NEPI
NEW EUROPE PROPERTY INVESTMENTS PLC

ANNUAL REPORT 2016

ecco
TOMMY HILFIGER
HERALDI
GALILEO

PHOTO: ARENA CENTAR, CROATIA

More information 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.

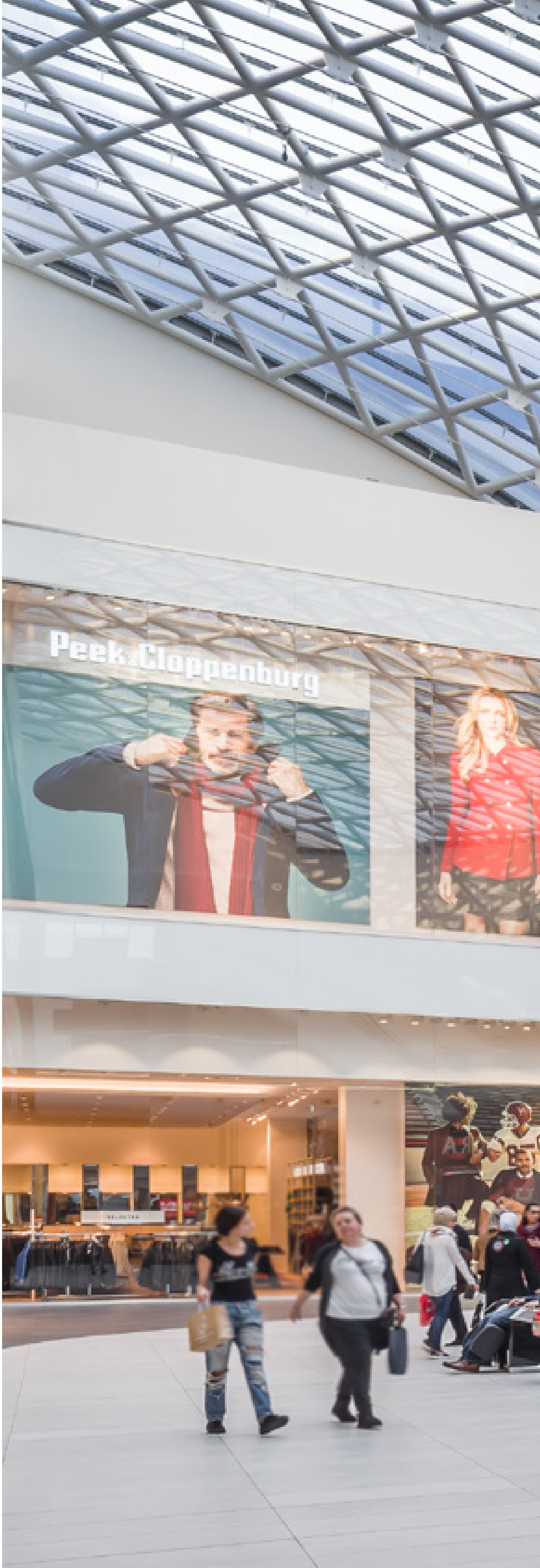

Peek&Cloppenburg

PHOTO: MEGA MALL< ROMANIA

PHOTO: SHOPPING CITY TIMISOARA, ROMANIA

Company profile

New Europe Property Investments plc is a property investment and development group, listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and the regulated market of the Bucharest Stock Exchange (BVB).

NEPI is focused on acquiring, developing and managing regionally dominant retail assets in emerging European Union markets with high-growth potential. The Group built an exceptional property portfolio and development pipeline in Romania, Slovakia, Serbia, Czech Republic and Croatia, and is progressing with a retail expansion programme in other Central and Eastern Europe (CEE) markets. The Group also invests in A-grade offices in prime locations with significant multinational tenant demand.

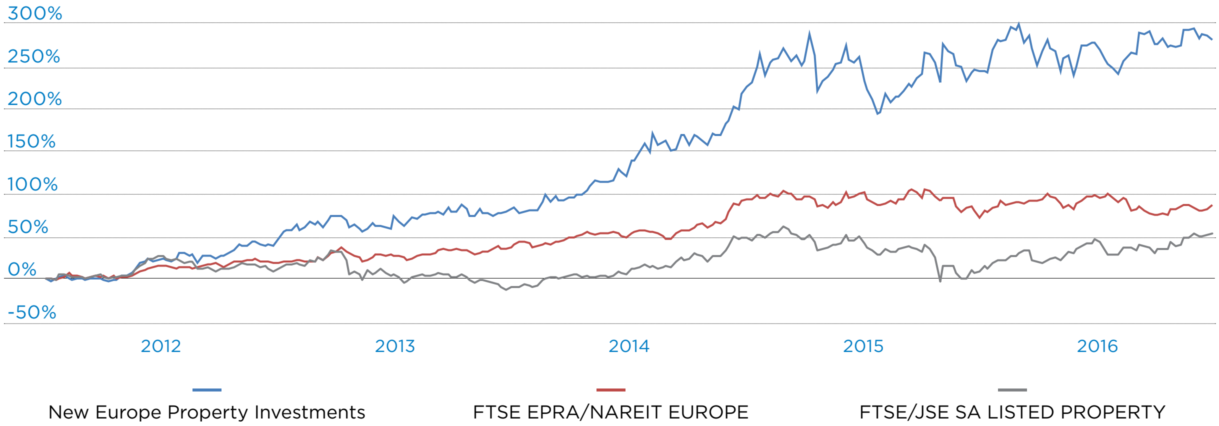
The investment strategy is biased towards long-term leases in Euro with strong corporate covenants.

NEPI is internally managed by a team which combines asset management, investment, development, leasing and financial expertise.

The Group is investment-grade rated by Moody's (Baa3, stable outlook) and Standard & Poor's (BBB-, positive outlook).

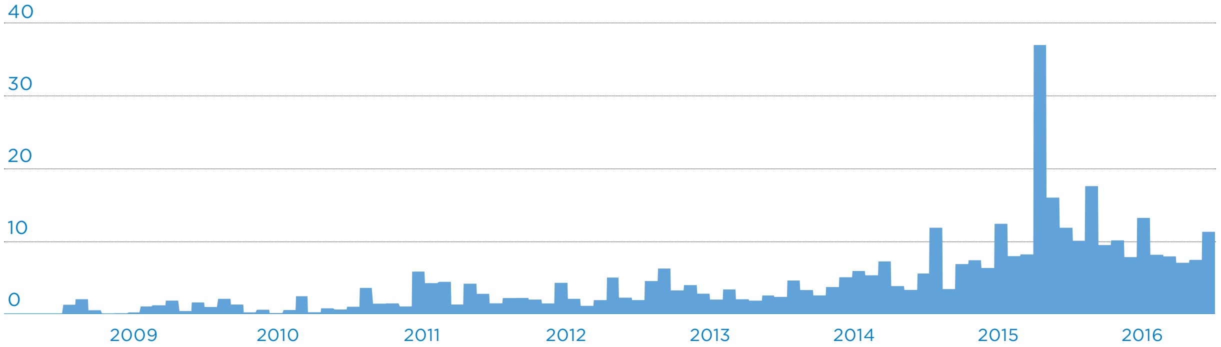
Given the nature of its business, NEPI uses distribution per share as its financial measure for trading statement purposes. NEPI usually distributes at least 90% of its net rental profits on a semi-annual basis.

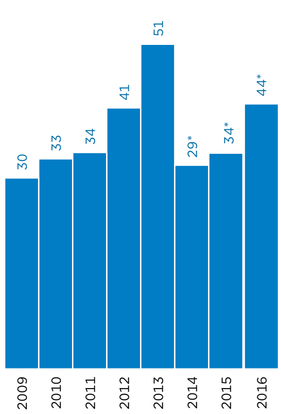
FIVE YEAR RELATIVE PERFORMANCE OF NEPI'S SHARE (total return in EUR, with dividend reinvested)



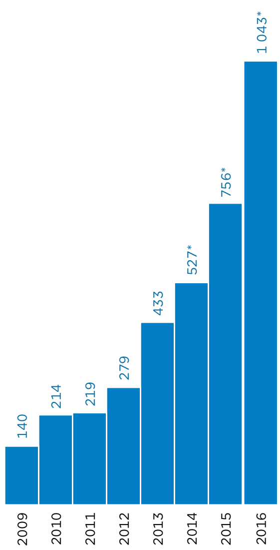
Source: Thomson Reuters

TRADING VOLUME (million shares)

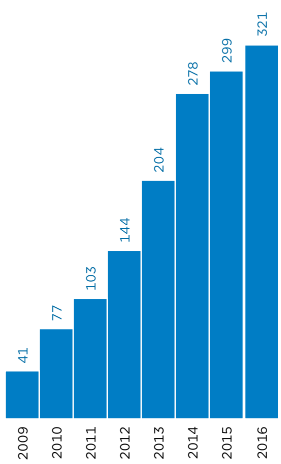




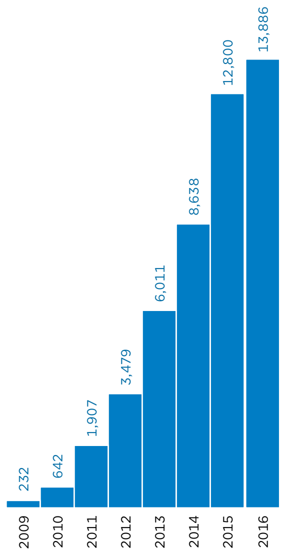
TOTAL NUMBER OF PROPERTIES^



LETTABLE AREA OF PROPERTIES^
thousand m²

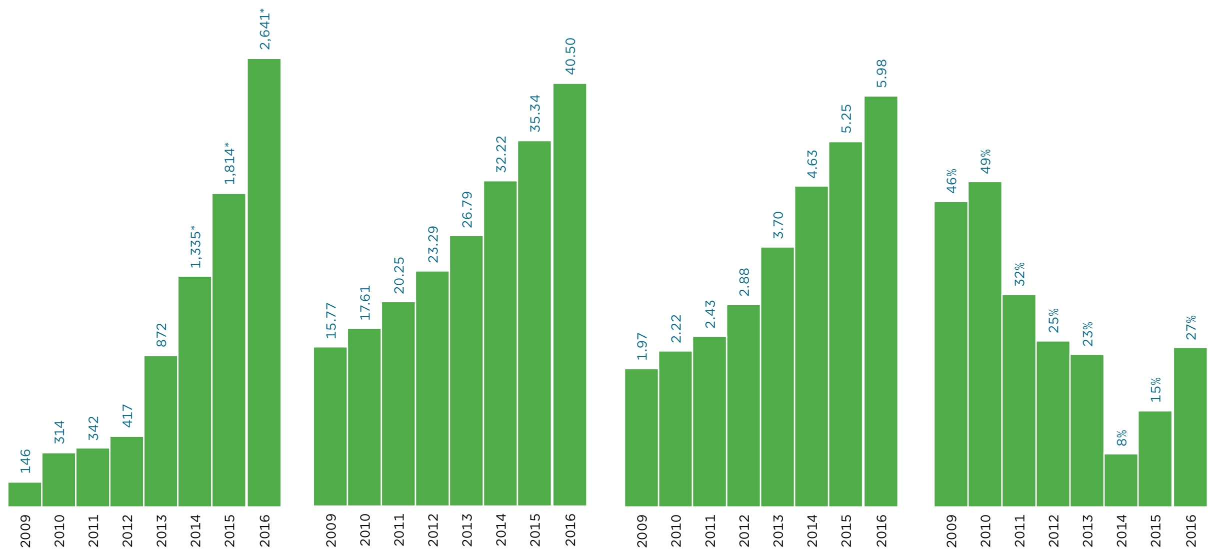


SHARES IN ISSUE
million



NUMBER OF SHAREHOLDERS

^ Including joint ventures. Extensions to existing properties were also excluded from the count.
*Starting 2014, the Company reclassified 20 of the non-core properties as held for sale, out of which by 31 December 2016, four properties were disposed of. Their aggregated value is less than 1% of the total asset value.



FAIR VALUE OF INVESTMENT PROPERTIES^
€ million

DISTRIBUTION PER SHARE
€ cents

ADJUSTED NAV PER SHARE
€

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

^ Including joint ventures
*Starting 2014, the Company reclassified 20 of the non-core properties as held for sale, out of which by 31 December 2016, four properties were disposed of. Their aggregated value is less than 1% of the total asset value.

Board of Directors

Executive

ALEX MORAR
Chief Executive Officer
Appointed as Director on 25 September 2013 and as CEO on 7 August 2015

BSc

Alex Morar graduated with a dual degree in finance and information systems from Stern School of Business, New York University. He began his career as an analyst at Julius Baer Investment Bank. He later joined the financial advisory practice of Deloitte Romania where he spent two years working on large projects and M&A transactions. He joined NEPI upon its founding in 2007 and has contributed to all aspects of the business since then. In the period up to his appointment as CEO, Mr. Morar focused primarily on NEPI's investments and acquisitions programme throughout Central and Eastern Europe.

MIRELA COVASA
Chief Financial Officer
Appointed on 10 February 2015

BCom, ACCA, CAFR

Mirela Covasa graduated with a finance degree from Bucharest Academy of Economic Studies and is a member of the Association of Chartered Certified Accountants (ACCA) and Chamber of Financial Auditors of Romania (CAFR). Prior to working for NEPI, she was senior manager at PricewaterhouseCoopers, where she spent eight years performing audit assignments in Romania, Slovenia and India. She has worked in accounting and auditing for fifteen years.
Ms Covasa joined NEPI in February 2012 and is currently responsible for the financial management of the Company.

Non-executive

DAN PASCARIU
Independent Non-executive Chairman
Appointed on 30 March 2009

MBA

Dan Pascariu is a prominent figure in Romanian banking. His career started at the Romanian Bank for Foreign Trade in 1973, where he held the position of Chairman and CEO. Mr Pascariu is a non-executive Chairman of the Supervisory Board of Unicredit Bank, Romania. 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 of various financial institutions in Romania and abroad.

MICHAEL MILLS
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 across a range of sectors. A chartered accountant, he has held senior financial roles in a number of multinational companies. His recent experience includes chairman and CEO roles on the boards of UK listed companies operating in the finance sector, software development, healthcare services and manufacturing and a US based distribution business.

DESMOND DE BEER
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, first at Barclays Bank, South Africa, where he was Bond Manager at the Barclays Trust. Subsequently, he was appointed General Manager, Corporate Equity and became a member of the Executive Committee at Nedcor Investment Bank. Since 2002, Mr de Beer is the Managing Director of Resilient REIT Limited, listed on the JSE.

JEFFREY ZIDEL
Independent Non-Executive Director
Appointed on 11 November 2009

Jeffrey Zidel is a successful property developer and investor, and has been involved in many aspects of the property industry for over 40 years. He is currently the Vice Chairman of Fortress Income Fund, and was one of the co-founders of Resilient REIT Limited. Mr Zidel is President of the South African Council of Shopping Centres and director of the South African Property Owners Association.

NEVENKA PERGAR
Independent Non-Executive Director
Appointed on 10 February 2015

LLB, MBA

Nevenka Pergar is the owner and director of an independent advisory company that offers legal and business consultancy, mainly to foreign investors in Slovenia. She is also a member of the Supervisory Board of Trimo, a manufacturer of industrial facade constructions. Ms Pergar has acquired a wide experience in public services serving in Slovenia's Ministry of Economy and she was member of two Slovenian governments, first as a Secretary General of the Government and then as a Junior Minister for Public Administration. She is currently a member of AmCham and The Managers' Association of Slovenia.

ROBERT EMSLIE
Independent Non-Executive Director
Appointed on 4 February 2016

BCom, Hons Acc, CA

Mr Emslie is a Chartered Accountant, with more than 30 years' experience in the financial services sector and property management. He held various positions within the ABSA Group (currently part of Barclays) during a period of 21 years, more recently as Head of ABSA Corporate and Business Bank, Head of ABSA Africa and member of ABSA Group's Executive Committee. Mr Emslie retired in 2009 and currently holds chairmanship and non-executive directorship positions in various private and public companies.

ANTOINE DIJKSTRA
Independent Non-Executive Director
Appointed on 13 June 2016

MSc, COL (INSEAD)

Mr. Dijkstra started his career at Credit Agricole in Rotterdam, Paris and Frankfurt. He had various managing roles within NIBC (Netherlands), Harcourt Investment Management (Zurich), JPMorgan/ Bear Stearns and Gulf International Bank (Bahrain). He is founder and partner of Implexus Capital (Netherlands). Mr Dijkstra has extensive experience in investment management, with a focus on public sector related entities and financial institutions, and has advised numerous clients on financing.

ANDRIES DE LANGE
Independent Non-Executive Director
(Alternate Director to Mr Desmond de Beer)
Appointed on 9 August 2016
CA (SA), CFA

After qualifying as a Chartered Accountant, Mr de Lange joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. He joined Resilient REIT Limited, a South African based property focused company listed on the JSE, in 2004 and acts as Chief Operating Officer.

Directors' report*

DISTRIBUTABLE EARNINGS

The Group achieved 40.50 euro cents in distributable earnings per share for 2016, a 14.7% improvement in distributable earnings per share compared to 35.34 euro cents per share distributed in 2015 (respectively a 16.5% increase as compared to the 2015 recurring distributable earnings based on which the earnings guidance was provided). This growth is due to the strong performance of the Group's assets, profitable acquisitions and developments completed during the year, as well as having maintained a moderate liquidity profile during the period.

87%
of the income-producing portfolio is retail assets

FINAL DISTRIBUTION AND OPTION TO RECEIVE CAPITAL RETURN

The Board of Directors declares a distribution of 21.82 euro cents per share for the second half of 2016, which, combined with 18.68 euro cents per share for the first half of the year, results in a 40.50 euro cents per share distribution for 2016. Shareholders can elect to receive distribution either in cash or as an issue of fully-paid shares based on a ratio between distribution declared and the reference price. The reference price will be calculated using a maximum 7% discount to the five-day volume-weighted average traded price, less distribution, of NEPI shares on the Johannesburg Stock Exchange (JSE), no later than 31 March 2017.

