such as Bershka, Koton, LC Waikiki, Mango, Marks & Spencer, Orsay, Oysho, Pull&Bear, Stradivarius and Zara, as well as a Cora hypermarket, several international fast food brands like KFC, McDonalds and Pizza Hut, and various other international and national tenants. City Park has existing, approved building rights, which NEPI intends to utilise to develop a substantial fashion and leisure extension.

Severin Shopping Center

Effective acquisition date: 1 May 2013

The Group has acquired Severin Shopping Center in Drobeta-Turnu Severin, Romania, which has 16,546m² GLA and 23,000m² of additional land intended for extensions. Major tenants include Altex, Carrefour, Deichmann, Lee Cooper, New Yorker, Orsay and Takko.

Shopping City Galati

Opening date: 21 November 2013

The Group has completed the development of Shopping City Galati in Romania. The completed shopping centre, which has 27,206m² of GLA, houses various international brands, including Carrefour, CCC, C&A, Deichmann, dm, H&M, Intersport, KFC and New Yorker. It was completed in six months from the issue of the building permit and the Group owns sufficient land for a substantial future extension.

Deva Shopping Centre

Effective acquisition date: 31 July 2013

The Group has acquired a regional shopping centre with 42,180m² GLA in Deva, Romania, the capital of Hunedoara county. In addition to Deva's population of 56,000, the catchment area includes 220,000 residents within a 45-minute drive of the centre. Major tenants include dm, Domo, Jysk, Metro Cash & Carry, Praktiker, Real Hypermarket (recently rebranded as Auchan Hypermarket) and Takko. The acquisition includes 29,000m² of land intended for extensions.

Strip mall developments

The Group opened four Kaufland strip mall extensions in Romania:

— Alexandria (2 May 2013)
— Petrosani (24 October 2013)
— Sighisoara (14 November 2013)
— Sfantu Gheorghe (21 November 2013)

Directors' report

RENDER: MEGA MALL, BUCHAREST, ROMANIA

Retail property developments and extensions

Mega Mall

The Group has acquired a 70% interest in a permitted development on the former Electroaparataj factory site in Bucharest, and in conjunction with Austrian development group Real4You commenced construction of a 70,000m² GLA mall. The 51,000m² site is located close to the national football stadium, in the city's densely populated east area which currently lacks retail space. Mega Mall is visible from a major vehicle artery and has excellent access to public transport, including trams, buses and trolley buses. A metro station is planned in front of the mall and the centre is expected to connect to it. Leasing efforts are progressing well and the opening is planned for the second quarter of 2015.

Vulcan Value Centre

The Group owns a 78,000m² former factory site, located in an under-serviced and densely populated area of Bucharest, where it is developing a value centre with 24,900m² GLA, anchored by a hypermarket and other value tenants. The site has good vehicular access to two major boulevards, excellent access to trams and buses, and should attract many pedestrians from the surrounding densely populated area. A building permit has been issued in January 2014, after an unplanned delay which was outside the Group's control, and construction commenced. The value centre is expected to open in September 2014. More than 70% of the development has been let to international and national tenants, including a Carrefour hypermarket, C&A, dm, Domo, H&M, KFC and Takko.

Shopping City Targu Jiu
The Group has secured a series of adjoining plots of land with a total area of 40,000m² in Targu Jiu, Romania, and has commenced construction of a regional shopping centre with 27,000m² GLA. Targu Jiu is the capital of Gorj county, and with its population of 78,000 is its largest city. Employment levels in the county are high, it has one of the highest per capita income levels in the country, and purchasing power is relatively high. A series of large industrial developments are anticipated to occur in the area, which could stimulate further economic growth.

Currently there are no major retail developments in Targu Jiu. The site is located in the most densely populated area of the city, near the existing Kaufland hypermarket, and there are an additional 150,000 residents within a 30-minute drive. Lease agreements have been signed with tenants for 60% of the GLA, including Carrefour, the anchor hypermarket. The shopping centre is expected to open in October 2014.

Strip mall developments
Further to the four Kaufland value centres opened during 2013, the Group expects to open a similar centre in Vaslui in the second quarter of 2014, and intends to pursue other opportunities in similar sized Romanian cities which are under-serviced by modern retail facilities.

Retail extensions
Various retail extensions are planned to commence subject to obtaining the necessary authorisations, permits and tenant commitments. These include extensions to NEPI's retail assets in Brasov, Braila, Constanta, Deva and Drobeta-Turnu Severin.

Disposals

Retail Park Pitesti – hypermarket section
Disposal date: 29 April 2013
As announced in August 2012, the hypermarket section of Retail Park Pitesti was sold to the Auchan Group for a total consideration of €29.2 million.

RENDER: MEGA MALL, BUCHAREST, ROMANIA

Directors' report

Office property acquisition

The Lakeview

Effective acquisition date: 1 January 2013

The Group has acquired The Lakeview in north-east Bucharest, Romania, a landmark A-grade building, including office space and ground-floor retail. The building comprises a total GLA of 25,564m² and 485 parking spaces. It is located close to NEPI's Floreasca Business Park in the emerging office corridor between Floreasca and Barbu Vacarescu streets. Tenants include Alcon, Colgate-Palmolive, Huawei, Philips, PricewaterhouseCoopers and Royal Bank of Scotland.

Office property developments

City Business Centre

The Group owns City Business Centre in Timisoara, Romania, a city that is home to a growing back-office activities and services market that offers a skilled labour force, low costs and proximity to Western Europe. The Group also has a forward purchase agreement for two additional buildings in City Business Centre, with 20,000m² GLA. An initial early payment of €8 million was made to the vendor in February 2013 through a secured loan, in relation to the first of these buildings (the second is still under development).

The Office

In February 2013 the Group commenced the first of three phases of a joint venture office development situated in the city centre of Cluj-Napoca. This will include up to 54,400m² of A-grade office GLA. Cluj is in the north-west of Romania and is the country's second largest city by population. The first phase of 19,600m² GLA is planned to be completed and delivered in April 2014. Significant tenant interest has been generated for what will be Cluj's first A-grade office development.

Victoriei Office

Permits should soon be available for a landmark office development on land owned by NEPI in a prime location in central Bucharest.

PHOTO: FLOREASCA BUSINESS PARK, BUCHAREST, ROMANIA

Directors' report

Cash management and debt

Throughout the financial year the Company raised €253 million via the issue of new ordinary shares, €84 million in new third-party debt facilities and €63 million in extended secured third-party debt facilities.

On 31 December 2013 the Group's gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) decreased to 22.5%, compared to 25% at 31 December 2012. The average interest rate (including hedging costs) of the debt was approximately 4.6% during the financial year. The weighted-average margin may increase further in the coming financial periods as further loans are taken, while the impact of a potential increase in the base rate (Euribor) has been limited by extending or concluding new interest rate hedges to five years or more, mostly by means of acquiring interest rate caps.

The Group ended the year with €117 million in cash and listed property shares, and will continue to hold relatively large cash and liquid resources to fund its development pipeline and take advantage of new investment opportunities, as and when they arise.

In addition to the cash balances, the Group has an undrawn, secured revolving facility with UniCredit Tiriac Bank for €9.5 million. Further secured debt facilities will be considered during the current financial year.

Bank loans and borrowings repayment profile

Borrower	Outstanding amount	Available for drawdown	2014	2015	2016	2017	2018 and beyond
Floreasca Business Park	56,577,248	–	3,920,000	3,920,000	3,920,000	3,920,000	40,897,248
Aupark Zilina	53,826,669	–	2,973,946	1,953,951	48,898,772	–	–
Promenada Mall Braila	35,688,696	–	35,688,696	–	–	–	–
The Lakeview	29,824,138	–	2,110,345	2,110,345	2,110,345	2,110,345	21,382,758
City Business Centre	26,887,758	–	1,265,202	1,314,149	1,365,022	1,417,895	21,525,490
Ploiesti Shopping City (joint venture)	15,075,378	–	2,840,799	768,665	768,665	768,665	9,928,584
German portfolio (joint venture)	12,862,905	–	12,862,905	–	–	–	–
Retail Park Pitesti	12,279,140	–	1,042,071	11,237,069	–	–	–
New Europe Property Investments plc	10,409,281	–	10,409,281	–	–	–	–
Regional offices portfolio	6,298,637	–	6,298,637	–	–	–	–
Street segment retail portfolio and Brasov Strip Mall	6,137,500	–	250,000	250,000	5,637,500	–	–
Rasnov Industrial Facility and Otopeni Warehouse	–	9,500,000	–	–	–	–	–
TOTAL	**265,867,350**	**9,500,000**	**79,661,882**	**21,554,179**	**62,700,304**	**8,216,905**	**93,734,080**

The weighted average margin for the loans outstanding as at 31 December 2013 was 3.3% paid on top of a reference base rate (EONIA, 1 month EURIBOR, 3 month EURIBOR) hedged with a weighted average interest rate cap of 2% for 51% of the outstanding notional amount and a weighted average interest rate swap of 2.1% for 49% of the notional amount.

RENDER: VICTORIEI OFFICE, BUCHAREST, ROMANIA

Other highlights

The Group has grown significantly during 2013 and as a result NEPI has been included in the JSE mid-cap index. The total number of shareholders increased from 3,479 at the end of 2012 to 6,011 at the end of 2013; the daily trade in shares also increased.

On 31 December 2013, the Adjusted Net Asset Value (NAV) per share was 28.5% higher than it was at the end of the previous year. Vacancy level is decreasing: calculated as a portion of available rentable area (excluding the rentable areas covered by earn-out arrangements in City Business Centre, Timisoara) at the end of 2013 it was 2.33% compared to 4.8% the previous year (3.56% on a like-for-like basis).

Non-recoverable tenant income for 2013 amounted to €87,963, equivalent to 0.14% of contractual rental income and expense recoveries for the year.

Due to the growth in activity, the Group increased its focus on corporate governance to ensure that adequate internal controls are in place to manage risks. Two new directors joined the Board in September 2013, Alexandru Morar and Tiberiu Smaranda. The Group also augmented its management team by recruiting additional experienced asset management, leasing, project development and finance professionals.

Prospects

NEPI has maintained high levels of growth in recurring distributable earnings per share over the course of the past six years, and as a result has achieved a nominal average compounded annual growth rate of 12.7% in distribution per share from 2008 to 2013.

The development pipeline detailed above ensures that the Group is well placed to pursue further attractive investment opportunities and grow its recurring distributable earnings in 2014 and beyond. In addition, the Group will continue to explore further acquisitions and development opportunities in Romania and other central-eastern European countries, with initiatives already underway. Relevant announcements will be made as and when appropriate.

Earnings guidance

The Board is confident that recurring distributable earnings per share for the first half of 2014 will range from 13.90 to 14.20 euro cents per share (compared to 11.87 euro cents per share for the six months ended on 30 June 2013) based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur and no further shares will be issued during the period.

Consequently growth in distribution per share of 15% is expected to be achieved for the interim period ending 30 June 2014. This forecast has not been audited or reviewed by NEPI's auditors.

Analysis of shareholders and share trading

	Number of shareholders 31 Dec 2013	Number of shares held 31 Dec 2013	Percentage of issued shares 31 Dec 2013	Number of shareholders 31 Dec 2012	Number of shares held 31 Dec 2012	Percentage of issued shares 31 Dec 2012
Shareholder spread in terms of the JSE Listings Requirements						
Public	5,970	160,383,690	78.41	3,448	73,211,597	50.71
Non-public	41	44,160,546	21.59	31	71,150,555	49.29
Out of which Directors and employees	40	19,410,546	9.49	28	17,486,701	12.11
TOTAL	**6,011**	**204,544,236**	**100.00**	**3,479**	**144,362,152**	**100.00**
Size of holding (shares)						
Up to 2,500	3,946	3,718,377	1.82	2,009	2,186,408	1.51
2,501–10,000	1,277	6,192,192	3.03	924	4,546,437	3.15
10,001–100,000	588	17,667,882	8.64	407	12,014,485	8.32
100,001–1,000,000	170	53,339,539	26.08	120	38,160,480	26.44
1,000,001–3,500,000	21	31,925,879	15.61	14	24,372,181	16.88
Over 3,500,000	9	91,700,367	44.82	5	63,082,161	43.70
TOTAL	**6,011**	**204,544,236**	**100.00**	**3,479**	**144,362,152**	**100.00**

Registered shareholders owning 5% or more of issued shares	Number of shareholders	Number of shares held	Percentage of issued shares
31 Dec 2013			
Resilient Property Income Fund Ltd	1	24,750,000	12.10
Fortress Income Fund Ltd	1	20,410,000	9.98
Capital Property Fund	1	16,024,304	7.83
TOTAL	**3**	**61,184,304**	**29.91**
31 Dec 2012			
Resilient Property Income Fund Ltd	1	21,517,635	14.91
Fortress Income Fund Ltd	1	16,900,000	11.71
Hero Nominees Ltd	1	15,246,219	10.56
TOTAL	**3**	**53,663,854**	**37.18**

Beneficial shareholding of 5% or more of issued shares	Number of shareholders	Number of shares held	Percentage of issued shares
31 Dec 2013			
Resilient Property Income Fund	1	24,750,000	12.10
Fortress Income Fund	1	20,410,000	9.98
Capital Property Fund	1	16,024,304	7.83
TOTAL	**3**	**61,184,304**	**29.91**
31 Dec 2012			
Resilient Property Income Fund Ltd	1	21,517,635	14.91
Fortress Income Fund Ltd	1	16,900,000	11.71
Hero Nominees Ltd	1	15,246,219	10.56
Desmond de Beer	1	7,649,154	5.30
TOTAL	**4**	**61,313,008**	**42.48**

Beneficial shareholding of Directors

At 31 Dec 2013	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	8,527,651	8,527,651	4.17
Martin Slabbert	–	5,808,454	5,808,454	2.84
Jeffrey Zidel	281,085	1,933,117	2,214,202	1.08
Victor Semionov	–	1,365,485	1,365,485	0.66
Alexandru Morar	–	1,266,631	1,266,631	0.62
Tiberiu Smaranda	–	898,774	898,774	0.44
Dan Pascariu	–	156,759	156,759	0.08
TOTAL	**281,085**	**19,956,871**	**20,237,956**	**9.89**
At 31 Dec 2012				
Desmond de Beer	–	7,649,154	7,649,154	5.30
Martin Slabbert	–	5,565,529	5,565,529	3.86
Jeffrey Zidel	235,518	1,811,389	2,046,907	1.42
Victor Semionov	–	1,348,656	1,348,656	0.93
Dan Pascariu	–	143,830	143,830	0.10
TOTAL	**235,518**	**16,518,558**	**16,754,076**	**11.61**

PHOTO: CITY PARK, CONSTANTA, ROMANIA

Portfolio overview

Macroeconomic status: Romania

GDP in Romania underwent low but stable growth throughout 2011 and 2012, while in 2013 there was a notable increase of 3.5%. This rise was driven by an increase in industrial and agricultural production. During the last year inflation and the current account deficit decreased to 3.2% and 1% respectively, while the general government deficit was reduced to 2.6%. The funding profile of the banking sector showed a gradual improvement, with the loan-to-deposit ratio dropping by approximately 12% to 105%, and, in January 2014, the National Bank of Romania decreased both the monetary policy rate and the minimum reserve requirements. The unemployment rate decreased and remains below EU average.

Market overview: Romania

Retail

Modern retail stock in Romania reached 2.8 million m^2 in December 2013 after four shopping centres and a hypermarket-led scheme were opened during the year, one of these being Shopping City Galati. Construction works started for five more projects, three of which developed by NEPI. Retail trade volume grew by approximately 2.1% during the year while month-on-month growth has picked up pace in the second half of 2013. Tenant demand remained strong, with new international brands entering the market, ranging from low- and medium-priced such as Tchibo Stores and H&M Home to exclusive, luxury labels such as Dolce&Gabbana and Laduree.

Office

Romania's most significant office market is Bucharest. In 2013, the total leasing activity was recorded at nearly 300,000m^2, the highest volume of leasing transactions ever recorded in the city. A third of these transactions involved clients from the Information Technology and Communications (IT&C) sector. A-grade properties continue to benefit from low vacancy rates, but new deliveries are putting pressure on rents. Tenant demand in Timisoara remains strong and rents are stable.

Macroeconomic status: Slovakia

The Slovakian economy grew by 0.8% and retains a positive outlook for the next period. Net exports continued to increase and stimulate growth, but investments and stagnating private consumption had an opposite effect.

Market overview: Slovakia

Retail

The total amount of modern retail stock in Slovakia is approximately 1.54 million m^2, with one third being located in Bratislava. The market is stable, and demand for prime sites remains high. There is a current, growing trend for retailers to move out of lower quality centres and into prime centres. In 2013, the retail trade volume grew by approximately 1.9%.

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA


C D
EXIT

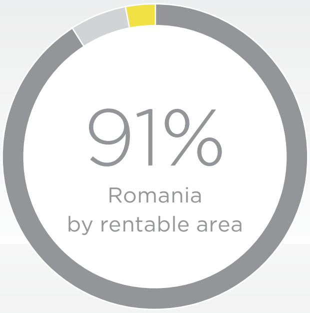
Portfolio overview

Summary

	Group 31 Dec 2013	Group 31 Dec 2012
Total number of properties	51	41
Income producing properties	45	35
Properties under development	6	6
Fair value of properties (€ million)	874	445
Annualised property yield	8%	8%
Lettable area of income producing properties (thousand m²)	433	279
Vacancy	2.33%	4.80%
Years to expiry	4.8	6.5
Weighted average rent (€/m²/month)	12.7	9.8

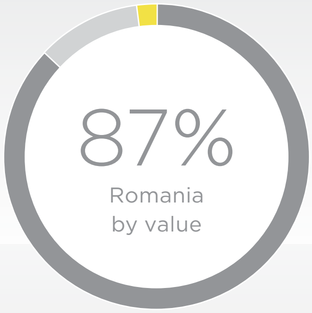
All figures in this report are weighted with the proportion owned by NEPI in each project.

Geographical profile



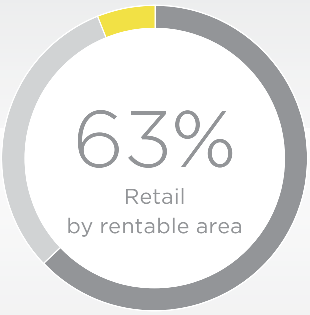
Romania	91%
Slovakia	6%
Germany	3%

Romania	87%
Slovakia	11%
Germany	2%

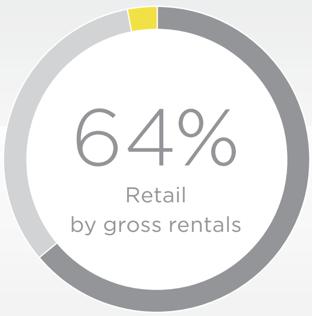


Romania	87%
Slovakia	11%
Germany	2%

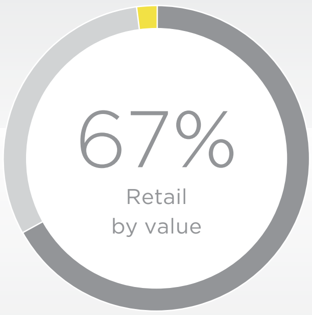
Sectoral profile



Retail	63%
Office	31%
Industrial	6%

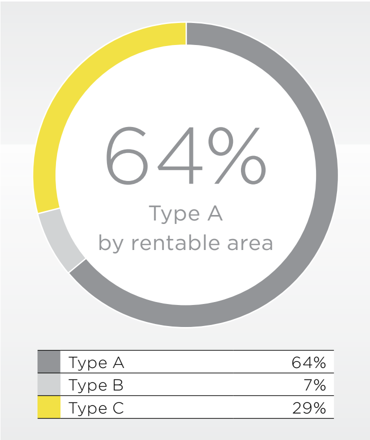


Retail	64%
Office	33%
Industrial	3%



Retail	67%
Office	31%
Industrial	2%

Tenant profile



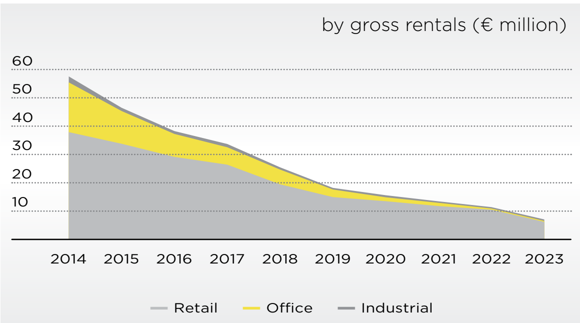
Type A: Large international and national tenants, large listed tenants, government and major franchisees (companies with assets and/or turnovers in excess of €200 million). These include, inter alia, the following:

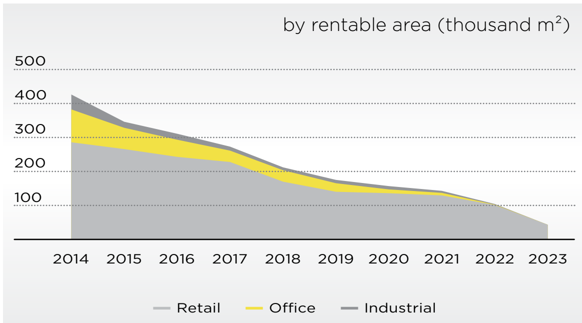
ABB	Cora	IBM	Praktiker
Abbott	Credit Europe Bank	ING	PRO TV
Auchan	Daikin	KFC	PricewaterhouseCoopers
BASF	Deichmann	L'Oreal	Raiffeisen Bank
BCR	Deloitte	Mars	RCS RDS
Berlin Chemie	DHL	McDonald's	Real
Billa	Gadagroup	Metro Cash & Carry	REWE
BRD	General Electric	Microsoft	Romtelecom
Bricostore	Gorenje	New Yorker	Siemens
C&A	H&M	OMV Petrom	Takko
Carrefour	Hervis	Oracle	UPC
Cinema City	Holcim	Orange	UPS
Colgate-Palmolive	Honeywell	Philips	Vodafone
Colliers	Huawei	Piraeus Bank	Xerox

Type B: Smaller international and national tenants, smaller listed tenants and medium to large professional firms (companies with assets and/or turnovers ranging from €100 to €200 million).

Type C: Other tenants.

Lease expiry profile





Vacancy profile

The vacancy calculated as a portion of available rentable area (excluding the rentable areas under the earn-out arrangement in City Business Centre, Timisoara) at the end of 2013 is 2.33% compared to 4.80% at the end of the previous year.

At year-end, 10,034m^2 of rentable area was vacant, of which 5,026m^2 was office space (3.85%), 4,608m^2 was retail (1.7%) and 400m^2 industrial (1.44%).

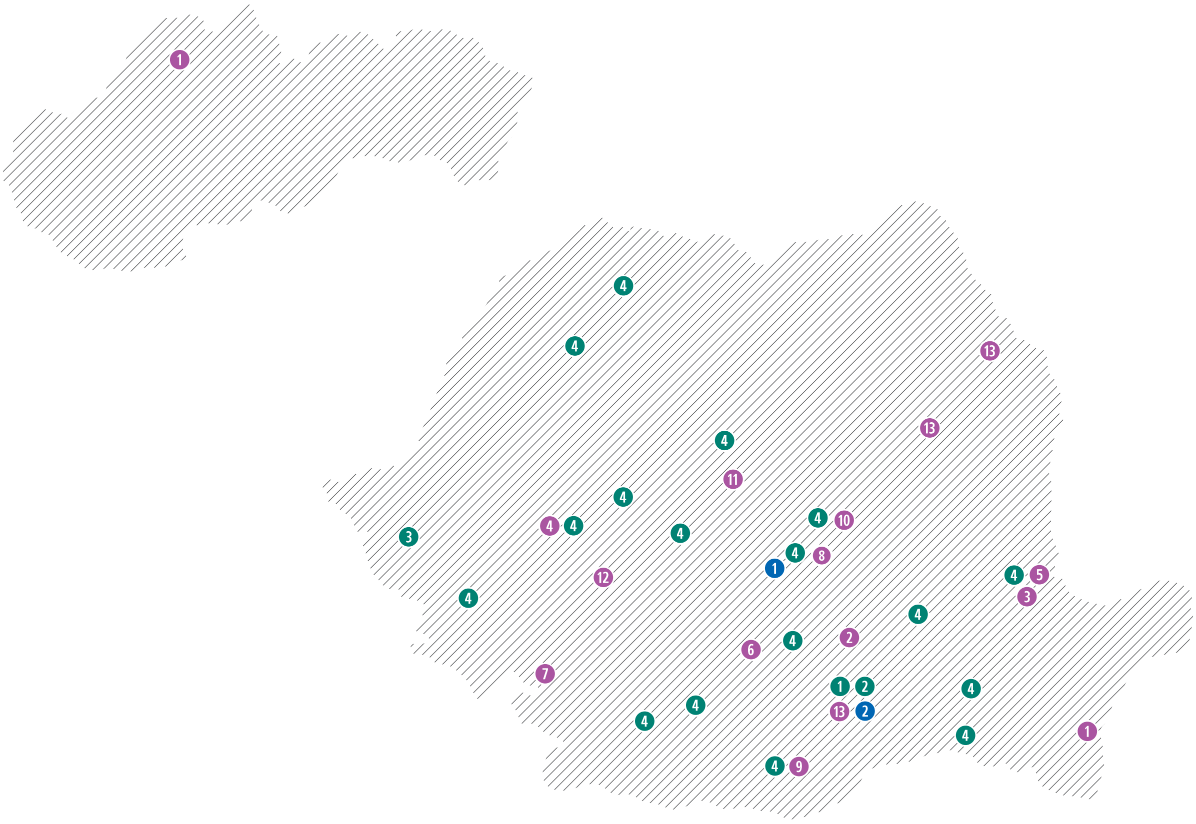
Rental escalations

The annual rise in rental income in Romania and Slovakia is index-linked to the European Consumer Price Index (CPI). The average rent increase during 2013 was 1.55% in Romania and 2.80% in Slovakia.

At the end of the year 2013, the weighted average rental escalation by rentable area was 1.90% for retail, 2.16% for office and 1.93% for industrial.

The majority of NEPI's retail leases are structured to include a base rent, indexed annually, with a further top-up provision related to the tenants' sales.

Portfolio overview



Slovakia

RETAIL

1. Aupark Zilina

Romania

RETAIL

1. City Park
2. Ploiesti Shopping City
3. Promenada Mall Braila
4. Deva Shopping Centre
5. Shopping City Galati
6. Retail Park Pitesti
7. Severin Shopping Center
8. Brasov retail properties
9. Alexandria Strip Mall
10. Sfantu Gheorghe Strip Mall
11. Sighisoara Strip Mall
12. Petrosani Strip Mall
13. Street segment retail portfolio: Bucharest, Iasi, Bacau

OFFICE

1. Floreasca Business Park
2. The Lakeview
3. City Business Centre
4. Regional offices portfolio: Alba Iulia, Alexandria, Baia Mare, Brasov, Buzau, Calarasi, Craiova, Deva, Galati, Resita, Sfantu Gheorghe, Sibiu, Slatina, Slobozia, Targoviste, Targu Mures, Zalau

INDUSTRIAL

1. Rasnov Industrial Facility
2. Otopeni Warehouse

Note: The Group also holds an interest in properties in Germany, which are not included on this page.

Aupark Zilina

This regional mall is located in the historic centre of Zilina (Slovakia), the capital of a region with 700,000 residents.

Lettable area	24,874m^2
Ownership	100%
Property value	€95.3 million
Occupancy	99.19%
Passing rent	€6.8 million

Major tenants

Billa, C&A, Deichmann, H&M, Mango, New Yorker, Orsay, Subway, Takko, Tom Tailor, Tommy Hilfiger

Portfolio overview

City Park

This mall has a prime location in Constanta, close to the most popular Romanian seaside resorts. It has approved building rights which NEPI intends to use for the development of a significant fashion and leisure extension.

Lettable area	29,284m^2
Ownership	100%
Property value	€90 million
Occupancy	99.66%
Passing rent	€7.4 million

Major tenants

Adidas, Bershka, Cora, Domo, KFC, Koton, LC Waikiki, McDonald's, Pull&Bear, Stradivarius, Zara

Ploiesti Shopping City

This is the dominant shopping centre in Prahova county, a region with 760,000 residents.

Lettable area	46,436m^2
Ownership	50%
Property value	€79.2 million
Occupancy	93.34%
Passing rent	€6 million

Major tenants

Altex, Bershka, Carrefour, Cinema City, Deichmann, Douglas, Flanco, H&M, Intersport, KFC, New Yorker, Orsay, Paul, Pull&Bear, Reserved, Sephora, Stradivarius, Takko, Zara

Portfolio overview

Promenada Mall Braila

This dominant regional mall was extended in 2012 with the opening of H&M and C&A.

Lettable area	54,850m²
Ownership	100%
Property value	€73.3 million
Occupancy	96.68%
Passing rent	€5.5 million

Major tenants

Altex, Bricostore, C&A, Carrefour, Cinema City, Deichmann, dm, H&M, Hervis, KFC, Lems, New Yorker, Orsay, Takko

Deva Shopping Centre

This regional shopping centre was acquired in 2013 and will be extended with a fashion and leisure area.

Lettable area	42,180m^2
Ownership	100%
Property value	€47.6 million
Occupancy	100%
Passing rent	€4.5 million

Major tenants

Auchan (previously Real), dm, Domo, Jysk, Leonardo, Metro Cash & Carry, Praktiker, Takko

Portfolio overview

Shopping City Galati

This shopping centre was opened in November 2013, six months after the issue of the building permit. The Group holds sufficient land for a substantial future extension.

Lettable area	27,206m²
Ownership	100%
Property value	€43.1 million
Occupancy	100%
Passing rent	€3.9 million

Major tenants
Altex, B&B Collection, Benvenuti, C&A, Carrefour, Deichmann, dm, Domo, Flanco, H&M, KFC, New Yorker, Sensiblu

Retail Park Pitesti

The Group sold the hypermarket section to the Auchan Group in 2013.

Lettable area	24,836m²
Ownership	100%
Property value	€41.7 million
Occupancy	100%
Passing rent	€3.6 million

Major tenants
Auchan, Bricostore, Domo, Lems, Naturlich

Portfolio overview

Severin Shopping Center

This shopping centre was acquired in 2013 and will be extended with a fashion and leisure area.

Lettable area	16,546m^2
Ownership	100%
Property value	€18.9 million
Occupancy	100%
Passing rent	€1.6 million

Major tenants
Altex, Carrefour, Deichmann, Lee Cooper, New Yorker, Orsay, Takko

Brasov retail properties

The Group owns two retail properties and auxiliary land, adjacent to an existing Carrefour hypermarket. When the necessary authorisations, permits and tenant commitments are secured, they will all be considered for redevelopment into a regional mall.

Lettable area	12,402m^2
Ownership	100%
Property value	€15.6 million
Occupancy	100%
Passing rent	€1.3 million
Major tenants	C&A, Deichmann, dm, Flanco, Mobexpert, New Yorker, Takko

Portfolio overview

Regional strip malls

Four Kaufland strip mall extensions were developed and opened in 2013. The Group is considering a number of similar opportunities.

Lettable area	7,459m^2
Ownership	100%
Property value	€7.7 million
Occupancy	93.30%
Passing rent	€0.6 million

Major tenants
Altex, Deichmann, dm, Domo, Takko

Floreasca Business Park

Floreasca Business Park is located in the most attractive business area of Bucharest. The area has seen significant development in recent years with new A-grade buildings, a new shopping centre and new infrastructure providing improved access.

Lettable area	36,032m^2
Ownership	100%
Property value	€101.1 million
Occupancy	100%
Passing rent	€8.5 million

Major tenants

Abbot, BASF, Berlin Chemie, Colliers, DHL, General Electric, Gorenje, Honeywell, L'Oreal, Sandoz, Xerox

Portfolio overview

The Lakeview

This A-grade Bucharest office building was acquired in 2013. It is located close to Floreasca Business Park in the emerging office corridor between Floreasca and Barbu Vacarescu Streets in the north-east of Bucharest.

Lettable area	25,564m²
Ownership	100%
Property value	€63.6 million
Occupancy	100%
Passing rent	€5.6 million

Major tenants
Alcon, Colgate-Palmolive, Huawei, Phillips, PricewaterhouseCoopers, Royal Bank of Scotland

City Business Centre

City Business Centre is the only A-grade office building in Timisoara, the third largest city in Romania.

Lettable area	27,151m^2
Ownership	100%
Property value	€55.5 million
Occupancy	99.79%
Passing rent	€4.6 million

Major tenants

Alcatel, Deloitte, IBM, Microsoft, Raiffeisen Bank, UniCredit Tiriac Bank, Wipro

Portfolio overview

Regional offices portfolio

This office portfolio consists of 17 office buildings situated in smaller Romanian cities.

Lettable area	40,581m^2
Ownership	100%
Property value	€28.1 million
Occupancy	87.76%
Passing rent	€2.4 million

Locations

Alba Iulia, Alexandria, Baia Mare, Brasov, Buzau, Calarasi, Craiova, Deva, Galati, Resita, Sfantu Gheorghe, Sibiu, Slatina, Slobozia, Targoviste, Targu Mures, Zalau

Industrial portfolio

The Group owns two industrial properties, Otopeni Warehouse in Bucharest, and Rasnov Industrial Facility in Rasnov, Brasov county.

Lettable area	27,842m^2
Ownership	100%
Property value	€16.9 million
Occupancy	98.56%
Passing rent	€1.8 million

Major tenants
Delamode, Dexion, DM Elektron, PsiControl, UPS, Vodafone

Developments and extensions

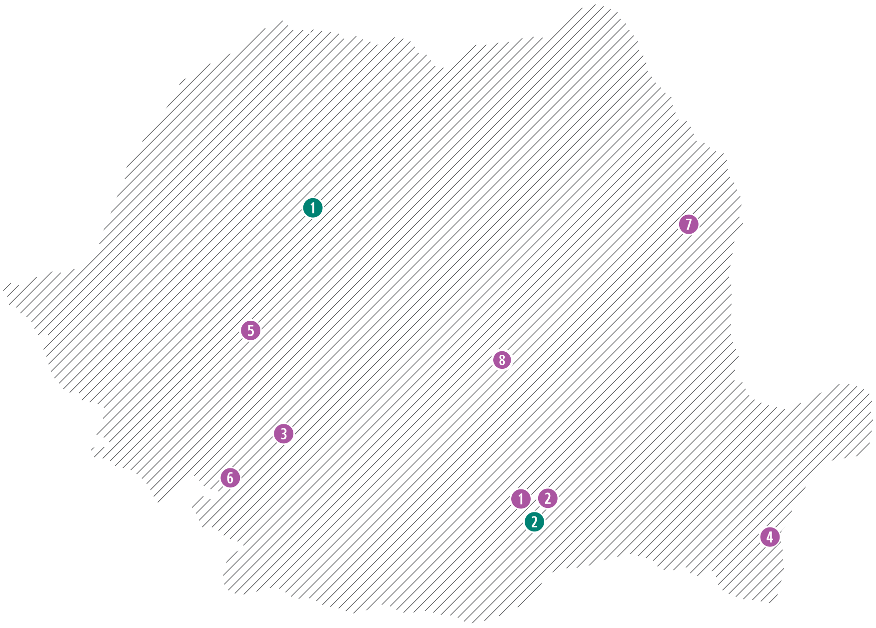
Romania

RETAIL

1. Mega Mall
2. Vulcan Value Centre
3. Targu Jiu Shopping City
4. City Park extension
5. Deva Shopping Centre extension
6. Severin Shopping Center extension
7. Vaslui Strip Mall
8. Brasov Shopping City

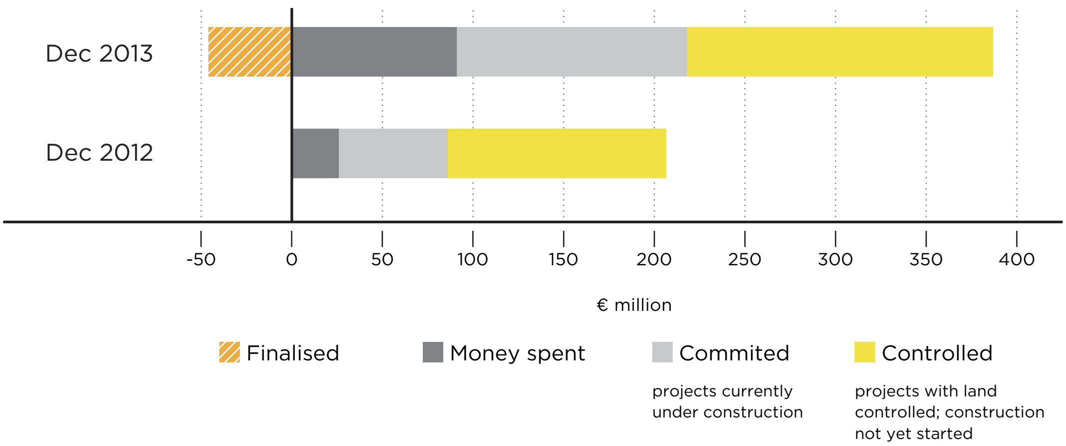
OFFICE

1. The Office
2. Victoriei Office



Investment pipeline

The Group has steadily been increasing its exposure to developments over the past few years. Developments and redevelopments of a number of properties since 2011 have made significant contributions to the growth in recurring income per share. The Group's development pipeline, including redevelopment opportunities and extensions of secured acquisitions, has increased to €386 million (estimated at cost), of which €91 million had been incurred by 31 December 2013. This represents an increase of €179 million compared to 31 December 2012.



Note: capitalised interest is not included

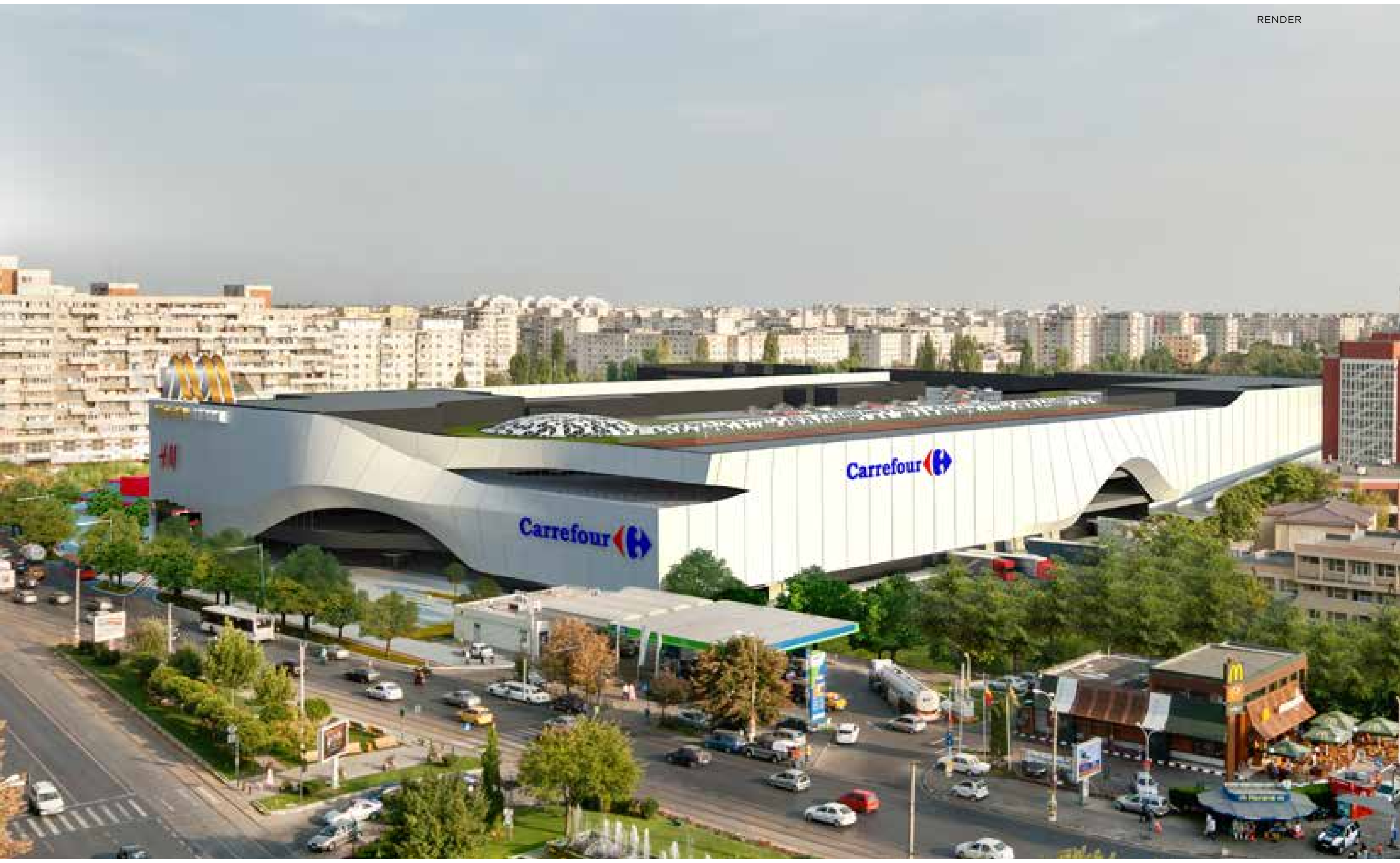
Mega Mall

This mall is developed in the east of Bucharest, a densely populated area which currently lacks modern retail space.

Lettable area	70,000m²
Ownership	70%
Opening	Q2 2015

Major signed leases

Altex, Bata, C&A, Carrefour, Claire's, Flanco, H&M, MAC, Mango, Noriel, Otter, Sensiblu, Tommy Hilfiger, Vodafone, Yves Rocher



RENDER

Developments and extensions

Vulcan Value Centre

This new value centre is currently under construction in a densely populated residential area in the south-west part of Bucharest.

Lettable area	24,900m^2
Ownership	100%
Opening	September 2014

Major signed leases

Carrefour, C&A, dm, Domo, Germanos, H&M, KFC, Leonardo, Noriel, Sensiblu, Takko, Vodafone

RENDER

Shopping City Targu Jiu

The Group has started the development of this regional retail centre in Targu Jiu, the capital of a region with 350,000 residents and currently lacking modern retail facilities.

Targeted lettable area	27,000m^2
Ownership	100%
Opening	October 2014

Major signed leases
Altex, Carrefour, Claire's, dm, H&M, Noriel, Salamander, Vodafone

Developments and extensions

The Office

NEPI is a co-developer in the first A-grade office building in Cluj-Napoca, the second largest city in Romania.

Targeted lettable area	54,400m^2
Ownership	50%
Opening	April 2014 (first phase)

RENDER

Victoriei Office

Victoriei Office is a unique concept that not only includes the development of a modern office but also the refurbishment of a historical building. The project is located in Victoriei Square, in central Bucharest, and neighbours the Government building.

Targeted lettable area	8,000m²
Ownership	100%
Opening	Q4 2015

Corporate governance

The Board recognises the importance of sound corporate governance and endorses and monitors compliance with the King III Report on Corporate Governance in South Africa and the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies. The Board confirms that the Company is compliant with the provisions of King III in all material respects. A register of the 75 King III principles and the extent of the Company's compliance therewith is available on our website.

The Directors recognise the need to manage the Group with integrity and provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to its shareholders and other stakeholders providing a proper and objective perspective of the Company and its activities, directing the strategy and operations of the Company to build a sustainable business and considering short and long-term impacts of the strategy on the economy, society and the environment. The Board will ensure that the Group is seen to be a responsible corporate citizen through the implementation of the corporate governance policies provided below.

Board of Directors

The Board comprises four independent non-executive directors, one non-independent non-executive director and four executive directors. The roles of Chairman and CEO are clearly separated to ensure a balance of power and prevent any director from exercising unfettered powers of decision-making. The Directors of the Company are listed on pages 8 and 9 of the report. The main functions of the Board include:

- Adopting strategic plans and ensuring that these plans are carried out by management.
- Approving major matters, including capital funding, acquisitions, disposals, capital expenditure and financial statements.
- Monitoring the operational performance of the business and the performance of the management at both operational and executive level.
- Overseeing the effectiveness of the internal controls of the Company designed to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained and that the financial information on which business decisions are made and which is issued for publication is reliable.

The Directors' varied backgrounds and experience give NEPI a good mix of the knowledge and expertise necessary to manage the business effectively. Further to this, a clear division of responsibilities at Board level is in place to ensure a balance of power and authority, such that no one individual has unrestricted powers of decision-making. The Board aims to meet formally at least four times a year. There are no external advisors who regularly attend or are invited to attend Board committee meetings. The policies and procedures of the Company are also adopted by all subsidiaries.

The Board is confident that the Group has established effective framework and processes for compliance with laws, codes, rules and standards. There were no material or immaterial but often repeated regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations imposed on the companies or any of its directors or officers.

Appointment of Directors

Directors are appointed by the Board or at the Annual General Shareholders' Meeting. Board appointed directors need to be re-appointed by the shareholders in the first subsequent annual general shareholders' meeting to confirm such appointments. The longest serving third of the directors are required to be re-appointed by the shareholders annually. Board appointments are conducted in a formal and transparent manner by the Board as a whole.

Investment Committee
Members: Desmond de Beer (Chairman), Jeffrey Zidel and Martin Slabbert

The Investment Committee considers all acquisitions, sales of investments and capital expenditures. Appropriate investments or disposals are then presented to the Board for consideration.

Remuneration Committee
Members: Dewald Joubert (Chairman), Dan Pascariu and Desmond de Beer

The Remuneration Committee assesses and recommends to the Board the remuneration and incentivisation of the management and staff of the Company.

Nomination Committee
Members: Dan Pascariu (Chairman), Jeffrey Zidel and Michael Mills

The Nomination Committee assists the Board in identifying qualified individuals to become Board members and makes recommendations on the composition of the Board.

Audit and Risk Committee
Members: Michael Mills (Chairman), Dewald Joubert and Jeffrey Zidel

The Audit and Risk Committee, comprising three independent non-executive directors, meets at least four times a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures, accounting policies and risk management.

The Board has delegated the responsibility for developing and monitoring the Group's risk management policies to the Audit and Risk Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

The controls are designed to identify and manage risks faced by the Group and not to completely eliminate the risk of failure to achieve business objectives. To this end, internal controls provide reasonable, but not absolute assurance against material misstatement or loss. The implementation and operation of such systems resides with the management and the processes are communicated regularly to its staff who are made aware of the areas they are responsible for. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investments. The internal financial control environment is considered appropriate for the size and activities of the Group.

Significant risks that are identified by these systems are communicated to the Board with the recommended risk mitigating actions.

The Group may use independent agents to undertake any specialist analysis, investigation or action that is needed. The systems are regularly reviewed by the Audit and Risk Committee.

Internal financial controls are based on a comprehensive and regular reporting structure. Detailed revenue, cash flow and capital forecasts are prepared and updated regularly throughout the year and approved by the Board.

The Audit and Risk Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor. It ensures that the scope of the auditor's work is sufficient and that the auditor is fairly remunerated. The Committee also oversees the appointment of the auditor for non-audit services, in line with Company policy. The Committee reviews audit plans for external audits and the outcome of the work performed in executing these plans. The Committee meets with the external auditor, discusses and reviews the accounts, the audit procedures and the Group's internal controls.

The Board has determined that the Committee members have the skills and experience necessary to contribute meaningfully to the Committee's deliberations. In addition, the Chairman has the requisite experience in accounting and financial management. The Audit and Risk Committee has considered and found appropriate the expertise and experience of the Finance Director.

The Committee met five times during the financial year. In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the Audit and Risk Committee has reviewed the accounting principles, policies and practices adopted in the preparation of financial information and has examined documentation relating to the Annual Report and interim financial statements. The clarity of disclosures included in the financial statements was reviewed by the Audit and Risk Committee, as was the basis for significant estimates and judgements. The Audit and Risk Committee complied with its legal, regulatory and Company's charter and recommended the Annual Report to the Board for approval.

Corporate governance

Attendance at Board and Committee meetings

	Board	Investment Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Alex Morar	1/1				
Dan Pascariu	6/6			1/1	1/1
Desmond de Beer	5/6	7/7		1/1	
Dewald Joubert	6/6		5/5	1/1	
Jeffrey Zidel	6/6	7/7	5/5		1/1
Martin Slabbert	6/6	7/7			
Michael Mills	6/6		5/5		1/1
Tiberiu Smaranda	1/1				
Victor Semionov	6/6				

External audit

The external auditor confirmed to the Audit and Risk Committee its independence from the Group during the year. The Committee considered information pertaining to the external auditor's relationships with the Group that might reasonably have a bearing on the external auditor's independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, and has concluded that the external auditor's independence was not impaired. The Committee approved the external auditor's terms of engagement and scope of work. Currently, this includes the audit of the annual consolidated and separate financial statements. Based on written reports submitted, the Committee reviewed, with the external auditor, the findings of their work and confirmed that all significant matters had been satisfactorily resolved.

Governance of stakeholders' relationships

The main stakeholders are considered to be the shareholders, the employees, the tenants, the suppliers, the public and fiscal administrations of the locations where the Group carries its activities and the banks with whom the Group entered into contractual agreements. The Group has a transparent information communication policy, with the purpose of enabling stakeholders to make an informed assessment of the Group's economic value and allowing insight into the prospects for future value creation. The Group did not record any refusals of requests for information in terms of the Promotion of Access to Information Act (2000).

Internal audit

During 2011, the Group implemented an internal audit function performed by an independent, professional firm which reports directly to the Chief Executive Officer and the Chairman of the Audit and Risk Committee. The Group's Internal auditor carries out risk oriented audits of operational and functional activities, according to the recommendations of the Audit and Risk Committee.

The Audit and Risk Committee also examined and discussed with the auditor the appropriateness of internal controls and utilisation of Internal auditor and made recommendations to the Board.

Company Secretary

All Directors have access to the advice of the Company Secretary, who provides guidance to the Board as a whole and to individual Directors with regard to how their responsibilities should properly be discharged in the best interests of the Company.

After careful consideration, the qualifications, experience and competence of the Company Secretary, Sabre Fiduciary Limited, represented by Cornelius Eduard Cassell, were deemed appropriate by the Board of Directors. The Board of Directors also concluded that the relationship with the Company Secretary is at arm's length and there is no conflict of interests.

Directors’ remuneration

The remuneration policy is aligned with the strategic objectives of the Group to create long-term sustainable value for shareholders.

Directors receive only base pay, as bonuses are not part of the Group’s policy. Executive salaries are competitive in the market and increases are determined with reference to individual performance, inflation and market related factors.

Participation in the share purchase schemes is restricted to employees and executive directors. Share purchase scheme awards are considered and allocated annually by the Remuneration Committee based on individual performance. The Group provides loan financing to employees and executive directors for acquiring shares. There are no separate share purchase schemes to encourage retention, aside from the share purchase schemes rewarding performance. Directors’ remuneration in 2013 is shown in Note 37 to the financial statements.

Governance of information technology

The Board of Directors confirms that there are processes in place to ensure complete, timely, relevant, accurate and accessible IT reporting from management to the Board and in the Annual Report.

Communication

The Board recognises that it is accountable to shareholders for the performance and activities of the Group. NEPI communicates with its shareholders principally through its website, Annual Report and announcements. Annual General Meetings of the Company give the Directors the opportunity to report to shareholders on current and proposed operations and enable shareholders to express their views on the Group’s business activities.

PHOTO: SHOPPING CITY GALATI, ROMANIA

Corporate governance

Directors' dealings

Dealing in Company's securities by Directors and Company officials is regulated and monitored as required by the JSE Listing Requirements, AIM Rules and BVB requirements. In addition, NEPI maintains a closed period from the end of a financial period to the date of publication of the financial results.

Ethics

NEPI is committed to acting ethically in all aspects of its business. Its ethical standards are based on the principles of honesty, integrity, fairness and transparency and focus on all of the Group's shareholders, employees, customers, business partners, government, society, and the community at large.

Employees
The Group values its employees as the keystone to success and is therefore committed to treating all employees with dignity, trust, and respect, and to building a long-term relationship based on enforceable labour law and the respect of human rights.

Customers
Customer satisfaction is an overriding concern of the Group and has a vital role in managing its properties. In this highly competitive environment, the success of the Group depends on properly meeting the customers' needs and providing them with the best value for money.

Government
The Group seeks to build and manage a sound relationship with governmental authorities on an arm's length basis. No attempts to improperly influence governmental decisions offer, pay, solicit, or accept bribes in any form or shape are acceptable.

Social and environmental responsibility
The Group views itself as an integral part of the community in which it operates and is committed to a sound relationship built on respect, trust, honesty, and fairness. Not only is environmental compliance legally necessary, but it is also an important component of the Group's obligation to the community and its good reputation. The Group therefore strives to minimize environmental impact of its activities by reducing waste, emissions and discharges, and by using energy efficiently.

Conflict of interest
A conflict of interest arises when ever an employee's position or responsibilities within the Group present an opportunity for personal gain that is otherwise inconsistent with the best interests of the Group. Each individual is responsible for his own ethical behaviour. They are expected to use their judgment to act, at all times and in all ways, in the best interests of the Group and if they consider that a conflict of interest may exist should promptly notify management.

Insider trading policy
The Group prohibits all managers or employees the use of confidential and insider information that is not generally known or available to the public to their personal gain and interest.

Equal employment and non-discrimination
It is the Group's policy to maintain the highest ethical standards and comply with all applicable laws, rules, and regulations. The continued success of the Group is dependent upon employing the most qualified people and establishing a work environment that is free of discrimination, harassment, intimidation or coercion related to race, colour, religion, gender, age, national origin or disability.