A circular containing full details of the election being offered to shareholders, accompanied by announcements on the Stock Exchange News Service (SENS) of the JSE and the Bucharest Stock Exchange (BVB), will be issued in due course.

over
1,000,000
m² GLA of income-producing properties

over
200,000
m² GLA under permitting and pre-leasing

PROSPECTS AND EARNINGS GUIDANCE

The Board projects that approximately 15% growth in distributable earnings per share for 2017 compared to 2016 is achievable based on the following assumptions: a) any potential corporate-level transaction is ignored; b) planned developments remain on schedule; and c) a stable macroeconomic environment prevails and no major corporate failures occur. This forecast has not been audited or reviewed by NEPI's auditors and is the responsibility of the Board.

over
152,000,000
visitors in 2016

**All information in the Directors' report excludes joint ventures, unless otherwise stated*

15%
5-year nominal average compounded annual growth rate in distribution per share

16.5%
increase in recurring distributable earnings per share (YOY)

51%
increase in retail asset base GLA (YOY)

14%
increase in adjusted NAV per share (YOY)

CONTINUING STRATEGIC EXPANSION IN CEE

The Group's exceptional track record continued throughout 2016 with a property portfolio growth of 47%, from €1.73 billion on 31 December 2015 to €2.55 billion on 31 December 2016. Income-producing properties currently cover 1,000,000m^2 GLA and over 200,000m^2 GLA of properties are being permitted for development or are under construction.

NEPI owns and operates 871,800m^2 retail GLA and 143,800m^2 office GLA, including joint ventures. During 2016, 286,200m^2 retail GLA (including joint ventures) was added via the completed acquisitions and developments. The Group's team has grown proportionately during this period, and currently comprises 330 professionals with expertise in accounting, architecture, asset management, administration, development, finance, investments, law, leasing, marketing, property management and tax.

Retail assets comprise 87% of the operating property portfolio (by market value). Over the last five years, annual occupancy and collection rates have exceeded 95% and 99%, respectively. Continuous Net Operating Income (NOI) growth illustrates not only the benefits of active asset management, but also the success of the retail assets: 152 million people visited the Group's shopping centres in 2016.

During the period, NEPI has continued to focus on expanding its portfolio of dominant retail assets. It entered two new CEE markets in 2016: the Czech Republic and Croatia. The Group will soon start construction of its first development outside of Romania: a mall in Novi Sad, Serbia's second largest city. NEPI's extensive development experience will ensure building of a modern centre, with leading fashion, food, entertainment and leisure facilities, and many renowned international brands.

The Group is currently present in five CEE countries, and its multinational experience positions it for further growth of its strategic relationships with tenants, suppliers and other stakeholders. The Company is actively pursuing investment opportunities in CEE. Although increased competition and yield compression have been observed across these markets during the past period, NEPI, with its established property platform, remains well positioned for further expansion.

The Company's investment grade ratings are currently limited by Romania's sovereign rating, as Romanian assets comprise 73% (including joint ventures, by gross rentals) of the income-producing portfolio. NEPI's low gearing ratio (interest bearing debt less cash divided by investment property and listed property securities) of 27%, combined with a portfolio that is 87% unencumbered, allows good access to liquidity necessary for further growth.

Directors' report » continued

MERGER OF NEPI AND ROCKCASTLE

During the fourth quarter of 2016, NEPI and Rockcastle Global Real Estate Company Limited (Rockcastle), a property investment company established in Mauritius and listed on the JSE and the Stock Exchange of Mauritius (SEM), issued joint cautionary announcements regarding a potential transaction. On 14 December 2016, a framework agreement was announced (Framework Agreement), pursuant to which their respective businesses would be merged into an entity newly-incorporated in the Isle of Man, NEPI Rockcastle plc (NewCo). This is expected to be implemented with an effective share swap ratio of 4.5 Rockcastle shares for one NEPI share (the Swap Ratio).

In accordance with the Framework Agreement, NEPI and Rockcastle will transfer all assets and liabilities, including their subsidiaries, effectively transferring their entire businesses to NewCo. In exchange, NewCo will issue ordinary shares (NewCo Shares) to NEPI and Rockcastle, in line with the Swap Ratio.

NewCo is expected to benefit from enhanced liquidity, and be the largest listed real estate company in Central and Eastern Europe (CEE). NewCo Shares are expected to be listed on the Main Board of the JSE and Euronext Amsterdam, as well as other stock exchanges NEPI and Rockcastle agree upon. The transaction will integrate two complementary management teams, unlocking strategic synergies and creating additional value for shareholders.

Considering the envisaged merger, including anticipated improvements in portfolio size and diversification, Standard & Poor's Global Ratings (S&P) revised NEPI's outlook from 'Stable' to 'Positive', and reaffirmed the long-term 'BBB-' corporate credit rating. Moody's Investors Service (Moody's) retained NEPI's Baa3 Stable, but considers the merger credit positive.

These transactions will be implemented following the fulfilment, or waiver, of several conditions precedent, including approval by Boards of Directors and shareholders, as well as all relevant authorities, on or before 30 June 2017.

A circular detailing this transaction, accompanied by announcements on the relevant stock exchanges, is expected to be issued by 30 April 2017.


PHOTO: SHOPPING CITY TIMISOARA, ROMANIA

Directors' report » continued

RETAIL ACQUISITIONS

FORUM USTI NAD LABEM

Czech Republic
Acquisition date: 29 February 2016

NEPI acquired the dominant shopping centre in Usti nad Labem, a city with 93,000 inhabitants and 478,000 residents within a 45-minute drive. The centre has a 27,800m² GLA and is anchored by a Billa supermarket. The centre houses numerous national and international fashion brands, as well as a Cinema City.

SHOPPING CITY SIBIU

Romania
Acquisition date: 31 March 2016

NEPI acquired Shopping City Sibiu, a 78,200m² GLA shopping mall located in Sibiu, a city with 170,000 inhabitants and 286,000 residents within a 45-minute drive. The region's dominant shopping centre, Shopping City Sibiu contains two hypermarkets, Auchan and Carrefour, numerous national and international brands and a wide selection of furniture and DIY stores.

MEGA MALL

Romania
Acquisition date: 31 May 2016

Following the purchase of the remaining 30% interest, NEPI became sole owner of Mega Mall, eastern Bucharest's 75,200m² GLA dominant shopping centre, with 910,000 residents within a 30-minute drive.

KORZO SHOPPING CENTRUM

Slovakia
Acquisition date: 19 July 2016

The Group acquired the 16,100m² GLA Korzo Shopping Centrum, the dominant mall in Prievidza, a city with 48,000 residents and 308,000 inhabitants within a 45-minute drive. The centre is part of a retail park that includes a Tesco and a DIY store. A refurbishment and an extension are being considered.

AUPARK SHOPPING CENTER PIESTANY

Slovakia
Acquisition date: 31 August 2016

NEPI acquired the 10,300m² GLA Aupark Shopping Center, the main retail centre in Piestany, Slovakia's main resort and spa centre, with 28,000 inhabitants and 791,000 residents within a 45-minute drive. The centre is anchored by a Billa supermarket and houses many international brands.

ARENA CENTAR

Croatia
Acquisition date: 4 November 2016

NEPI acquired the 62,100m² GLA Arena Centar, the largest shopping centre in Zagreb, Croatia's capital. The city has 790,000 residents and there are 1.4 million inhabitants within a 45-minute drive. The centre houses an Interspar hypermarket, a ten-screen CineStar cinema and numerous popular national and international brands. The transaction included the acquisition of an additional, adjacent 4.4ha land suitable for future development.

COMPLETED RETAIL DEVELOPMENTS AND EXTENSIONS

SHOPPING CITY TIMISOARA
Romania
Opening date: 31 March 2016

The Group completed the second phase of Shopping City Timisoara, an additional 40,400m² fashion and entertainment GLA, bringing the total GLA to 56,700m². The centre is located in Timisoara, Romania's third largest city, with 334,000 residents and 570,000 inhabitants within a 45-minute drive. Anchored by a Carrefour hypermarket, and adjacent to a Dedeman DIY store, the mall houses numerous international brands, a gym, a swimming pool and a thirteen-screen cinema with IMAX and 4DX auditoriums. A Peek & Cloppenberg store will open in March 2017.

CITY PARK - EXTENSION
Romania
Opening date: 30 September 2016

NEPI completed the fashion extension to City Park mall, Constanta, a city with 319,000 residents. The centre is now totalling 51,700m² GLA, and is becoming the dominant mall in the region. There are 541,000 inhabitants within a 45-minute drive. Anchored by a Cora hypermarket, City Park has a ten-screen Cinema City, with a 4DX auditorium, and houses numerous popular international and national brands. Subject to permitting, during 2017, the food court will be refurbished and expanded, and additional parking spaces will be available.

SEVERIN SHOPPING CENTER - EXTENSION
Romania
Opening date: 29 October 2016

During 2016, the Group extended Severin Shopping Center with an additional 1,700m² GLA, including C&A, increasing total GLA to 22,600m². It is the main centre in Drobeta-Turnu Severin, a city with 111,000 residents and 175,000 inhabitants within a 45-minute drive.

SHOPPING CITY PIATRA NEAMT
Romania
Opening date: 1 December 2016

The Group completed a 27,900m² GLA dominant regional mall in Piatra Neamt, a city with 116,000 residents and 245,000 inhabitants within a 45-minute drive. This centre is anchored by a Carrefour hypermarket, a six-screen Cinema City and houses popular international brands, such as: Bershka, CCC, Deichmann, dm, H&M, Intersport, KFC, NewYorker, Pepco and Takko.

BRAILA MALL - EXTENSION
Romania
Opening date: 10 December 2016

During 2016, NEPI completed the refurbishment of the mall's food court, and added supplementary GLA of new fashion tenants such as: Bershka, LC Waikiki, Pull&Bear and Stradivarius. The mall now has a 55,400m² GLA and consolidated its position as the main regional shopping destination in Braila, a city with 213,000 residents and 575,000 inhabitants within 45-minute drive.

PHOTO: FORUM USTI NAD LABEM, CZECH REPUBLIC

Directors' report » continued

DEVELOPMENT PIPELINE

Consistent with its strategy, the Group continues to invest in developments that significantly increase distributable earnings per share. NEPI's development pipeline, including redevelopments and extensions, has increased to €726 million (estimated at cost), representing an increase of €125 million compared with the previous year. €179 million relating to the current development pipeline was spent by 31 December 2016.

RETAIL DEVELOPMENTS AND EXTENSIONS IN PROGRESS

PROMENADA MALL - EXTENSION

Romania

The process of obtaining new zoning and construction permits for Promenada Mall's retail extension and integrated office building is underway, having experienced material delays. The mall is located in Bucharest's central business district, with 177,000 inhabitants within a 15-minute drive. The retail extension will include new fashion brands, a 14-screen Cinema City, additional leisure and entertainment facilities and 1,600 new parking spaces. Subject to full permitting being obtained during 2017, NEPI targets to complete the extension during 2018.

PROMENADA NOVI SAD

Serbia

Permitting for a mall of up to 56,000m^2 GLA in Novi Sad is underway. Novi Sad is Serbia's second largest city, with 250,000 residents and 354,000 inhabitants within a 30-minute drive, and strong tenant demand. Construction is expected to commence during the first quarter of 2017 and should be completed by the end of 2018.

SHOPPING CITY SATU MARE

Romania

NEPI intends to develop a 28,700m^2 regionally dominant mall in Satu Mare, a city with a population of 123,000 residents and 288,000 inhabitants within a 45-minute drive. Subject to permitting, construction should commence in the first quarter of 2017 and the shopping centre is scheduled to open in 2018.

RAMNICU VALCEA MALL

Romania

Permitting for a 27,900m^2 GLA regional mall in Ramnicu Valcea, a city with 119,000 residents and 315,000 inhabitants within a 45-minute drive, is in progress. The centre will include a Carrefour hypermarket, Cinema City and numerous national and international brands. Subject to permitting, construction will begin in the first quarter of 2017 and the centre is scheduled to open in the fourth quarter of 2017.

SHOPPING CITY GALATI - EXTENSION

Romania

The Group intends to extend Shopping City Galati, a 27,200m^2 GLA regional mall located in Galati, a city with 306,000 residents and 559,000 inhabitants within a 45-minute drive. The centre's performance since opening has been excellent, and NEPI will extend it with 21,000m^2 GLA, including a cinema, food court and international fashion brands. Subject to permitting, NEPI targets completing the extension in the fourth quarter of 2017.

RETAIL PARKS

Serbia

The Group acquired land in Krusevac, a city with 59,000 residents, and Sabac, a city with 54,000 inhabitants, with the intention to develop two 9,000m^2 GLA retail parks, with the potential for future extension. There is no other material modern retail offering in these cities. The retail schemes will be anchored by retailer-owned supermarkets. Subject to permitting, construction should commence in 2017 and be completed in 2018.

SHOPPING CITY SIBIU- RECONFIGURATION AND EXTENSION

Romania

NEPI intends to extend, reconfigure and refurbish Shopping City Sibiu, creating an additional 10,600m^2 GLA. The extension will house a seven-screen cinema, additional restaurants and international fashion brands. Subject to permitting, construction is planned to commence during the first half of 2017 and should be completed by year-end.

PLOIESTI SHOPPING CITY - EXTENSION

Romania

The Group and its joint venture partner plan to extend Ploiesti Shopping City, a 45,800m^2 GLA regional mall, located in Ploiesti, a city with 235,000 residents and 774,000 inhabitants within a 45-minute drive. The additional 6,200m^2 GLA will include new international brands. Subject to permitting, NEPI targets completing the extension in the fourth quarter of 2017.

PHOTO: CITY PARK, CONSTANTA

PHOTO: VICTORIEI OFFICE, ROMANIA

Directors' report » continued

OFFICE DEVELOPMENTS IN PROGRESS

THE OFFICE CLUJ-NAPOCA – EXTENSION

Construction of the 18,500m² GLA third phase of The Office, Cluj–Napoca, is ongoing and will be handed over for tenant fit-out in the second quarter of 2017.

VICTORIEI OFFICE

The Group has substantially finalised developing the 7,600m² GLA landmark office, located in central Bucharest, adjacent to the Romanian Government building. Permitting of internal fit-out has experienced material delays; given the tenant demand, opening will immediately follow permitting and the respective fit-out works.

Directors' report » continued

CASH MANAGEMENT AND DEBT

As of 31 December 2016, the Group had €48 million in cash and additional undrawn facilities of €45 million.

During 2016 NEPI raised €219 million through the issue of new ordinary shares, used additional debt facilities of €224 million (out of which €13 million from joint ventures) and repaid the Floreasca Business Park loan (€46 million). The committed unsecured revolving facility was extended until December 2018 and increased to €130 million. The Aupark Zilina loan was extended until December 2022 and increased to €65 million.

As of 31 December 2016, NEPI's gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) reached 27%, compared to 14% at the end of 2015.

In 2016, the average interest rate, including hedging costs, was 3.7%, down from 3.9% in 2015, as a result of contracting new debt at lower cost and decreasing costs associated with existing debt. As of 31 December 2016, fixed-coupon bonds represented 61.7% of outstanding debt; of the remaining debt exposed to Euribor, 62% was hedged with interest rate caps and 38% with interest rate swaps.

LOANS AND BORROWINGS REPAYMENT PROFILE

All amounts in Thousand Euro unless otherwise stated

Borrowings	**Type**	**Secured/ Unsecured**	**Outstanding amount**	**Available for drawdown**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and beyond**
Aupark Kosice Mall & Tower	Term loan	Secured	99 473	–	5 526	5 526	5 526	82 895	–	–
Aupark Zilina	Term loan	Secured	55 000	10 000	1 945	2 013	2 083	2 156	2 231	44 572
Aupark Piestany	Term loan	Secured	19 503	–	396	396	396	396	17 919	–
Ploiesti Shopping City*	Term loan	Secured	15 239	–	1 095	1 095	1 095	1 095	1 095	9 764
The Office Cluj-Napoca*	Term loan	Secured	20 916	–	1 360	1 320	1 320	1 320	15 596	–
NE Property Cooperatief	Fixed coupon bonds	Unsecured	400 000	–	–	–	–	–	400 000	–
NE Property Cooperatief	Fixed coupon bonds	Unsecured	50 000	–	50 000	–	–	–	–	–
NE Property Cooperatief	Revolving facility	Unsecured	95 000	35 000	–	95 000	–	–	–	–
New Europe Property Investments plc	Revolving facility	Unsecured	10 249	–	10 249	–	–	–	–	–
Total			765 380	45 000	70 571	105 350	10 420	87 862	436 841	54 336

* joint ventures amounts weighted by 50%

PHOTO: AUPARK SHOPPING CENTER PIEŠŤANY, SLOVAKIA

CHANGES TO THE BOARD OF DIRECTORS

Mr Tiberiu Smaranda resigned from his position as Executive Director, effective as of 1 September 2016.

The Board appointed Mr Robert Reinhardt Emslie and Mr Antoine Laurens Vincent Dijkstra as Non-executive Directors on 4 February 2016 and 13 June 2016, respectively. Mr Andries de Lange was appointed as alternate Director to Mr Desmond de Beer, an Independent Non-executive Director, on 9 August 2016.

OTHER HIGHLIGHTS

Non-recoverable tenant income for 2016 was 0.18% of annual contractual rental income and expense recoveries. The vacancy level as of 31 December 2016 was 2%, not including properties held for sale.

NEPI withdrew its shares from trading on the Alternative Investment Market (AIM) of the London Stock Exchange, due to the low trading volumes and the majority of capital raised having been accessed through the JSE. The delisting was effective 10 October 2016.

Directors' report » continued

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.