Key risk factors

The main risks facing the Group relate to property and finance. The overall risk philosophy of the Group can be described as conservative, with an emphasis on accepting the risks that determine the nature of the business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude. Sensitivity analysis is conducted at Group level. Other risks, notably those regarding interest rate and exchange rate, are closely managed and actively hedged. Re-financing risks are considered limited. Risks of potential breaches of loan covenants are minimised through a conservative financing policy and a close review of compliance indicators.

Risk Description	Impact Areas	Key Mitigants
STRATEGY		
Failure to execute appropriate property investment and development strategies	Net asset value Total property return (income and capital) Shareholder earnings (distribution)	Defined investment strategy Defined asset appraisal process Review of all opportunities against predetermined criteria Monitoring of macroeconomic and property market trends
DEVELOPMENT		
Development and construction risk including contractor solvency and availability	Reduced development returns Cost overruns Programme delays leading to potential loss of occupier revenue Failure to secure planning permission	Close supply chain relationships facilitate assessment and monitoring Assessment of contractors prior to appointment
INVESTOR DEMAND		
Decrease in demand by investors for real estate	Net asset value Potential pressure on banking covenants	Strong occupier financial covenants Active asset management
OFFICE OCCUPIER MARKET		
Weakened occupier demand for office developments, oversupply and potential vacancies due to financial market rationalisation and economic uncertainty	Rental income and cash flow Reduced strength of occupier covenant and increased arrears/bad debts Cost of occupier incentives for new lettings Empty unit (void) costs Net asset value	Focus on long-lease profiles High occupancy Quality assets easier to re-let
RETAIL OCCUPIER MARKET		
Reduced retail occupier demand for space, increased supply and occupier defaults	Rental income and cash flow Empty unit (void) costs Net asset value	Diversified occupier base Long leases and strong financial covenants Prime portfolio easier to re-let Close occupier relationships assist in understanding changing requirements Review of consumer trends Retail occupiers at risk monitored regularly
FINANCING AVAILABILITY		
Shortage of financing or re-financing at acceptable cost	Inability to fund property investments or development programme Increased cost of finance	Spread of sources and maturity of facilities Committed but undrawn facilities maintained Continuing and extensive capital market and bank relationship management
COST OF FINANCE		
Adverse interest rate movements	Increased cost of borrowing and hedging	Interest hedging policy Hedging effectiveness regularly monitored
CREDIT RISK		
Financial counterparty credit risk	Loss of hedge Loss of deposits Cost of rearranging facilities Incremental changes in financing rate	Summary of exposures by bank and credit ratings reviewed monthly Spread of sources and maturity of facilities Cash placed across a range of deposit accounts Credit worthiness of derivative counterparties assessed

The Group has appropriate internal risk management and control systems. Key elements of the internal control systems are: a management structure designed to enable effective decision making; monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancies, arrears and doubtful debtors, and weekly meetings held to review performance against budgets. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to identify developments in the value of investments and in income and expenses. Use is made of electronic data processing within automated information systems. There is a back-up and recovery plan in place so that data can be restored.

The Internal auditor provides detailed reports with suggested improvements on areas of interest for management. The Board reviews the external auditor's findings on the Group's internal control environment, supervises the internal control framework and procedures and takes action when necessary.

Sustainability report

NEPI is committed to developing buildings in a responsible and resource efficient manner. Minimising the environmental impact of its portfolio is achieved by implementing ecologically sustainable practices at all stages of building, design, construction, operation and renovation. The measures undertaken include:

- efficient use of water, energy and other resources throughout the design, construction and lifespan of the development;
- use of environmentally friendly materials;
- thermal studies undertaken during design and operation to improve building efficiency; for instance, at Floreasca Business Park additional insulation was attached to the underside of the first floor to minimise loss while at The Lakeview the facades' execution flaws were eliminated;
- studies undertaken during design to reduce solar gain within buildings through the use of shading elements on facades, specification of glass or other related optimization solutions, which minimise the need for air conditioning;
- design focuses on increasing internal natural light, thereby reducing daytime energy consumption;
- the use of energy efficient lighting;
- installing highly-efficient building management systems to monitor and regulate energy consumption, and
- waste management and recycling initiatives are active throughout the construction and building's life cycle.

The above resolutions ensure that environmental impact is minimised, capital expenditure and operating costs are reduced and guarantee a first-class environment.

Water

Company policy regarding water usage is concerned with not only ensuring that the supply is of the highest quality, but also that water consumption is reduced to minimise expenditure. The purity of the water supply is of paramount importance, so, although this resource is supplied by the municipal network, it is cleansed further using mechanical filters.

Reducing consumption is achieved through a variety of strategies. Wherever possible, equipment is installed that detects leaks when they occur enabling them to be remedied immediately.

Water consumption has been significantly reduced in Floreasca Business Park and The Lakeview by utilising special faucets. These have proved so efficient they will be used in all further developments.

Where possible, waste water is collected, treated and then recycled in closed circuit systems used for non-potable requirements – anything other than drinking – such as lavatories and irrigation.

As a direct result of these policies water consumption in NEPI's largest properties decreased by 4% in 2013 compared to 2012.

Electricity

Reducing ongoing electricity expenditure by optimising consumption is one of the Group's main objectives, and a number of strategies are employed to achieve this.

All new developments prioritise natural light, while low-energy bulbs, combined with light sensors where practicable, are used throughout. Shopping City Galati, opened in November 2013, is the first shopping centre in Romania to fully employ LED efficient lighting from opening date. A similar system will replace the ones currently used in Floreasca Business Park and The Lakeview.

The shopping centres and office buildings' skylights are having a reflective film fitted to mitigate solar gain during the summer, reducing the need for air conditioning.

Escalators are fitted with motion sensors and stop automatically when not in use, while developments with multiple elevators use computerised systems to monitor keypad commands reducing overall lift movements.

As a direct result of these policies electricity consumption in NEPI's largest properties decreased by 4.7% in 2013 compared to 2012.

Carbon dioxide emissions

NEPI is committed to minimising the carbon footprint of its portfolio by reducing associated carbon dioxide emissions.

Motor vehicles are a main source of carbon dioxide, so all the Group's latest buildings, acquisitions and developments, namely Floreasca Business Park, City Business Centre, Victoriei Office, The Office and The Lakeview, are all within walking distance of subway, tram and bus routes.

Current retail properties, as well as those being developed, such as Shopping City Galati and Vulcan Value Centre, are also located in close proximity to public transport. Where a centre is located on the outskirts of town, free bus transport is provided, combined with marketing campaigns encouraging customers to use them, as is the case in Promenada Mall Braila.

Waste management
The Company is dedicated to maximising recycling and minimising landfill, and has set long-term objectives that will be regularly monitored to ensure consistent progress.

Unfortunately, the total volume of waste generated in a building is dependent on its tenants, an area where the Group has limited influence. Despite this, a number of initiatives are underway to educate occupants and encourage compliance with objectives. Tenants are regularly informed about on-site waste management processes and policy, while supplier purchasing contracts and green leases establish minimal requirements for the sorting and recycling of refuse.

The Group has also started replacing paper tissue dispensers with high-speed, very efficient hand driers, significantly reducing paper waste.

Building Research Establishment Environmental Assessment Method (BREEAM) certification
BREEAM is the world's leading environmental assessment method and rating system. Buildings that obtain BREEAM recognition have achieved the highest corporate, organisational and environmental objectives, and set the standard for sustainable building design, construction and operation.

Over the past two years the Group has been committed to obtaining BREEAM certification for its largest assets:

- in 2009 The Lakeview was the first Romanian building awarded BREEAM 'Very Good' design certification;
- The Office was awarded BREEAM 'Excellent' interim design certification, and
- in August 2013, Floreasca Business Park became the first, and only Romanian building, awarded 'Very Good' BREEAM In Use certificate for a green development, while the property management team was awarded 'Excellent' BREEAM certification.

The asset management team is currently pursuing IN-USE BREEAM certification for The Lakeview, City Business Centre, Ploiesti Shopping City, Promenada Mall Braila and Shopping City Galati.

Social responsibility
The Group is committed to improving its impact on local communities and promoting social responsibility. Towards this end, throughout 2013, it was actively engaged in various campaigns and activities.

In September 2013, the Company organised a campaign to help people affected by the flood in Galati county, and nearly 100 tons of donated supplies were distributed as a result.

Together with local environmental NGOs, police stations, fire departments and the Red Cross, the Group organises social responsibility and risk awareness campaigns at its commercial centres and office buildings.

In Ploiesti Shopping City a large number of trees were planted in local parks, while at Braila Promenada Mall and Floreasca Business Park events were arranged to teach road safety regulations to children and to raise adults' awareness on the importance of responsible driving.

Free skating and hockey lessons were offered at Promenada Mall Braila and Aupark Zilina respectively, and the Slovakian centre hosted a free science night for children, involving an exhibition of inventions and themed workshops.

Historical buildings
An existing historical monument, built by the famous Romanian architect Petre Antonescu who designed the city's Arc de Triumf and City Hall, will be incorporated into the design of NEPI's Victoriei Office project. Completed in 1927 and abandoned for years, it will be fully restored following a historical study of the Ministry of Culture's Archives.

People management
NEPI started business six years ago with a headcount of only three. Today it comprises over one hundred people. The human resources policy is simple: to employ and retain the best people, and to utilise their knowledge, skill and effort to realise the Company's full potential.

The remuneration policy encourages individual achievement, is comparable with the industry standard and is reviewed annually, based on the performance evaluation process.

NEPI has a social diversity employment policy and applies zero tolerance to any gender, age or ethnic discrimination.

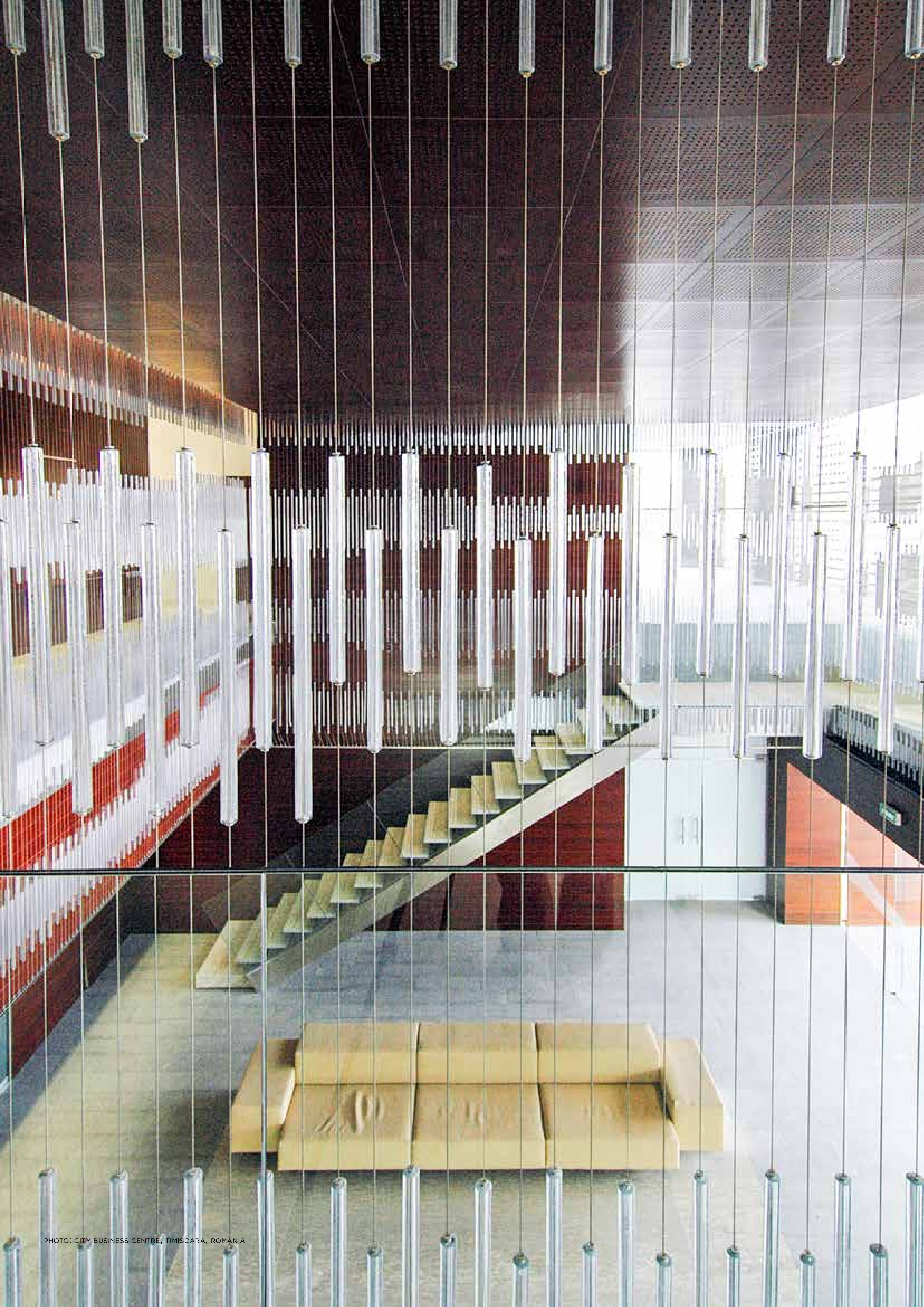


PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA

Financial statements

For the year ended 31 December 2013

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Directors' responsibility for the annual financial statements

The Directors are responsible for preparing the Directors' Report, the annual financial statements of NEPI and the Group annual financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards.

The consolidated and separate financial statements are required to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with International Financial Reporting Standards
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to allow for the preparation of financial statements. They have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The Group and Company financial statements were approved by the Board of Directors on 13 March 2014 and signed on its behalf by:

Martin Slabbert
CHIEF EXECUTIVE OFFICER

Victor Semionov
FINANCE DIRECTOR

DECLARATION BY COMPANY SECRETARY

In terms of the Companies Act of South Africa 71 of 2008 ('the Act'), as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of an external company registered in terms of 'the Act' and that all such returns are true, correct and up to date.

Cornelius Eduard Cassell
COMPANY SECRETARY
13 March 2014

Independent Auditor’s report

We have audited the financial statements of New Europe Property Investments plc for the year ended 31 December 2013 which comprise the Group’s Statement of financial position, Statement of income, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows, and the Company’s Statement of financial position, Statement of income, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

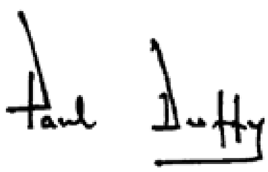
Respective responsibilities of Directors and Auditor
As explained more fully in the Directors’ Responsibility for the Annual Financial Statements set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company’s and Group’s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company’s and Group’s affairs as at 31 December 2013 and of the Company’s and Group’s profit for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards

Paul Francis Duffy
For and on behalf of
ERNST & YOUNG LLC
CHARTERED ACCOUNTANTS
DOUGLAS, ISLE OF MAN
14 March 2014



STATEMENT OF FINANCIAL POSITION

	Note	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Group 1 Jan 2012 Restated	Company 31 Dec 2013	Company 31 Dec 2012
ASSETS							
Non-current assets		**898,039,548**	**418,853,914**	**444,666,197**	**348,210,044**	**941,216,903**	**340,161,442**
Investment property		807,465,172	356,732,724	416,674,175	325,299,378	–	–
— Investment property at fair value	9	703,811,000	339,851,226	393,966,226	299,890,036	–	–
— Investment property under development	10	103,654,172	16,881,498	22,707,949	25,409,342	–	–
Goodwill	12	16,217,650	13,134,609	13,188,795	13,351,499	–	–
Investments in subsidiaries	5	–	–	–	–	121,658,561	6,825,949
Loans granted to subsidiaries	5	–	–	–	–	796,775,142	319,989,688
Investments in joint ventures	34	5,054,897	3,546,212	–	(2,272,990)	–	–
Loans granted to joint ventures	34	37,063,751	30,368,931	–	4,582,124	–	–
Other long-term assets	11	29,828,090	14,995,846	14,727,635	6,213,458	21,353,547	13,270,220
Financial assets at fair value through profit or loss	20	2,409,988	75,592	75,592	1,036,575	1,429,653	75,585
Current assets		**141,606,515**	**176,894,494**	**185,176,059**	**61,650,920**	**78,919,314**	**97,451,174**
Trade and other receivables	14	28,035,680	9,748,620	15,798,975	7,289,207	10,630,481	712,592
Loans granted to subsidiaries	5	–	–	–	–	6,352,135	13,328,520
Financial investments at fair value through profit or loss	13	61,078,624	81,865,443	81,865,443	–	61,078,624	81,865,443
Cash and cash equivalents	15	52,492,211	85,280,431	87,511,641	54,361,713	858,074	1,544,619
Investment property held for sale	16	**1,561,080**	**28,665,158**	**28,665,158**	–	–	–
TOTAL ASSETS		**1,041,207,143**	**624,413,566**	**658,507,414**	**409,860,964**	**1,020,136,217**	**437,612,616**
EQUITY AND LIABILITIES							
Equity attributable to equity holders		**712,236,188**	**393,622,378**	**393,622,378**	**235,258,940**	**1,005,755,666**	**409,915,489**
Share capital	17	1,946,514	1,352,629	1,352,629	955,693	1,946,514	1,352,629
Share premium	17	611,949,336	355,026,520	355,026,520	227,844,770	611,949,336	355,026,520
Share-based payment reserve	18	23,851,992	15,491,810	15,491,810	7,456,257	23,851,992	15,491,810
Currency translation reserve		(1,228,783)	(1,228,783)	(1,228,783)	(2,650,522)	–	–
Accumulated profit		76,595,473	22,980,202	22,980,202	1,652,742	368,007,824	38,044,530
Non-controlling interest		(878,344)	–	–	–	–	–
Total liabilities		**328,970,955**	**230,791,188**	**264,885,036**	**174,602,024**	**14,380,551**	**27,697,127**
Non-current liabilities		**232,259,858**	**120,605,636**	**147,151,095**	**159,671,831**	**3,546,521**	**5,268,795**
Loans and borrowings	19	173,567,674	92,935,525	117,100,152	143,439,682	–	–
Deferred tax liabilities	23	50,677,581	21,567,836	22,321,189	15,086,152	–	–
Other long-term liabilities		4,059,129	–	–	–	–	–
Financial liabilities at fair value through profit or loss	20	3,955,474	6,102,275	7,729,754	1,145,997	3,546,521	5,268,795
Current liabilities		**96,711,097**	**110,185,552**	**117,733,941**	**14,930,193**	**10,834,030**	**22,428,332**
Trade and other payables	21	28,807,208	9,773,420	12,985,200	4,937,599	269,056	324,546
Loans and borrowings	19	64,465,953	97,781,406	102,048,042	7,622,536	10,564,974	22,103,786
Tenant deposits	22	3,437,936	2,630,726	2,700,699	2,370,058	–	–
TOTAL EQUITY AND LIABILITIES		**1,041,207,143**	**624,413,566**	**658,507,414**	**409,860,964**	**1,020,136,217**	**437,612,616**
Net asset value per share	24	**3.56**	**2.83**	**2.83**	**2.41**		
Adjusted net asset value per share	24	**3.70**	**2.88**	**2.88**	**2.43**		

STATEMENT OF INCOME

	Note	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Net rental and related income	25	**41,419,968**	**28,344,410**	**30,432,771**	–	–
— Contractual rental income and expense recoveries		55,322,054	37,312,436	40,176,801	-	-
— Property operating expenses		(13,902,086)	(8,968,026)	(9,744,030)	-	-
Administrative expenses	26	(2,181,193)	(2,103,006)	(2,211,006)	(817,002)	(704,941)
Acquisition fees	27	(4,986,222)	(915,212)	(1,594,393)	–	(40,735)
Fair value adjustments of investment property	29	19,786,927	1,063,940	6,450,485	–	–
Fair value gains of financial investments at fair value through profit or loss	13	969,595	10,287,980	10,287,980	969,595	10,287,980
Net result on sale of listed securities investments	13	586,421	26,280	26,280	586,421	26,280
Dividends received from listed securities investments	13	2,905,611	796,411	796,411	2,905,611	796,411
Share-based payment expense	18	(954,637)	(996,909)	(996,909)	(954,637)	(996,909)
Foreign exchange loss		(236,670)	(2,352,634)	(2,529,495)	–	–
Gain on acquisition of subsidiaries	33	5,546,854	–	–	–	–
Gain on disposal of subsidiaries	5	–	–	–	297,905,722	–
Gain on disposal of investment property held for sale	16	527,258	–	–	–	–
Other operating income	28	–	10,264,266	10,264,266	–	10,264,266
Impairment of goodwill	12	(815,709)	–	–	–	–
Profit before net finance income/(expense)		**62,568,203**	**44,415,526**	**50,926,390**	**300,595,710**	**19,632,352**
Net finance income/(expense)	30	**1,783,349**	**(9,537,659)**	**(12,574,251)**	**33,216,265**	**23,271,873**
— Finance income		7,513,732	4,098,704	1,853,838	35,012,128	30,153,901
— Finance expense		(5,730,383)	(13,636,363)	(14,428,089)	(1,795,863)	(6,882,028)
Share of profit of joint ventures	34	1,241,326	2,720,919	–	–	–
Profit before tax		**65,592,878**	**37,598,786**	**38,352,139**	**333,811,975**	**42,904,225**
Deferred tax expense	23	(9,007,270)	(4,495,337)	(5,248,690)	–	–
Profit after tax		**56,585,608**	**33,103,449**	**33,103,449**	**333,811,975**	**42,904,225**
Non-controlling interest		878,344	–	–	–	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**57,463,952**	**33,103,449**	**33,103,449**	**333,811,975**	**42,904,225**
Weighted average number of shares in issue	31	163,836,991	116,238,121	116,238,121		
Diluted weighted average number of shares in issue	31	168,827,400	121,391,646	121,391,646		
Basic weighted average earnings per share (euro cents)	31	35.07	28.48	28.48		
Diluted weighted average earnings per share (euro cents)	31	34.04	27.27	27.27		
Distributable earnings per share (euro cents)	31	25.79	25.95	25.95		
Headline earnings per share (euro cents)	32	21.58	22.93	22.93		
Diluted headline earnings per share (euro cents)	32	20.94	21.96	21.96		

STATEMENT OF COMPREHENSIVE INCOME

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Profit for the year attributable to equity holders	57,463,952	33,103,449	33,103,449	333,811,975	42,904,225
Other comprehensive income*					
— Currency translation differences	–	1,421,739	1,421,739	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**57,463,952**	**34,525,188**	**34,525,188**	**333,811,975**	**42,904,225**

* Other comprehensive income can be reclassified to profit or loss in subsequent periods.

STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated (loss)/profit	Non-controlling interest	Total
Balance at 1 January 2012	**955,693**	**227,844,770**	**7,456,257**	**(2,650,522)**	**1,652,742**	**–**	**235,258,940**
Transactions with owners	396,936	127,181,750	8,035,553	–	(11,775,989)	–	123,838,250
— Issue of shares	391,735	125,943,296	–	–	–	–	126,335,031
— Issue cost recognised to equity	–	(332,117)	–	–	–	–	(332,117)
— Share-based payment reserve	–	–	9,258,789	–	–	–	9,258,789
— Sale of shares issued under the Initial Share Scheme	1,110	326,324	–	–	–	–	327,434
— Sale of shares issued under the Current Share Scheme	530	183,367	(158,795)	–	–	–	25,102
— Vesting of shares issued under the Current Share Scheme	3,561	1,060,880	(1,064,441)	–	–	–	–
— Earnings distribution	–	–	–	–	(11,775,989)	–	(11,775,989)
Total comprehensive income	–	–	–	1,421,739	33,103,449	–	34,525,188
— Other comprehensive income	–	–	–	1,421,739	–	–	1,421,739
— Profit for the year	–	–	–	–	33,103,449	–	33,103,449
BALANCE AT 31 DECEMBER 2012	**1,352,629**	**355,026,520**	**15,491,810**	**(1,228,783)**	**22,980,202**	**–**	**393,622,378**
Balance at 1 January 2013	**1,352,629**	**355,026,520**	**15,491,810**	**(1,228,783)**	**22,980,202**	**–**	**393,622,378**
Transactions with owners	593,885	256,922,816	8,360,182	–	(3,848,681)	–	262,028,202
— Issue of shares	578,530	251,690,691	–	–	–	–	252,269,221
— Share-based payment reserve	–	–	11,388,810	–	–	–	11,388,810
— Sale of shares issued under the Initial Share Scheme	3,959	1,260,256	–	–	–	–	1,264,215
— Sale of shares issued under the Current Share Scheme	1,369	489,590	(490,959)	–	–	–	–
— Vesting of shares issued under the Initial Share Scheme	–	–	954,637	–	–	–	954,637
— Vesting of shares issued under the Current Share Scheme	10,027	3,482,279	(3,492,306)	–	–	–	–
— Earnings distribution	–	–	–	–	(3,848,681)	–	(3,848,681)
Total comprehensive income	–	–	–	–	57,463,952	(878,344)	56,585,608
— Profit for the year	–	–	–	–	57,463,952	(878,344)	56,585,608
BALANCE AT 31 DECEMBER 2013	**1,946,514**	**611,949,336**	**23,851,992**	**(1,228,783)**	**76,595,473**	**(878,344)**	**712,236,188**

STATEMENT OF CHANGES IN EQUITY ›continued

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
Balance at 1 January 2012	**955,693**	**227,844,770**	**7,456,257**	**6,916,294**	**243,173,014**
Transactions with owners	396,936	127,181,750	8,035,553	(11,775,989)	123,838,250
— Issue of shares	391,735	125,943,296	–	–	126,335,031
— Issue cost recognised to equity	–	(332,117)	–	–	(332,117)
— Share-based payment reserve	–	–	9,258,789	–	9,258,789
— Sale of shares issued under the Initial Share Scheme	1,110	326,324	–	–	327,434
— Sale of shares issued under the Current Share Scheme	530	183,367	(158,795)	–	25,102
— Vesting of shares issued under the Current Share Scheme	3,561	1,060,880	(1,064,441)	–	-
— Earnings distribution	–	–	–	(11,775,989)	(11,775,989)
Total comprehensive income	–	–	–	42,904,225	42,904,225
— Profit for the year	–	–	–	42,904,225	42,904,225
BALANCE AT 31 DECEMBER 2012	**1,352,629**	**355,026,520**	**15,491,810**	**38,044,530**	**409,915,489**
Balance at 1 January 2013	**1,352,629**	**355,026,520**	**15,491,810**	**38,044,530**	**409,915,489**
Transactions with owners	593,885	256,922,816	8,360,182	(3,848,681)	262,028,202
— Issue of shares	578,530	251,690,691	–	–	252,269,221
— Share-based payment reserve	–	–	11,388,810	–	11,388,810
— Sale of shares issued under the Initial Share Scheme	3,959	1,260,256	–	–	1,264,215
— Sale of shares issued under the Current Share Scheme	1,369	489,590	(490,959)	–	-
— Vesting of shares issued under the Initial Share Scheme	–	–	954,637	–	954,637
— Vesting of shares issued under the Current Share Scheme	10,027	3,482,279	(3,492,306)	–	-
— Earnings distribution	–	–	–	(3,848,681)	(3,848,681)
Total comprehensive income	–	–	–	333,811,975	333,811,975
— Profit for the year	–	–	–	333,811,975	333,811,975
BALANCE AT 31 DECEMBER 2013	**1,946,514**	**611,949,336**	**23,851,992**	**368,007,824**	**1,005,755,666**

STATEMENT OF CASH FLOWS

	Note	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
OPERATING ACTIVITIES						
Profit after tax		56,585,608	33,103,449	33,103,449	333,811,975	42,904,225
Adjustments for:						
— Fair value adjustments of investment property	29	(19,786,927)	(1,063,940)	(6,450,485)	–	–
— Net result on sale of listed securities investments		(586,421)	(26,280)	(26,280)	(586,421)	(26,280)
— Fair value gains on financial investments at fair value through profit or loss	13	(969,595)	(10,287,980)	(10,287,980)	(969,595)	(10,287,980)
— Dividends received from listed securities investments	13	(2,905,611)	(796,411)	(796,411)	(2,905,611)	(796,411)
— Share-based payment expense	18	954,637	996,909	996,909	954,637	996,909
— Unrealised foreign exchange loss		236,670	2,352,634	2,529,495	–	–
— Gain on disposal of investment property held for sale	16	(527,258)	–	–	–	–
— Other operating income	28	–	(10,264,266)	(10,264,266)	–	(10,264,266)
— Gain on acquisition of subsidiaries	33	(5,546,854)	–	–	–	–
— Impairment of goodwill	12	815,709	–	–	–	–
— Net finance (income)/expense	30	(1,783,349)	9,537,659	12,574,251	(33,216,265)	(23,271,873)
— Corporate tax charge and deferred tax	23	9,007,270	4,495,337	5,248,690	–	–
Operating profit before changes in working capital		**35,493,879**	**28,047,111**	**26,627,372**	**297,088,720**	**(745,676)**
Increase in trade and other receivables		(9,253,420)	(8,005,997)	(6,966,030)	(116,915,819)	(18,792)
Increase/(decrease) in trade and other payables		6,738,142	553,418	2,249,525	325,194	(75,514)
Interest paid		(8,659,142)	(7,929,341)	(8,753,020)	(1,871,092)	(879,878)
Interest received		2,503,196	698,739	698,739	17,840,740	29,290,459
Income from vendor settlement received	28	–	11,787,486	11,787,486	–	11,787,486
CASH FLOWS FROM OPERATING ACTIVITIES		**26,822,655**	**25,151,416**	**25,644,072**	**196,467,743**	**39,358,085**
INVESTING ACTIVITIES						
Acquisition of investment property	9	(109,295,039)	(6,885,440)	(45,932,846)	–	–
Payments for acquisition of subsidiaries less cash acquired	33	(285,573,191)	(15,915,914)	(15,915,914)	–	–
Sale of investment property (net of selling cost)	16	29,192,416	–	–	–	–
Purchase of financial investments at fair value through profit or loss	13	(24,309,468)	(72,287,023)	(72,287,023)	(24,309,468)	(72,287,023)
Dividends from financial investments at fair value through profit or loss	13	2,905,611	796,411	796,411	2,905,611	796,411
Proceeds from sale of financial investments at fair value through profit or loss	13	46,652,296	735,840	735,840	46,652,296	735,840
Loans granted to third parties	11	(8,000,000)	–	–	–	–
Loans granted to joint ventures	34	(4,860,000)	(25,786,807)	–	–	–
Loans granted to subsidiaries	5	–	–	–	(458,566,727)	(104,687,728)
CASH FLOWS FROM INVESTING ACTIVITIES		**(353,287,375)**	**(119,342,933)**	**(132,603,532)**	**(433,318,288)**	**(175,442,500)**
FINANCING ACTIVITIES						
Proceeds from share issuance		253,533,436	126,355,450	126,355,450	253,533,436	126,355,450
Proceeds from bank borrowings		84,281,390	21,942,531	37,061,976	–	21,942,531
Repayment of borrowings		(36,964,695)	(11,242,398)	(12,066,077)	(11,694,505)	–
Premiums paid on acquisition of derivatives		(3,324,950)	–	–	(1,826,250)	–
Earnings distribution		(3,848,681)	(11,775,989)	(11,775,989)	(3,848,681)	(11,775,989)
CASH FLOWS FROM FINANCING ACTIVITIES		**293,676,500**	**125,279,594**	**139,575,360**	**236,164,000**	**136,521,992**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(32,788,220)**	**31,088,077**	**32,615,900**	**(686,545)**	**437,577**
Cash and cash equivalents brought forward	15	85,280,431	54,361,713	55,065,100	1,544,619	1,107,042
Translation effect on cash and cash equivalents		–	(169,359)	(169,359)	–	–
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**52,492,211**	**85,280,431**	**87,511,641**	**858,074**	**1,544,619**

Notes to the financial statements

1 GENERAL

New Europe Property Investments plc is a limited liability company incorporated in the Isle of Man on 23 July 2007 and domiciled in Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man. The Company is listed on the Main Board of the JSE Ltd (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE). The Group includes the Company and its subsidiaries, as set out under 'Basis of consolidation' in Note 3.4.

The Group's consolidated financial statements and the Company's separate financial statements are collectively referred to as the Financial Statements.

The Group's activities are detailed in the 'Directors' Report' and in Note 35.

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with the Directors' resolution on 13 March 2014.

2 COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2012. As a result of the adoption of International Financial Reporting Standards (IFRS) 11 Joint Arrangements effective 1 January 2013, the Group is now accounting for its investments in joint ventures under the equity method. The Group has restated its Financial Statements starting 1 January 2012, as joint ventures were previously accounted for under the proportionate consolidation method.

3 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Isle of Man law and IFRS. The accounting policies set out below have been consistently applied to all periods presented, unless otherwise stated.

3.1 Functional and presentation currency

The consolidated financial statements are presented in Euro (€, EUR) unless otherwise indicated. The entities within the Group have changed the functional currency to Euro effective 1 January 2013, due to the following reasons:

- based on the acquisitions made in 2013, the Group reassessed its transactions, assets and liabilities, and concluded that the majority were Euro denominated;
- Slovakia and Germany use the Euro as local currency;
- many of the properties in the Group's extensive acquisition pipeline are located in Central and Eastern European countries using the Euro as functional currency (and, in some cases, also as local currency);
- the Group has new significant loans contracted and settled in Euro and new interest rate hedging instruments in Euro;
- most cash balances are held in Euro deposits, very small amounts are held in Romanian Leu (RON) or other currencies, and
- the Group has significant developments with construction suppliers contracted in Euro.

Previously issued financial statements are not restated in this respect, in accordance with the requirements set out by IAS 21 – The Effects of Changes in Foreign Exchange Rates.

3.2 Basis of preparation

The financial statements are prepared on the historical-cost basis, except for investment property, land for investment property under development, derivatives and other financial instruments.

Investment property, land for investment property under development and derivatives designated as financial instruments at fair value through profit or loss are measured at fair value.

Management prepared these financial statements on a going concern basis. There are no uncertainties relating to events and conditions that cast a significant doubt upon the Group's ability to continue as a going concern.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These enable judgements to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised if the revision affects only that phase. If the revision affects both current and future periods it will be recognised in both.

Property acquisitions and business combinations

Where property is obtained through corporate interests, management considers the substance of the assets and activities of the entity when determining whether its acquisition represents the acquisition of a business or of an asset.

Asset acquisitions

Where property acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Instead, the amount paid to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity, based on their relative fair values at the date of acquisition. No goodwill or additional deferred taxation arises.

Acquisitions of subsidiaries where the main assets were not in use on the date of the acquisition, and which do not include transfer of processes, other assets or employees, are accounted for as asset acquisitions.

Business combinations

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate amount of the consideration transferred, measured at fair value on the date of acquisition and the amount of any non-controlling interest in the acquired entity.

For each business combination, the acquirer measures the non-controlling interest in the acquired entity either at fair value or as a proportionate share of their identifiable net assets. Transaction costs incurred are expensed.

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 on the date of acquisition.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the date of acquisition. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the Statement of income. The acquisition accounting is finalised when the Group has gathered all the necessary information, but in a maximum period of 12 months from the acquisition date. There is no exemption from the 12-month rule for deferred tax assets or changes in the amount of contingent consideration.

Valuation of investment property
Please refer to Notes 3.5, 3.6, 3.7 and 9 for further details.

3.3 Statement of compliance

The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the IASB and the requirements of relevant Isle of Man Company Law.

3.4 Basis of consolidation

Subsidiaries
The financial statements incorporate the assets, liabilities, operating results and cash flows of the Company and its subsidiaries.

Subsidiaries are those entities over which the Group has the ability, either directly or indirectly, to govern the financial and operating policies to obtain benefits from their activities. When assessing control, potential voting rights that are currently exercisable are taken into account. Subsidiaries are consolidated from the date when control is transferred to the Group (effective date of acquisition or incorporation) and are deconsolidated from the date when control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired 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 holding Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated when preparing the financial statements.

Jointly controlled entities
The Group has contractual arrangements with other parties that represent joint ventures. These take the form of agreements to jointly control other entities.

Before 1 January 2013, where the joint venture was established through an interest in the company (a jointly controlled entity) the Group recognised its interest in the entity's assets and liabilities using the proportionate consolidation method. The Group's Statement of financial position included its share of the assets and liabilities while the Statement of income included the Group's share of the income and expenses that were under joint control.

Starting 1 January 2013, as a result of the adoption of IFRS 11 Joint Arrangements, the Group accounts for its investments in joint ventures using the equity method. Under the equity method, the initial recognition of an investment in a joint venture is at cost; the carrying amount is subsequently increased or decreased to recognise the Group's share of profit or loss of the joint venture. Distributions received from a joint venture reduce the carrying amount of the investment. The Group classifies its investment in joint ventures as a non-current asset, and recognises its share of the joint ventures' net result in the Statement of income.

3.5 Investment property

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

The cost of investment property acquired by any other means than a business combination consists of the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when future economic benefits from the use of the asset is probable. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, investment properties are measured at fair value. Fair value is determined annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are based on the open market value, using either the discounted cash flow method, the capitalisation of net income method or a combination of both. Gains or losses arising from changes in the fair values are included in the Statement of income for the period during which they arise. Unrealised gains, net of deferred tax, are classified as non-distributable in the accumulated profits. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve within the accumulated profit, up to, but not exceeding, the balance of the reserve.

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value, immediately prior to the sale, is adjusted to the transaction price. The adjustment is recorded in the Statement of income for the year within Net gain from fair value adjustment on investment property.

3.6 Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and carried at cost until construction or development is complete, or its fair value can be reliably determined. Once valued it is reclassified and accounted for as investment property.

The land on which investment property is constructed or developed is carried at fair value, which is determined annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are done using the market comparable approach or residual approach.

Gains or losses arising from changes in the fair values are included in the Statement of income during the period when they arise. Unrealised gains, net of deferred tax, are classified as non-distributable in the accumulated profits. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve up to, but not exceeding, the balance of the reserve.

3.7 Non-current assets held for sale

Investment property is classified as a non-current asset held for sale if its carrying amount will be recovered mainly through a sale transaction rather than continuing use. For this to apply 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. The sale will be considered highly probable if the following criteria are met:

- the Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the sale must be initiated;
- the property must be actively marketed at a price that is reasonable in relation to its current fair value, and
- the sale of property should be expected to qualify for recognition as a completed sale within one year of the date of classification

On classification as held for sale, investment property that is measured at fair value continues to be so measured.

3.8 Goodwill

Goodwill arises on acquisition of subsidiaries and joint ventures that constitute a business. Goodwill represents the amount paid in excess of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. When the excess is negative (negative goodwill) it is recognised directly in the Statement of income.

Subsequent measurement

Goodwill is not amortised, but is tested for impairment at least annually.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

Where goodwill is generated by the recognition, on the acquisition of a business, of deferred tax liabilities in excess of the fair value of such liabilities, the post-tax discount rate is adjusted in order to determine the appropriate pre-tax discount rate used to determine the value in use for impairment testing purposes. Therefore, the deferred tax liability in excess of its fair value, as determined at acquisition, is offset against the goodwill, and the net amount tested to determine whether that goodwill is impaired.

If the deferred tax provision in excess of the fair value of that liability is subsequently reduced or eliminated, for example through a change in the tax circumstances of the Group, the goodwill arising from the initial recognition of the deferred tax provision may be impaired. The goodwill is tested at the same time as the fair value of the relevant investment property is determined.

3.9 Loans to participants in the Current Share Scheme (as defined in Note 18)

Loans to participants in the Current Share Scheme are initially recognised at the amount granted, carried at amortised cost and tested annually for impairment.

3.10 Property, plant and equipment and intangible assets

Property, plant and equipment, and intangible assets are initially recognised at acquisition cost, carried at amortised cost and tested annually for impairment.

For property, plant and equipment 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. Both are recognised in the Statement of income for the year.

The cost of computer licences and property, plant and equipment is depreciated on a straight-line basis over the length of their useful lives:

	Useful lives in years
Computer licences	1–3
Office improvements	over the term of the underlying lease
Office equipment	2–16
Equipment used in owner managed activities	3–22

3.11 Borrowings

Borrowings are recognised initially at the fair value of the liability (determined using the prevailing market rate of interest if significantly different from the transaction price) and net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method. Any difference between the fair value of the borrowing at initial recognition and the proceeds received is recognised in accordance with the substance of the transaction: to equity, if the premium or discount at initial recognition effectively represents a capital transaction with the Group's owners, or in the Statement of comprehensive income, within finance activity.

Foreign currency translation differences are recognised as foreign exchange differences within finance income or finance costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, such as properties developed for future sale, capital appreciation or rental income, are capitalised as part of the cost of these assets. The capitalisation of borrowing costs ceases when the majority of the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognises its financial liability (or part of a financial liability) from its Statement of financial position when, and only when, it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires. An exchange between the Group and a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If the Group repurchases a part of a financial liability, it allocates the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid for the part derecognised, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of income.

3.12 Tenant security deposits

Tenant security deposits represent financial advances made by lessees as guarantees during the lease and are repayable by the Group upon termination of contracts. Tenant security deposits are recognised at nominal value.

3.13 Financial instruments

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, derivative financial instruments and loans granted by the Company to its subsidiaries. The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are classified as current or non-current on the basis of their maturity date.

The Company has investments in listed property shares which are initially recognised at cost and subsequently re-measured at fair value. The fair value of the shares is determined by referring to published price quotations in an active market. The loans payable incurred for the purpose of financing these investments are measured at amortised cost and presented net of the cash collateral paid by the Company at the acquisition of each share (see Note 13).

These financial investments are classified as current or non-current assets, based on the estimated selling date. The loan payable in this respect follows the classification of the investments.

3.13.1 Initial recognition and subsequent measurement

Financial instruments are initially measured at fair value, which, except for financial instruments at fair value through profit or loss and derivatives, include directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as follows:

FINANCIAL INSTRUMENT	RECOGNITION METHOD
Investments in subsidiaries (presented only in the Company's financial statements)	Carried at cost, net of impairment losses
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method
Investments in joint ventures	Carried at share of net assets of the joint ventures, net of impairment losses
Loans granted to joint ventures	Carried at amortised cost using the effective interest rate method
Trade and other receivables	Carried at amortised cost using the effective interest rate method, net of impairment losses
Trade and other payables	Carried at amortised cost using the effective interest rate method
Cash and cash equivalents	Carried at cost
Loans granted to participants in the Current Share Scheme	Carried at amortised cost using the effective interest rate method
Financial liabilities, including loans and borrowings	Measured at amortised cost using the effective interest rate method
Derivative financial instruments	Carried at fair value with changes therein recognised in the Statement of income, hedge accounting is not applied
Financial investments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of income

The fair values of the financial assets and liabilities are estimates of the amount that the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade and other receivables, trade and other payables, tenant deposits, current portion of loans and borrowings are estimated at their carrying amounts due to the short-term maturities of these instruments
- The fair values of the derivative interest rate cap and swap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument
- The fair values of financial investments are estimated based on quoted prices in active markets as at balance sheet date

The financial assets and liabilities are categorised according to the following levels:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3.13.2 Derecognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Group or Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of income.

3.13.3 Offset

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the Group and/or Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax and VAT assets and liabilities are the main items offset, and these are assessed at each property level.

3.14 Impairment of financial assets

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

The Group considers evidence of impairment for receivables at a specific asset level.

All receivables are individually assessed for impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate and is recognised through an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of income for the year.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating) the previously recognised impairment loss is reversed by adjusting the allowance account through the Statement of income for the year.

Uncollectable assets are written-off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the impairment loss account within the Statement of income for the year.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

3.16 Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

3.17 Share-based payment reserve

The Group has accounted for the Initial Share Scheme (Note 18) as a share option scheme. The fair value of share option granted to key individuals and their nominated entities is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the Statement of income but added for calculation of distributable earnings purposes only (Note 31).

The fair value measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of similar listed companies), expected life of the instrument (considered as vesting period) and the risk free interest rate (based on government bonds).

The Current Share Scheme (Note 18) is accounted for by recognising in the share-based payment reserve the value of the loans given to employees. The share-based payment reserve is converted to share capital at each vesting date. The accrued interest is recognised as finance income in the Statement of income.

3.18 Other reserves

3.18.1 Currency translation reserves

The financial statements reported as of 31 December 2012 required translation of foreign operations' figures. Exchange differences arising, if any, were classified as equity and transferred to the Group's currency translation reserve. The assets, liabilities and equity of the Group's operations with a functional currency other than Euro were expressed in Euro using exchange rates prevailing at 31 December 2012. Income and expense items were translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, were classified as equity and transferred to the Group's currency translation reserve. Such translation differences were recognised in the Statement of income in the period in which the foreign operation is disposed of.

At 31 December 2012 the principal rate of exchange used for translating foreign currency balances was 1€=4.4287 RON. The principal average rate of exchange used for translating income and expenses was 1€=4.4560 RON.

Starting from 1 January 2013, the Group adopted Euro as functional currency for all its operations. All transactions denominated in currencies other than Euro are recognised at the exchange rate from the date of transaction, so the Group does not recognise currency translation reserves.

3.18.2 Retained earnings

The balance on the Statement of income is transferred to retained earnings at the end of each financial period. Distribution paid in cash is deducted from Retained Earnings. Distribution for which shareholders elected to receive capital return is reflected as an issue of shares from the share premium account.

3.19 Provisions

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reassessed at each reporting date, and are included in the financial statements at their net present values using discount rates appropriate to the Group in the economic environment at each reporting date.

3.20 Revenue

Revenue comprises rental and related income and recovery of expenses, excluding VAT.

Rental income

Rental income receivable from operating leases, less the Group's initial direct cost of entering into the leases, is recognised on a straight-line basis over the duration of the lease, except for contingent rental income which is recognised when it arises.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised on an accrual basis.

As specified in the lease agreements, the Group has the primary responsibility for providing services to tenants (electricity, water and gas utilities, interior and exterior cleaning, security, maintenance, repairs, etc). The Group negotiates directly with the suppliers all contracts for services provided to tenants. 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 most of its portfolio, it can negotiate better prices through the economies of scale. The Group bears the responsibility of meeting the contractual deadlines agreed in the contracts with its suppliers and is liable for payment of the services, regardless of whether they are able to recover these charges from the tenants. The Group also bears the inventory risk for the necessary spare parts purchased for the maintenance and repairs required by the tenants. The Group bears the credit risk for the amounts receivable from tenants. 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. After the year-end, the annual service charge reconciliation is performed based on actual costs. 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 therefore bears the risk of not collecting the service charge differences for non-performing tenants. The Group is considered principal in these transactions, in terms of the IAS 18 requirements.

3.21 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an accrual basis.

3.22 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to the Statement of income for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

3.23 Dividend received

Dividend/distribution income is recognised in the Statement of comprehensive income on the date the Group or Company's right to receive payment is established.

3.24 Dividend distributed

Distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 31.

3.25 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of income. 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.

Deferred tax is determined using the Statement of financial position liability method and is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. 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 date of the Statement of financial position, which are expected to apply to the period when the temporary differences will reverse or the tax loss carried forward will be utilised.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries that are unlikely to reverse in the foreseeable future.

A deferred tax asset is recognised based on the assumption that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax income or expense incurred by the Group reflects deferred tax accrued in the subsidiaries of the Group located in Romania and Slovakia.

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 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 gross basis and is disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the loss is recorded for the gross amount of the debt, including VAT.

3.26 Segment reporting

Management decisions and consequent allocation of resources are based on individual property level reports, which are analysed in detail. Management has a hands-on approach and is involved in day-to-day activities. Regular management meetings are held at least monthly for each property, where the top management of the Group and each property manager analyse the financial results, decide whether any repairs or improvements are necessary, review rent collection issues and allocate resources to resolve any delays with tenants and review maintenance plans, vacancies and the status of any contract negotiations, as well as other operational matters. The results of these discussions ensure management decisions are specific to each of the properties. The Segmental Reporting summarises the results recorded by the properties held by the Group. The properties can be classified as retail, office or industrial properties, depending on industry practice.

The Group's Chief Operating Decision Makers (CODM) are the Chief Executive Officer and the Finance Director and they take decisions based on detailed reports. These are prepared regularly and are presented to the Board of Directors, which approves the results and gives guidance on the subsequent strategy to be undertaken.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated there on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets and head office expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

For investment property financial information is provided to the Board of Directors. The information provided is net rentals (including gross rent and property expenses) and valuation gains and losses. Individual properties are aggregated into segments with similar economic characteristics.

Consequently, the Group is considered to have three reportable operating segments:

- Retail segment: acquires, develops and leases retail properties
- Office segment: acquires, develops and leases office properties
- Industrial segment: acquires, develops and leases industrial facilities

The Group also reports by geographic segments, currently Romania and Slovakia. Investments in joint ventures in Germany are not included in the segment reporting as these are accounted for under the equity method starting from 1 January 2013.

3.27 Earnings per share

The Group presents basic and diluted earnings per share.

Basic earnings per share are calculated by dividing annual profit for the year attributable to equity holders by the weighted average number of shares in issue during the year.

Diluted earnings per share is determined by adjusting the profit for the year and the weighted average number of shares in issue for the dilutive effects of all potential ordinary shares issued under the Initial Share Scheme (as defined in Note 18).

3.28 Distributable earnings per share

The Group presents distributable earnings per share, in accordance with its distribution policy.

Distributable earnings per share are calculated by dividing the distributable profit (earnings plus deferred tax, less/plus fair value increases/decreases, less/plus capital gains/losses on disposal, plus interest due from participants in the Initial Share Scheme and other adjustments that the Board may consider necessary) for the period by the number of shares in issue which are entitled to distribution at the end of the period.

3.29 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

Headline earnings are an additional earnings number that is permitted by IAS 33. The starting point is earnings as determined in IAS 33, excluding 'separately identifiable re-measurements', net of related tax (both current and deferred) and minority interest, other than re-measurements specifically included in headline earnings (referred to as included re-measurements).

A re-measurement is an amount recognised in the Statement of income relating to any change (whether realised or unrealised) in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability. A re-measurement may be recognised in the Statement of comprehensive income either when the re-measurement occurs or subsequently. This latter situation occurs when re-measurements are initially recorded in equity (in accordance with the relevant IFRS) and subsequently included or recognised in the Statement of comprehensive income.

3.30 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2013:

IAS 1 Presentation of items of Other Comprehensive Income – amendments to IAS 1

The amendments to IAS 1 became effective 1 July 2012 and were first applied by the Group on 1 January 2013. The amendments introduce a grouping of items presented in other comprehensive income (OCI). Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation reserve). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 11 Joint arrangements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a result of this adoption, the Group is now accounting for its investments in joint ventures under the equity method. The Group has restated the presentation of the Statement of Financial Position and Statement of Income starting 1 January 2012, which previously included joint ventures accounted for under the proportionate consolidation method.

IAS 28 Investments in associates and joint ventures (revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group has restated the presentation of the Statement of Financial Position and Statement of Income starting 1 January 2012, which previously included joint ventures accounted for under the proportionate consolidation method.

IAS 19 Employee benefits (revised)
The amendment is effective for annual periods beginning on or after 1 January 2013. IAS 19 initiates a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. This change has no impact on the Group's financial position or performance.

IFRS 7 Financial instruments: disclosures (amended) - offsetting financial assets and financial liabilities
The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The impact of this change on the Group's financial position or performance is insignificant.

IFRS 10 Consolidated financial statements, IAS 27 Separate financial statements
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The impact of this change on the Group's financial position or performance is insignificant.

IFRS 12 Disclosures of interests in other entities
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The impact of this change on the Group's financial position or performance is insignificant.

IFRS 13 Fair value measurement
The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group, but it has an impact on disclosure requirements.

Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)
The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the

date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The impact of these changes on the Group's financial position or performance is insignificant.

Annual improvements
The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The amendment is effective for annual periods beginning on or after 1 January 2013. The impact of these changes on the Group's financial position or performance is insignificant.

— IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
— IAS 16 Property, Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
— IAS 32 Financial Instruments, Presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
— IAS 34 Interim Financial Reporting: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

3.31 Standards issued but not yet effective and not early adopted

IAS 32 Financial instruments: presentation (amended) – offsetting financial assets and financial liabilities
The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of 'currently has a legally enforceable right to set-off'. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

IFRS 9 Financial instruments: classification and measurement and subsequent amendments to IFRS 9 and IFRS 7 mandatory effective date and transition disclosures; hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39
IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)
The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualifies as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

IFRS 14 Regulatory deferral accounts
The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This change has no impact on the Group's financial position or performance.

IAS 36 Impairment of assets (amended) – recoverable amount disclosures for non-financial assets
This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

IAS 39 Financial instruments (amended): recognition and measurement - novation of derivatives and continuation of hedge accounting
This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. This change has no impact on the Group's financial position or performance.

IAS 19 Defined benefit plans (amended): employee contributions
The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This change has no impact on the Group's financial position or performance.

IFRIC interpretation 21: Levies
The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This change has no impact on the Group's financial position or performance.

Annual improvements
The IASB has issued the Annual Improvements to IFRSs 2010–2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

- IFRS 2 Share-based Payment: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- IFRS 3 Business combinations: This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- IFRS 8 Operating Segments: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- IFRS 13 Fair Value Measurement: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- IAS 16 Property Plant & Equipment: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- IAS 24 Related Party Disclosures: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- IAS 38 Intangible Assets: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- The IASB has issued the Annual Improvements to IFRSs 2011–2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.
- IFRS 3 Business Combinations: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 Fair Value Measurement: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- IAS 40 Investment Properties: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group's management discusses with the Audit and Risk Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, as well as their application.