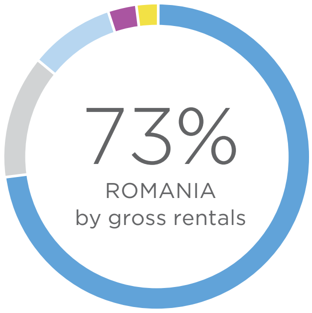
	Group 31 Dec 2016	Group 31 Dec 2015
Profit for the year attributable to equity holders	**234,968**	**158,398**
Reverse indirect result	**(108,683)**	**(69,889)**
Foreign exchange loss	127	344
Acquisition fees	4,339	933
Share-based payment expense	–	670
Fair value adjustments of investment property for controlled subsidiaries	(143,163)	(81,742)
Fair value loss of financial investments at fair value through profit or loss	369	–
Net result on sale of financial investments	355	–
Dividends received from financial investments	(738)	–
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(228)	(1,149)
Loss on disposal of investment property held for sale	485	–
Deferred tax expense for controlled subsidiaries	34,808	13,979
Adjustments related to joint ventures		
Fair value adjustments of investment property for joint ventures	(7,252)	(8,204)
Fair value adjustment of financial assets and liabilities for joint ventures	227	(249)
Deferred tax expense for joint ventures	2,034	5,529
Foreign exchange gain for joint ventures	(46)	–
Company specific adjustments	**(558)**	**12,096**
Amortisation of financial assets	(3,730)	(3,554)
Realised foreign exchange (loss)/gain for controlled subsidiaries	(101)	4
Realised foreign exchange gain for joint ventures	7	–
Accrued interest on share-based payments^	2	89
Accrued dividend from financial investments	1,202	–
Fair value adjustments of investment property for non-controlling interest	2,514	18,598
Deferred tax expense for non-controlling interest	(452)	(3,041)
Antecedent dividend	3,974	1,954
DISTRIBUTABLE EARNINGS FOR THE YEAR	**129,701**	**102,559**
Less: distribution declared	(126,688)	(102,559)
Antecedent dividend for the first half of 2016	(3,013)	
Interim distribution	(59,566)	(51,304)
Final distribution	(70,135)	(51,255)
Earnings not distributed	–	–
Number of shares entitled to distribution	**321,486,204**	**298,590,564**
DISTRIBUTABLE EARNINGS PER SHARE (EURO CENTS)	**40.50**	**35.34**
Less: distribution declared (euro cents)	**(40.50)**	**(35.34)**
Interim distribution per share (euro cents)	(18.68)	(18.17)
Final distribution per share (euro cents)	(21.82)	(17.17)
Earnings per share not distributed (euro cents)	–	–

^The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised into the Statement of comprehensive income but added for calculation of distributable earnings purposes only.

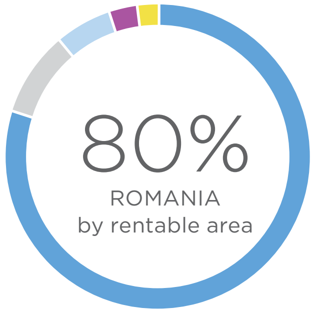
PHOTO: PROMENADA MALL, ROMANIA

Portfolio overview

GEOGRAPHICAL PROFILE

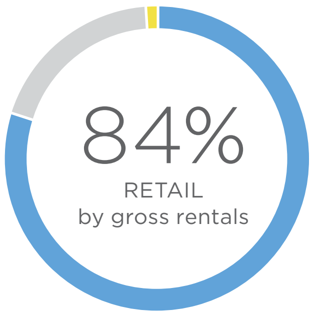


Romania	73%
Slovakia	13%
Croatia	9%
Czech Republic	3%
Serbia	2%

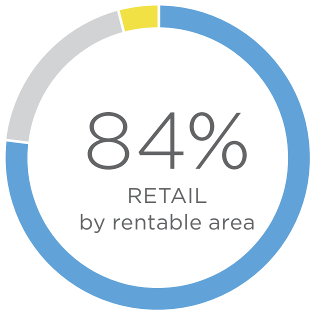


Romania	80%
Slovakia	9%
Croatia	6%
Czech Republic	3%
Serbia	2%

SECTORAL PROFILE



Retail	84%
Office	15%
Industrial	1%



Retail	84%
Office	14%
Industrial	2%

SUMMARY

	Group 31 Dec 2016	Group 31 Dec 2015
Total number of properties	**44**	**34**
Income-producing properties	37	31
Greenfield developments	7	3
Extensions to existing properties	6	8
Fair value of properties (€ million)	2,641	1,814
Annualised property yield	7.3%	7.6%
Lettable area (thousand m²)	**1,288**	**961**
Income-producing properties	1,043	756
Properties under development (estimated)	245	205
Years to expiry*	**5.0**	**5.6**
Vacancy*	**2.0%**	**2.9%**
Weighted average rent (€/m²/month)*	**14.4**	**13.9**

* Excludes non-core properties held for sale
All figures in this section are weighted with the proportion owned by NEPI and a detailed property schedule is included in this report at pages 142-143.

INCOME-PRODUCING PROPERTY MAP*

RETAIL

ROMANIA
1 Mega Mall
2 City Park
3 Promenada Mall
4 Shopping City Sibiu
5 Shopping City Timisoara
6 Iris Titan Shopping Center
7 Shopping City Deva
8 Braila Mall
9 Vulcan Value Centre
10 Shopping City Galati
11 Pitesti Retail Park
12 Ploiesti Shopping City
13 Shopping City Targu Jiu
14 Shopping City Piatra Neamt
15 Severin Shopping Center
16 Aurora Shopping Mall
17 Regional strip centres

SERBIA
18 Kragujevac Plaza

SLOVAKIA
19 Aupark Kosice Mall
20 Aupark Zilina
21 Aupark Shopping Center Piestany
22 Korzo Shopping Centrum

CZECH REPUBLIC
23 Forum Usti nad Labem

CROATIA
24 Arena Centar

OFFICE

ROMANIA
1 City Business Centre
2 Floreasca Business Park
3 The Lakeview
4 The Office Cluj-Napoca

SLOVAKIA
5 Aupark Kosice Tower

INDUSTRIAL

ROMANIA
1 Rasnov Industrial Facility
2 Otopeni Warehouse

Portfolio overview» continued

RENTAL ESCALATIONS

The annual rise in rental income is index-linked to the European Consumer Price Index (CPI). Out of the total operational GLA as at the year end, the proportion subject to indexation and the weighted average rental escalation by rentable area are presented below:

By type

	% of GLA	Weighted average increase
Industrial	0.4%	0.12%
Office	6.4%	0.21%
Retail	17.9%	1.32%
	24.7%	

By Country

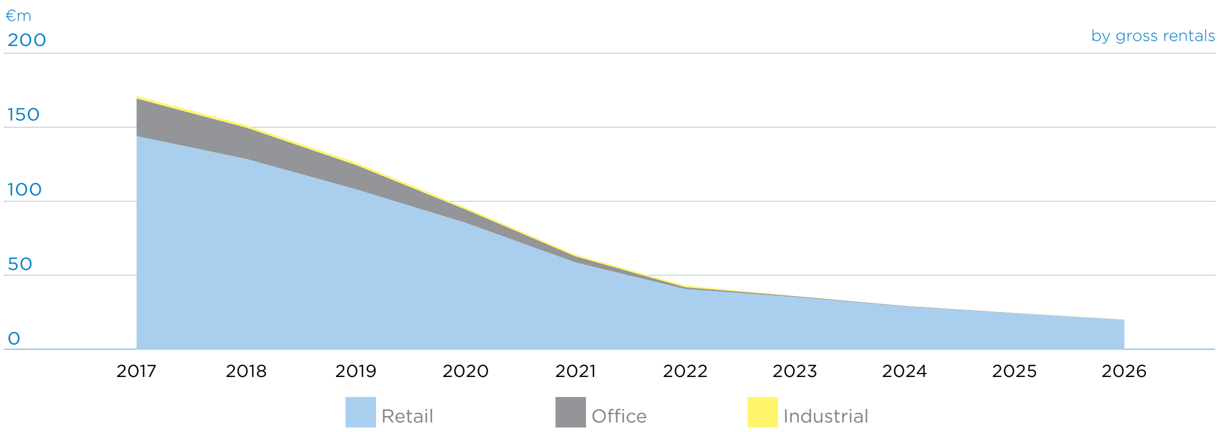
	% of GLA	Weighted average increase
Romania	22.2%	0.69%
Slovakia	2.4%	2.88%
Serbia	0.1%	0.52%
	24.7%	

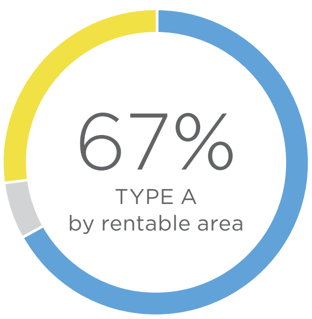
VACANCY PROFILE

The vacancy calculated as a portion of available rentable area at the end of 2016 is 2.0% (excluding properties held for sale) compared to 2.9% at the end of the previous year.

Out of the 21,969m² of rentable area vacant as at 31 December 2016, 19,645m² was retail space (1.79%), 1,774m² office (0.16%) and 550m² industrial (0.05%).

EXPIRY PROFILE





Type A	67%
Type B	6%
Type C	27%

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).

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 (1542 total number)

* Excludes non-core properties held for sale


Folli Follie
Stradivarius

Mega Mall

RETAIL

BUCHAREST, ROMANIA

Mega Mall is the dominant shopping center in eastern Bucharest. It has a very comprehensive tenant mix: it is home to over 200 tenants, including a number of flagship stores. The mall has a significant entertainment and leisure offering, including a 14-screen Cinema City, which also features a 4DX auditorium, a World Class gym with a half-olympic sized swimming pool and an extensive food court.

Ownership	100%
GLA	75,200m^2
Valuation	€283.1 million
Passing rent	€18.9 million
Occupancy	98.7%
Catchment area (within a 30-minute drive)	910 000

Major tenants

4F, Adidas, Aldo, Bata, Benvenuti, C&A, Carrefour, CCC, Cinema City, Colin's, Cropp, Deichmann, dm, Douglas, Ecco, English Home, Flanco, Folli Follie, Frankie Garage, Geox, H&M, Hervis, Hilfiger Denim, House, Inditex, Intersport, Kenvelo, KFC, Koton, LC Waikiki, Lego, Lem's, Levi's, MAC, Melkior, Mango, Manufaktura by Doncafé, Maxi Toys, Media Galaxy, Mohito, Musette, New Yorker, Next, Nike, Noriel, Orsay, Otter, Pandora, Paul, Peek&Cloppenburg, Pizza Hut, Pupa, Reserved, Sabon, Samsung, Sephora, Sinsay, Smyk, Sport Vision, Stefanel, Steilmann, Subway, Swarovski, Takko, Tom Tailor, Triumph, Yves Rocher

Arena Centar

ZAGREB, CROATIA

Arena Centar offers the most diverse and attractive retail mix in Zagreb, the capital and the largest city of Croatia, with 790,000 inhabitants. The shopping centre is situated in a growing residential and commercial hub, neighboring the central business district and the airport. The adjacent 4.4ha land offers opportunities for future development (land not included in the valuation presented below).

Ownership	100%
GLA	62,100m^2
Valuation	€219.9 million
Passing rent	€15.3 million
Occupancy	95.2%
Catchment area (within a 45-minute drive)	1 400 000

Major tenants

Adidas, Apple, Armani Exchange, Bata, Benetton, Bershka, Burger King, C&A, Calzedonia, Champion, CineStar, Cropp, Converse, Deichmann, Desigual, dm, Ecco, Elipso, Guess, H&M, Hewlett Packard, House, Intersport, Intimissi, KFC, Kiehl's, L'Occitane, Lego, Levi's, Massimo Dutti, MCDonalds, Mohito, Mango, Napapijri, New Yorker, Nike, Nine West, NYX, Office Shoes, Orsay, Pandora, Pepe Jeans, Pull&Bear, Reebok, Replay, Reserved, S. Oliver, Samsung, Sony, Sport Vision, Springfield, Stradivarius, Swarovski, Tally Weijl, Takko, Terranova, Tom Tailor, Tommy Hilfiger, Timberland, US Polo Assn, Yves Rocher, Zara, Zara Home

City Park

CONSTANTA, ROMANIA

City Park mall has an excellent location in Constanta, the fifth largest Romanian city, close to Mamaia, the country's most popular seaside resort. With the fashion extension completed, the centre is becoming the dominant mall in the city. NEPI plans to refurbish and expand the food court, and increase the parking facilities in 2017.

Ownership	100%
GLA	51,700m^2
Valuation	€167.2 million
Passing rent	€11.9 million
Occupancy	96.7%
Catchment area (within a 45-minute drive)	541 000

Major tenants

Adidas, Altex, Bata, BSB, Benvenuti, Bershka, C&A, CCC, Cinema City, Columbia, Cora, Deichmann, dm, Douglas, Ecco, English Home, Fossil, Geox, Guess, H&M, House, KFC, Koton, Lacoste, LC Waikiki, Lego, MAC, Mango, McDonalds, Mojito, Mothercare, Musette, Napapijri, Nike, NYX, Otter, Oysho, Pandora, Paul, Pizza Hut, Pimkie, Pull&Bear, Reserved, Sephora, Sport Vision, Starbucks, Stefanel, Stradivarius, Subway, Tom Tailor, United Colors of Beneton, US Polo Assn., Yves Rocher, Zara

Promenada Mall

RETAIL

BUCHAREST, ROMANIA

Promenada Mall is located in Bucharest's new central business district, near NEPI's office buildings, Floreasca Business Park and The Lakeview. The Group plans to extend the property with approximately 60,000m² GLA of mixed-use fashion, leisure, entertainment and office space, with permitting currently in progress.

Ownership	100%
GLA	39,400m²
Valuation	€176.0 million
Passing rent	€11.0 million
Occupancy	98.4%
Catchment area (within a 15-minute drive)	177 000

Major tenants

4F, Adidas, Altex, Bershka, Billa, C&A, Calzedonia, Carturesti, Chopstix, Deichmann, dm, Douglas, DS Damat, Ecco, English Home, Flanco, Gant, H&M, Hervis, Humanic, Intersport, Intimissimi, KFC, Killtec, Lacoste, Lego, MAC, Massimo Dutti, MCS, McDonalds, Musette, Noriel, Oysho, Paul, Peek&Cloppenburg, Pupa, Samsonite, Sephora, Starbucks, Stefanel, Stradivarius, Tommy Hilfiger, US Polo Assn., World Class, Yves Rocher, Zara

Aupark Kosice Mall

KOSICE, SLOVAKIA

Aupark Kosice Mall is located on the main shopping street, in the city centre of Kosice, the second largest city in Slovakia. The mall provides a wide retail offering, complemented by a leisure and food court area.

Ownership	100%
GLA	33,800m^2
Valuation	€154.0 million
Passing rent	€9.5 million
Occupancy	95.2%
Catchment area (within a 45-minute drive)	480 000
Major tenants	All Toys, Bata, Beauty Shop, Billa, C&A, Calzedonia, Cameieu, CCC, Datart, Deichmann, EXIsport, Gaastra, Geox, Guess, H&M, Intersport, Intimissi, Lenovo, Mango, Marionnaud, Napapijiri, New Yorker, Nike, Office Shoes, Pandora, Panta Rhei, Pupa,S'Oliver, Samsung, Swarovski, Tom Tailor, Tommy Hilfiger, US Polo Assn., Wojas, Yves Rocher

Shopping City Sibiu

SIBIU, ROMANIA

The region's dominant shopping mall, Shopping City Sibiu is anchored by two hypermarkets, Auchan and Carrefour, numerous international brands and a wide selection of furniture and DIY stores.
NEPI plans to refurbish and extend the centre in 2017; this will strengthen the fashion offering and entertainment area with a cinema and a larger food court.

Ownership	100%
GLA	78,200m²
Valuation	€108.1 million
Passing rent	€8.5 million
Occupancy	96.8%
Catchment area (within a 45-minute drive)	286 000
Major tenants	Adidas, Altex, Auchan, Benvenuti, BSB, C&A, Carrefour, CCC, Coccodrillo, Decathlon, Deichmann, Diverta, dm, Douglas, Flanco, H&M, Hervis, Humanic, Jysk, Kenvelo, Kendra, KFC, Lee Cooper, Lems, Leroy Merlin, Marionnaud, Mobexpert, Musette, New Yorker, Nobila Casa, Noriel, Orsay, Pepco, Rovere Mobili, Salamander, Sensiblu, Swarovski, Takko, Yves Rocher

Shopping City Timisoara

TIMIS, ROMANIA

In March 2016, the Group completed the second phase of Shopping City Timisoara, an additional 40,400m² GLA of fashion and entertainment, hosting local and international brands.
The mall includes a Cinema City, unique in the CEE region, featuring both 4DX and IMAX halls, as well as a gym with a half-olympic sized swimming pool.
Land is available for further extension up to 80,000m² GLA.

Ownership	100%
GLA	56,700m²
Valuation	€108.6 million
Passing rent	€8.0 million
Occupancy	100%
Catchment area (within a 45-minute drive)	570 000

Major tenants

Bershka, C&A, CCC, Carrefour, Cinema City, Collins, Cropp, Deichmann, dm, Douglas, H&M, Hervis, House, Intersport, Kendra, Koton, KFC, LC Waikiki, Lee Cooper, Levi's, Media Galaxy, New Yorker, Noriel, Orange, Orsay, Otter, Pepco, Pimkie, Pizza Hut, Pull&Bear, Raiffeisen Bank, Reserved, Sensiblu, Sephora, Sinsay, Smyk, Sport Vision, Starbucks, Stradivarius, Telekom, Timeout, Tom Tailor, Yves Rocher, Zara, Zoomania

Aupark Zilina

ZILINA, SLOVAKIA

This regional mall is located in the historic centre of Zilina, Slovakia, the capital of a region with 700,000 residents. It is the best performing mall in the region, with the largest and widest retail offering, a simple and efficient layout and high occupancy.

Ownership	100%
GLA	25,100m²
Valuation	€116.2 million
Passing rent	€7.9 million
Occupancy	100%
Catchment area (within a 30-minute drive)	380 000

Major tenants

Billa, C&A, Calzedonia, Camaieu, Datart, Deichmann, Ecco, EXIsport, Intimissimi, Geox, Guess, H&M, Humanic, Mango, Marionnaud, New Yorker, Nike, Orsay, Orange, Panta Rhei, Swarovski, Takko, Tom Tailor, Tommy Hilfiger, Wojas

Iris Titan Shopping Center

BUCHAREST, ROMANIA

The property is located in the most densely populated district of Bucharest. It is anchored by the most visited Auchan hypermarket and houses numerous international brands as well as a seven-screen cinema.

Ownership	100%
GLA	45,000m²
Valuation	€92.8 million
Passing rent	€7.5 million
Occupancy	99.7%
Catchment area (within a 15-minute drive)	599 000
Major tenants	Adidas, Auchan, C&A, CCC, Cine Grand, Deichmann, dm, Flanco, H&M, KFC, LC Waikiki, Marionnaud, New Yorker, Pepco, Takko, Top Shop, Vodafone

Shopping City Deva

HUNEDOARA, ROMANIA

This regional shopping centre was acquired in 2013 and its 10,100m² GLA extension has been completed in 2015. The addition of international fashion brands and entertainment facilities strengthens the mall's regionally dominant position.

Ownership	100%
GLA	52,200m²
Valuation	€71.1 million
Passing rent	€6.1 million
Occupancy	99.1%
Catchment area (within a 45-minute drive)	277 000

Major tenants

Auchan, Altex, Benvenuti, C&A, CCC, Cinema City, Deichmann, dm, H&M, Hervis, Jysk, Kendra, KFC, Marionnaud, Metro Cash&Carry, New Yorker, Noriel, Orsay, Otter, Pepco, Praktiker, Salad Box, Sensiblu, Spartan, Subway, Takko, TXM, Yves Rocher

Braila Mall

BRAILA, ROMANIA

Braila Mall was acquired in 2009, and a subsequent four-phase redevelopment has resulted in a threefold footfall increase. The food court refurbishment and an additional fashion extension were finalised in 2016. With a diverse range of tenants, including a large entertainment and leisure area, this mall dominates its region.

Ownership	100%
GLA	55,400m^2
Valuation	€74.0 million
Passing rent	€6.0 million
Occupancy	96.3%
Catchment area (within a 45-minute drive)	575 000

Major tenants

Altex, Benvenuti, Bershka, C&A, Carrefour, CCC, Cinema City, Deichmann, Flanco, H&M, Hervis, Kingfisher, KFC, LC Waikiki, Lem's, Musette, Naturlich, New Yorker, Office Shoes, Orsay, Otter, Pepco, Pull&Bear, Salad Box, Segafredo, Sensiblu, Stradivarius, TXM, Top Shop, US Polo Assn.

Forum Usti nad Labem

USTI NAD LABEM, CZECH REPUBLIC

Acquired in 2016, the mall is situated in the centre of Usti nad Labem, the capital of a region with 824,000 residents. It is the dominant retail scheme in the region, located at the intersection of the city's arterial roads, used by local, regional and transiting traffic. The mall is anchored by a five-screen Cinema City, the only multiplex cinema in the city, a Billa supermarket and is supplemented by an extensive food court and fashion area.

Ownership	100%
GLA	27,800m^2
Valuation	€82.7 million
Passing rent	€5.5 million
Occupancy	95.0%
Catchment area (within a 45-minute drive)	478 000

Major tenants

A3 Sport, Adidas, Billa, C&A, Cameieu, CCC, Cinema City, Cropp Town, Deichmann, dm, Gant, Gate, H&M, Humanic, Intimissimi, KFC, Levi's, Lindex, Manufaktura, Marionnaud, Mohito, New Yorker, Nike, Orsay, Promod, Takko, Tally Weijl, Tchibo, Tommy Hilfiger, Yves Rocher

Vulcan Value Centre

BUCHAREST, ROMANIA

The Group completed the development of Vulcan Value Centre in 2014, only nine months after obtaining the building permit. Due to its prime location in a densely populated area of Bucharest, suitable tenant mix and convenient access to public transport, the centre has reported strong trading figures since opening.

Ownership	100%
GLA	24,600m^2
Valuation	€50.9 million
Passing rent	€3.9 million
Occupancy	99.9%
Catchment area (within a 30-minute drive)	395 000

Major tenants

Altex, Animax, BSB, C&A, Carrefour, CCC, Deichmann, dm, H&M, Hervis, Jysk, LC Waikiki, Lem's, Marionnaud, Noriel, Orange, Pepco, Sensiblu, Takko, Top Shop, Vodafone, Yves Rocher

Shopping City Galati

GALATI, ROMANIA

This mall was developed in 2013, to complement NEPI's current retail offering in the Braila–Galati region. It is the city's only modern mall and the Group plans a substantial extension, which will include a cinema, additional food court and fashion offering.

Ownership	100%
GLA	27,200m^2
Valuation	€52.3 million
Passing rent	€3.9 million
Occupancy	96.8%
Catchment area (within a 45-minute drive)	559 000
Major tenants	Altex, Animax, Benvenuti, BSB, C&A, Carrefour, CCC, Deichmann, dm, Flanco, H&M, Intersport, Kendra, KFC, Koton, Marionnaud, New Yorker, Nike, Noriel, Orange, Otter, Sabon, Sensiblu, Smyk, US Polo Assn., Yves Rocher

Pitesti Retail Park

ARGES, ROMANIA

This community centre is adjacent to the best performing hypermarket in Pitesti. The centre has a number of value tenants, including a substantial furniture and home decor offering.

Ownership	100%
GLA	*39,900m²
GLA weighted by ownership	24,800m²
Valuation	€38.3 million
Passing rent	€3.7 million
Occupancy	100%
Catchment area (within a 45-minute drive)	545 000
Major tenants	Altex, Kingfisher, Jysk, Lem's, Naturlich, Top Shop

* The respective retail centre is part of a larger retail scheme. The remaining balance of the GLA is owned by third parties.

Ploiesti Shopping City

PRAHOVA, ROMANIA

This is the dominant mall in Prahova, a region with 760,000 residents. A smaller competing mall opened in late 2013, with no impact on trading levels of Ploiesti Shopping City, which continues its upward trend in sales since opening.

Ownership	50%
GLA	45,800m²
GLA weighted by ownership	22,900m²
Valuation weighted by ownership	€45.0 million
Passing rent weighted by ownership	€3.4 million
Occupancy	96.5%
Catchment area (within a 45-minute drive)	774 000

Major tenants

Altex, Animax, Bershka, Carrefour, CCC, Chopstix, Cinema City, Colin's, Deichmann, Douglas, Flanco, H&M, Intersport, Lem's, LC Waikiki, Kendra, KFC, Koton, Marionnaud, New Yorker, Noriel, Orsay, Paul, Pepco, Pizza Hut, Pull&Bear, Sabon, Sephora, Stradivarius, Takko, Yves Rocher, Zara

Kragujevac Plaza

KRAGUJEVAC, SERBIA

Kragujevac Plaza is Serbia's only modern shopping mall outside the capital city. The centre opened in 2012 and dominates the region.

Ownership	100%
GLA	21,900m^2
Valuation	€39.9 million
Passing rent	€3.3 million
Occupancy	94.8%*
Catchment area (within a 45-minute drive)	280 000
Major tenants	Adidas, Asian Wok, Bata, C&A, Cineplexx, Deichmann, Dexi Co Kids,Home Centre, Idea, McDonald's, New Yorker, Nike, Orsay, Oviese, Sport Vision, Sportina, Tally Weijl, Terranova, Tom Tailor, Top Shop

** Intentional vacancy to accommodate new tenants (H&M, LC Waikiki)*

Shopping City Targu Jiu

GORJ, ROMANIA

The Group completed the development of this regional mall in Targu Jiu during 2014, within a year of the issuance of the building permit. The centre is located on one of the city's main roads, in a densely populated district.

Ownership	100%
GLA	27,100m^2
Valuation	€38.9 million
Passing rent	€3.2 million
Occupancy	99.9%
Catchment area (within a 45-minute drive)	324 000

Major tenants

Altex, Animax, Benvenuti, C&A, Carrefour, CCC, Cinema City, Deichmann, dm, Flanco, H&M, Jysk, Kendra, KFC, Marionnaud, New Yorker, Noriel, Orsay, Pepco, Salad Box, Salamander, Sensiblu, Spartan, Takko, Yves Rocher

Shopping City Piatra Neamt

NEAMT, ROMANIA

Shopping City Piatra Neamt was completed in December 2016, only seven months after obtaining the building permit. The mall benefits from an excellent location, in a densely populated area of the city, between two main arteries that cross the town and is well serviced by local transportation. It provides a wide retail offering, complemented by a leisure and food court area.

Ownership	100%
GLA	27,900m^2
Valuation	€40.9 million
Passing rent	€3.1 million
Occupancy	94.2%*
Catchment area (within a 45-minute drive)	245 000
Major tenants	Altex, Animax, Benvenuti, C&A, Carrefour, CCC, Cinema City, Deichmann, dm, H&M, Intersport, Kendra, KFC, New Yorker, Noriel, Orange, Orsay, Otter, Pepco, Salad Box, Sensiblu, Spartan, Takko, TXM

* as of 14 February 2017, the occupancy level is 98%.

Aupark Shopping Center Piestany

PIESTANY, SLOVAKIA

Acquired in September 2016, this community centre is the only new generation retail scheme in Piestany, Slovakia's main resort and spa centre, with high purchasing power. With a good location and a modern layout, the shopping centre demonstrated robust growth since its opening in terms of footfall and retail sales.

Ownership	100%
GLA	10,300m²
Valuation	€39.6 million
Passing rent	€2.6 million
Occupancy	99.4%
Catchment area (within a 45-minute drive)	791 000
Major tenants	All Toys, Billa, CCC, Gate, New Yorker, Mango, Marionnaud, Orange, Orsay, Panta Rhei, Pepco, Pupa, Takko, Tally Weijl, Yves Rocher

Korzo Shopping Centrum

PRIEVIDZA, SLOVAKIA

This shopping centre is the dominant retail scheme in Prievidza, one of the largest municipalities in a region with 590,000 inhabitants. It is part of a larger retail park, including a Tesco hypermarket and a DIY. Extension opportunities considered will strengthen the centre's dominant position.

Ownership	100%
GLA	16,100m^2
Valuation	€33.6 million
Passing rent	€2.6 million
Occupancy	98.7%
Catchment area (within a 45-minute drive)	308 000
Major tenants	A3 Sport, All Toys, C&A, CCC, Camaieu, Deichmann, dm, Fann, Gate, H&M, NAY, New Yorker, Orange, Orsay, Panta Rhei, Pepco, Ster Century Cinemas, Tally Weijl, Takko, Telekom,

Severin Shopping Center

MEHEDINTI, ROMANIA

This regional mall was acquired in 2013; the extensions completed in 2015 and 2016 included a cinema, food court and an improved tenant mix and upgraded the centre's visibility and market positioning.

Ownership	100%
GLA	22,600m^2
Valuation	€28.4 million
Passing rent	€2.3 million
Occupancy	98.2%
Catchment area (within a 45-minute drive)	175 000

Major tenants

Altex, Animax, Benvenuti, C&A, Carrefour, CCC, Cinema City, Deichmann, Diverta, dm, Kendra, KFC, Lee Cooper, New Yorker, Noriel, Orsay, Pepco, Sensiblu, Spartan, Takko, TXM

Aurora Shopping Mall

BUZAU, ROMANIA

Aurora Shopping Mall is situated on the main boulevard of Buzau, Romania, a major transit hub for two of the country's main historical regions. A reconfiguration and extension of the mall are considered, including building a cinema and improving the layout and tenant configuration.

Ownership	100%
GLA	18,000m²
Valuation	€10.8 million
Passing rent	€1.6 million
Occupancy	100%
Catchment area (within a 45-minute drive)	430 000
Major tenants	Altex, Animax, Benvenuti, Carrefour, CCC, Deichmann, Intersport, Kendra, KFC, New Yorker, Noriel, Orsay, Pepco, Sensiblu, Top Shop

Regional strip centres

ROMANIA

The strip centres are located in Alba Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Sighisoara and Vaslui. They all benefit from adjacent Carrefour or Kaufland hypermarkets.

PHOTO: BRASOV STRIP CENTRE, BRASOV, ROMANIA

GLA	*85,900m²
GLA weighted by ownership	25,800m²
Valuation weighted by ownership	€31.3 million
Passing rent weighted by ownership	€2.5 million
Occupancy	100%
Catchment area (within a 45-minute drive)	128 000 - 430 000
Major tenants	Altex, Animax, C&A, Deichmann, dm, Flanco, Mobexpert, New Yorker, Noriel, Pepco, Takko

* The respective retail centres are part of larger retail schemes. The remaining balance of the GLA is owned by third parties.

PHOTO: PETROSANI STRIP CENTRE, HUNEDOARA, ROMANIA

City Business Centre

OFFICE

TIMIS, ROMANIA

The property is the largest A-grade office in Timisoara, the third city and business centre in Romania.

Ownership	100%
GLA	47,600m²
Valuation	€96.9 million
Passing rent	€7.9 million
Occupancy	98.9%
Major tenants	3Pillar Global, Accenture, Autoliv, Banca Transilvania, Bosch, Deloitte, Ernst&Young, Hella, Huawei, IBM, Maerz Ofenbau, NTT Data, OMV Petrom, Raiffeisen Bank, SAP, Toluna, Unicredit Tiriac Bank, Unified Post, Visma, Wipro

Floreasca Business Park

OFFICE

BUCHAREST, ROMANIA

Floreasca Business Park is located in Bucharest's new central business district, next to the metro station. In recent years this area has seen significant development, including new A-grade offices, retail spaces and infrastructure.

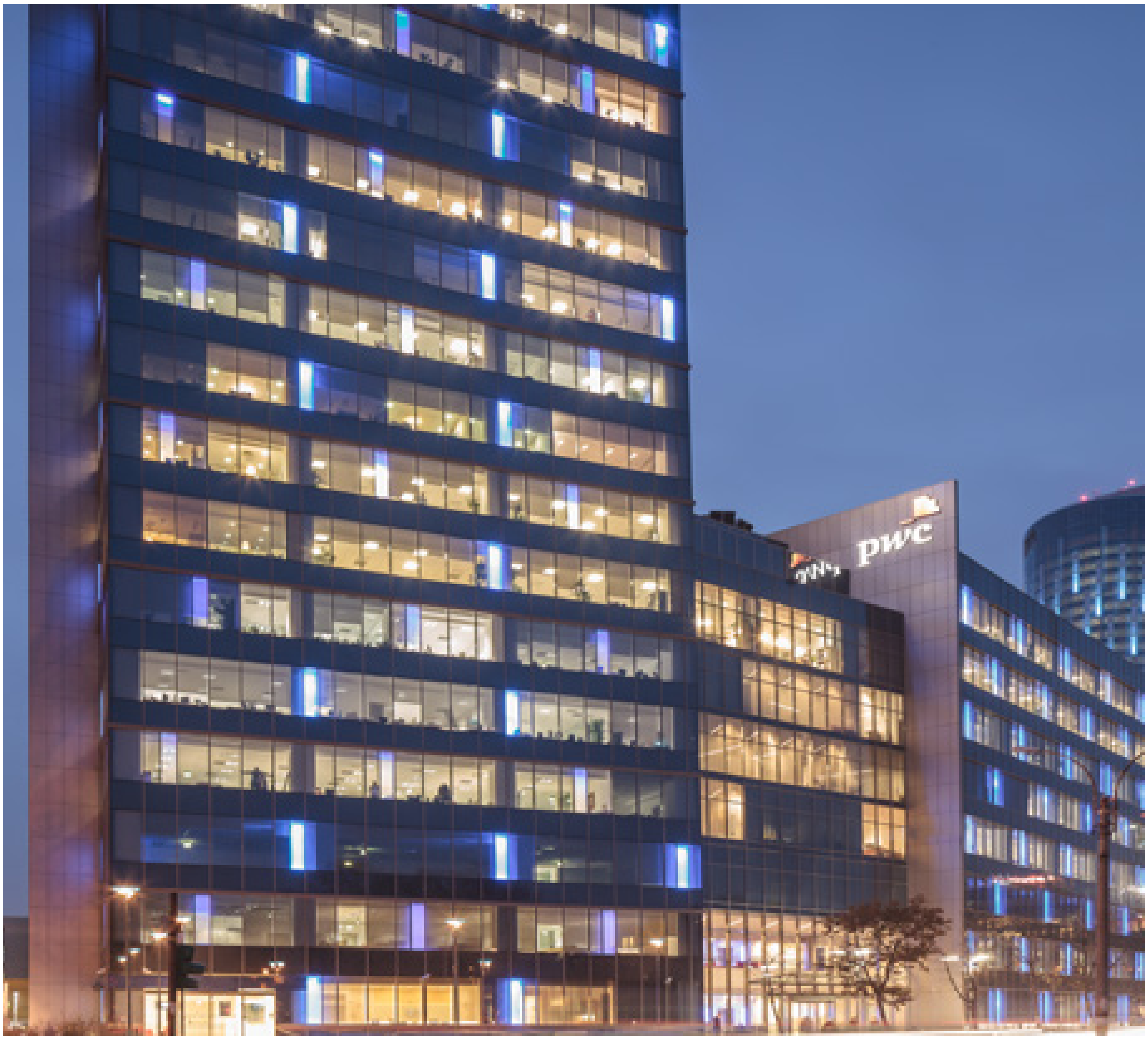
Ownership	100%
GLA	36,300m²
Valuation	€107.7 million
Passing rent	€7.9 million
Occupancy	99.0%
Major tenants	Berlin Chemie, Colliers, Daikin, DHL, Exxon Mobil, Federal Mogul, General Electric, Goodyear, Holcim, L'Oreal, Lenovo, Mars, Regus, Royal Canin, Sandoz, Wipro

The Lakeview

OFFICE

BUCHAREST, ROMANIA

This A-grade office building was acquired in 2013. It is located close to Floreasca Business Park and Promenada Mall, in Bucharest's new central business district.