The estimates and associated assumptions are based on historical experience and various other factors reasonable under the circumstances. These are used to make judgements about the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below.

Valuation of investment properties
Investment property is stated at its fair value based on reports prepared by an international valuation company at each end of the reporting period. Valuations are based principally on discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. These are supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management reviewed the appraisers' assumptions relating to the discounted cash flow models used in the valuations, and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

Valuations of the income generating properties are based on cash flow statements, in which the present value of net operating income during a ten-year period and the residual value of the property at the end of the period are calculated.

Forecasts of net operating income are based on leases signed at the time of the valuation date, the estimated rental values for existing leases when they expire and the estimated achievable rental values of to the existing vacancies. The value of long-term vacancies is estimated based on the property's location and condition. The valuers' assessments of non-recoverable expenses are based on their experience of comparable properties and historical costs provided by the Group.

The discount rates used are nominal returns on total capital before tax and vary between 7.5% and 12%. The required rates of return are based on assessments of the market's required returns for similar properties. The discount rate is set individually for each property and is based on the condition and location, the stability of the tenant and lease length.

Business combinations or asset acquisitions
The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition. The basis for this assessment is described in Note 3.2.

5 INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has direct investments and indirect holdings in other group companies, which were consolidated in the Group's financial statements, as listed in the table below:

Subsidiaries/joint ventures as at 31 December 2013

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Address	Principal activity	Investment	Effective interest (%)	Effective investment 31 Dec 2013	Effective investment 31 Dec 2012
AUPARK Žilina SC as	Oct 2008/ Aug 2013	59A Veľká okružná, 01001 Žilina, Slovakia	Investment vehicle	indirect	100	25,000	–
AUPARK Žilina spol sro	Dec 2003/ Aug 2013	59A Veľká okružná, 01001 Žilina, Slovakia	Investment vehicle	indirect	100	15,438,274	–
Braila Promenada Mall SRL	Sep 2009	301–311 Barbu Vacarescu, 3rd floor Office 1, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	8,300,450	8,300,450
Brasov Shopping City SRL (previously named Just Development SRL)	Jun 2011	301–311 Barbu Vacarescu, 3rd floor Office 2, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	48	48
CIREF Europe Management Ltd	Dec 2007/ Apr 2008	31–33 The Triangle Ranelagh, Dublin 6, Ireland	Holding company	indirect	50**	*	*
CIREF NEPI Holdings Ltd	Apr 2008	17 Grigoriou Xenopoulou PC 3106, Limassol, Cyprus	Holding company	indirect	50**	*	*
Cluj Business Centre SRL	Jul 2012	10 Coriolan Brediceanu, City Business Centre 6th floor, Office 6.8, Timisoara, Romania	Investment vehicle	indirect	50**	22	22
Retail Park Pitesti SRL	Jan 2010	301–311 Barbu Vacarescu, 3rd floor Office 5, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	6,815,805	14,091,414
Distinct Services SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor Office 6, Bucharest, District 1, Romania	Investment vehicle	indirect	100	55	55
ELJ Vatra SRL	Feb 2007/ Aug 2013	301–311 Barbu Vacarescu, 3rd floor Office 7, Bucharest, District 2, Romania****	Investment vehicle	indirect	70	1	–
Everest Investitii si Consultanta SRL	Feb 2005/ Nov 2013	301–311 Barbu Vacarescu, 3rd floor Office 8, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	28,430,500	–
FDC Braila BV	Sep 2009	231 Schiphol Boulevard 1118BH Amsterdam Schiphol, Netherlands	Holding company	indirect	100	8,300,450	8,300,450
Floreasca Business Park SRL	Dec 2010	301–311 Barbu Vacarescu, 3rd floor Office 9, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	16,446,057	16,446,057
Galati Shopping City SRL (previously named Nepi Nine Investment Development SRL)	Jun 2012	301–311 Barbu Vacarescu, 3rd floor Office 23, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,229	45
Galaxis Project SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor Office 9, Bucharest, District 1, Romania	Investment vehicle	indirect	100	53	53
General Building Management SRL	Aug 2004/ Jan 2008	301–311 Barbu Vacarescu, 3rd floor Office 11, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	1,230,013	1,405,631
General Investment SRL	Mar 2003/ Jan 2008	301–311 Barbu Vacarescu, 3rd floor Office 12, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	19,579,301	25,792,431
Ingen Europe BV	Dec 2010	Shiphol Boulevard 231 Toren B 5de, 1118BH, Schiphol, Netherlands	Holding company	indirect	100	18,000	18,000
Lakeview Office Building SA	Jul 2004/ Jan 2013	301–311 Barbu Vacarescu, 3rd floor Office 3, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	13,529,356	–
Mercureal SA	Jul 2005/ Aug 2013	301–311 Barbu Vacarescu, 3rd floor Office 13, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	21,009,916	–
NE Property Cooperatief UA	Oct 2007	231 Schiphol Boulevard Toren B, 5de, 1118BH Luchthaven Schiphol, Amsterdam, Netherlands	Holding company	indirect	100	10,000	10,000
NEPI Bucharest One SRL	Sep 2007	301–311 Barbu Vacarescu, 3rd floor Office 15, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	3,844,554	3,844,554
NEPI Bucharest Two SRL	Dec 2007	301–311 Barbu Vacarescu, 3rd floor Office 16, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,755,554	2,755,554
Nepi Three Building Management SRL	Mar 2013	301–311 Barbu Vacarescu, 3rd floor Office 17, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,274	–
Nepi Four Real Estate Solutions SRL	Mar 2013	301–311 Barbu Vacarescu, 3rd floor Office 18, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,274	–
Nepi Five Property Development SRL	Mar 2013	301–311 Barbu Vacarescu, 3rd floor Office 19, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,274	–
NEPI Six Development SRL	May 2012	301–311 Barbu Vacarescu, 3rd floor Office 6, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,229	45

* Less than €1
** Joint venture companies
*** 100% since 6 September 2013, 50% before
**** Address modified in February 2014

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Address	Principal activity	Investment	Effective interest (%)	Effective investment 31 Dec 2013	Effective investment 31 Dec 2012
NEPI Seven Business Management SRL	Jun 2012	301–311 Barbu Vacarescu, 3rd floor Office 21, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,229	45
NEPI Eight Development & Management SRL	Jun 2012	301–311 Barbu Vacarescu, 3rd floor Office 22, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,229	45
NEPI Ten Development Solutions SRL	Jun 2012	301–311 Barbu Vacarescu, 3rd floor Office 24, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,229	45
NEPI Eleven Real Estate Development SRL	Oct 2012	301–311 Barbu Vacarescu, 3rd floor Office 25, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,222	219
NEPI Investment Management Ltd (BVI)	Jun 2010	Midocean Chambers, PO Box 805 Road Town Tortola, British Virgin Islands	Investment vehicle	direct	100	6,825,948	6,825,948
NEPI Investment Management Ltd	Jun 2010	17 Grigoriou Xenopoulou PC 3106, Limassol, Cyprus	Investment vehicle	indirect	100	2,000	2,000
NEPI Investment Management SA	Jun 2010	301–311 Barbu Vacarescu, 3rd floor Office 14, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	1,357,158	1,357,158
Nepi Investments Ltd (previously named Seahorse Holdings Ltd)	Apr 2012	Anglo International House, Lord Street Douglas, 2nd floor, IM1 4LN	Holding company	direct	100	1	1
Nepi Holdings Ltd (previously named Prisum Holdings Ltd)	Apr 2012	Anglo International House, Lord Street Douglas, 2nd floor, IM1 4LN	Holding company	direct	100	36,280,001	1
NEPIOM Ltd	Sep 2012	Anglo International House, Lord Street Douglas, 2nd floor, IM1 4LN	Investment vehicle	indirect	100	78,552,611	1
New Europe Property (BVI) Ltd	Jul 2007	Midocean Chambers, Road Town Tortola, British Virgin Islands	Holding company	direct	100	*	*
New Europe Property NV	Sep 2007	123 Pietermaai, Curacao, Netherlands Antilles	Holding company	indirect	100	2,000	2,000
Otopeni Warehouse and Logistics SRL (previously named Unique Delamode SRL)	Sep 2010	301–311 Barbu Vacarescu, 3rd floor Office 27, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	1,807,035	1,804,853
Ploiesti Shopping City SRL	Dec 2010/ Feb 2012	71–73 Nicolae Caramfil, 4th floor Office 1, Bucharest, District 1, Romania	Investment vehicle	indirect	50**	2,927,024	2,927,024
Premium Portfolio Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse 60323 Frankfurt am Main, Germany	Investment vehicle	indirect	50**	*	*
Premium Portfolio 2 Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse 60323 Frankfurt am Main, Germany	Investment vehicle	indirect	50**	*	*
Severin Shopping Center SRL (previously named Nepi Twelve Property Solutions SRL)	Oct 2012	301–311 Barbu Vacarescu, 3rd floor Office 26, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,225	219
Sofia Commercial Centre EOOD	Dec 2013	103 Alexander Stambolijski 6th floor, Sofia, Bulgaria	Investment vehicle	indirect	100	102	–
Targu Jiu Development SRL (previously named Nepi Thirteen Land Management SRL)	Oct 2012	301–311 Barbu Vacarescu, 3rd floor Office 29, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	2,227	221
Timisoara City Business Center One SA	Jan 2012	301–311 Barbu Vacarescu, 3rd floor Office 30, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	10,572,509	10,572,509
Timisoara Office Building SA	Jan 2012	301–311 Barbu Vacarescu, 3rd floor Office 31, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	7,843,218	7,692,830
Victoriei Office Building SRL	Aug 2011	301–311 Barbu Vacarescu, 3rd floor Office 32, Bucharest, District 2, Romania****	Investment vehicle	indirect	100	4,794,815	4,794,815
Zircon Properties SRL	Apr 2012/ Sep 2013	301–311 Barbu Vacarescu, 3rd floor Office 33, Bucharest, District 2, Romania****	Investment vehicle	indirect	100***	4,999,912	2,247
Žilina Shopping City sro	Jun 2013/ Aug 2013	59A Veľká okružná, 01001 Žilina, Slovakia	Investment vehicle	indirect	100	5,000	–

* Less than €1
** Joint venture companies
*** 100% since 6 September 2013, 50% before
**** Address modified in February 2014

In 2013, the Group started a restructuring process in order to optimise its holding structure, following which part of its holding companies were in course of dissolution at 31 December 2013. The restructuring process had no impact on the Group's operating processes or financial statements, however it generated a non-distributable intercompany revenue from direct participations of €297,905,722.

The Company had given loans of €796,775,142 to NEPIOM Limited (31 December 2012: €319,989,688 to New Europe Property (BVI) Ltd). Accrued interest on the loans amounted to €6,352,135 (31 December 2012: €13,328,520 to New Europe Property (BVI) Ltd).

The interest income from loans granted to subsidiaries is presented in Note 30.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments: credit, liquidity, market, currency and interest rate. This note presents information about the Group's exposure to each, as well as the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated the responsibility for developing this framework to the Audit and Risk Committee. The Committee reports to the Board of Directors on its activities, oversees how management monitors compliance policies and procedures, and reviews the adequacy of the framework in relation to the risks faced.

The Group's policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The fair values of all financial instruments are basically the same as the carrying amounts reflected on the Statement of financial position. Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments carried in the financial statements.

	Note	Level	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
					Carrying amount			Fair value
Financial assets								
Loans to participants in Current Share Scheme (including accrued interest)	11	3	21,353,547	13,270,220	13,270,220	21,353,547	13,270,220	13,270,220
Financial assets at fair value through profit or loss	20	2	2,409,988	75,592	75,592	2,409,988	75,592	75,592
Trade and other receivables	14	3	28,035,680	9,748,620	15,798,975	28,035,680	9,748,620	15,798,975
Financial investments at fair value through profit or loss	13	1	61,078,624	81,865,443	81,865,443	61,078,624	81,865,443	81,865,443
Cash and cash equivalents	15	3	52,492,211	85,280,431	87,511,641	52,492,211	85,280,431	87,511,641
TOTAL			**165,370,050**	**190,240,306**	**198,521,871**	**165,370,050**	**190,240,306**	**198,521,871**
Financial liabilities								
Loans and borrowings	19	3	238,033,627	190,716,931	219,148,194	238,033,627	190,716,931	219,148,194
— Rate capped			129,866,936	72,399,004	75,316,616	129,866,936	72,399,004	75,316,616
— Rate swapped			108,166,691	118,317,927	121,889,047	108,166,691	118,317,927	121,889,047
— Variable rate			–	–	21,942,531	–	–	21,942,531
Financial liabilities at fair value through profit or loss	20	2	3,955,474	6,102,275	7,729,754	3,955,474	6,102,275	7,729,754
Trade and other payables	21	3	28,807,208	9,773,420	12,985,200	28,807,208	9,773,420	12,985,200
Tenant deposits	22	3	3,437,936	2,630,726	2,700,699	3,437,936	2,630,726	2,700,699
TOTAL			**274,234,245**	**209,223,352**	**242,563,847**	**274,234,245**	**209,223,352**	**242,563,847**

	Note	Level	Company 31 Dec 2013	Company 31 Dec 2012	Company 31 Dec 2013	Company 31 Dec 2012
				Carrying amount		Fair value
Financial assets						
Loans to participants in Current Share Scheme (including accrued interest)	11	3	21,353,547	13,270,220	21,353,547	13,270,220
Loans granted to subsidiaries	5	3	803,127,277	333,318,208	803,127,277	333,318,208
Financial assets at fair value through profit or loss	20	2	1,429,653	75,585	1,429,653	75,585
Trade and other receivables	14	3	10,630,481	712,592	10,630,481	712,592
Financial investments at fair value through profit or loss	13	1	61,078,624	81,865,443	61,078,624	81,865,443
Cash and cash equivalents	15	3	858,074	1,544,619	858,074	1,544,619
TOTAL			**898,477,656**	**430,786,667**	**898,477,656**	**430,786,667**
Financial liabilities						
Loans and borrowings	19	3	10,564,974	22,103,786	10,564,974	22,103,786
— Rate capped			10,564,974	22,103,786	10,564,974	22,103,786
Financial liabilities at fair value through profit or loss	20	2	3,546,521	5,268,795	3,546,521	5,268,795
Trade and other payables	21	3	269,056	324,546	269,056	324,546
TOTAL			**14,380,551**	**27,697,127**	**14,380,551**	**27,697,127**

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below.

Credit exposure on financial instruments	Note	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Loans to participants in Current Share Scheme (including accrued interest)	11	21,353,547	13,270,220	13,270,220	21,353,547	13,270,220
Loans granted to subsidiaries	5	–	–	–	803,127,277	333,318,208
Loans granted to joint ventures	34	37,063,751	30,368,931	–	–	–
Non-current receivables	11	8,060,470	1,410,729	1,142,518	–	–
Financial assets at fair value through profit or loss	20	2,409,988	75,592	75,592	1,429,653	75,585
Trade and other receivables	14	28,035,680	9,748,620	15,798,975	10,630,481	712,592
Cash and cash equivalents	15	52,492,211	85,280,431	87,511,641	858,074	1,544,619
TOTAL		**149,415,647**	**140,154,523**	**117,798,946**	**837,399,032**	**348,921,224**

On 31 December 2013 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.

Trade and other receivables relate mainly to the Group's tenants. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

The balance of the loans to participants in the Current Share Scheme are not considered to present credit risk as these are guaranteed with shares (see details in Note 18).

The exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants, but there is no concentration of credit risk with respect to trade debtors.

Management has established a credit policy where each new customer is analysed individually for creditworthiness before the standard payment terms and conditions are offered. When possible the evaluation includes external ratings.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main elements of this allowance are a specific loss component that relates to individually significant exposures. The carrying value of financial assets is considered to approximate their fair value.

Ageing of trade receivables/past due but not impaired	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Under 30 days	2,657,909	279,367	301,277
30–60 days	202,722	47,423	78,390
60–90 days	42,203	28,874	36,851
Over 90 days	312,959	314,614	319,261
TOTAL	**3,215,793**	**670,278**	**735,779**

Tenant receivables (Note 14) included in Trade and other receivables past due presented above were not impaired because part of the amounts were collected after the balance sheet date or because the Group has guarantees received from tenants (in cash or letters of guarantee from banks) that are higher than the balance receivable.

Tenant receivables not due amount to €2,129,341 (31 December 2012 as reported: €1,022,667).

An amount of €1,950,218 (31 December 2012: €2,556,844) is related to the receivable from Central Eastern European Real Estate Shareholdings BV (CEERES) overdue for more than 90 days, which carries an interest rate of three months Euribor plus a margin of 5%. The decrease in this receivable is due to the execution of part of the immovable guarantees by which CEERES secured its obligations. The balance as at 31 December 2013 is considered not impaired, as the Group still holds other guarantees over immovable assets.

Loans granted to joint ventures and subsidiaries are not due.

The Group assessed its receivables for impairment and concluded that an amount of €36,646 (2012 reported: €72,000) is unlikely to be recovered in respect of current period revenues: therefore an allowance for doubtful debts was charged to the Statement of income.

For purposes of cash management, the Group has deposit accounts with a number of banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit ratings, as well as the exposure per each bank are constantly monitored.

6.2 Liquidity risk

Liquidity risk is the danger that the Group will not be able to meet its financial obligations when they are due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the its reputation. To ensure that this occurs, the Group prepares budgets, cash flow analyses and forecasts which enable the Directors to assess the level of financing required in future periods. Budgets and projections are used to assess any future potential investment, which are compared against existing funds held on deposit to assess the nature and extent of any future funding requirements.

The Group receives rental income on a monthly basis. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Further reference to bank loans maturity analysis is made in Note 19.

Group 31 Dec 2013	Note	Less than 3 months	3–12 months	1–5 years	over 5 years	Total
Loans and borrowings	19	4,742,681	59,723,272	153,515,035	20,052,639	238,033,627
Tenant deposits	22	515,690	2,922,246	–	–	3,437,936
Financial liabilities at fair value through profit or loss	20	–	–	3,955,474	–	3,955,474
Trade and other payables	21	6,441,286	22,365,922	–	–	28,807,208
Deferred tax liabilities	23	–	–	–	50,677,581	50,677,581
Other long-term liabilities*		–	–	–	4,059,129	4,059,129
TOTAL		**11,699,657**	**85,011,440**	**157,470,509**	**74,789,349**	**328,970,955**

* Out of Other long-term liabilities, an amount of €2,450,225 represents liabilities to third parties.

Group 31 Dec 2012	Note	Less than 3 months	3–12 months	1–5 years	over 5 years	Total
Loans and borrowings	19	2,500,634	95,280,772	71,410,207	21,525,318	190,716,931
Tenant deposits	22	394,609	2,236,117	–	–	2,630,726
Financial liabilities at fair value through profit or loss	20	–	–	6,102,275	–	6,102,275
Trade and other payables	21	4,493,651	5,279,769	–	–	9,773,420
Deferred tax liabilities	23	–	–	–	21,567,836	21,567,836
TOTAL		**7,388,894**	**102,796,658**	**77,512,482**	**43,093,154**	**230,791,188**

6.3 Market risk

Market risk is the danger that changes in market prices, such as foreign exchange rates, or interest rates will affect the Group's fair value or future cash flows of financial instruments. Also, changes in market prices can affect the valuation of the Group's financial investments held by the Group. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return. The carrying value of financial assets and liabilities approximates their fair value.

6.3.1 Currency risk

The Group is exposed to foreign currency risk on purchases and receivables that are denominated in Romanian Leu (RON), Great British Pound (£) and South African Rand (R) on current assets and liabilities.

The cash inflows received in other currencies than Euro are converted to Euro using the spot rate available at the collection date. The amount converted to Euro is the net amount of cash inflow in a foreign currency and the estimated cash outflow in the same currency. The Group applies this policy to control its exposures in respect of monetary assets and liabilities denominated in other currencies than the cash inflows are received in.

6.3.2 Interest rate risk

The Group is subject to interest rate risk on loans and cash balances held. To avoid this danger, Group policy in relation to interest rate risk is to hedge this risk through the use of derivative financial instruments. As at 31 December 2013 and 31 December 2012, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

Sensitivity analysis for interest bearing financial instruments

A change of 100 Basis Points (bp) in interest rates would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the cash and loans and borrowings balances outstanding at the respective balance sheet dates. Cash and loans and borrowings balances are subject to changes over the year, therefore the calculations are not representative for the year as a whole. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Loans and borrowings with swapped interest rates are not affected by the market changes in interest rates.

	Group 31 Dec 2013	Group 31 Dec 2013 Restated	Group 31 Dec 2013 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Loans to participants in Current Share Scheme (including accrued interest)	21,353,547	13,270,220	13,270,220	21,353,547	13,270,220
Loans and borrowings (variable or capped rate)	(129,866,936)	(72,399,004)	(97,259,147)	(10,409,281)	(21,942,531)
TOTAL	**(108,513,389)**	**(59,128,784)**	**(83,988,927)**	**10,944,266**	**(8,672,311)**

Group 31 Dec 2013	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Loans to participants in Current Share Scheme	213,535	(213,535)	213,535	(213,535)
Loans and borrowings (variable or capped rate)	(1,298,669)	1,298,669	(1,298,669)	1,298,669
TOTAL	**(1,085,134)**	**1,085,134**	**(1,085,134)**	**1,085,134**

Group 31 Dec 2012 Restated	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Loans to participants in Current Share Scheme	132,702	(132,702)	132,702	(132,702)
Loans and borrowings (variable or capped rate)	(723,990)	723,990	(723,990)	723,990
TOTAL	**(591,288)**	**591,288**	**(591,288)**	**591,288**

Group 31 Dec 2012 Reported	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Loans to participants in Current Share Scheme	132,702	(132,702)	132,702	(132,702)
Loans and borrowings (variable or capped rate)	(972,591)	972,591	(972,591)	972,591
TOTAL	**(839,889)**	**839,889**	**(839,889)**	**839,889**

Company 31 Dec 2013	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Loans to participants in Current Share Scheme	213,535	(213,535)	213,535	(213,535)
Loans and borrowings (variable or capped rate)	(104,093)	104,093	(104,093)	104,093
TOTAL	**109,442**	**(109,442)**	**109,442**	**(109,442)**

Company 31 Dec 2012	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Loans to participants in Current Share Scheme	132,702	(132,702)	132,702	(132,702)
Loans and borrowings (variable or capped rate)	(219,425)	219,425	(219,425)	219,425
TOTAL	**(86,723)**	**86,723**	**(86,723)**	**86,723**

6.3.3 Market risk for rate risk listed property shares

Sensitivity analysis for Financial investments (Note 13)

A change of 100 basis points in the market values of the listed property shares held by the Group would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the market values of the listed property shares' outstanding balances as at 31 December 2013. These balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables remain constant.

31 Dec 2013	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Financial investments	610,786	(610,786)	610,786	(610,786)
TOTAL	**610,786**	**(610,786)**	**610,786**	**(610,786)**

31 Dec 2012	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
Financial investments	818,654	(818,654)	818,654	(818,654)
TOTAL	**818,654**	**(818,654)**	**818,654**	**(818,654)**

7 INTERNAL CONTROLS TO MANAGE RISKS

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to mitigate rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the Group's system of internal control include:

- Strategic and business planning: the Group produces and agrees a business plan each year, against which the performance of the business is regularly monitored.
- Investment appraisal: capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.
- Financial monitoring: profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a regular basis, including explanations of variances between actual and budgeted performance.
- Systems of control procedures and delegated authorities: there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.

8 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

Capital is primarily monitored by using the gearing ratio, computed as interest bearing debt less cash divided by investment property and listed property shares, which decreased to 22.5% (31 December 2012: 25%).

The Group's policy is to maintain a strong capital base of equity so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors also monitors the level of distributions to shareholders. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group will retain high levels of access to liquidity due to the instability of the European banking markets, to finance the Group's development pipeline and to pursue further investment opportunities. In order to mitigate the dilutory effect this has on earnings, a portion of the cash held for capital commitments has been invested in liquid dividend paying listed property shares (details in Note 13).

9 INVESTMENT PROPERTY AT FAIR VALUE

A schedule of investment property is included on pages 128–129.

Movement in investment property at fair value	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Carrying value at beginning of year	339,851,226	299,890,036	316,393,495
Additions from business combinations (Note 33)	293,708,904	51,242,968	51,242,968
Additions from joint ventures (Note 34)	–	–	10,206,824
Transferred from investment property under development	46,924,607	15,378,319	37,976,723
Fair value adjustments of investment property and goodwill (Note 29)	23,370,859	2,005,061	6,811,374
Investment property reclassified as held for sale	(44,596)	(28,665,158)	(28,665,158)
CARRYING VALUE AT END OF YEAR	**703,811,000**	**339,851,226**	**393,966,226**

Investment property is carried at fair value that is assessed on an annual basis.

The fair value of completed investment property is determined using a discounted cash flow (DCF). Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, nonrecoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The Group obtained independent appraisal reports from DTZ Echinox Consulting, Jones Lang LaSalle and NAI Apollo Valuation & Research GmbH, all members of RICS (Royal Institution of Chartered Surveyors). The fair value of investment property is based on the year-end appraisal reports. Investment property is classified as Level Three of the fair value hierarchy as defined in IFRS 7.

As at 31 December 2013, the portfolio had a vacancy rate of 2.33% (31 December 2012: 4.8%).

The Group's investment properties at the end of the reporting period included retail, office and industrial properties and an immaterial amount of residential property in Germany.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group now discloses fair values according to a fair 'value hierarchy' (as per IFRS 13) which categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The different levels of the fair value hierarchy are explained below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Use of a model with inputs (other than quoted prices included within Level 1) that are directly or indirectly observable market data.
- Level 3: Use of a model with inputs that are not based on observable data.

The Group's investment property is categorised as level 3. There were no transfers between the hierarchy levels during the year.

The residual value is the market value of the property at the end of the calculation period, which is based on the forecast net operating income for the first year after the calculation period. The required yield at the end of the calculation period is between 7.25% and 10%. The Group's resulting weighted average net yield was 8.26% for the entire property portfolio (8.04% for retail, 8.46% for office and 10.35% for industrial portfolio).

Based on the year-end valuation net yield of 8.26%, an increase of 25 basis points would result in a €20.7 million value decrease in the Group's property portfolio.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	**Impact on fair value of increase in input**
Estimated rental value	Increase
Net initial yield	Decrease
Net reversionary yield	Decrease

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development Retail	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Carrying value at beginning of year	4,913,629	–	7,052,378
Additions from business combinations (Note 33)	42,652,504	–	178,919
Additions from joint ventures (Note 34)	–	–	(3,526,239)
Additions from asset deals and construction in progress	74,643,591	13,172,296	34,191,737
Disposals	–	(1,028)	(354,836)
Fair value adjustments of investment property and goodwill (Note 29)	14,218,248	(11,000)	(11,000)
Assets which became operational and were transferred to Investment Property at fair value	(46,442,549)	(9,239,770)	(31,585,330)
CARRYING VALUE AT END OF YEAR	**89,985,423**	**3,920,498**	**5,945,629**

Movement in investment property under development Office	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Carrying value at beginning of year	12,961,000	18,356,964	18,356,964
Additions from asset deals and construction in progress	1,311,807	1,672,706	5,146,638
Fair value adjustments of investment property and goodwill (Note 29)	(122,000)	(930,121)	(349,889)
Assets which became operational and were transferred to Investment Property at fair value	(482,058)	(6,138,549)	(6,391,393)
CARRYING VALUE AT END OF YEAR	**13,668,749**	**12,961,000**	**16,762,320**

Land included in investment property under development is carried at fair value that is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consulting. The fair value of investment property was adjusted based on these year-end appraisal reports. Land included in investment property under development is classified as Level Three of the fair value hierarchy as defined in IFRS 7.

Additions from asset deals include various land plots purchased for development of retail and office projects.

Borrowing costs capitalised in 2013 amount to €3,373,738 (2012: €1,224,115) and were computed using an average annual interest rate of 4.6% (2012: 4.5%).

Balance of investment property under development	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Retail	89,985,423	3,920,498	5,945,629
Office	13,668,749	12,961,000	16,762,320
TOTAL	**103,654,172**	**16,881,498**	**22,707,949**

11 OTHER LONG-TERM ASSETS

The other long-term assets are classified as follows:

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Loans to participants in the Current Share Scheme (Note 18)	21,353,547	13,270,220	13,270,220	21,353,547	13,270,220
Non-current receivables	8,060,470	1,410,729	1,142,518	–	–
Property, plant and equipment and intangible assets	414,073	314,897	314,897	–	–
TOTAL	**29,828,090**	**14,995,846**	**14,727,635**	**21,353,547**	**13,270,220**

Non-current receivables include loans given to third parties that carry an interest rate of 8.9% per annum (2012: 12% per annum).

The property, plant and equipment and intangible assets are detailed as follows:

Group 31 Dec 2013	Cost	Accumulated depreciation/ amortisation	Net book value
Computer licences	112,426	(101,291)	11,135
Office improvements and equipment	349,045	(71,228)	277,817
Equipment used in owner managed activities	131,823	(6,702)	125,121
TOTAL	**593,294**	**(179,221)**	**414,073**

Group 31 Dec 2012 Restated	Cost	Accumulated depreciation/ amortisation	Net book value
Computer licences	93,942	(31,562)	62,380
Office improvements and equipment	165,012	(37,616)	127,396
Equipment used in owner managed activities	131,823	(6,702)	125,121
TOTAL	**390,777**	**(75,880)**	**314,897**

Group 31 Dec 2012 Reported	Cost	Accumulated depreciation/ amortisation	Net book value
Computer licences	93,942	(31,562)	62,380
Office improvements and equipment	165,012	(37,616)	127,396
Equipment used in owner managed activities	131,823	(6,702)	125,121
TOTAL	**390,777**	**(75,880)**	**314,897**

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Balance at 1 Jan 2012	Additions	Adjustments	Balance at 31 Dec 2012 Reported	Adjustment related to the adoption of IFRS 11	Balance at 31 Dec 2012 Restated	Additions	Adjustments/ impairment	Balance at 31 Dec 2013
Promenada Mall Braila	1,523,220	–	(1,523,220)	–	–	–	–	–	–
Regional offices portfolio	1,888,075	–	–	**1,888,075**	–	**1,888,075**	–	(815,709)	**1,072,366**
Retail Park Pitesti	2,394,014	–	(723,965)	**1,670,049**	–	**1,670,049**	–	–	**1,670,049**
Floreasca Business Park	1,664,414	–	–	**1,664,414**	–	**1,664,414**	–	–	**1,664,414**
Internalisation of NEPI Investment Management	5,881,776	–	–	**5,881,776**	–	**5,881,776**	–	–	**5,881,776**
City Business Centre	–	2,030,295	–	**2,030,295**	–	**2,030,295**	–	–	**2,030,295**
Vulcan Value Centre	–	54,186	–	**54,186**	(54,186)	–	5,689,680	(5,689,680)	–
The Lakeview	–	–	–	–	–	–	4,136,909	(238,159)	**3,898,750**
City Park	–	–	–	–	–	–	5,333,124	(5,333,124)	–
Aupark Zilina	–	–	–	–	–	–	3,549,593	(3,549,593)	–
Deva Shopping Centre	–	–	–	–	–	–	2,422,355	(2,422,355)	–
TOTAL	**13,351,499**	**2,084,481**	**(2,247,185)**	**13,188,795**	**(54,186)**	**13,134,609**	**21,131,661**	**(18,048,620)**	**16,217,650**

The following movements in goodwill occurred during the year ended 31 December 2012:

- the acquisition of City Business Centre generated a goodwill that results mostly from the deferred taxation liability as at the acquisition date;
- the investment in Vulcan Value Centre development generated goodwill due to negative net equity at the date of the acquisition of the 50% participation (the entity had incurred various expenses to date related to the land to be acquired);
- the goodwill held in relation to Promenada Mall Braila has been written-off following the settlement reached with the vendors (Note 28), and
- the goodwill related to Auchan hypermarket resulted from deferred tax liabilities recognised at acquisition date has been written-off.

The following movements in goodwill occurred during the year ended 31 December 2013:

- the acquisitions of The Lakeview, City Park, Aupark Zilina and Deva Shopping Centre generated goodwill that results from the deferred taxation liability as at the acquisition date; this goodwill was written-off against the increase in the fair value of the property (as shown in the year-end revaluation report, compared to the acquisition price), and
- an impairment was recognised against the Raiffeisen portfolio goodwill, corresponding to the decrease in the related deferred taxation liability (which generated the initial goodwill recognition).

13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group will retain high levels of access to liquidity, aimed at financing the Group's development pipeline and pursuing further investment opportunities. In order to mitigate the dilutory effect this has on earnings, a portion of the cash has been invested in highly liquid dividend paying listed property shares.

The fair value of the listed securities portfolio as at 31 December 2013 was €61,078,624 (31 December 2012: €81,865,443), of which €29,836,691 (31 December 2012: €63,699,344) was the value of the securities held through a contract with Morgan Stanley & Co International PLC (this allows the Company to borrow up to 40% of the value of the securities held at an interest rate of EONIA plus 2%).

During 2013, the listed securities generated €2,905,611 in dividends (2012: €796,411), €969,595 in capital gains (2012: €10,287,980) and €586,421 in realised profit from sale of shares (2012: €26,280).

The financial investments are not considered as long-term strategic investments and are expected to be sold in short term; therefore these have been designated as financial assets at fair value through profit or loss and classified as current assets.

The fair values of the financial investments are determined based on quoted prices in active markets: therefore, these financial instruments are classified, from their acquisition date until 31 December 2013, as Level One of the fair value hierarchy as defined in IFRS 7.

14 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Tenant receivables	5,345,134	2,445,895	2,957,362	–	–
Receivable from CEERES	1,950,218	2,556,844	2,556,844	–	–
Advance payments	783,416	827,402	831,980	–	–
Prepaid property expenses	988,502	255,294	264,026	–	–
Receivable from share issues	8,364	591,008	591,008	8,364	591,008
VAT receivable	18,238,071	2,357,279	7,835,474	–	–
Other receivables	674,522	669,517	669,517	10,581,951	121,584
Other prepaid fees	47,453	45,381	92,764	40,166	–
TOTAL	**28,035,680**	**9,748,620**	**15,798,975**	**10,630,481**	**712,592**

15 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
EUR	44,777,579	82,727,762	83,242,036	799,746	1,456,785
GBP	19,533	4,914	4,914	18,518	1,036
ZAR	40,089	87,433	87,433	39,729	86,713
RON	7,655,010	2,460,322	4,177,258	81	85
TOTAL	**52,492,211**	**85,280,431**	**87,511,641**	**858,074**	**1,544,619**

16 INVESTMENT PROPERTY HELD FOR SALE

As announced on 3 August 2012, the Group entered into agreements with the Auchan Group to sell the hypermarket section of Retail Park Pitesti for a total consideration of €29,192,416. The transaction was finalised in April 2013 and it generated a gain on disposal of €527,258.

The Group entered into business combinations for the acquisitions of City Park and Mega Mall. These included additional land plots which will be sold back to the Sellers.

The Group acquired a property in Predeal, Romania as a result of enforcing a security over an overdue receivable of €386,025.

Investment property held for sale	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Carrying value at beginning of year	28,665,158	–	–
Additions from business combinations (Note 33)	734,080	28,665,158	28,665,158
Additions from asset deals	386,025	–	–
Disposals	(28,665,158)	–	–
Fair value adjustments of investment property and goodwill (Note 29)	440,975	–	–
CARRYING VALUE AT END OF YEAR	**1,561,080**	**28,665,158**	**28,665,158**

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Authorised on 23 Aug 2007: 150,000,000 ordinary shares of €0.01 each; Authorised on 24 Aug 2012: increase to 300,000,000 ordinary shares of €0.01 each		
Issued as of 1 January 2012	**955,693**	**227,844,770**
— Issued 5,518,057 ordinary shares at €3.0000/share*	55,180	16,498,990
— Distribution withheld from vendor placement	–	(578,292)
— Issued 1,600,000 ordinary shares at €3.2000/share**	16,000	5,104,000
— Issued 13,505,201 ordinary shares at €3.2000/share**	135,052	43,081,592
— Issued 3,224,460 ordinary shares at €3.7500/share***	32,245	(32,245)
— Issued 2,980,061 ordinary shares at €4.0343/share**	29,801	11,992,704
— Issued 12,345,680 ordinary shares at €4.0500/share****	123,457	49,876,547
— Sale of 110,999 shares issued under the Initial Share Scheme	1,110	326,324
— Vesting of shares issued under the Current Share Scheme	3,561	1,060,880
— Sale of unvested shares issued under the Current Share Scheme	530	183,367
— Issue cost recognised to equity	–	(332,117)
CARRIED FORWARD AS AT 31 DECEMBER 2012	**1,352,629**	**355,026,520**

* The shares were issued on 2 February 2012 as part of the vendor placement.
** The shares were issued on 4 May 2012, 22 May 2012 and 3 October 2012 as part of the private placements.
*** The shares were issued in respect of the return of capital.
**** The shares were issued on 20 November 2012 as part of the rights issue.

Movement of ordinary shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2013	**1,352,629**	**355,026,520**
— Issued 3,625,314 ordinary shares at €4.3400/share[1]	36,253	(36,253)
— Issued 11,290,323 ordinary shares at €5.2266/share[2]	112,903	58,897,099
— Issued 20,833,328 ordinary shares at €4.7687/share[3]	208,333	99,140,403
— Issued 8,498,671 ordinary shares at €5.2595/share[2]	84,986	44,613,778
— Issued 4,584,704 ordinary shares at €4.8000/share[1]	45,847	(45,847)
— Issued 9,020,844 ordinary shares at €5.5087/share[2]	90,208	49,603,058
— Sale of shares issued under the Initial Share Scheme	3,959	1,260,256
— Vesting of shares issued under the Current Share Scheme	10,027	3,482,279
— Sale of shares issued under the Current Share Scheme	1,369	489,590
— Issue cost recognised to equity	–	(481,547)
CARRIED FORWARD AS AT 31 DECEMBER 2013	**1,946,514**	**611,949,336**

[1] The shares were issued in respect of the return of capital: 8 April, 30 September 2013.
[2] The shares were issued as part of the book build: 24 April, 13 September and 6 December 2013.
[3] The shares were issued as part of the rights issue: 31 July 2013.

The issued share capital figure presented excludes shares issued in terms of the Initial Share Scheme and shares issued and unvested in terms of the Current Share Scheme (set out in Note 18) but includes the shares sold by the participants in the share purchase schemes to other investors and shares issued and vested in terms of the Current Share Scheme.

The ordinary shares carry the right to vote at general meetings, the right to distribution and the right to the surplus assets of the Group on a winding-up.

The ordinary shares carry pre-emption rights as well as transfer rights as indicated in the Company's Admission Document published at the time of admission to the AIM market of the London Stock Exchange.

[1]Option to receive capital return
Given the Group's ongoing development and acquisition programme, and following requests from shareholders, the Board explored alternatives to cash distributions to shareholders. As a result, the Board has resolved to offer shareholders the option to receive the:

- 12.05 euro cents per share distribution for the six months ended 31 December 2012 as a cash distribution or to receive a return of capital by way of an issue of new shares credited as fully paid up at a ratio of 2.774 new shares for each 100 shares, and
- 12.93 euro cents per share distribution for the six months ended 30 June 2013 as a cash distribution or to receive a return of capital by way of an issue of new shares credited as fully paid up at a ratio of 2.694 new shares for each 100 shares.

The shares were issued from the share premium account.

[2]Book build 24 April, 13 September, 6 December 2013
In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 28,809,838 ordinary shares through accelerated book build processes that generated over €154 million in 2013.

[3]Rights offer 31 July 2013
The Company's shareholders were offered 20,833,328 new shares at a ratio of 13.07987 new shares for every 100 shares held by them.

18 SHARE-BASED PAYMENTS

The Company issued shares to its employees under two share purchase schemes.

The first share purchase scheme was in place before the internalisation of NEPI's Investment Advisor (the 'Initial Share Scheme'). The second share purchase scheme was approved by the shareholders of the Company on 3 May 2011 and amended on 26 April 2012 and is the scheme in terms of which all new share purchase scheme issues are implemented (the 'Current Share Scheme'; collectively, the Initial Share Scheme and Current Share Scheme are defined as 'share purchase schemes').

The purpose of the share purchase schemes is to align the interests of executive directors and key individuals with those of the shareholders of the Company. The Company achieves this by granting loans to participants in the share purchase schemes for the purpose of buying shares, the repayment of which can be made in part out of the distribution payable in relation to the shares. Of the shares initially subscribed for by each participant, 20% vest annually.

The Company offers each participant the immediate right to subscribe for the relevant number of shares at their then market value less a maximum discount of 5%, together with a loan to fund such subscription. Each loan carries interest at the weighted average rate at which the Company is able to borrow money from its bankers. Each loan is repayable in full, together with interest, ten years after its relevant subscription date, but can be repaid earlier.

The Company has security interests over the shares held in the share purchase schemes by each participant. The security interests secure the repayment of all principal and interest in respect of each loan made by the Company to each participant under the share purchase schemes. In case of the shares issued under the Initial Share Scheme, the Company's recourse against each participant is limited to the shares issued in terms of this scheme.

Pending repayment of the loan in respect of the shares subscribed to by a participant, the distributions on such shares are applied towards payment of interest on that loan. If the distribution on the shares exceeds the amount required for the interest payment then the excess is paid to the participant, otherwise the shortfall is due by the participant to the Company. In case of the Current Share Scheme any excess distribution after interest payment is applied towards repayment of the loan.

The maximum number of shares that can be issued under the share purchase schemes is 15,000,000. As at 31 December 2013, 4,707,354 shares were issued under the Initial Share Scheme (31 December 2012: 5,100,790) and loans in amount of €11,574,006 (31 December 2012: €12,489,022) remained outstanding under the Initial Share Scheme (of which the loans in respect of the vested shares amounted to €7,679,713 in 2013 and €6,084,258 in 2012).

During 2013, 2,329,000 shares were issued under the Current Share Scheme (2012: 2,405,000 shares) and loans in amount of €21,353,547 remained outstanding under the Current Share Scheme (2012: €13,270,220) of which the loans in respect of the vested shares amounted to €829,044 (2012: €565,113). Refer to Note 11.

Number of shares	Group 31 Dec 2013	Group 31 Dec 2012
Maximum number of share purchase schemes shares which can be offered for subscription	**15,000,000**	**10,000,000**
Share purchase schemes shares outstanding at the end of the period	10,181,518	9,113,290
Share purchase schemes shares available but unissued	3,165,210	389,603

Accounting treatment

The Initial Share Scheme is accounted for as a share option scheme. Therefore, the fair value of the share-based payment, determined at the grant date, is expensed over the vesting period (2013: €954,637, 2012: €996,909) with a corresponding increase in the share-based payment reserve. The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the Statement of income, but added for calculation of distributable earnings purposes only (2013: €562,913; 2012: €569,597).

The Current Share Scheme is accounted for by recognising the value of the shares issued as an asset and classified as 'loan to participants in the Current Share Scheme' (Note 11) and respectively as equity and classified as 'share-based payment reserve'. At each vesting date, the vested value of the shares issued in terms of the Current Share Scheme is reclassified from 'share-based payment reserve' to 'share capital'. The accrued interest is recognised as finance income in the Statement of income.

19 LOANS AND BORROWINGS

In May 2013 the Group renewed its €9.5 million secured revolving facility with UniCredit Bank which matures on 31 May 2014 when, at the Group's option, the facility is convertible into a term loan repayable on 31 December 2014. The facility remains undrawn as at 31 December 2013.

Details of bank loans are set out in the table below. The repayment profile of the Group's outstanding loans is set out in the table below (excluding future interest). Apart from the bank loans presented below, the Group is also engaged in loans and borrowings related to its investments in joint ventures. Details on these bank loans are presented in Note 34.

The weighted average margin for the loans outstanding as at 31 December 2013 was 3.3% paid on top of a reference base rate (EONIA, 1 month EURIBOR, 3 month EURIBOR) hedged with a weighted average interest rate cap of 2% for 51% of the outstanding notional amount and a weighted average interest rate swap of 2.1% for 49% of the notional amount.

Interest bearing borrowings Group, 31 Dec 2013	Payable in 1 year	Payable in 2–5 years	Payable over 5 years	Total
Floreasca Business Park	3,920,000	52,657,248	–	56,577,248
Aupark Zilina	2,973,946	50,852,723	–	53,826,669
Promenada Mall Braila	35,688,696	–	–	35,688,696
The Lakeview	2,110,345	27,713,793	–	29,824,138
City Business Centre	993,317	4,344,976	14,191,483	19,529,776
City Business Centre	271,885	1,224,941	5,861,156	7,357,982
Retail Park Pitesti	1,042,071	11,237,069	–	12,279,140
New Europe Property Investments plc (Note 13)	10,409,281	–	–	10,409,281
Regional offices portfolio	6,298,637	–	–	6,298,637
Street segment retail portfolio and Brasov Strip Mall	250,000	5,887,500	–	6,137,500
Accrued interest	507,775	–	–	507,775
Deferred loan costs	–	(403,215)	–	(403,215)
TOTAL	**64,465,953**	**153,515,035**	**20,052,639**	**238,033,627**

Interest bearing borrowings Group, 31 Dec 2012, Restated	Payable in 1 year	Payable in 2–5 years	Payable over 5 years	Total
Floreasca Business Park	62,246,248	–	–	62,246,248
Promenada Mall Braila	2,155,653	35,688,694	–	37,844,347
Retail Park Pitesti	1,899,256	24,558,280	–	26,457,536
New Europe Property Investments plc (Note 13)	21,942,531	–	–	21,942,531
City Business Centre	958,713	4,193,610	15,336,086	20,488,409
City Business Centre	259,392	1,168,758	6,189,232	7,617,382
Regional offices portfolio	1,548,018	6,298,648	–	7,846,666
Street segment retail portfolio and Brasov Strip Mall	6,200,000	–	–	6,200,000
Accrued interest	571,595	–	–	571,595
Deferred loan costs	–	(497,783)	–	(497,783)
TOTAL	**97,781,406**	**71,410,207**	**21,525,318**	**190,716,931**

Street segment retail portfolio and Brasov Strip Mall loan
The Group contracted a €6,200,000 loan facility with Alpha Bank Romania SA for the acquisition of properties owned by NEPI Bucharest One, which will expire in 2016.

Security
- General security over the land and properties (fair value as at 31 December 2013 amounted to €14,880,000), current assets, cash inflows from operating activities and shares of NEPI Bucharest One
- Corporate guarantee issued by the Company

Covenants
- Loan to value ratio of maximum 65%

Revolving facility for New Europe Property Investments plc, Rasnov Industrial Facility SRL and Unique Delamode SRL

The Group extended the €9,500,000 revolving facility on 27 May 2013 and it will expire on 31 May 2014 when, at the Group's option, the facility is convertible into a term loan repayable on 31 December 2014.

Security

- General security over the properties (fair value as at 31 December 2013 amounted to €16,930,000), current assets, cash inflows from operating activities and shares of NEPI Bucharest Two SRL and Unique Delamode SRL
- Corporate guarantee issued by the Company

Covenants

- Loan to value ratio of maximum 60%
- Debt service ratio of minimum 125%

As at 31 December 2013 this facility was undrawn.

Regional office portfolio loan

A loan from EuroHypo AG for an amount of €15,000,000 has been taken over as a result of the acquisition of General Investment SRL and General Building Management SRL. The loan is repayable in August 2014.

Security

- General security over the properties (fair value as at 31 December 2013 amounted to €28,140,000), current assets, cash inflows from operating activities and shares of General Investment SRL and General Building Management SRL

Covenants

- Loan to value ratio of maximum 70%
- Debt service ratio of minimum 120%

Promenada Mall Braila loan

A €40,000,000 development loan was taken over and refinanced on 25 February 2010 with KBC Bank Ireland as part of the Promenada Mall Braila acquisition. The facility had a two-year grace period on repayment of the principal. Starting 2012, 16% of the principal has to be repaid in equal annual instalments until maturity in December 2014.

Security

- General security over the property (fair value as at 31 December 2013 amounted to €73,300,000), current assets, cash inflows from operating activities and shares of Braila Promenada Mall SRL
- The facility is secured with a holding company guarantee (issued by NEPI) in favour of KBC Bank Ireland, which covers the principal repayments due by Promenada Mall Braila during the third and fourth years of the loan agreement (that amounts to €6,318,600), and interest that is payable at any time during the term of the loan

Covenants

- The covenants on a portfolio basis are below.

	Year 1	Year 2	Year 3	Year 4	Year 5
Loan to value ratio of maximum	69%	69%	62%	56%	50%
Interest service coverage ratio of minimum	180%	200%	220%	220%	220%

Retail Park Pitesti loan

In June 2010, the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti with a new loan facility from Unicredit Tiriac Bank and Banca Romaneasca. The Group reimbursed in April 2013 an amount of €12,926,232 to Banca Romaneasca, due to the sale of the hypermarket section to Auchan Group. The remaining part of the facility is due to Unicredit Tiriac Bank and it matures in January 2015.

Security
- General security over the property (fair value as at 31 December 2013 amounted to €41,690,000), current assets, cash inflows from operating activities, accounts and receivables of Retail Park Pitesti SRL
- A property maintenance reserve account holding the equivalent of 1% of annual net operating income of the property

Covenants
- Loan to value ratio of maximum 70%
- Debt service cover ratio of minimum 110%

Floreasca Business Park loan

The Group refinanced the loan facility from Raiffeisen Bank International AG with an outstanding amount of €56,577,248 as at 31 December 2013. The new facility matures in October 2018 and is repayable in quarterly instalments.

Security
- General security over the property (fair value as at 31 December 2013 amounted to €101,080,000), current assets, cash inflows from operating activities, accounts and receivables of Floreasca Business Park SRL

Covenants
- Loan to value ratio of maximum 65%
- Debt service cover ratio of minimum 110% for 2014 and 120% thereafter
- Yield on debt on minimum 10% per annum (based on EBITDA)

City Business Centre – Investkredit Bank AG loan

During February 2012, the Group acquired the City Business Centre Timisoara and had taken over two loan facilities from Investkredit Bank AG that amounted to €21,413,763. One loan facility matures in 2028 and the other in 2029. The loans are repayable in monthly instalments.

Security
- General security over the property (fair value as at 31 December 2013 amounted to €33,940,000), current assets, cash inflows from operating activities, accounts and receivables of Timisoara City Business Centre One SA

Covenants
- Loan to value ratio of maximum 75%
- Debt service cover ratio of minimum 120%

City Business Centre – Banca Comerciala Romana loan
The Group has taken over a loan from Banca Comerciala Romana SA that amounted to €7,872,995. The loan matures in 2021 and is repayable in monthly instalments.

Security
- General security over the property (fair value as at 31 December 2013 amounted to €21,530,000), current assets, cash inflows from operating activities, accounts and receivables of Timisoara Office Building SA

Covenants
- Loan to value ratio of maximum 70%
- Debt service cover ratio of minimum 115%

New Europe Property Investments plc loan
The Group has received a short-term loan from Morgan Stanley & Co International plc, for financing the financial investments described in Note 13.

Security
- General security over the financial investments acquired with this loan, for which the fair value estimated as at 31 December 2013 amounted to €29,836,691

Aupark Zilina – VUB Bank loan
The Group acquired Aupark Zilina in July 2013 and as a result took over two investment loans from VUB Bank Slovakia amounting to €54,281,391. The first loan matures in September 2016 and the second loan matures in June 2016.

Security
- General security over the land and building (fair value as at 31 December 2013 amounted to €95,300,000), current assets, cash inflows from operating activities, accounts and receivables of Aupark Zilina

Covenants for the development loan
- Loan to value ratio of maximum 60%
- Loan to cost ratio of maximum 80%
- Debt service cover ratio of minimum 120%

The Lakeview – UniCredit Tiriac Bank
The Group contracted a loan facility from UniCredit Tiriac Bank for its office building The Lakeview, acquired in January 2013. The loan facility amounted to €30,000,000 and it matures in October 2018.

Security
- General security over the land and building (fair value as at 31 December 2013 amounted to €63,570,000), current assets, cash inflows from operating activities, accounts and receivables of The Lakeview

Covenants for the development loan
- Loan to value ratio of maximum 60%
- Debt service cover ratio of minimum 125%

20 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of the Group's financial instruments that resulted from derivative instruments are summarised below.

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Financial assets			
— Company	1,429,653	75,585	75,585
— Subsidiaries	980,335	7	7
TOTAL FINANCIAL ASSETS	**2,409,988**	**75,592**	**75,592**
Financial liabilities			
— Company	3,546,521	5,268,795	5,268,795
— Subsidiaries	408,953	833,480	2,460,959
TOTAL FINANCIAL LIABILITIES	**3,955,474**	**6,102,275**	**7,729,754**

These interest rate caps and fixed interest rate swaps are not designated as cash flow hedges and are classified as Level Two of the fair value hierarchy as defined by IFRS7.