Ownership	100%
GLA	25,600m^2
Valuation	€71.0 million
Passing rent	€5.3 million
Occupancy	98.9%
Major tenants	Abbvie, Alcon, Huawei, LeasePlan, NEPI, Novartis, Philips, PwC

The Office Cluj-Napoca

CLUJ, ROMANIA

The property is located in Cluj-Napoca, the second largest city and business centre in Romania, housing global corporations and local companies. With large and flexible floor spaces and a wide variety of services (banks, cafeteria, restaurants), this office bulding is becoming the new business hub in the city.
Based on the continued strong demand for quality office space, construction of the third phase has commenced in January 2016 and is ongoing.

Ownership	50%
GLA	42,800m^2
GLA weighted by ownership	21,400m^2
Valuation weighted by ownership	€41.0 million
Passing rent weighted by ownership	€3.3 million
Occupancy	97.1%
Major tenants	3Pillar Global, Betfair, Bombardier, Bosch, COS, Deloitte, Ernst&Young, HP, Leoni, Lohika Systems, MOL, National Instruments, Wolters Kluwer, TUI, Yardi, Yonder

Aupark Kosice Tower

OFFICE

KOSICE, SLOVAKIA

Aupark Kosice Tower is a ten-storey office building, connected to Kosice Mall. The building is adjacent to the main road connecting the centre with the city's international airport.

Ownership	100%
GLA	12,900m²
Valuation	€20.7 million
Passing rent	€1.8 million*
Occupancy	100%*
Major tenants	Eset, IBM, GTS, Holcim, PwC

*Minimum passing rent is guaranteed by the seller, until February 2020. Out of total GLA, 1,200m² were covered by this guarantee as at 31 December 2016.

Industrial Portfolio

OTOPENI & RASNOV, ROMANIA

The Group owns two industrial properties: Rasnov Industrial Facility (Brasov county) and Otopeni Warehouse (adjacent to Bucharest's international airport).

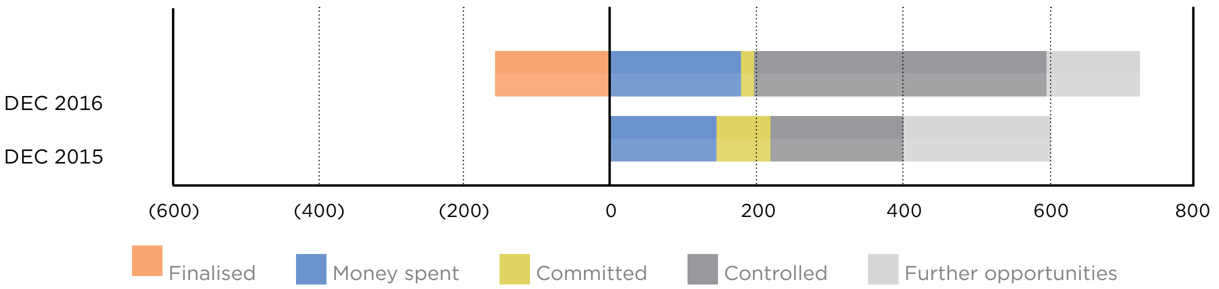
Ownership	100%
GLA	27,800m^2
Valuation	€15.8 million
Passing rent	€1.8 million
Occupancy	98.0%
Major tenants	Delamode, Dexion, DM Elektron, Psi Control, UPS

Portfolio overview » continued

DEVELOPMENTS AND EXTENSIONS PIPELINE

Consistent with its strategy, the Group continues to invest in developments that significantly increase distributable earnings per share. NEPI's development pipeline, including redevelopments and extensions, has increased to €726 million (estimated at cost), representing an increase of €125 million compared with the previous year. €179 million relating to the current development pipeline was spent by 31 December 2016.

DEVELOPMENTS AND EXTENSIONS PIPELINE (€ MILLION)

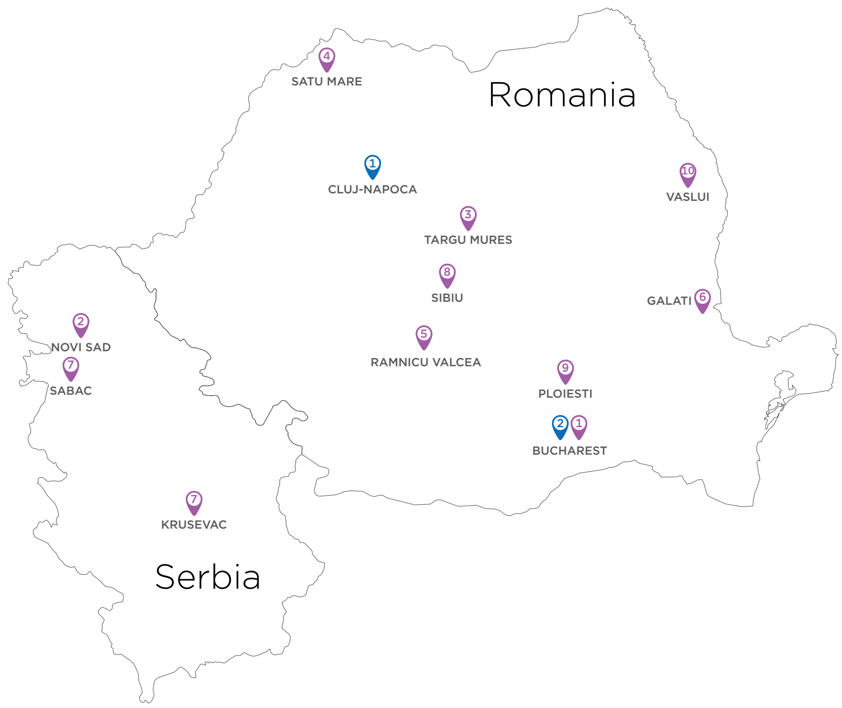


Committed: projects currently under construction

Controlled: projects where the land is controlled, but not yet under construction

Capitalised interest and fair value not included

DEVELOPMENTS AND EXTENSIONS MAP



UNDER CONSTRUCTION

1. The Office Cluj-Napoca extension
2. Victoriei Office

UNDER PERMITTING AND PRE-LEASING

1. Promenada Mall extension
2. Promenada Novi Sad
3. Shopping City Targu Mures
4. Shopping City Satu Mare
5. Ramnicu Valcea Mall
6. Shopping City Galati extension
7. Retail Parks (Krusevac and Sabac)
8. Shopping City Sibiu extension
9. Ploiesti Shopping City extension
10. Vaslui Strip centre extension

The Office Cluj-Napoca - extension

CLUJ, ROMANIA

Based on the strong demand for quality office space, in January 2016, the Group started the development of a third phase of this A-grade office development. Various current tenants have expressed interest in renting additional office space.

Ownership	50%
Lettable area - Property in use	42,800m²
Estimated lettable - Extension	18,500m²
Passing rent - Property in use	€6.6 million
Estimated rental- Extension	€2.8 million
Targeted opening - Extension	Q3 2017

Victoriei Office

BUCHAREST, ROMANIA

The project is located in Victoriei Square, adjacent to the Romanian Government building, and includes the development of a modern office and the refurbishment of a historical building. This 7,600m² GLA landmark office is scheduled for completion in 2017. The delay compared to the initially estimated completion date is mainly due to permitting of fit-out works and the complexity of technical solutions required for the façade of this unique project.

Ownership	100%
Lettable area	7,600m²
Estimated rental	€2.7 million
Targeted opening	2017

Promenada Mall - extension

BUCHAREST, ROMANIA

The planned extension of Promenada Mall will include approximately 60,000m²* gross leasable area of mixed-use fashion, leisure, entertainment and office space.

RENDER

Ownership	100%
Lettable area - Property in use	39,400m²
Estimated lettable area - Mall Extension	up to 30,000m²
Estimated lettable area - Office extension	up to 30,000m²
Passing rent - Property in use	€11.0 million
Targeted opening of extension	2018

* Promenada Mall's extension's GLA depends on permitting.

Promenada Novi Sad

NOVI SAD, SERBIA

Novi Sad is the second largest city in Serbia, 70 km from the capital, Belgrade, and is connected by international highways to Budapest, Vienna, Belgrade, Zagreb and Skopje.
The planned shopping mall is in a prime location and includes approximately 56,000m² GLA (in two phases). Construction of the first phase is planned to commence in 2017, subject to permitting.

Ownership	100%
Estimated lettable area	56,000m²
Targeted opening	Q4 2018

Shopping City Satu Mare

SATU MARE, ROMANIA

The Group is planning to develop a regionally dominant retail scheme in the centre of Satu Mare, featuring food and fashion anchors, as well as a wide array of entertainment options.

Ownership	100%
Estimated lettable area	28,700m²
Targeted opening	Q3 2018

Ramnicu Valcea Mall

VALCEA, ROMANIA

The Group has acquired a 12ha land, close to a residential neighbourhood.
There is no dominant modern retail offering in the city. The development will include a Carrefour hypermarket, Cinema City and numerous national and international brands.

Ownership	100%
Estimated lettable area	27,900m²
Targeted opening	Q4 2017

Shopping City Galati - extension

GALATI, ROMANIA

The extension will include a cinema, food court and additional fashion offering. The extended mall will share access and parking with the adjacent Kaufland hypermarket.

Ownership	100%
Lettable area - Property in use	27,200m^2
Estimated lettable area - Extension	21,000m^2
Targeted opening of extension	Q4 2017

Shopping City Sibiu - extension

SIBIU, ROMANIA

The Group plans to refurbish and extend Shopping City Sibiu with new fashion brands, as well as a cinema and additional food court area.

Ownership	100%
Lettable area - Property in use	78,200m²
Estimated lettable area - Extension	10,600m²
Targeted opening of extension	Q4 2017

Ploiesti Shopping City - extension

PRAHOVA, ROMANIA

The Group intends to extend Ploiesti Shopping City strengthening the mall position as a regional dominant center. The extension will improve the retail mix with a fashion-only area in the main mall and non-fashion tenants in the newly developed area.

Ownership	50%
Lettable area - Property in use	45,800m²
Estimated lettable area - Extension	6,200m²
Targeted opening of extension	Q4 2017

Analysis of shareholders and share trading

	Number of shareholders 31 Dec 2016	Percentage of shareholders 31 Dec 2016	Number of shares held 31 Dec 2016	Percentage of issued shares 31 Dec 2016
Shareholder spread in terms of the JSE Listings Requirements				
Public	13,842	99.68	214,965,645	66.87
Non-public	44	0.32	106,520,559	33.13
Out of which Directors and employees	42	0.32	11,567,129	3.60
TOTAL	**13,886**	**100.00**	**321,486,204**	**100.00**
Size of holding (shares)				
Up to 2,500	11,444	82.41	6,897,270	2.15
2,501–10,000	1,455	10.48	7,097,321	2.21
10,001–100,000	726	5.23	23,869,254	7.42
100,001–1,000,000	219	1.58	67,768,300	21.08
1,000,001–3,500,000	32	0.23	57,963,297	18.03
Over 3,500,000	10	0.07	157,890,762	49.11
TOTAL	**13,886**	**100.00**	**321,486,204**	**100.00**

Registered shareholders owning 5% or more of issued shares	Number of shares held	Percentage of issued shares
31 Dec 2016		
Fortress Income Fund	57,876,000	18.00
Public Investment Corporation	37,077,430	11.53
Resilient REIT	28,641,899	8.91
TOTAL	**123,595,329**	**38.44**
31 Dec 2015		
Fortress Income Fund	51,800,000	17.35
Public Investment Corporation	30,473,474	10.21
Resilient REIT	27,900,000	9.34
TOTAL	**110,173,474**	**36.90**

Beneficial shareholding of 5% or more of issued shares	Number of shares held	Percentage of issued shares
31 Dec 2016		
Fortress Income Fund	57,876,000	18.00
Public Investment Corporation	37,077,430	11.53
Resilient REIT	28,641,899	8.91
TOTAL	**123,595,329**	**38.44**
31 Dec 2015		
Fortress Income Fund	51,800,000	17.35
Public Investment Corporation	30,473,474	10.21
Resilient REIT	27,900,000	9.34
TOTAL	**110,173,474**	**36.90**

Beneficial shareholding of Directors

At 31 Dec 2016	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	9,267,004	9,267,004	2.88
Andries de Lange*	10,000	2,953,066	2,963,066	0.92
Jeffrey Zidel	298,201	1,995,416	2,293,617	0.71
Alex Morar	–	771,602	771,602	0.24
Tiberiu Smaranda**	–	496,805	496,805	0,15
Mirela Covasa	–	282,104	282,104	0.09
TOTAL	**308,201**	**15,765,997**	**16,074,198**	**4.99**

At 31 Dec 2015	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	8,492,338	8,492,338	2.84
Jeffrey Zidel	298,201	1,833,229	2,131,430	0.71
Alex Morar	–	742,951	742,951	0.25
Tiberiu Smaranda	–	455,000	455,000	0.15
Mirela Covasa	–	271,629	271,629	0.09
TOTAL	**298,201**	**11,795,147**	**12,093,348**	**4.04**

* Andries de Lange was appointed as an alternate director to Mr Desmond de Beer, an independent non-executive director of NEPI, with effect from 9 August 2016.
** Tiberiu Smaranda, executive director, has resigned with effect from 1 September 2016.

There were no changes to beneficial shareholdings of Directors between year end and the date of approval of the annual financial statements.

PHOTO: MEGA MALL, ROMANIA

Corporate governance

The Board recognises the importance of sound corporate governance, 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 in the UK. 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 Company's compliance with them is available on the Company website.

The Directors recognise the need to manage the Group with integrity and to provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to shareholders and other stakeholders, that provide a proper and objective overview on the Company and its activities, directing the strategy and operations of the Group with the intention of building a sustainable business, and considering the short and long-term impact of this strategy on the economy, society and the environment. The Board ensures that the Group is a responsible corporate citizen through the corporate governance policies detailed below.

BOARD OF DIRECTORS

The Board comprises eight independent non-executive directors and two executive directors. The roles of Chair and Chief Executive Officer are clearly defined to ensure a balance of power. The Directors of the Company are listed on pages 8 and 9. The Board's main functions include:

- adopting strategic plans and ensuring they are carried out by Management;
- considering and approving major issues, including acquisitions, disposals and reporting;
- monitoring NEPI's operational performance, and
- overseeing the effectiveness of the internal controls designed to ensure that assets are safeguarded, 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 provide NEPI with an appropriate mix of knowledge and expertise that is necessary to manage the business effectively. Furthermore, a clear division of responsibilities at Board level ensures a balance of power and authority, so that no individual can take unilateral decisions. The Board aims to meet formally at least quarterly. There are no external advisors who regularly attend, or are invited to attend, Board committee meetings. Company policies and procedures are adopted by all subsidiaries.

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

APPOINTMENT OF DIRECTORS

Directors are appointed by the Board or at the Annual General Meeting (AGM). Board appointed directors need to be re-appointed by the shareholders at the subsequent AGM. The longest serving third of the directors must be re-appointed by the shareholders annually. Board appointments are conducted in a formal and transparent manner by the entire Board following recommendations made by the Nomination Committee.

INVESTMENT COMMITTEE

Members: Desmond de Beer (Chair), Jeffrey Zidel and Alex Morar

The Investment Committee considers all acquisitions, developments and disposal of held-for-sale investments. Appropriate investments or disposals are subsequently presented to the Board for consideration.

REMUNERATION COMMITTEE

Members: Robert Emslie (Chair), Jeffrey Zidel and Desmond de Beer

The Remuneration Committee assesses and recommends to the Board the remuneration and incentivisation of the Company's directors.

NOMINATION COMMITTEE

Members: Dan Pascariu (Chair),
Jeffrey Zidel and Michael Mills

The Nomination Committee helps the Board of Directors identify individuals qualified to become Board members and makes recommendations regarding Board composition.

RISK COMMITTEE

Members: Nevenka Pergar (Chair),
Michael Mills, Mirela Covasa and Antoine Dijkstra

In February 2015, the Board decided to separate the Audit and Risk Committee into two distinct committees.

The Risk Committee develops a risk management policy and monitors its implementation. The Group's risk management policies identify and analyse Group risks, set appropriate limits and controls and monitor risks and adherence to limits. The Directors have overall responsibility for the Group's internal control and for reviewing its effectiveness.

The controls identify and manage Group risks rather than completely eliminating failure. Therefore, internal controls provide reasonable, but not absolute, assurance against material misstatement or loss. The implementation and operation of these systems is the responsibility of management and processes are communicated regularly to employees informing them of their responsibilities. Systems include strategic planning, appointment of qualified staff, regular reporting and monitoring of performance and effective control over investments. Internal financial control is appropriate for the size and activities of the Group.

Significant risks identified are communicated to the Board, together with the recommended actions.

AUDIT COMMITTEE

Members: Michael Mills (Chair),
Nevenka Pergar, Robert Emslie and Antoine Dijkstra

The Audit Committee, comprising four independent non-executive directors, meets at least four times a year and is primarily responsible for the Group's financial performance being properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures, and accounting policies.

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

The Audit Committee is primarily responsible for making recommendations to the Board regarding the appointment, re-appointment and removal of the external auditor. It ensures the scope of the auditor's work is sufficient and that they are fairly remunerated. In accordance with Company policy, the Committee also supervises the appointment of the auditor for non-audit services and reviews external audit plans and the results of their work. The Committee meets with the external auditor to discuss and review the accounts and audit procedures.