21 TRADE AND OTHER PAYABLES

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Payable for assets under construction	6,441,286	4,493,651	7,142,964	–	–
Property related payables	11,633,284	2,303,342	2,401,403	–	–
Advances from tenants	7,225,617	1,802,036	1,987,847	–	–
Administrative and secretarial accrued expenses	3,428,553	1,137,025	1,407,784	269,056	324,546
Accrued management fee	78,468	37,366	45,202	–	–
TOTAL	**28,807,208**	**9,773,420**	**12,985,200**	**269,056**	**324,546**

22 TENANT DEPOSITS

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Rasnov Industrial Facility	1,675,004	1,675,004	1,675,004
Retail Park Pitesti	362,654	361,944	361,944
City Business Centre	324,621	294,211	294,211
The Lakeview	320,724	–	–
Shopping City Galati	210,597	–	–
Promenada Mall Braila	163,655	125,974	125,974
Floreasca Business Park	84,004	70,273	70,273
Regional offices portfolio	72,107	68,119	68,119
Deva Shopping Centre	68,663	–	–
Severin Shopping Center	63,925	–	–
City Park	38,385	–	–
Ploiesti Shopping City	–	–	66,473
Street segment retail portfolio and Brasov Strip Mall	21,012	21,012	21,012
Regional strip malls	21,096	–	–
Other tenant deposits	11,489	14,189	17,689
TOTAL	**3,437,936**	**2,630,726**	**2,700,699**

23 CORPORATE TAX CHARGE AND DEFERRED TAX

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Current year tax	–	–	–
Deferred tax expense	9,007,270	4,495,337	5,248,690
TAX EXPENSE	**9,007,270**	**4,495,337**	**5,248,690**
Deferred tax acquired in business combinations (Note 29)	20,102,475	2,710,312	2,710,312
Deferred tax derecognised in respect of Auchan hypermarket sale (Note 31)	–	(723,965)	(723,965)
Deferred tax brought forward	21,567,836	15,086,152	15,086,152
DEFERRED TAX LIABILITY CARRIED FORWARD	**50,677,581**	**21,567,836**	**22,321,189**

The deferred tax liability results from the following types of differences.

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Fiscal losses	32,933,852	27,129,643	27,750,802
Deferred tax asset	**5,480,021**	**4,340,743**	**4,440,128**
Temporary differences between accounting and fiscal value of Investment Property	(331,488,626)	(161,928,619)	(167,258,230)
Deferred tax liability	**(56,157,602)**	**(25,908,579)**	**(26,761,317)**
NET DEFERRED TAX LIABILITY	**(50,677,581)**	**(21,567,836)**	**(22,321,189)**

The Group's subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate prior year fiscal losses that amount to €48,889,952 (31 December 2012: €31,139,495) and are available up to seven years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €15,956,100 (31 December 2012: €3,388,693) as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future.

The deferred tax balance as at 31 December 2013 is the net effect of the deferred tax assets that resulted from fiscal losses and deferred tax liabilities that resulted from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property.

Reconciliation of tax rate	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**	**Company 31 Dec 2013**	**Company 31 Dec 2012**
Profit before tax	65,592,878	37,598,786	38,352,139	333,811,975	42,904,225
Isle of Man income tax at 0%	–	–	–	–	–
Effect of higher rates on overseas earnings	–	–	–	–	–
Total current year tax excluding deferred tax	–	–	–	–	–
EFFECTIVE TAX RATE	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

The Group does not withhold taxes on distribution paid.

24 NET ASSET VALUE PER SHARE

Reconciliation of net asset value to adjusted net asset value	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Adjusted net asset value	**757,752,803**	**415,243,794**	**415,243,794**
— Net asset value per the Statement of financial position	712,236,188	393,622,378	393,622,378
— Loans in respect of the Initial Share Scheme (Note 18)	11,574,006	12,489,022	12,489,022
— Deferred tax liabilities (Note 23)	50,677,581	21,567,836	22,321,189
— Deferred tax liabilities for joint ventures	(517,322)	753,353	-
— Goodwill (Note 12)	(16,217,650)	(13,134,609)	(13,188,795)
— Goodwill related to joint ventures	-	(54,186)	-
Net asset value per share	**3.56**	**2.83**	**2.83**
Adjusted net asset value per share	**3.70**	**2.88**	**2.88**
Number of shares for net asset value per share purposes	**199,836,882**	**139,258,914**	**139,258,914**
Number of shares for net adjusted asset value per share purposes	**204,544,236**	**144,362,152**	**144,362,152**

25 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Rent	42,195,948	29,275,752	31,596,107
Service charges recoveries	7,768,706	4,224,270	4,605,980
Other recoveries	5,357,400	3,812,414	3,974,714
Recoveries and contractual rental income	**55,322,054**	**37,312,436**	**40,176,801**
Property management, tax, insurance and utilities	(13,624,857)	(9,272,125)	(9,893,797)
Property maintenance cost	(115,328)	(328,931)	(466,408)
Provisions and allowances for doubtful debts	(161,901)	633,030	616,175
Property operating expenses	**(13,902,086)**	**(8,968,026)**	**(9,744,030)**
TOTAL	**41,419,968**	**28,344,410**	**30,432,771**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows.

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
No later than 1 year	53,657,450	28,697,751	32,197,133
Later than 1 year and not later than 5 years	131,303,051	69,696,835	81,821,717
Later than 5 years	75,002,678	76,556,591	99,061,669
TOTAL	**259,963,179**	**174,951,177**	**213,080,519**

26 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Directors' remuneration (Note 37)	(666,262)	(427,970)	(427,970)	(517,506)	(405,513)
Stock exchange expenses	(125,691)	(176,967)	(176,967)	(125,691)	(176,967)
Companies administration	(95,405)	(19,934)	(19,934)	–	–
Staff costs*	(719,525)	(755,441)	(795,875)	–	–
Audit and advisory services	(500,265)	(501,878)	(543,465)	(112,853)	(24,750)
Travel and accommodation	(156,398)	(191,616)	(191,616)	(4,144)	(23,834)
Support and maintenance services	(67,647)	(29,200)	(55,179)	(56,808)	(73,877)
TOTAL	**(2,181,193)**	**(2,103,006)**	**(2,211,006)**	**(817,002)**	**(704,941)**

* Staff costs capitalised as investment property under development in 2013 amount to €552,983 (2012: €376,482).

27 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Fees for finalised acquisitions	(4,309,643)	(191,166)	(870,347)	–	(40,735)
Fees for ongoing acquisitions	(286,531)	(457,326)	(457,326)	–	–
Fees for terminated acquisitions	(390,048)	(266,720)	(266,720)	–	–
TOTAL	**(4,986,222)**	**(915,212)**	**(1,594,393)**	–	**(40,735)**

28 OTHER OPERATING INCOME

In 2012, the Group has concluded a settlement agreement with the vendors (the 'vendors') of Promenada Mall Braila ('the BelRom settlement'). Under the terms of the BelRom settlement, the Group received an early settlement amount of €11,787,343 (the 'settlement amount') in cash, from the vendors. The settlement amount represents amounts owed to the Group by the vendors in relation to the completion of the Cinema City premises being delayed beyond the agreed timetable and exceeding the agreed budget and amounts owed, or expected to be owed, to the Group by the vendors as a result of net operating income warranties, made by the vendors, being breached. As per IFRS 3 revised, the additional consideration was treated as an adjustment to the cost of the business combination and was reflected as a write-off of the remaining goodwill related to Promenada Mall Braila that amounted to €1,523,220, while the remaining amount was recorded as other operating income.

Other operating income for 2012 also included an amount of €160,281 cashed from the vendors, related to rental guarantees. This had an insignificant effect on the consolidated Statement of income for 2012, as the Group had recorded an accrual in this respect as at 31 December 2011 that amounted to €160,424.

	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Vendor settlement proceeds	11,787,343	11,787,343
Goodwill write-off (Note 12)	(1,523,220)	(1,523,220)
Other operating income from vendor settlement	**10,264,123**	**10,264,123**
Additional proceeds related to rental guarantees	160,424	160,424
Accrual for rental guarantees	(160,281)	(160,281)
Other operating income from rental guarantees	**143**	**143**
TOTAL	**10,264,266**	**10,264,266**

The Board of Directors resolved that the portion of €3,144,561 from the vendor settlement income is non-distributable. Out of the remaining distributable income, the Group has used €3,275,181 for the 2012 distributions (Note 31).

29 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY AND GOODWILL

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Fair value adjustments of investment property – gross increase from revaluations (Notes 9, 10 and 16)	37,908,082	4,955,287	10,739,332
Adjustment for goodwill recognised at acquisition date	(17,232,911)	–	–
Estimated liability for works to be done in Ploiesti Shopping City	–	–	(397,500)
Estimated liability for Further payments in respect of City Business Centre	(888,244)	(3,891,347)	(3,891,347)
FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY	**19,786,927**	**1,063,940**	**6,450,485**

The goodwill recognised at acquisition date, arising mostly out of deferred tax liabilities (Note 12), was adjusted against the increase in value for investment property, determined as the difference between the fair value as per the valuation at 31 December 2013 and the acquisition price.

The adjustment refers to the following properties acquired in 2013: City Park (€5,333,123), Aupark Zilina (€3,549,593), Deva Shopping Centre (€2,422,355), The Lakeview (€238,159) and to the 50% interest acquired in Vulcan Value Centre (€5,689,680) (Note 34).

30 NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported	Company 31 Dec 2013	Company 31 Dec 2012
Interest income on bank deposits	1,853,750	1,136,957	1,131,020	6,554	1,465
Interest income on loans granted	3,725,897	2,295,134	-	-	-
Interest income from subsidiaries	–	–	–	27,156,740	29,736,134
Interest on Current Share Scheme loans	745,286	416,302	416,302	745,286	416,302
Net changes of financial instruments at fair value through profit or loss	1,156,248	–	–	1,250,093	–
Interest and penalties on receivables	32,551	250,311	306,516	–	–
Other intercompany finance income	–	–	–	5,853,455	–
Finance income	**7,513,732**	**4,098,704**	**1,853,838**	**35,012,128**	**30,153,901**
Interest expense on financial liabilities measured at amortised cost	(5,510,564)	(7,534,559)	(7,920,766)	(1,746,521)	(2,012,046)
Net changes of financial instruments at fair value through profit or loss	–	(5,937,204)	(6,328,495)	–	(4,845,040)
Bank charges	(219,819)	(164,600)	(178,828)	(49,342)	(24,942)
Finance expense	**(5,730,383)**	**(13,636,363)**	**(14,428,089)**	**(1,795,863)**	**(6,882,028)**
TOTAL	**1,783,349**	**(9,537,659)**	**(12,574,251)**	**33,216,265**	**23,271,873**

31 EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit attributable to ordinary equity holders of €57,463,952 (31 December 2012: €33,103,449) and the weighted average of 163,836,991 (31 December 2012: 116,238,121) ordinary shares in issue during the year (excluding the shares issued under the Initial Share Scheme).

The calculation of diluted earnings per share for the year ended 31 December 2013 was based on the profit attributable to ordinary equity holders of €57,463,952 (31 December 2012: €33,103,449) and the weighted average of 168,827,400 (31 December 2012: 121,391,646) ordinary shares in issue during the year (including the shares issued under the Initial Share Scheme). The calculation of distributable earnings per share was based on profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 31 December 2013.

	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 31 Dec 2012 Reported
Profit for the year attributable to equity holders	**57,463,952**	**33,103,449**	**33,103,449**
Unrealised foreign exchange loss	256,141	2,352,634	2,529,495
Acquisition fees	4,986,222	915,212	1,594,393
Share-based payment expense	954,637	996,909	996,909
Accrued interest on share-based payments	562,913	569,597	569,597
Fair value adjustments of investment property and goodwill	(19,786,927)	(1,063,940)	(6,450,485)
Fair value gains of financial investments at fair value through profit or loss	(969,595)	(10,287,980)	(10,287,980)
Financial assets at fair value	(1,156,248)	5,937,204	6,328,495
Amortisation of financial assets	(475,600)	(572,063)	(572,063)
Net result on sale of listed securities investments	(586,421)	(26,280)	(26,280)
Dividends received from listed securities investments	(2,905,611)	(796,411)	(796,411)
Accrued income from listed securities investments	4,363,556	3,092,147	3,092,147
Profit on sale of investment property	(527,258)	-	
Gain on acquisition of subsidiaries	(5,546,854)	-	
Deferred tax expense/(income)	9,007,270	4,495,337	5,248,690
Impairment of goodwill	815,709	–	–
Shares issued *cum* distribution	3,577,266	3,156,648	3,156,648
Non-distributable portion of the vendor settlement income	–	(3,144,561)	(3,144,561)
Adjustments related to joint ventures			
Fair value adjustments of investment property	(126,208)	(5,386,545)	–
Financial assets at fair value	(883,488)	391,291	–
Deferred tax expense	(1,270,675)	753,353	–
Acquisition fees	–	679,181	–
Unrealised foreign exchange loss	–	176,861	–
Adjustments related to non-controlling interest			
Fair value adjustments of investment property	584	–	–
Deferred tax expense	(106,975)	–	–
Acquisition fees	(275,480)	–	–
DISTRIBUTABLE EARNINGS FOR THE YEAR	**47,370,910**	**35,342,043**	**35,342,043**
Distribution from reserves	1,573,539	–	–
Less: distribution declared	(48,944,449)	(31,497,562)	(31,497,562)
Interim distribution	(20,594,618)	(14,101,923)	(14,101,923)
Final distribution	(28,349,831)	(17,395,639)	(17,395,639)
Earnings not distributed	-	3,844,481	3,844,481
Number of shares entitled to distribution	204,544,236	144,362,152	144,362,152
DISTRIBUTABLE EARNINGS PER SHARE (EURO CENTS)	**25.79**	**25.95**	**25.95**
Distribution from reserves per share (euro cents)	1.00	–	–
Less: distribution declared (euro cents)	**(26.79)**	**(23.29)**	**(23.29)**
Interim distribution per share (euro cents)	(12.93)	(11.24)	(11.24)
Final distribution per share (euro cents)	(13.86)	(12.05)	(12.05)
Earnings per share not distributed (euro cents)	**–**	**2.66**	**2.66**

Weighted average number of shares (excluding the Initial Share Scheme shares) for basic earnings per share purposes

2013	Event	Number of shares	% of period	Weighted average
01/01/2013	Period opening	139,258,914	11	14,538,018
08/02/2013	Sale of shares issued under the Initial Share Scheme	139,261,362	16	22,572,583
08/04/2013	Return of capital	142,886,676	4	6,280,733
24/04/2013	Book build	154,176,999	27	41,509,192
31/07/2013	Rights issue	175,010,327	2	2,884,786
06/08/2013	Issue of shares under the Current Share Scheme	177,339,327	10	18,513,446
13/09/2013	Book build	185,837,898	1	2,552,718
18/09/2013	Sale of shares issued under the Initial Share Scheme	186,219,598	3	6,139,108
30/09/2013	Return of capital	190,804,302	12	22,540,069
12/11/2013	Sale of shares issued under the Initial Share Scheme	190,816,038	7	12,581,277
06/12/2013	Book build	199,836,882	7	13,725,061
31/12/2013	Year-end			163,836,991

2012	Event	Number of shares	% of period	Weighted average
01/01/2012	Period opening	97,569,456	9	8,554,034
02/02/2012	Vendor placement	103,087,513	25	25,983,702
04/05/2012	Private placement	104,687,513	5	5,162,672
22/05/2012	Private placement	118,192,714	2	2,266,710
29/05/2012	Sale of shares issued under the Initial Share Scheme	118,248,899	6	6,803,361
19/06/2012	Sale of shares issued under the Initial Share Scheme	118,297,321	0	324,102
20/06/2012	Vesting of shares issued under the Current Share Scheme	120,352,321	20	25,389,394
05/09/2012	Option to receive capital return	123,576,781	7	8,802,730
01/10/2012	Sale of shares issued under the Initial Share Scheme	123,583,173	1	677,168
03/10/2012	Private placement	126,563,234	13	16,643,932
20/11/2012	Rights offer	138,908,914	4	4,947,441
03/12/2012	Vesting of shares issued under the Current Share Scheme	139,258,914	8	10,682,875
31/12/2012	Year-end			116,238,121

Weighted average number of shares (including the Initial Share Scheme shares) for diluted earnings per share purposes

2013	Event	Number of shares	% of period	Weighted average
01/01/13	Period opening	144,362,152	27	38,470,134
08/04/13	Return of capital	147,987,466	4	6,504,944
24/04/13	Book build	159,277,789	27	42,882,482
31/07/13	Rights offer	180,111,117	2	2,968,865
06/08/13	Vesting of shares issued under the Current Share Scheme	182,440,117	10	19,045,946
13/09/13	Book build	190,938,688	5	8,917,466
30/09/13	Return of capital	195,523,392	18	35,989,196
06/12/13	Book build	204,544,236	7	14,048,368
31/12/13	Year-end			168,827,400

2012	Event	Number of shares	% of period	Weighted average
01/01/2012	Period opening	102,783,693	9	9,011,173
02/02/2012	Vendor placement	108,301,750	25	27,297,975
04/05/2012	Private placement	109,901,750	5	5,419,812
22/05/2012	Private placement	123,406,951	8	9,804,936
20/06/2012	Vesting of shares issued under the Current Share Scheme	125,461,951	20	26,467,316
05/09/2012	Option to receive capital return	128,686,411	8	9,871,834
03/10/2012	Private placement	131,666,472	13	17,315,043
20/11/2012	Rights offer	144,012,152	4	5,129,200
03/12/2012	Vesting of shares issued under the Current Share Scheme	144,362,152	8	11,074,357
31/12/2012	Year-end			121,391,646

32 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2013 was based on headline earnings of €35,348,002 (31 December 2012: €26,652,964) and the weighted average of 163,836,991 ordinary shares in issue during 2013 (2012: 116,238,121), excluding the Initial Share Scheme shares.

Reconciliation of profit for the year to headline earnings	**Group 31 Dec 2013**	**Group 31 Dec 2012 Restated**	**Group 31 Dec 2012 Reported**
Profit for the year attributable to equity holders	57,463,952	33,103,449	33,103,449
Fair value adjustments of investment property	(19,786,927)	(1,063,940)	(6,450,485)
Gain on sale of investment property held-for-sale	(527,258)	–	–
Gain on acquisition of subsidiaries	(5,546,854)	–	–
Impairment of goodwill	815,709	–	–
Total tax effects of adjustments	3,035,395	–	–
Fair value adjustment of investment property for joint ventures	(126,208)	(5,386,545)	–
Total tax effect of adjustment for joint ventures	20,193	–	–
HEADLINE EARNINGS	**35,348,002**	**26,652,964**	**26,652,964**

33 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2013, which generated goodwill of €21,131,661 and a gain of €5,546,854. Goodwill resulted from the deferred taxation liability as at the acquisition date and it was written off against the increase in the fair value of the properties acquired (Note 12).

The Lakeview

In February 2013 the Group concluded an agreement for the acquisition of all the issued shares in and shareholders' claims against BVB Real Estate SRL (later renamed Lakeview Office Building SA) from AIG/Lincoln Lakeview sàrl and to acquire the outstanding bank debt of BVB Real Estate SRL from MKB Bank Zartkoruen Mukodo Reszvenytarsasag. Lakeview Office Building SA owns an A-grade office building (The Lakeview) of 25,564m^2 of GLA located in Bucharest's emerging business district, in close proximity to Floreasca Business Park. The effective date of the acquisition is 1 January 2013. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition are detailed below.

	1 Jan 2013
Investment property	63,308,904
Trade and other receivables	899,673
Cash and cash equivalents	1,029,982
Trade and other payables	(4,940,091)
Deferred tax liabilities	(4,136,909)
Total identifiable net assets at fair value	**56,161,559**
Goodwill arising on acquisition	4,136,909
Total consideration paid in cash	**60,298,468**

From the effective date of acquisition Lakeview Office Building SA has contributed €5,310,920 to the profit after tax and €7,368,242 to the recoveries and contractual rental income of the Group. Goodwill arose from the deferred taxation liability.

Severin Shopping Center

In July 2013 the Group concluded a sale and purchase agreement for the acquisition of Severin Shopping Center from Belrom Zece SRL. The regional shopping centre in Drobeta-Turnu Severin, Romania has 16,546m² of GLA and an additional 23,000m² of land intended for extensions. The effective date of the acquisition is 1 May 2013. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition are detailed below.

	1 May 2013
Investment property	18,900,000
Trade and other payables	(125,050)
Total identifiable net assets at fair value	**18,774,950**
Goodwill arising on acquisition	–
Total consideration paid in cash	**18,774,950**

From the effective date of acquisition Severin Shopping Center SRL has contributed €1,323,044 to the profit after tax and €1,489,689 to the recoveries and contractual rental income of the Group.

Aupark Zilina

In July 2013 the Group completed the acquisition of HB Reavis' 100% interest in the Aupark Shopping Centre in Zilina ('Aupark Zilina') through the acquisition of the entire issued share capital of AUPARK Žilina SC as and AUPARK Žilina, spol. sro. The effective date of acquisition is 31 July 2013. Aupark Zilina is a regional mall with 24,874m² of GLA, situated in the city centre of Zilina in Slovakia. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition are detailed below.

	31 Jul 2013
Investment property	85,500,000
Trade and other receivables	1,157,978
Cash and cash equivalents	3,314,096
Trade and other payables	(3,253,807)
Loans and borrowings	(54,358,928)
Deferred tax liabilities	(3,549,593)
Total identifiable net assets at fair value	**28,809,746**
Goodwill arising on acquisition	3,549,593
Total consideration paid in cash	**32,359,339**

From the effective date of acquisition Aupark Zilina has contributed €9,568,191 to the profit after tax and €4,145,131 to the recoveries and contractual rental income of the Group. Goodwill arose from the deferred taxation liability.

Mega Mall

In July 2013 the Group acquired 70% of the interest in ELJ Vatra SRL from Real Holding Lithium Kft. ELJ Vatra SRL owns Mega Mall, a 70,000m^2 of GLA development on the former Electroaparataj factory site in Bucharest. The effective date of the acquisition is 31 July 2013. The fair value of the identifiable assets and liabilities of Mega Mall as at the date of acquisition are detailed below.

	31 Jul 2013
Investment property under development	42,317,760
Investment property held for sale	689,484
Trade and other receivables	244,285
Cash and cash equivalents	5,971
Total assets	**43,257,500**
Loans and borrowings	(30,689,484)
Deferred tax liabilities	(4,629,434)
Trade and other payables	(14,505)
Total Liabilities	**(35,333,423)**
Net assets	**7,924,077**
Consideration paid	1
Share of NCI out of net assets aquired	(2,377,224)
Gain on acquisition	**5,546,854**

From the effective date of acquisition, Mega Mall has incurred losses of €448,403, of which €356,585 are related to deferred taxation expenses.

Deva Shopping Centre

In August 2013 the Group concluded an agreement for the acquisition of all the issued shares in and shareholders' claims against Mercureal SA from Skorsica Ventures Limited and Zamika Holdings Limited. The company owns a regional shopping centre in Deva, Romania, the capital of Hunedoara county, with 42,180m^2 of GLA and an additional 29,000m^2 of land intended for extensions. The effective date of the acquisition is 31 July 2013. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition are detailed below.

	31 Jul 2013
Investment property	45,000,000
Trade and other receivables	341,895
Cash and cash equivalents	4,865
Trade and other payables	(829,506)
Deferred tax liabilities	(2,453,415)
Total identifiable net assets at fair value	**42,063,839**
Goodwill arising on acquisition	2,422,355
Total consideration paid in cash	**44,486,194**

From the effective date of acquisition, Mercureal SA has contributed €5,093,743 to the profit after tax and €2,120,214 to the recoveries and contractual rental income of the Group. Goodwill arose from the deferred taxation liability.

Vulcan Value Centre
In April 2012 the Group entered into a joint venture agreement with Mr Michael Topolinski, under which the Group purchased 50% of the interest in Zircon Properties SRL (Zircon). In September 2013 the Group signed a buyout agreement for Mr Topolinski's remaining interest in the joint venture. The purchase price for the acquisition of the additional 50% interest in Zircon amounted to €5,000,000. The transaction generated goodwill of €5,689,680, which was subsequently offset by the increase in the fair value of the investment property acquired.

Since the effective date of acquisition on 6 Sep 2013, Zircon Properties SRL has incurred losses of €231,387 which are related to administrative expenses and fair value gains related to investment property of €5,913,850.

City Park Constanta
In December 2013 the Group concluded an agreement for the acquisition of all the issued shares in and shareholders' claims against Everest Investitii si Consultanta SA (EIC) from Triad Trading BV and to repay all the outstanding debt of EIC. EIC owns a mall in Constanta, Romania of 29,284m^2 of GLA. The effective date of the acquisition is 31 October 2013. The fair value of the identifiable assets and liabilities of the company as at the date of acquisition are detailed below.

	31 Oct 2013
Investment property	80,955,404
Investment property held for sale	44,596
Trade and other receivables	526,588
Cash and cash equivalents	2,930,877
Trade and other payables	(1,170,505)
Deferred tax liabilities	(5,333,124)
Total identifiable net assets at fair value	**77,953,836**
Goodwill arising on acquisition	5,333,124
Consideration paid in cash	**77,286,960**
Consideration payable in cash	6,000,000
Total consideration	**83,286,960**

From the effective date of acquisition Everest Investitii si Consultanta SA has contributed €8,448,987 to the profit after tax and €1,810,554 to the recoveries and contractual rental income of the Group. Goodwill arose from the deferred taxation liability. The unpaid consideration is payable in December 2016 latest.

34 JOINT VENTURES

The summarized financial statements of the joint ventures are presented below (at 100%).

31 Dec 2013	Ploiesti Shopping City	German Portfolio	Vulcan Value Centre	The Office	Total
Statement of financial position					
Non-current assets	81,096,956	30,394,802	–	18,509,096	130,000,854
Current assets	10,598,084	1,417,642	–	1,852,494	13,868,220
TOTAL ASSETS	**91,695,040**	**31,812,444**	**–**	**20,361,590**	**143,869,074**
Non-current liabilities	(69,088,946)	(10,614,950)	–	(18,899,172)	(98,603,068)
Current liabilities	(7,492,728)	(26,757,512)	–	(905,972)	(35,156,212)
Total liabilities	**(76,581,674)**	**(37,372,462)**	–	**(19,805,144)**	**(133,759,280)**
Equity attributable to equity holders	**(15,113,366)**	**5,560,018**	–	**(556,446)**	**(10,109,794)**
TOTAL EQUITY AND LIABILITIES	**(91,695,040)**	**(31,812,444)**	–	**(20,361,590)**	**(143,869,074)**
Statement of income					
Contractual rental income and expense recoveries	(8,202,766)	(3,502,018)	–	–	(11,704,784)
Property operating expenses	2,925,632	694,750	19,872	14,610	3,654,864
Administrative expenses	437,988	96,294	1,706	37,520	573,508
Acquisition fees	–	–	13,550	–	13,550
Fair value adjustment investment property	141,782	174,802	–	(569,000)	(252,416)
Foreign exchange gain/loss	58,154	–	28,110	47,930	134,194
Profit before net finance expense	**(4,639,210)**	**(2,536,172)**	**63,238**	**(468,940)**	**(7,581,084)**
Net finance income/(expense)	**5,775,188**	**462,698**	**321,578**	**962,922**	**7,522,386**
Finance income	(57,838)	–	(120)	(6,530)	(64,488)
Finance expense	5,833,026	462,698	321,698	969,452	7,586,874
Profit before income tax	**1,135,978**	**(2,073,474)**	**384,816**	**493,982**	**7,522,386**
Tax	(2,505,540)	–	–	(35,810)	(2,541,350)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**3,641,518**	**(2,073,474)**	**384,816**	**529,792**	**2,482,652**

31 Dec 2013	Ploiesti Shopping City	German Portfolio	Vulcan Value Centre	The Office	Total
Long-term loans granted to joint ventures	22,872,741	4,582,124	–	9,608,886	37,063,751
TOTAL	**22,872,741**	**4,582,124**	**192,408**	**9,608,886**	**37,063,751**

Shareholder loans to Ploiesti Shopping City and The Office were granted by NE Property Cooperatief UA, and the shareholder loans to German Portfolio are granted by New Europe Property (BVI) Ltd, all carrying interest at 12% per annum. Interest income from joint ventures in 2013 amounted to €3,128,987.