The Board has concluded that committee members have the necessary skills and experience to make worthwhile contributions to the committee's deliberations. Additionally, the Chair has the requisite accounting and financial management experience. The Committee has considered and found the expertise and experience of the Chief Financial Officer appropriate for the position.

The Committee met six times during the financial year. In order to fulfill its responsibility of monitoring the integrity of financial reports issued to shareholders, the Audit Committee has reviewed the accounting principles, policies and practices adopted during the preparation of financial information and 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 Committee, as was the basis for significant estimates and judgements. The Audit Committee complied with its legal and regulatory responsibilities and the Company Charter, and recommended the Annual Report to the Board for approval.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2016

	Board	Investment Committee	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Alex Morar	7/7	9/9				
Mirela Covasa	7/7			3/3		
Dan Pascariu	7/7					1/1
Antoine Dijkstra*	4/5		3/4	1/1		
Desmond de Beer	6/7	9/9			2/2	
Jeffrey Zidel	7/7	9/9			2/2	1/1
Michael Mills	7/7		6/6	3/3		1/1
Nevenka Pergar	7/7		6/6	3/3		
Robert Reinhardt Emslie**	7/7		5/5		2/2	
Tiberiu Smaranda***	3/3					
Andries de Lange****	4/4					

* Appointed on 13 June 2016
** Appointed on 4 February 2016
*** Resigned with effect from 1 September 2016
**** Appointed on 9 August 2016

EXTERNAL AUDIT

The external auditor confirmed to the Audit Committee its independence from the Group during the year. The Committee considered the 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 employees' objectivity, as well as related safeguards and procedures, and 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 standalone financial statements of the Group and its subsidiaries. Based on the submitted reports, the Committee reviewed, in conjuction with the external auditor, their findings and confirmed that all significant matters had been satisfactorily resolved.

GOVERNANCE OF STAKEHOLDERS' RELATIONSHIPS

The main stakeholders are considered to be shareholders, bond holders, employees, tenants, suppliers, banks and fiscal administrations of the locations where the Group carries out its activities. NEPI has a transparent information communication policy, to enable stakeholders to assess the Group's economic value and prospects. The Group did not refuse any requests for information in accordance with 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 reported directly to the Chief Executive Officer and the Chair of the Audit Committee. In 2015 the Group hired an internal audit manager, with extensive experience in fraud investigation, cost reduction and organisational restructuring, with a view to optimise business processes as well as to identify and mitigate related operational risks.

The Internal auditor carries out risk-oriented audits of operational and functional activities, based on the guidance of the Audit Committee.

The Audit Committee also examined and discussed with the auditor the appropriateness of internal controls and the utilisation of the 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 and to individual members regarding how to properly discharge their responsibilities.

The Board considers the Company Secretary's ability to perform his duties on an annual basis.

After due consideration, the qualifications, experience and competence of the Company Secretary, Cornelius Eduard Cassell, were deemed appropriate by the Board of Directors. The Directors also concluded that the relationship with the Company Secretary, who is not a member of the Board of Directors and is not involved in the day to day management of the Company, is at arm's length and there is no conflict of interests.

Corporate governance

» continued

GOVERNANCE OF INFORMATION TECHNOLOGY

The Board confirms that processes exist ensuring timely, relevant, accurate and accessible reporting, communication and data storage.

DIRECTORS' DEALINGS

Dealing in Company securities by Directors, their associates, and Company officials is regulated and monitored in accordance with the JSE Listings Requirements and BVB Requirements. NEPI maintains a closed period from the end of a financial period to publication of the financial results.

ETHICS

NEPI is committed to ethical behaviour throughout its business. Its ethical standards are the principles of honesty, integrity, fairness and transparency.

EMPLOYEES

The Group's employees are essential to its success and the Company is committed to treating them with dignity, trust and respect, and to build long-term relationships based on enforceable employment legislation and respect for human rights.

CUSTOMERS

Customer satisfaction is an overriding concern for the Group, and plays a vital role in property management. In the current highly competitive environment, the Group's success depends on meeting customers' needs.

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 by offering, paying, soliciting, or accepting bribes, in any shape or form are tolerated.

PHOTO: PROMENADA MALL, ROMANIA

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group is an integral part of the community in which it operates and is committed to building sound relationships, based on trust, honesty, and fairness. Not only is environmental compliance legally obligatory, but it is also an important component of the Group's commitment to the community and developing its good reputation. NEPI therefore is dedicated to minimising the environmental impact of its activities by reducing waste, emissions and discharges, and using energy efficiently.

CONFLICT OF INTEREST

A conflict of interest arises whenever an employee's position or responsibilities present an opportunity for personal gain inconsistent with the Group's best interest. Individuals are responsible for their own ethical behaviour, and are expected to act, at all times and in all ways, in the best interests of the Company. If and when they consider a conflict of interest exists, the Compliance Officer is to be notified immediately. A dedicated Compliance register is regularly updated and submitted to the Board for review and approval.

INSIDER TRADING

The Group prohibits all directors and employees from using confidential information, not generally known or available to the public, for personal gain.

EQUAL EMPLOYMENT AND NON-DISCRIMINATION

The Group maintains the highest ethical standard and complies with all applicable legislation, rules, and regulations. The Group's continued success depends on employing the most qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability.

GENDER DIVERSITY POLICY

The Group supports the principles of gender diversity at Board level and aims to implement a policy during 2017. No voluntary target has yet been set, however the Board is analysing and discussing the implementation of an appropriate policy in this respect.

DIRECTORS' REMUNERATION

Remuneration policy is aligned with the Group's strategic objective of creating long-term sustainable value for shareholders.

Directors received base pay only. Executive salaries are competitive and increases are determined by reference to individual performance, inflation and market-related factors. Directors' remuneration for 2016 is disclosed in Note 36 to the financial statements.

Share purchase scheme allocations have been determined annually by the Remuneration Committee based on performance. The Group provided loans to participants for the purpose of acquiring shares.

No share purchase scheme allocations have been made during 2015 and 2016, as the Company is reconsidering its remuneration policy. In February 2016, the Remuneration Committee has proposed and the Board has approved the salient features of a new remuneration scheme, which will combine a base salary, a short term KPI-based share award and a further long-term KPI-based share-award.
A circular containing the details of such new scheme will be published for shareholders' approval, upon receipt of adequate confirmations from relevant regulatory bodies. The process has been temporarily put on hold in light of the envisaged merger with Rockcastle.

There are no remuneration schemes encouraging retention, apart from those rewarding performance.

COMMUNICATION

The Board accepts its accountability to shareholders for the Group's performance and activities. NEPI communicates with shareholders principally through its website, Annual Report and announcements. The AGM and any EGMs give the Directors the opportunity to inform shareholders about current, and proposed, operations and enables them to express their views on business activities.

Key risk factors

The Group's main risks relate to property and finance. The overall philosophy of the Group is conservative, whilst tolerating the inherent property risks, including fluctuations in asset value, vacancies and volatility in rents. Key risks are assessed by ranking exposure on the basis of probability and magnitude, while sensitivity analysis is conducted at Group level.

Other risks, notably those related to interest and exchange rates, are closely managed and actively hedged. Potential breaches of loan or bond covenants are minimised through a conservative financing policy and a regular, close review of compliance indicators. Changes in fiscal legislation in the markets where the Group operates are expected to result in increasing tax expenses in the future.

The Group has appropriate internal risk management and control systems. Key elements of the systems are: a management structure to enable effective decision making; monthly review of key performance indicators, including turnovers, rent collection, vacancies, arrears and doubtful debtors, and regular review of performance against budgets. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures based on policies. The internal management reporting system identifies developments in the value of investments, income and expenses. Electronic data processing is used within automated information systems, including a back-up and recovery plan to restore data.

The Internal auditor provides detailed reports with suggested improvements for management. The Board reviews the auditors' conclusions on the internal control environment, supervises the internal control framework and procedures and takes appropriate action.

Risk description	Impact areas	Key mitigants
INVESTMENTS		
– Delays in executing appropriate property investment and development strategies, or executing in less favourable conditions – Increased pressure from competition due to availability of capital on the market	– 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 – Analysing an extensive pipeline
DEVELOPMENTS		
– 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	– Investing in prime properties – Strong 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 – Quality assets 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 – Adverse changes in macroeconomic conditions or NEPI's performance may lead to rating downgrade and/or unavailability of capital	– 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	– Conservative interest hedging policy – Exposure reduced by replacing variable interest loans with fixed interest bonds – 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

Sustainability report

NEPI is committed to achieving the highest standards in sustainability, a strategy that strengthens its portfolio, improves stakeholder relations (including customers, local communities, staff, suppliers, investors, analysts, local and central government, peers and non-governmental organisations), motivates employees and inspires competitors.

The real estate sector has a powerful role to play in creating a sustainable economy, therefore NEPI has started investing in clean technologies, adopting policies that address environmental and social risks, and engaging in more proactive and robust stakeholder discussions and disclosure.

NEPI is revising its risk management framework on a continuous basis with regard to climate change, human rights, social responsibility and energy efficiency. Detailed information relating to energy, gas, water consumption and waste management are being collected from the Group's properties in order to track the environmental performance and have a clear understanding of the Group's impact on the environment, including how this affects stakeholders' rights, as defined by national legislation and internationally agreed standards.

NEPI implemented in 2016 its own Environmental Policy aligned with the applicable legislation, environmental regulations and best-in-class sustainability standards in all aspects of its real estate operations. This Policy provides guidelines for protecting the indoor quality of air and outdoor habitat, while supporting high-performance operations and developing synergies between the buildings and their environment. The primary objectives of the Policy are to improve efficiency in the Group's real estate assets, increase the use of renewable resources both on existing assets and developments, and minimize management footprint on the local ecosystem.

The Group's investments and developments have a positive direct and indirect impact on local economies. They generate new jobs and services, create product demand, facilitate the initiation and growth of new businesses, and encourage the development of local infrastructure. NEPI is determined to continue its commitment on areas which can optimise the value creation for its stakeholders.

The Group's targets are to:
- reduce building operating costs, for both tenants and NEPI;
- maintain a healthy and secure work and social environment;
- increase the number of BREEAM certified properties;
- implement quality and environmental management standards (ISO 9001 and ISO 14001)
- increase the use of renewable energy;
- improve relations with stakeholders and communities by creating jobs and improving residents' lives;
- increase control of portfolio through enhanced data management practices;
- reduce carbon emissions, water and energy consumption, and increase the efficiency of waste management systems;
- increase the use of environmentally friendly materials, and

PHOTO: PROMENADA MALL, BUCHAREST, ROMANIA

- develop its properties in a responsible and resource efficient manner, and minimise the portfolio's environmental impact by implementing ecologically sustainable practices at all stages of building (design, operation and renovation).

Measures undertaken include:
- efficient use of water, energy and other resources throughout design, construction and lifespan of development;
- use of environmentally friendly materials;
- thermal studies undertaken during design and operation of the development to improve efficiency;
- studies undertaken during the design phase to reduce solar heat gain through shading, glass specifications and other related optimisation solutions, which minimise the use of air conditioning and related energy consumption;
- increasing internal natural light, reducing daytime electricity consumption;
- energy efficient lighting, and
- waste management and recycling initiatives throughout construction and the building's life cycle.

All challenges and opportunities are prioritised in accordance with the Group's long-term organisational strategy and business prospects, as well as NEPI's financial performance.

The Group is committed to realising its long-term financial objectives, while maximising the positive and minimising the negative effects of its activities on society and the environment. This is achieved through the understanding and rigorous management of the environmental, ethical and social impacts of its operations.

NEPI's sustainability plan covers four main strategic initiatives:

Sustainable resource management – an initiative that covers water, energy and waste management in an attempt to improve both efficiency and impact of utilities consumption.

Business Integrity – a set of internal procedures and best practice guidelines are set out in the Group's Code of Ethics to ensure respect for regulations and prioritise customers' interests.

PHOTO: VICTORIEI OFFICE, ROMANIA

Sustainability report » continued

Sustainability through "green buildings" - the environmental certifications envisaged by NEPI are benchmarks in the real estate sector, acknowledging the effectiveness of the initiatives and actions implemented, both during the building development and operational stages.

Community Engagement – whilst the Group's environmental impact is significant, its social impact and interactions with communities and stakeholders are equally important in order to improve and deliver positive social outcomes.

SUSTAINABLE RESOURCE MANAGEMENT

The Policy encompasses environmental best practice guidelines for:

Electricity

Reducing ongoing electricity use through optimisation of consumption is one of the Group's main objectives. All new developments prioritise natural light, while low-energy bulbs, combined with light sensors are used wherever practical. The shopping centres and office buildings' skylights are having reflective film fitted to reduce solar heat gain during the summer, cutting down air conditioning need.

Similarly, 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 and to reduce overall lift movements.

The Group has continued to extend energy-efficient LED lighting throughout the portfolio, and the system has been installed in most of the properties, among which City Business Centre buildings D and E, Floreasca Business Park, The Lakeview, The Office Cluj-Napoca, Braila Mall, Mega Mall, Promenada Mall, Shopping City Piatra Neamt, Shopping City Targu Jiu and Shopping City Timisoara.

Water

Group Policy regarding water usage is concerned with ensuring the supply is of the highest quality, and also that consumption is minimised. Purity is of paramount importance, therefore, although supplied by the municipal network, it is cleansed further using mechanical filters. Throughout the portfolio, improved efficiency water faucets are installed, along with equipment that detects leaks, enabling any issue to be immediately identified and remedied. Where possible, waste water is collected, treated and recycled in closed-circuit systems for non-potable use. The connection of the building water-meter to the Building Management System for monitoring daily consumption is a current practice for NEPI's properties in order to optimise waste management.

Waste

NEPI aims to reduce waste volume and maximise reuse and recycling where possible. Tenants are regularly informed about on-site waste management processes and policies, while supplier purchasing contracts and green leases establish minimal requirements for the sorting and recycling of refuse. NEPI is designing an integrated waste management system to serve the entire core portfolio, increasing selective waste collection rate and minimising landfill. As part of this initiative, the Group also envisages to increase the number of sorting solutions in order to grow the proportion of waste sorted on site and thereby reduce the overall processing costs.

More specifically users are advised to minimise the use of the following materials and items such as:

- wrapping, bags and packaging (plastic, card, paper). Plastic bags can be re-used;
- dirty, wet paper and cardboard (washable cloths can be used instead);
- nappies, sanitary towels;
- vacuum cleaners' dust bags, cigarette ends, chewing gum;
- gift wrapping, disposable plates and cups, plastic cutlery (normal cutlery and plates can be used instead);
- polystyrene packaging;
- light bulbs;
- empty aerosol or spray bottles;
- food and drink carton packages (unless they are taken to separate recycling);
- batteries (re-chargeable batteries can be used instead).

Painting and low emitting materials

Written recommendations from the manufacturer are requested to ensure maximum product effectiveness through the usage period. Technical specifications are considered for a large range of products used in the Group's properties: finishing materials, paints, adhesives, floor coverings, carpets and other largely utilized products.

Cleaning products

Cleaning products and materials, including hard-floor and carpet-care products used in the Group's properties meet the requirements of Green Seal or Environmental Choice programs or European Eco-Label programs. Product types subject to these requirements include, but are not limited to: hard-floor cleaners, carpet cleaners, general-purpose cleaners, specialty cleaners, odor control, disinfectants.

Pest management

Integrated methods that make use of monitoring and non-toxic preventative measures (site inspection, pest inspection and population monitoring) are used to proactively manage and minimize pest issues.

BUSINESS INTEGRITY

As a listed company, NEPI is aware of the importance of setting the highest standards in terms of ethics and good corporate governance. This involves the continuous awareness of the economic, social and environmental impact of investments, transparency of business operations and the integration of investment and procurement practices with social and environmental factors where relevant during the decision making process. The Group's commitment to integrity involves:

- a Code of Ethics communicated to, and discussed with, staff regularly and updated annually;
- compliance with relevant legislation, including meticulous corporate governance, and compliance with The King Report on Corporate Governance and the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies;
- confidentiality and observance of professional secrecy;
- strong opposition against money-laundering and the financing of terrorism;
- no political funding;
- whistleblowing across all NEPI's business operations, which is made available by phone and email to all employees;
- no historic legal, tax or regulatory infringements, and
- regular, consistent and transparent shareholder communication, including announcements, annual investor property tours, annual meetings, investor presentations and the Company website.

SUSTAINABILITY THROUGH "GREEN BUILDINGS"

NEPI's portfolio is based on a sustainability concept known as "green buildings". Through the development and operational stages, properties are aimed to be efficient in terms of resources used during their entire life cycle, starting with the location and continuing with design, construction, operation, maintenance and renovation. NEPI is aware that its properties' design significantly impacts its occupiers' wellbeing. For instance, The Office, the Group's joint-venture located in Cluj-Napoca, employs state-of-the-art technology and incorporates numerous ecological features.

The purpose of implementation of the "eco-friendly" policies is to streamline energy consumption, water consumption and reduce domestic environmental impact.

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 design, construction and operation.

The Group obtained BREEAM certification for several of its largest assets and the current status is presented below:

— "Excellent" In Use Asset and Building Management certification was assigned to City Business Centre's building E, Floreasca Business Park, Mega Mall, Promenada Mall, Shopping City Timisoara and Vulcan Value Centre;

— "Very Good" In Use Asset and Building Management certifications were awarded to City Business Centre's buildings A, B, C and D, Braila Mall, Galati Shopping City, Iris Titan Shopping Center, Ploiesti Shopping City, Severin Shopping Center, Shopping City Deva and Shopping City Targu Jiu;

— "Excellent" Design certification was assigned to The Office Cluj-Napoca and Victoriei Office;

— The Lakeview was awarded "Very Good" Design certification, "Very Good" In Use Asset and "Excellent" Building Management certification; in 2017, the building will become eligible for the BREEAM "Excellent" In Use Asset.

Most of the remaining Group's properties are currently under assessment and more BREEAM certifications are expected to be received during 2017.
The impact of a building's location when analysing the portfolio's carbon footprint and proximity to major public transport lines is a priority when making a decision for a development or an acquisition. Seeking to further reduce the carbon footprint, bike racks are available throughout the portfolio, including The Lakeview, Floreasca Business Centre, City Business Centre, The Office Cluj-Napoca, Braila Mall. Furthermore, The Office Cluj-Napoca has joined a car pooling program, a more environmentally friendly and sustainable way to travel, that also reduces expenditures and carbon emissions. NEPI is also implementing revolutionary tools in terms of Environmental Protection such as charging stations for electric vehicles as a way to support the reduction of carbon emissions and global pollution.

ISO Certification Initiative

NEPI will face new challenges in 2017, the Group being in process of implementing and obtaining the ISO 9001: 2015 and ISO 14001: 2015 certificates. These certifications will help the Group in terms of Quality Management and Environmental Management.

The implementation of the Quality Management drives:

- ✓ ensuring high quality services to satisfy customer requirements and compliance with regulations applicable to those services,
- ✓ enhancing customer satisfaction,
- ✓ achieving continuous performance improvement.

PHOTO: PROMENADA MALL, ROMANIA

The implementation of the Environmental Management structures the environmental approach implemented for each asset and comprises the following attributes:

- ✓ minimising harmful effects on the environment caused by the Group's activities;
- ✓ compliance with applicable regulatory requirements;
- ✓ achieving continuous improvement of environmental performance.

The main benefits gained through obtaining the ISO 9001:2015 and ISO 14001:2015 certifications are:

- ✓ International, expert consensus on state-of-the-art practices for quality and environmental management;
- ✓ Common language for dealing with customers and suppliers worldwide in B2B;
- ✓ Increased efficiency and effectiveness in all aspects of real estate operations;
- ✓ Model for continuous improvement and customer satisfaction;
- ✓ Building quality into services from design onwards;
- ✓ Tools for new economic players;
- ✓ Regional integration and facilitation of services.

COMMUNITY ENGAGEMENT

Maintaining strong relationships with local communities is essential to the long term success of NEPI's retail assets. This involves active collaboration with local communities, supporting local relevant initiatives, addressing community needs and supporting improvements in social conditions and living standards.

Corporate Social Responsibility (CSR) will continue to be the most important programme implemented in communities where NEPI operates shopping centres and office buildings. The CSR programme is carried out in cooperation with Romanian non-governmental organisations (NGOs), enabling NEPI to benefit from their existing structure, logistics, personnel, know-how and expertise.

In 2016 a review was done to reassess CSR priorities for the future and it was decided to continue with the two directions previously identified, respectively (a) Education and retraining; and (b) Environment.

Key local community engagement projects and initiatives are summarised below:

I. Education and retraining

NEPI Academics - The programme was developed in 2016 with implementation starting February 2017 and focused on identifying and supporting young talents to pursue their passions and professional goals. The envisaged programme will cover 25 scholarships for students coming from disadvantaged families together with providing technical resources, support and training.

II. Environment

The Group has continued to focus on urban environmental projects, such as the rehabilitation of green spaces for local communities, rejuvenating the city by planting trees and flowers and cleaning local parks and community spaces.

Let's Do it Romania - an initiative in 14 of the Group's shopping centres across Romania in partnership with a number of youth and environmental NGOs and involving communities for cleaning parks, community spaces or other locations.

Planting trees - initiative run by Ploiesti Shopping City in order to promote responsible, eco-friendly behaviour. The campaign contributed to the plantation of 10,000 sapling trees by local community involving both children and adults.

Green Circle - a campaign organised by City Park Constanta together with a local NGO aiming to organise a recreational area for the community in the park located near the shopping centre. The *Green Circle* outdoor area hosted several events such as:

- ✓ Informal education for children on environmental protection (outdoor space decorated with colourful tables, benches and chairs);
- ✓ Picnic area for children designated for organising after-school sessions (educational courses on biodiversity, geography and biology);
- ✓ Concerts and artistic exhibitions.

PHOTO: PLOIESTI SHOPPING CITY, ROMANIA - PLANTING TREES CAMPAIGN

RISK & SAFETY

A risk prevention and management policy is implemented and reviewed on a continuous basis in order to guarantee its efficiency at all levels and in all countries in which NEPI operates. The risk matrix is implemented with adequate controls documented in the procedures and specifications and covers mainly the following risks:

- ✓ Structural risks: Risks threatening the safety of visitors and buildings;
- ✓ Natural risks: extreme climate patterns, earthquakes, fire prevention, flooding;
- ✓ Technological risks: proximity to specific installations, vertical transportation (escalators and lifts);
- ✓ Pollution: waste, water quality, drainage systems, noise and odor pollution.

Security is managed through working with a portfolio security provider to make sure that appropriate security practices come together with operational excellence.

PEOPLE AND ETHICAL VALUES

This involves creating an organisational culture based on mutual respect, diversity, performance, talent, human values and professional and personal development. The Company's remuneration policy encourages individual achievement and is comparable with the industry standard. It is reviewed annually based on a performance evaluation process. NEPI has a social diversity employment policy and applies zero tolerance to any discrimination based on gender, age or race.

NEXT STEPS

To improve performance of its sustainability strategy, NEPI is developing existing relationships into partnerships aimed at resolving common challenges. The Group is particularly interested in establishing mutually beneficial relationships with organisations with greater experience and proven results in these fields. Such affiliations will result in better sustainable performance for NEPI and its tenants, and improved environmental and social conditions for communities.

Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS).

In preparing these financial statements it is the Directors' responsibility 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare financial statements which 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.

The directors confirm that they have complied with the above in preparing the financial statements.

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

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

The Group and Company financial statements on pages 91 to 140 were approved and authorised for issue by the Board of Directors on 15 February 2017 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

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
15 February 2017

Independent Auditor’s report

to the members of New Europe Property Investments plc

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of New Europe Property Investments plc (the “Company”) and its subsidiaries (together “the Group”) as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- the company financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated and company financial statements (the “financial statements”) comprise:

- the consolidated and company statements of financial position as at 31 December 2016;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

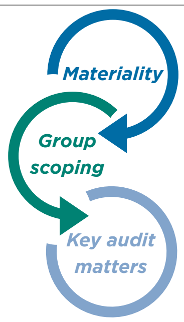
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) and the ethical requirements of the United Kingdom Auditing Practices Board’s Ethical Standards for Auditors that are relevant to our audit of the financial statements in the Isle of Man. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the United Kingdom Auditing Practices Board’s Ethical Standards for Auditors.

Our audit approach

Overview

<table>
<tr><td rowspan="3">
</td><td>Materiality

Overall materiality: €13.5 million which represents 5% of profit before tax of the Group.</td></tr>
<tr><td>Audit scope

A full scope audit has been performed on all components in the Group.</td></tr>
<tr><td>Key audit matters

Valuation of investment properties.</td></tr>
</table>

Independent Auditor's report

to the members of New Europe Property Investments plc » continued

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€13.5 million.
How we determined it	5% of profit before tax per the consolidated statement of comprehensive income for the year ended 31 December 2016
Rationale for the materiality benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that total profit before tax is an important metric for the financial performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €680,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

A full scope audit was performed on all the components of the Group.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The valuation of the investment properties is significant to our audit due to their magnitude and because their valuation is complex and highly dependent on a range of estimates (amongst others, rental value, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value) made by the directors as well as the external appraisers used by the directors. Entities that invest in real estate inherently are under pressure to achieve certain targets which leads to the risk that the value of property is overstated by the entity. The directors used external appraisers to support their determination of the individual fair values of the investment properties semi-annually. For more information on the valuation of the investment properties reference is made to notes 3.5, 3.6, 3.7, 4, 9 and 10.	Our procedures in relation to the directors' valuation of investment properties included: • evaluation of the objectivity, independence and expertise of the external appraisers; • assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; • using our own auditor's experts in valuation of real estate to assess the appropriateness of the estimates used in the calculation of the fair value of the investment properties (amongst others, rental value, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value); and • checking on a sample basis, the appropriateness of the inputs, by reconciling them with contracts and rent roll data. The main inputs consist of the property related data (such as rental income, operating costs, vacancy, etc.). We found that property related data and the key valuation assumptions were supported by available evidence: contracts, rent roll and external market evidence. We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them to be important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.

Other information

The directors are responsible for the other information. The other information comprises the Company profile, Board of Directors, Directors' report, Portfolio overview, Analysis of shareholders and share trading, Beneficial shareholding of Directors, Corporate governance, Key risk factors, Sustainability report and Schedule of properties (but it does not include the financial statements and our auditor's report thereon).

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with our engagement letter dated 7 February 2017; and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Peter Craig, Responsible Individual
For and on behalf of
PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
15 February 2017

Statement of financial position

	Note	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
ASSETS					
Non-current assets		**2,674,176**	**1,829,440**	**1,790,476**	**1,581,447**
Investment property		2,546,772	1,732,760	–	–
— Investment property in use	9	2,370,760	1,576,019	–	–
— Investment property under development	10	176,012	156,741	–	–
Goodwill	12	58,390	23,986	–	–
Investments in subsidiaries	5	–	–	228,547	140,230
Loans granted to subsidiaries	5	–	–	1,548,505	1,422,891
Investments in joint-ventures	33	22,023	15,640	–	–
Loans granted to joint-ventures	33	31,015	36,674	–	–
Other long-term assets	11	15,299	18,098	12,753	16,090
Financial assets at fair value through profit or loss	20	677	2,282	671	2,236
Current assets		**107,538**	**381,097**	**43,236**	**56,479**
Trade and other receivables	14	40,539	54,487	15,757	49,849
Financial investments at fair value through profit or loss	13	18,979	–	18,979	–
Loans granted to subsidiaries	5	–	–	8,098	5,622
Cash and cash equivalents	15	48,020	326,610	402	1,008
Investment property held for sale	**16**	**15,525**	**25,255**	**–**	**–**
TOTAL ASSETS		**2,797,239**	**2,235,792**	**1,833,712**	**1,637,926**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**1,814,552**	**1,496,550**	**1,821,660**	**1,635,022**
Share capital	17	3,215	2,986	3,215	2,986
Share premium	17	1,368,171	1,213,325	1,368,171	1,213,325
Share-based payment reserve	18	4,797	4,797	4,797	4,797
Currency translation reserve		(1,229)	(1,229)	–	–
Accumulated profit		439,598	275,042	445,477	413,914
Non-controlling interest	5	-	1,629	–	–
Total liabilities		**982,687**	**739,242**	**12,052**	**2,904**
Non-current liabilities		**831,995**	**661,717**	**316**	**2,149**
Bank loans	19	260,593	162,788	–	–
Bonds	19	394,819	392,140	–	–
Deferred tax liabilities	23	158,864	89,652	–	–
Other long-term liabilities	22	17,403	14,988	–	–
Financial liabilities at fair value through profit or loss	20	316	2,149	316	2,149
Current liabilities		**150,692**	**77,525**	**11,736**	**755**
Trade and other payables	21	71,536	62,827	1,276	572
Bank loans	19	17,999	13,424	10,460	183
Bonds	19	61,157	1,274	–	–
TOTAL EQUITY AND LIABILITIES		**2,797,239**	**2,235,792**	**1,833,712**	**1,637,926**
Net asset value per share (euro)	**24**	**5.64**	**5.01**		
Adjusted net asset value per share (euro)	**24**	**5.98**	**5.25**		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 96 to 140 are an integral part of these financial statements.

The Group and Company financial statements on pages 91 to 140 were approved and authorised for issue by the Board of Directors on 15 February 2017 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Statement of comprehensive income

	Note	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Revenues from rent and expense recoveries		209,890	148,799	–	–
Property operating expenses		(64,358)	(44,732)	–	–
Net rental and related income	**25**	**145,532**	**104,067**	**–**	**–**
Administrative expenses	26	(8,186)	(6,695)	(3,144)	(1,732)
EBITDA*		**137,346**	**97,372**	**(3,144)**	**(1,732)**
Acquisition fees	27	(4,339)	(933)	–	(8)
Fair value adjustments of investment property	28	143,163	81,742	–	–
Fair value loss of financial investments at fair value through profit or loss	13	(369)	–	(369)	–
Net result on sale of financial investments	13	(355)	–	(355)	–
Dividends received from financial investments	13	738	–	738	–
Share-based payment expense	18	–	(670)	–	(670)
Foreign exchange (loss)/gain		(127)	(339)	62	–
Loss on disposal of investment property held for sale		(485)	–	–	–
Other operating income		–	–	3,841	2,217
Profit/(loss) before net finance (expense)/ income		**275,572**	**177,172**	**773**	**(193)**
Net finance (expense)/ income	**29**	**(13,059)**	**(916)**	**78,811**	**69,087**
— Finance income		4,784	7,613	80,933	71,101
— Finance expense		(17,843)	(8,529)	(2,122)	(2,014)
Changes in fair value of financial instruments		228	1,149	267	1,113
Share of profit of joint-ventures	33	6,383	2,399	–	–
Profit before tax		**269,124**	**179,804**	**79,851**	**70,007**
Income tax expense		**(36,472)**	**(13,979)**	**-**	**-**
— Current tax expense	23	(1,664)	–	–	–
— Deferred tax expense	23	(34,808)	(13,979)	–	–
Profit after tax		**232,652**	**165,825**	**79,851**	**70,007**
Total comprehensive income for the year		**232,652**	**165,825**	**79,851**	**70,007**
(Profit)/loss attributable to non-controlling interests	5	2,316	(7,427)	–	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**234,968**	**158,398**	**79,851**	**70,007**
Basic weighted average earnings per share (euro cents)	**30**	**75.85**	**55.68**		
Diluted weighted average earnings per share (euro cents)	**30**	**75.85**	**55.42**		

All amounts in Thousand Euro unless otherwise stated
The notes on pages 96 to 140 are an integral part of these financial statements.

(*) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.

Statement of changes in equity

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2015	**2,746**	**1,074,310**	**4,127**	**(1,229)**	**167,133**	**(5,798)**	**1,241,289**
Transactions with owners	240	139,015	670	–	(50,489)	–	89,436
— Issue of shares	205	129,767	–	–	–	–	129,972
— Sale of shares issued under the Initial Share Scheme	35	9,248	–	–	–	–	9,283
— Vesting of shares issued under the Initial Share Scheme	–	–	670	–	–	–	670
— Earnings distribution	–	–	–	–	(50,489)	–	(50,489)
Total comprehensive income	–	–	–	–	158,398	7,427	165,825
— Profit for the year	–	–	–	–	158,398	7,427	165,825
BALANCE AT 31 DECEMBER 2015	**2,986**	**1,213,325**	**4,797**	**(1,229)**	**275,042**	**1,629**	**1,496,550**
Balance at 1 January 2016	**2,986**	**1,213,325**	**4,797**	**(1,229)**	**275,042**	**1,629**	**1,496,550**
Transactions with owners	229	154,846	–	–	(70,412)	687	85,350
— Issue of shares	229	154,800	–	–	–	–	155,029
— Sale of shares issued under the Initial Share Scheme	–	46	–	–	–	–	46
— Earnings distribution	–	–	–	–	(48,288)	–	(48,288)
— Acquisition of non-controlling interest	–	–	–	–	(22,124)	687	(21,437)
Total comprehensive income	–	–	–	–	234,968	(2,316)	232,652
— Profit for the year	–	–	–	–	234,968	(2,316)	232,652
BALANCE AT 31 DECEMBER 2016	**3,215**	**1,368,171**	**4,797**	**(1,229)**	**439,598**	**–**	**1,814,552**

All amounts in Thousand Euro unless otherwise stated

Statement of changes in equity » continued

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
Balance at 1 January 2015	**2,746**	**1,074,310**	**4,127**	**394,396**	**1,475,579**
Transactions with owners	240	139,015	670	(50,489)	89,436
— Issue of shares	205	129,767	–	–	129,972
— Sale of shares issued under the Initial Share Scheme	35	9,248	–	–	9,283
— Vesting of shares issued under the Initial Share Scheme	–	–	670	–	670
— Earnings distribution	–	–	–	(50,489)	(50,489)
Total comprehensive income	–	–	–	70,007	70,007
— Profit for the year	–	–	–	70,007	70,007
BALANCE AT 31 DECEMBER 2015	**2,986**	**1,213,325**	**4,797**	**413,914**	**1,635,022**
Balance at 1 January 2016	**2,986**	**1,213,325**	**4,797**	**413,914**	**1,635,022**
Transactions with owners	229	154,846	–	(48,288)	106,787
— Issue of shares	229	154,800	–	–	155,029
— Sale of shares issued under the Initial Share Scheme	–	46	–	–	46
— Earnings distribution	–	–	–	(48,288)	(48,288)
Total comprehensive income	**–**	**–**	**–**	**79,851**	**79,851**
— Profit for the year	–	–	–	79,851	79,851
BALANCE AT 31 DECEMBER 2016	**3,215**	**1,368,171**	**4,797**	**445,477**	**1,821,660**

All amounts in Thousand Euro unless otherwise stated

The notes on pages 96 to 140 are an integral part of these financial statements.