Details on the joint ventures' loans and borrowing are presented below.

German Portfolio
A loan from Nord LB Bank was contracted in relation to the acquisition of German Portfolio.

Security
— General security over the properties (weighted fair value as at 31 December 2013 amounted to €15,197,401), current assets and cash inflows of Premium Portfolio Ltd & Co and Premium Portfolio 2 Ltd & Co

Covenants
— Loan to value ratio of maximum 90%
— Debt service ratio of minimum 115%

Ploiesti Shopping City loan
The Group has taken over a revolving loan facility of €3,250,000 and a €13,500,000 development loan (which represent 50% of the total amount of the loans) from BRD Group Societe Generale SA. The revolving loan facility matures in 2014.

The construction loan is in the process of conversion into an investment loan and the total loan amount is estimated to increase to €36.5 million, repayable in ten years.

Security
— General security over the property (weighted fair value as at 31 December 2013 amounted to €40,548,478), current assets, cash inflows from operating activities, accounts and receivables of Ploiesti Shopping City SRL

Covenants for the development loan
— Loan to value ratio of maximum 50%
— Debt service cover ratio of minimum 120%
— Interest coverage ratio of minimum 170%

35 SEGMENT REPORTING

The Group operates its assets to obtain returns in form of rent revenue. Properties held by the Group are classified as retail, office building and industrial. On a primary basis, the Group manages its operations in accordance with the above classification.

Group administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets (primarily the Company's headquarters) and head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the Board on a segment basis. The Group's format for segment reporting is based on business segments.

Segment results 31 Dec 2013	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Contractual rental income and expense recoveries	26,055,375	27,312,954	1,953,725	–	55,322,054
Property operating expenses	(7,441,937)	(6,284,449)	(175,700)	–	(13,902,086)
Administrative expenses	(77,044)	247,947	(88,172)	(2,263,924)	(2,181,193)
Acquisition fees	(4,548,095)	(438,127)	–	–	(4,986,222)
Fair value adjustments of investment property	23,608,883	(3,469,590)	(352,366)	–	19,786,927
Fair value gains of financial investments at fair value through profit or loss	–	–	–	969,595	969,595
Net result on sale of listed securities investments	–	–	–	586,421	586,421
Dividends received from listed securities investments	–	–	–	2,905,611	2,905,611
Share-based payment expense	–	–	–	(954,637)	(954,637)
Foreign exchange loss	63,483	(34,208)	1,843	(267,788)	(236,670)
Gain on acquisition of subsidiaries	5,546,854	–	–	–	5,546,854
Gain on disposal of investment property held for sale	527,258	–	–	–	527,258
Impairment of goodwill	–	(815,709)	–	–	(815,709)
Profit before net finance (expense)/income	**43,734,777**	**16,518,818**	**1,339,330**	**975,278**	**62,568,203**
Net finance (expense)/income	**(17,932,290)**	**(10,796,723)**	**(1,612,002)**	**32,124,364**	**1,783,349**
— Finance income	2,481,328	1,073,445	1,399	3,957,560	7,513,732
— Finance expense	(20,413,618)	(11,870,168)	(1,613,401)	28,166,804	(5,730,383)
Share of profit of joint ventures	1,035,930	205,396	–	–	1,241,326
Profit before tax	**26,838,417**	**5,927,491**	**(272,672)**	**33,099,642**	**65,592,878**
Deferred tax expense	(3,253,094)	(5,741,404)	48,420	(61,192)	(9,007,270)
Profit after tax	**23,585,323**	**186,087**	**(224,252)**	**33,038,450**	**56,585,608**
Non-controlling interest	878,344	–	–	–	878,344
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**24,463,667**	**186,087**	**(224,252)**	**33,038,450**	**57,463,952**

Segment results 31 Dec 2012 Restated	Retail	Office	Industrial	Corporate	Total
Contractual rental income and expense recoveries	15,932,097	19,487,281	1,893,058	–	37,312,436
Property operating expenses	(3,579,940)	(5,142,075)	(196,523)	(49,488)	(8,968,026)
Administrative expenses	(578,543)	(861,830)	(155,506)	(507,127)	(2,103,006)
Acquisition fees	(20,366)	(139,021)	–	(755,825)	(915,212)
Fair value adjustments of investment property	1,979,843	(914,967)	(936)	–	1,063,940
Fair value gains of financial investments at fair value through profit or loss	–	–	–	10,287,980	10,287,980
Net result on sale of listed securities investments	–	–	–	26,280	26,280
Dividends received from listed securities investments	–	–	–	796,411	796,411
Share-based payment expense	–	–	–	(996,909)	(996,909)
Foreign exchange loss	(982,981)	(610,500)	(38,151)	(721,002)	(2,352,634)
Other operating income	–	–	–	10,264,266	10,264,266
Profit before net finance (expense)/income	**12,750,110**	**11,818,888**	**1,501,942**	**18,344,586**	**44,415,526**
Net finance (expense)/income	**(8,642,101)**	**(8,018,710)**	**(1,478,630)**	**8,601,782**	**(9,537,659)**
— Finance income	2,180,164	202,254	108,634	1,607,652	4,098,704
— Finance expense	(10,822,265)	(8,220,964)	(1,587,264)	6,994,130	(13,636,363)
Share of profit of joint ventures	2,452,311	268,608	–	–	2,720,919
Profit before tax	**6,560,320**	**4,068,786**	**23,312**	**26,946,368**	**37,598,786**
Deferred tax expense	753,353	–	–	(5,248,690)	(4,495,337)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**7,313,673**	**4,068,786**	**23,312**	**21,697,678**	**33,103,449**

Segment assets and liabilities 31 Dec 2013	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**564,677,258**	**280,219,129**	**16,930,000**	**36,213,161**	**898,039,548**
Investment property	528,606,424	261,928,748	16,930,000	–	807,465,172
— Investment property at fair value	438,621,000	248,260,000	16,930,000	–	703,811,000
— Investment property under development	89,985,424	13,668,748	–	–	103,654,172
Goodwill	4,123,954	7,001,411	–	5,092,285	16,217,650
Investments in joint ventures	5,126,638	(71,741)	–	–	5,054,897
Loans granted to joint ventures	26,446,797	10,616,954	–	–	37,063,751
Other long-term assets	136,868	–	–	29,691,222	29,828,090
Financial assets at fair value through profit or loss	236,577	743,757	–	1,429,654	2,409,988
Current assets	**45,905,348**	**9,112,043**	**377,964**	**86,211,160**	**141,606,515**
Trade and other receivables	22,770,989	3,017,149	118,016	2,129,526	28,035,680
Financial investments at fair value through profit or loss	–	–	–	61,078,624	61,078,624
Cash and cash equivalents	23,134,359	6,094,894	259,948	23,003,010	52,492,211
Investment property held for sale	**1,561,080**	–	–	–	**1,561,080**
TOTAL ASSETS	**612,143,686**	**289,331,172**	**17,307,964**	**122,424,321**	**1,041,207,143**
SEGMENT LIABILITIES					
Non-current liabilities	**105,364,655**	**123,022,830**	**264,660**	**3,607,713**	**232,259,858**
Loans and borrowings	67,654,261	105,913,413	–	–	173,567,674
Deferred tax liabilities	35,260,169	15,091,560	264,660	61,192	50,677,581
Other long-term liabilities	2,450,225	1,608,904	–	–	4,059,129
Financial liabilities at fair value through profit or loss	–	408,953	–	3,546,521	3,955,474
Current liabilities	**60,170,873**	**19,158,522**	**2,089,824**	**15,291,878**	**96,711,097**
Trade and other payables	18,952,681	4,752,804	374,820	4,726,903	28,807,208
Interest bearing borrowings	40,266,794	13,594,184	40,000	10,564,975	64,465,953
Tenant deposits	951,398	811,534	1,675,004	–	3,437,936
TOTAL LIABILITIES	**165,535,528**	**142,181,352**	**2,354,484**	**18,899,591**	**328,970,955**

Segment assets and liabilities 31 Dec 2012 Restated	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**170,823,467**	**210,285,444**	**17,060,000**	**20,685,003**	**418,853,914**
Investment property	140,021,498	199,651,226	17,060,000	-	356,732,724
— Investment property at fair value	136,101,000	186,690,226	17,060,000	-	339,851,226
— Investment property under development	3,920,498	12,961,000	-	-	16,881,498
Goodwill	1,670,050	5,582,783	-	5,881,776	13,134,609
Investments in subsidiaries	-	-	-	-	-
Investments in joint ventures	3,453,457	92,755	-	-	3,546,212
Loans granted to joint ventures	25,410,251	4,958,680	-	-	30,368,931
Other long-term assets	268,211	–	-	14,727,635	14,995,846
Financial assets at fair value through profit or loss	-	-	-	75,592	75,592
Current assets	**7,041,265**	**7,822,343**	**229,986**	**161,800,900**	**176,894,494**
Trade and other receivables	3,658,989	2,056,628	120,274	3,912,729	9,748,620
Financial investments at fair value through profit or loss	-	-	-	81,865,443	81,865,443
Cash and cash equivalents	3,382,276	5,765,715	109,712	76,022,728	85,280,431
Investment property held for sale	**28,665,158**	-	-	-	**28,665,158**
TOTAL ASSETS	**206,529,890**	**218,107,787**	**17,289,986**	**182,485,903**	**624,413,566**
SEGMENT LIABILITIES					
Non-current liabilities	**68,679,398**	**46,416,946**	**240,497**	**5,268,795**	**120,605,636**
Loans and borrowings	59,772,313	33,163,212	–	-	92,935,525
Deferred tax liabilities	8,073,605	13,253,734	240,497	-	21,567,836
Financial liabilities at fair value through profit or loss	833,480	-	-	5,268,795	6,102,275
Current liabilities	**12,787,737**	**71,405,483**	**2,124,215**	**23,868,117**	**110,185,552**
Trade and other payables	2,062,728	5,537,150	409,211	1,764,331	9,773,420
Interest bearing borrowings	10,216,118	65,421,502	40,000	22,103,786	97,781,406
Tenant deposits	508,891	446,831	1,675,004	-	2,630,726
TOTAL LIABILITIES	**81,467,135**	**117,822,429**	**2,382,712**	**29,136,912**	**230,791,188**

From August 2013, the Group commenced operations in Slovakia through the acquisition of Aupark Zilina. The Group's segmental results are presented below.*

Geographic segments results	Romania 2013	Romania 2012 Restated	Slovakia 2013	Slovakia 2012	Total 2013	Total 2012 Restated
Net operating income	38,652,999	28,344,410	2,766,969	–	41,419,968	28,344,410
Profit before tax	58,241,833	37,598,786	7,351,045	–	65,592,878	37,598,786
Investment property	712,165,172	356,732,724	95,300,000	–	807,465,172	356,732,724

* As a result of the adoption of IFRS 11 Joint Arrangements effective 1 January 2013, the Group is now accounting for its investments in joint ventures under the equity method. The Group has restated the presentation of the Statement of Financial Position and Statement of Income starting 1 January 2012, which previously included joint ventures accounted for under the proportionate consolidation method and therefore no longer presents the segmental results of its operations in its German joint venture.

36 CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business. The Company issued corporate letters of guarantee in relation to some of the credit facilities (see Note 19).

As at 31 December 2013 the Company received letters of guarantee from tenants that amounted to €9,230,228 and letters of guarantee from suppliers that amounted to €1,809,766 related to the ongoing developments.

37 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and Directors are related parties. The subsidiaries of the Company are presented in Note 5. The Directors are noted in the 'Board of Directors' section.

Material related party transactions

Loans to and investments in subsidiaries are set out in Note 5. Fees paid to Directors during the current and prior year are set out in the table below. No other payments were made to Directors, except for reimbursements of travel and accommodation costs.

Directors' fees	Total Group 31 Dec 13	Company 31 Dec 13	Subsidiaries 31 Dec 13	Total Group 31 Dec 12	Company 31 Dec 12	Subsidiaries 31 Dec 12
Dan Pascariu	29,904	29,904	–	29,140	29,140	–
Martin Slabbert	225,000	207,868	17,132	195,267	178,254	17,013
Victor Semionov	101,667	62,384	39,283	88,533	83,089	5,444
Alexandru Morar	95,833	89,325	6,508	–	–	–
Tiberiu Smaranda	95,833	10,000	85,833	–	–	–
Desmond de Beer	31,477	31,477	–	30,670	30,670	–
Dewald Joubert	27,805	27,805	–	27,096	27,096	–
Jeffrey Zidel	33,036	33,036	–	32,210	32,210	–
Michael Mills	25,707	25,707	–	25,054	25,054	–
TOTAL	**666,262**	**517,506**	**148,756**	**427,970**	**405,513**	**22,457**

Loans granted to employees are detailed in Note 18.

The following Directors (and their associates) exercised their rights and purchased the number of ordinary shares indicated against their names, in terms of the rights offer which was concluded in July 2013:

Name of Director	Transaction date	Price per security	Number of rights offer shares	Total value	Nature of transaction	Nature and extent of Director's interest
Desmond de Beer	26 July 2013	R64.80	280,000	R18,144,000	Off market	Indirect beneficial
Jeffrey Zidel	26 July 2013	R64.80	36,326	R2,353,925	Off market	Direct/Indirect beneficial
Martin Slabbert	26 July 2013	R64.80	15,342	R994,162	Off market	Indirect beneficial
Alexandru Morar	26 July 2013	R64.80	3,847	R249,286	Off market	Indirect beneficial
Victor Semionov	26 July 2013	R64.80	3,828	R248,054	Off market	Indirect beneficial
Dan Pascariu	26 July 2013	R64.80 or €4.80	3,572	R23,393 + €15,413	Off market	Indirect beneficial
Tiberiu Smaranda	26 July 2013	R64.80	1,196	R77,501	Off market	Indirect beneficial
Dewald Joubert	26 July 2013	R64.80	127	R8,230	Off market	Indirect beneficial

Shares issued under the share purchase schemes and held by the Directors or by entities in which they have an indirect beneficial interest

Name of Director	Number of shares held as at 31 Dec 2013
Martin Slabbert	4,231,314
Victor Semionov	1,324,985
Alexandru Morar	1,068,583
Tiberiu Smaranda	814,537
TOTAL	**7,439,419**

38 SUBSEQUENT EVENTS

In February 2014, the Group concluded an agreement with Garanti Bank SA for the financing of Shopping City Galati amounting to €20,000,000.

The Directors are not aware of any other subsequent events from 31 December 2013 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

Schedule of properties

Property name	Country	City	Ownership
			%
RETAIL PORTFOLIO			
Aupark Zilina	Slovakia	Zilina	100
City Park	Romania	Constanta	100
Ploiesti Shopping City	Romania	Ploiesti	50
Promenada Mall Braila	Romania	Braila	100
Deva Shopping Centre	Romania	Deva	100
Shopping City Galati	Romania	Galati	100
Retail Park Pitesti	Romania	Pitesti	100
German retail portfolio	Germany	Bruckmühl, Eilenburg, Frankfurt, Leipzig, Mölln	50
Severin Shopping Center	Romania	Drobeta Turnu Severin	100
Brasov retail properties	Romania	Brasov	100
Regional strip malls	Romania	Alexandria, Petrosani, Sfantu Gheorghe, Sighisoara	100
Street segment retail portfolio	Romania	Bacau, Bucharest, Iasi	100
OFFICE PORTFOLIO			
Floreasca Business Park	Romania	Bucharest	100
The Lakeview	Romania	Bucharest	100
City Business Centre	Romania	Timisoara	100
Regional offices portfolio	Romania	Alba Iulia, Alexandria, Baia Mare, Buzau, Calarasi, Craiova, Deva, Galati, Resita, Sfantu Gheorghe, Sibiu, Slatina, Slobozia, Targoviste, Targu Mures, Zalau	100
Regional offices portfolio: Brasov office	Romania	Brasov	100
German office portfolio	Germany	Munich	50
INDUSTRIAL PORTFOLIO			
Rasnov Industrial Facility	Romania	Rasnov	100
Otopeni Warehouse	Romania	Bucharest	100
RETAIL DEVELOPMENTS AND EXTENSIONS			
Mega Mall*	Romania	Bucharest	70
Vulcan Value Centre	Romania	Bucharest	100
Shopping City Galati	Romania	Galati	100
Targu Jiu Shopping City	Romania	Targu Jiu	100
Brasov Shopping City**	Romania	Brasov	100
Ploiesti Shopping City extension**	Romania	Ploiesti	50
Deva Shopping Centre extension**	Romania	Deva	100
Regional strip malls	Romania	Vaslui	100
Retail Park Pitesti extension**	Romania	Pitesti	100
Promenada Mall Braila extension**	Romania	Braila	100
OFFICE DEVELOPMENTS			
The Office	Romania	Cluj-Napoca	50
Victoriei Office	Romania	Bucharest	100
TOTAL			

* NEPI's interest in the entity holding this property was consolidated in accordance with IFRS.
** Most of the balance is represented by land available for extension.

Rentable area	Weighted rentable area	Weighted average rent	Weighted vacancy	Valuation	Weighted valuation
m^2	m^2	€/m^2/month	%	€	€
24,874	24,874	23.03	0.81	95,300,000	95,300,000
29,284	29,284	21.33	0.34	90,010,000	90,010,000
46,436	23,218	12.22	6.66	79,230,000	39,615,000
54,850	54,850	8.64	3.32	73,300,000	73,300,000
42,180	42,180	8.97	–	47,580,000	47,580,000
27,206	27,206	12.04	–	43,140,000	43,140,000
24,836	24,836	12.01	–	41,690,000	41,690,000
22,078	11,039	7.00	–	23,788,948	11,894,474
16,546	16,546	8.08	–	18,940,000	18,940,000
12,402	12,402	12.57	–	15,621,000	15,621,000
7,459	7,459	7.73	6.70	7,740,000	7,740,000
1,181	1,181	43.79	39.96	5,300,000	5,300,000
309,332	**275,075**	**12.33**	**1.70**	**541,639,948**	**490,130,474**
36,032	36,032	19.81	–	101,080,000	101,080,000
25,564	25,564	20.15	–	63,570,000	63,570,000
27,151	27,151	14.27	0.21	55,470,000	55,470,000
33,861	33,861	6.69	13.43	21,810,000	21,810,000
6,720	6,720	7.63	6.24	6,330,000	6,330,000
2,222	1,111	16.98	–	6,605,854	3,302,927
131,550	**130,439**	**15.34**	**3.85**	**254,865,854**	**251,562,927**
23,040	23,040	4.49	1.74	11,840,000	11,840,000
4,802	4,802	9.28	–	5,090,000	5,090,000
27,842	**27,842**	**5.33**	**1.44**	**16,930,000**	**16,930,000**
				45,258,163	45,258,163
				27,681,064	27,681,064
				7,268,000	7,268,000
				4,120,413	4,120,413
				2,809,753	2,809,753
				1,866,956	933,478
				1,176,000	1,176,000
				978,644	978,644
				503,140	503,140
				190,248	190,248
				91,852,381	**90,918,903**
				18,509,098	9,254,549
				13,668,747	13,668,747
				32,177,845	**22,923,296**
468,724	**433,356**	**12.71**	**2.33**	**937,466,028**	**872,465,600**

Notice of 2014 AGM

Notice is hereby given that the seventh Annual General Meeting of New Europe Property Investments plc ('NEPI' or 'the Company') will be held at its registered office being 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 11 June 2014 at 10:00 AM British Summer Time ('BST'), to address the considering and, if deemed fit, adopting of the resolutions set out below.

ORDINARY BUSINESS

To consider and, if deemed fit, to pass, with or without modification, the ordinary resolutions below.

1. To receive and adopt the reports of the Directors and Auditor of the Company and the financial statements for the year ended 31 December 2013.
2. To re-elect those Directors of the Company who will retire by rotation at the Company's Annual General Meeting, in accordance with article 86 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election.
   - 2.1 Dan Pascariu, and
   - 2.2 Dewald Joubert
3. To re-elect those Directors of the Company who had been appointed by the Company's Board of Directors since the last Annual General Meeting of the Company, who will retire at the Company's Annual General Meeting, in accordance with article 81 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election:
   - 3.1 Alexandru Morar, and
   - 3.2 Tiberiu Smaranda
4. To authorise the Directors of the Company to fix their remuneration in accordance with article 95 of the Articles of Association of the Company.

In terms of the Company's Articles of Association, in order for each of resolutions 1 to 4 above to be adopted, such resolutions must be approved by a member or members holding a majority in excess of 50% of the voting rights exercisable by shareholders, present in person or by proxy.

SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following special resolutions:

5. To appoint the Auditor of the Group and Company from Ernst & Young, KPMG or PricewaterhouseCoopers and to authorise the Company's Directors to fix their remuneration.
6. So as to maintain the maximum 'headroom' available to the Directors for expanding the Company's business by allotting equity securities of the Company for cash on a non pre-emptive basis, the shareholders are to consider and, if thought fit, pass the following resolution:
   Resolved as a special resolution that, subject to the restrictions set out below and subject to the provisions of article 5.3, the Listings Requirements of the JSE Ltd, the AIM Rules for Companies issued by the London Stock Exchange plc and the rules of the Bucharest Stock Exchange, the Directors of the Company be and are hereby authorised until this authority lapses at the next Annual General Meeting of the Company, provided that this authority shall not extend beyond 15 months, to allot and issue shares of the Company (including the grant or issue of options or convertible securities that are convertible into an existing class of shares) for cash (or for the extinction or payment of any liability, obligation or commitment, restraint or settlement of expenses) on the following basis:
   - 6.1 the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
   - 6.2 the allotment and issue of shares for cash shall be made only to persons qualifying as 'public shareholders', as defined in the Listings Requirements of the JSE Ltd, and not to 'related parties';

6.3 the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 30 681 635 shares, being 15% of the Company's issued shares as at the date of notice of this annual general meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 30 681 635 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;

6.4 In the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;

6.5 the maximum discount at which shares may be issued is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares;

6.6 after the Company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of that issue, including:

6.6.1 the number of shares issued;

6.6.2 the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares; and

6.6.3 the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and if applicable diluted earnings and diluted headline earnings per share.

In terms of the Listings Requirements of the JSE Ltd, in order for resolutions 5 and 6 above to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

Quorum
A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the Company personally present (and if the shareholder is a body corporate, the representative of the body corporate) or by proxy and entitled to attend and vote on the business to be transacted at the Annual General Meeting or one person entitled to attend and to vote on the business to be transacted, being a member able to exercise in aggregate at least 25% of all the voting rights that are able to be exercised on at least one matter to be decided at the meeting and being present in person or by proxy.

By order of the Board,
CE Cassell
COMPANY SECRETARY

Notes to Notice of Annual General Meeting, dated 11 June 2014

1 A member of the Company who is entitled to attend the Company's Annual General Meeting and vote thereat is entitled to appoint one or more proxies to attend and, on a poll, vote instead of that member.

2 A proxy of a member need not be a member of the Company.

3 A form of proxy is included with this notice (on page 133) and instructions for its use are shown on the form.

4 A duly completed and signed form of proxy must be received by the Company's registrar, Sabre Fiduciary Limited, at the Company's registered office (which is detailed in this notice) no later than 48 (forty eight) hours before the time that the meeting is due to commence. Delivery by e-mail is acceptable, as detailed in the proxy form on page 133.

5 Completion and return of a form of proxy does not preclude a member of the Company from attending the Annual General Meeting and voting in person.

6 Pursuant to regulation 22 of the Uncertificated Securities Regulations 2006 (SD 743/06), the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 10:00 AM BST on 11 June 2014 ('the Register Time and Date'), being not more than two working days before the time fixed for the meeting to commence. Changes to entries on the register after the Register Time and Date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7 The Company's register of Directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which the Directors of the Company are employed, are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Proxy Form

Please insert the full name and address of the member in CAPITAL LETTERS and return this form to the Company's registered address at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man, IM1 4LN for attention of Cornelius Eduard Cassell, Company Secretary, or in electronic format to the e-mail address eddie@sabre-iom.com

I/We .... of ....

being a member/members of New Europe Property Investments plc hereby appoint the Chairman of the meeting, or failing him .... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 11 June 2014 at 10:00 AM BST and at any adjournment thereof.

If you wish to appoint your own proxy delete the words 'the Chairman of the meeting' and insert the name of your proxy in the space provided in CAPITAL LETTERS. Please indicate with an X in the spaces provided below how you wish your votes to be cast. If you do not specify how you wish any vote to be cast you will be deemed to have authorised your proxy to vote or abstain from voting as he/she thinks fit.

ORDINARY BUSINESS

		YES	NO
1	To receive and adopt the reports of the Directors and Auditor of the Company and the financial statements for the year ended 31 December 2013.		
2	To re-elect those Directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company: **2.1** Dan Pascariu, and **2.2** Dewald Joubert.		
3	To re-elect those Directors of the Company who will retire in accordance with article 81 of the Articles of Association of the Company: **2.1** Alexandru Morar, and **2.2** Tiberiu Smaranda.		
4	To authorise the Directors of the Company to fix their remuneration.		

SPECIAL BUSINESS

		YES	NO
5	To appoint the Auditor of the Group and Company from Ernst & Young, KPMG or PricewaterhouseCoopers and to authorise the Company's Directors to fix their remuneration.		
6	General authority to issue shares for cash as proposed in the notice of the Annual General Meeting.		

SIGNATURE

DATE

www.nepinvest.com

Company	**New Europe Property Investments plc** Registration number 001211V JSE share code: NEP, AIM share code: NEPI, BVB share code: NEP 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN
Company Administrator and Registrar	**Sabre Fiduciary Ltd** 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN Phone +44 (0) 2031 801 547 Fax +44 1624 629 282
Auditors and Reporting Accountants	**Ernst & Young LLC** Rose House, 51-59 Circular Road, Douglas, IM1 1AZ, Isle of Man
Nominated Adviser and Broker	**Smith & Williamson Corporate Finance Ltd** 25 Moorgate, London EC2R 6AY, UK
JSE Sponsor	**Java Capital** 2 Arnold Road, Rosebank 2196, South Africa
Romanian Adviser	**Intercapital Invest** 33 Aviatorilor Blvd, Bucharest, Romania