Statement of cash flows

	Note	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
OPERATING ACTIVITIES					
Profit after tax		232,652	165,825	79,851	70,007
Adjustments					
Fair value adjustments of investment property	28	(143,163)	(81,742)	–	–
Loss on sale of financial investments	13	355	–	355	–
Losses on financial investments at fair value through profit or loss	13	369	–	369	–
Dividends received from financial investments	13	(738)	–	(738)	–
Share-based payment expense	18	–	670	–	670
Unrealised foreign exchange loss		127	339	–	–
Loss on disposal of investment property held for sale		485	–	–	–
Other operating income		–	–	(3,841)	(2,217)
Net finance (income)/expense	29	13,059	916	(78,811)	(69,087)
Changes in fair value of financial instruments		(228)	(1,149)	(267)	(1,113)
Deferred tax expense	23	34,808	13,979	–	–
Current tax expense	23	1,664	–	–	–
Operating profit before changes in working capital		**139,390**	**98,838**	**(3,082)**	**(1,740)**
Changes in working capital					
(Increase)/decrease in trade and other receivables		23,648	(1,745)	3,343	14,581
Increase/(decrease) in trade and other payables		(11,273)	10,576	497	140
Interest paid		(6,548)	(11,938)	(1,891)	(2,059)
Bond coupon paid		(3,616)	–	–	–
Income tax paid		(1,461)	–	–	–
Interest received		4,316	4,485	28,062	33,466
CASH FLOWS FROM OPERATING ACTIVITIES		**144,456**	**100,216**	**26,929**	**44,388**
INVESTING ACTIVITIES					
Investments in acquisitions and developments					
Additions of investment property		(169,594)	(154,305)	–	–
Payments for acquisition of subsidiaries less cash acquired during the year	32	(448,958)	(108,487)	–	–
Settlements of deffered consideration for prior years acquisitions	21	(11,488)	(6,134)	–	–
Proceeds from sale of investment property held for sale (net of selling cost)	16	2,655	–	–	–
Proceeds from loans to third parties	11	–	8,000	–	–
Loans to joint-ventures – amounts granted	33	(3,041)	(6,400)	–	–
Loans to joint-ventures – amounts repaid	33	9,164	1,591	–	–
Loans granted to subsidiaries	5	–	–	(125,610)	(131,114)
Net cash flow used in investments in financial assets					
Payments for financial investments at fair value through profit or loss	13	(23,620)	–	(23,620)	–
Dividends from financial investments at fair value through profit or loss	13	738	–	738	–
Proceeds from sale of financial investments at fair value through profit or loss	13	3,921	–	3,921	–
CASH FLOWS USED IN INVESTING ACTIVITIES		**(640,223)**	**(265,735)**	**(144,571)**	**(131,114)**
FINANCING ACTIVITIES					
Proceeds from issue of shares		155,075	139,255	155,075	139,255
Net movements in bank loans and bonds					
Proceeds from bank loans		176,320	223,807	10,249	–
Proceeds from bonds		50,000	398,400	–	–
Repayment of bank loans		(91,430)	(324,685)	–	–
Premiums paid on acquisition of derivatives		–	(2,395)	–	(2,395)
Acquisition of non-controlling interest		(24,500)	–	–	–
Earnings distribution		(48,288)	(50,489)	(48,288)	(50,489)
CASH FLOWS FROM FINANCING ACTIVITIES		**217,177**	**383,893**	**117,036**	**86,371**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(278,590)**	**218,374**	**(606)**	**(355)**
Cash and cash equivalents brought forward	15	326,610	108,236	1,008	1,363
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**48,020**	**326,610**	**402**	**1,008**

All amounts in Thousand Euro unless otherwise stated

Notes to the financial statements

1. GENERAL

New Europe Property Investments plc ("the Company" or "Nepi") is a limited liability company incorporated in the Isle of Man on 23 July 2007 and domiciled at Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man. The Company is listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and the regulated market of the Bucharest Stock Exchange (BVB). In addition, one of the Company's subsidiaries issued in 2015 debt instruments listed on the Irish Stock Exchange (Note 19). The Group includes the Company and its subsidiaries, as detailed in '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.

Group's activities are detailed in the 'Directors' Report'.

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with the Directors' resolution on 15 February 2017.

2. COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2015.

3 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Isle of Man company law and International Financial Reporting Standards (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) thousands unless otherwise stated. From 1 January 2013, all the companies of the Group have EUR as functional currency.

The functional currency is determined by the relevant, primary economic environment of each entity. One determining factor is the currency in which the majority of cash flows, goods and services are denominated and settled in the respective country. When the functional currency cannot be clearly identified, International Accounting Standard (IAS) 21 allows management to use judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Any change in the functional currency must be made prospectively in accordance with IAS 21.

Certain subsidiaries are located in Central and Eastern European countries that do not use the Euro as a functional currency. However, the Eurozone has a clear influence on the macroeconomic environment of these countries and there is a synchronisation of growth. In addition, external and intragroup financing is concluded in Euro, excess cash balances are held in, or converted into Euro as quickly as possible and Euro represents the contract currency for rental agreements. Also, where the subsidiaries have significant developments, construction suppliers are contracted in Euro.

3.2 Basis of preparation

The financial statements are prepared on the historical cost basis, except for investment property in use, land for investment property under development, derivatives and other financial assets and liabilities at fair value through profit or loss.

Investment property in use, land for investment property under development, derivatives and other financial assets and liabilities 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.

On 13 December 2016, NEPI and Rockcastle Global Real Estate Company Limited ("Rockcastle") signed a framework agreement, pursuant to which their respective businesses would be merged into an entity newly-incorporated in the Isle of Man, NEPI Rockcastle PLC. This transaction is a potential subsequent event to occur in the financial year ended 31 December 2017 and is disclosed in note 37. Should the merger occur, the business of the Group would continue to exist under the new parent company, NEPI Rockcastle PLC.

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. Estimates and associated assumptions, are based on experience and other factors believed to be reasonable under the circumstances, and enable judgements to be made about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised and future periods if applicable.

3.3 Statement of compliance

The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (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 all entities, including those that are structured, over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over it. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the date control ceases. The acquisition method is used to account for the acquisition of subsidiaries. Identifiable acquired assets and liabilities, and contingent liabilities, assumed in a business combination are measured at their fair values on the date of acquisition. The consideration transferred for the acquired entity is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred, or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs, such as advisory, legal, valuation and similar professional services.

The accounting policies of the subsidiaries are consistent with those of the Company.

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 consolidated 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.

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 comprehensive income.

3.5 Investment property in use

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 are probable and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, investment properties in use are measured at fair value. Fair value is determined semi-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 comprehensive 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 an investment property in use, the carrying value, immediately prior to the sale, is adjusted to the transaction price. The adjustment is recorded in the Statement of comprehensive income for the year within fair value adjustments of 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.

The land on which investment property is constructed or developed is carried at fair value, which is determined semi-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 comprehensive 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 Investment property held for sale

Investment property is classified as an asset held for sale if the majority of its carrying amount will be recovered 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 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 (bargain purchase) it is recognised directly in the Statement of comprehensive 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 (CGU) 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.

The cash generating units are defined at the level of each individual property acquired through business combinations. The carrying amount of the cash generating unit includes the investment property, goodwill and the related deferred tax liability. Impairment testing is performed using the fair value less costs to sell approach where the fair value is the property value as determined in the external valuation reports. If this method results in impairment, then management compares the carrying amount of the CGU containing goodwill with its value in use to determine if this method generates a more favourable result.

The fair value disclosures presented in Note 9 Investment property in use are also relevant for goodwill impairment testing.

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 for impairment when indicators exist.

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 for impairment when indicators exist.

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 comprehensive 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 Bonds and bank loans

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 comprehensive 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 trade and other receivables, trade and other payables, derivative financial instruments, investments in listed shares in property companies, loans to participants in the share scheme, loans granted to joint ventures and loans granted by the Company to its subsidiaries. The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Such derivatives 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 include directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as follows:

FINANCIAL INSTRUMENT	MEASUREMENT METHOD
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to subsidiaries line
Loans granted to joint-ventures	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to joint-ventures line
Trade and other receivables	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Property operating expenses
Trade and other payables	Carried at amortised cost using the effective interest rate method
Loans granted to participants in the Current Share Scheme	Carried at amortised cost using the effective interest rate method, net of impairment losses
Bonds, bank loans and other financial liabilities	Measured at amortised cost using the effective interest rate method
Financial instruments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of comprehensive income, Changes in fair value of financial instruments line; 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 comprehensive income, Fair value losses of financial investments at fair value through profit or loss

Specific valuation techniques used to value financial instruments include:
- The use of quoted market prices or dealer quotes for similar instruments (for financial investments at fair value through profit or loss);
- Discounted cash flow analysis (for the remaining financial instruments).

The hierachy for the fair value of financial assets and liabilities is as follows:
- 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, and
- 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 comprehensive 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 comprehensive 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 comprehensive 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 comprehensive 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 with original maturities of three months or less 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. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction 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 options 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 into the Statement of comprehensive income.

The fair value measurement inputs include share price on the 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 the vesting period) and the risk free interest rate (based on government bonds).

The Current Share Scheme is accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Current Share Scheme' (Note 11) and respectively as equity, more specifically share capital and share premium. The accrued interest is recognised as finance income in the Statement of comprehensive income. The Current Share Scheme is a non-recourse scheme (i.e. recourse in relation to loans issued is not limited to shares issued).

3.18 Other reserves

3.18.1 Currency translation reserves

Starting from 1 January 2013, all the companies of the Group have Euro as functional currency for their operations. The currency translation reserve within equity arose prior to 31 December 2012, on the translation of foreign operations that at the time had other functional currencies. The Group did not recognise any subsequent movements to the currency translation reserves.

3.18.2 Accumulated profit

The balance on the Statement of comprehensive income is transferred to accumulated profit at the end of each financial period. Distribution paid in cash are deducted from accumulated profit. Distributions for which shareholders elected to receive a return of capital are accounted for as an issue of share capital with a corresponding deduction 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 comprehensive 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

A 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 30.

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 comprehensive 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 tax accrued in the subsidiaries of the Group located in Romania, Serbia, Slovakia, Czech Republic and Croatia.

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 executive directors 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.

Financial information in respect of investment property is provided to the Board of Directors: 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 four reportable operating segments:

- Retail segment: acquires, develops and leases retail properties in Romania, Slovakia, Czech Republic, Serbia and Croatia;
- Office segment: acquires, develops and leases office properties in Romania and Slovakia;
- Industrial segment: acquires, develops and leases industrial facilities in Romania, and
- Corporate segment: head office and Group financing expenses.

The properties have been aggregated into four reportable segments (retail, office, industrial and corporate) as each of these segments have specific revenue streams, different operational reporting cycles across the Group's portfolio, separate operational teams including technical, leasing, property and facility management.

The Group also reports by geographic segments, currently Romania, Serbia, Slovakia, Czech Republic, Croatia and a "Holding" segment which includes Isle of Man and The Netherlands.

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 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 comprehensive 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.

3.29 Investment property acquisitions and business combinations

For each acquisition, management considers if a business exists, more specifically if inputs, significant processes and outputs exist. The inputs are represented by the properties. The outputs are the leases from which rental income is generated. In terms of processes, management considers if they exist and if they are substantive. Processes such as lease management, selection of tenants, marketing decisions, investment decisions, are seen as substantive processes that are indicative of the fact that a business combination exists. In assessing whether a transaction is a business combination, management looks at what has been acquired, rather than the Group's subsequent intentions. A transaction is still accounted for as a business combination, even if the Group is interested mostly in the assets that exist within the business acquired, whereas the processes and management within the business are disregarded or integrated within the existing structure.

For acquisitions or business combinations, the fair value of the net assets acquired is compared to the consideration transferred. If the fair value of net assets acquired is lower, the difference is recorded as goodwill. If the consideration is lower, the difference is recognised directly in the income statement.

If an acquisition does not qualify as a business combination, the purchase price is allocated to the individual assets and liabilities. Goodwill or deferred taxes are not recognised.

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 comprehensive income. Acquisition accounting is finalised when the Group has gathered all the necessary information, which must occur within 12 months of the acquisition date. There are no exemptions from the 12-month rule for deferred tax assets or changes in the contingent consideration.

Transactions with non-controlling interests, where control is maintained, are accounted for as transactions within equity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in the accumulated profit reserve.

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 standards and amendments which have been applied by the Group for the first time for the reporting period commencing 1 January 2016.

Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
Annual improvements to IFRSs 2012 – 2014 cycle, and
Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

For certain notes, such as the Investment Property, Goodwill and Corporate Tax Charge and Deferred Taxes, disclosures (including comparatives) have been revised to increase the readability and understandability of the financial statements, including comparatives. No changes were made to the comparatives included in the Statement of Financial Position or Statement of Comprehensive Income.

3.31 Standards issued but not yet effective and not early adopted

IFRS 9 Financial instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements. The group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. This change has no impact on the Group's financial position or performance.

IFRS 16, Leases (issued on 13 January 2016 and effective for the periods beginning on or after 1 January 2019)

For lessees, it will result in almost all leases being recognised in the Statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will comply with this disclosure in the 2017 financial statements.

There are no other standards and interpretations that are not yet effective and that would be expected to have an impact on the Group's financial position or performance.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group's management discusses with the Audit 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 which are considered 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 international valuers as at 30 June and 31 December each year. 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 the existing vacancies. The value of long-term vacancies is estimated based on the properties' 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 8% and 11.75% (2015: 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 3.29.

5. INVESTMENT IN SUBSIDIARIES AND JOINT-VENTURES

The Company has direct investments and indirect holdings in other Group companies that were included in the consolidated financial statements, and are detailed below:

No.	Subsidiary/ joint-venture	Incorporation/date became subsidiary or joint-venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2016	Immediate parent investment 31 Dec 2015
1	Arena Zagreb Center d.o.o.	2006/ Nov 2016	Croatia	Property-owning	Indirect	100	54,630	-
2	AUPARK Kosice SC, s.r.o.	Nov 2008/Dec 2014	Slovakia	Services	Indirect	100	2,735	1,935
3	AUPARK Kosice, spol. s.r.o.	Jan 2004/Dec 2014	Slovakia	Property-owning	Indirect	100	10,167	9,567
4	AUPARK Piestany SC, s.r.o.	Nov 2008/ Aug 2016	Slovakia	Services	Indirect	100	16,015	-
5	AUPARK Piestany, spol. s.r.o.	Apr 2004/ Aug 2016	Slovakia	Property-owning	Indirect	100	2,194	-
6	AUPARK Tower Kosice, s.r.o.	Nov 2008/Dec 2014	Slovakia	Property-owning	Indirect	100	3,401	3,401
7	AUPARK Žilina SC a.s.	Oct 2008/ Aug 2013	Slovakia	Services	Indirect	100	900	500
8	AUPARK Žilina spol. s.r.o.	Dec 2003/ Aug 2013	Slovakia	Property-owning	Indirect	100	16,963	16,963
9	Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
10	Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	Indirect	100	8,300	8,300
11	Bel Rom Trei SRL	Aug 2008/ Mar 2016	Romania	Property-owning	Indirect	100	6,637	-
12	Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	Indirect	100	2	2
13	Cluj Business Centre SRL **	Jul 2012	Romania	Property-owning	Indirect	50	*	*
14	Degi Titan SRL	Apr 2005/Jul 2015	Romania	Property-owning	Indirect	100	43,078	43,078
15	E-Power Supply s.r.o.	Nov 2015	Slovakia	Services	Indirect	100	55	5
16	ELJ Vatra SRL	Feb 2007/ Aug 2013	Romania	Property-owning	Indirect	100	10,000	1
17	Everest Investitii si Consultanta SRL	Feb 2005/ Nov 2013	Romania	Property-owning	Indirect	100	28,975	28,362
18	FDC Braila B.V.	Sep 2009	Netherlands	Holding	Indirect	100	7,875	7,875
19	Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	Indirect	100	*	*
20	Floreasca City Center SRL	Oct 2005/Oct 2014	Romania	Property-owning	Indirect	100	67,349	38,952
21	Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	Indirect	100	27,044	27,044
22	FORUM Usti s.r.o.	Jan 2005/ Feb 2016	Czech Republic	Property-owning	Indirect	100	37,840	-
23	Galati Shopping City SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
24	General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	Indirect	100	1,402	1,402
25	General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	Indirect	100	19,708	19,708
26	Ingen Europe B.V.	Dec 2010	Netherlands	Holding	Indirect	100	18,273	18,273
27	INLOGIS VI s.r.o.	Jun 2011/Dec 2014	Slovakia	Property-owning	Indirect	100	7,245	6,545
28	Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	Indirect	100	13,529	13,529
29	Marketing Advisers SRL	Apr 2014	Romania	Services	Indirect	100	2	2
30	Mercureal SRL	Jul 2005/ Aug 2013	Romania	Property-owning	Indirect	100	2	2
31	Modatim Business Facility SA	Nov 2015	Romania	Property-owning	Indirect	100	33,214	33,214
32	Nepi Eighteen Property Services SRL	Feb 2016	Romania	Property-owning	Indirect	100	*	-
33	Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	Indirect	100	2	2
34	Nepi Five Property Development SRL	Mar 2013	Romania	Property-owning	Indirect	100	2	2
35	Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	Indirect	100	2	2
36	Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	Direct	100	143,158	54,841
37	Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	Direct	100	10	10
38	Nepi Real Estate Project Three d.o.o.	Oct 2016	Serbia	Property-owning	Indirect	100	*	-
39	Nepi Real estate project two s.r.o.	Aug 2016	Slovakia	Property-owning	Indirect	100	5	-
40	Nepi Real estate project, s.r.o.	Jun 2016	Slovakia	Services	Indirect	100	5	-
41	Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	Indirect	100	2	2
42	Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	Indirect	100	2	2
43	Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	Indirect	100	25	25
44	Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	Indirect	100	2	2

No.	Subsidiary/ joint-venture	Incorporation/date became subsidiary or joint-venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2016	Immediate parent investment 31 Dec 2015
45	NE Property Coöperatief U.A.	Oct 2007	Netherlands	Holding	Indirect	100	701,038	354,561
46	NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	Indirect	100	3,845	3,845
47	NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	Indirect	100	2,756	2,756
48	NEPI Czech Management s.r.o.	Sep 2016	Czech Republic	Services	Indirect	100	*	-
49	NEPI Investment Management Ltd***	Aug 2007/Jun 2010	Cyprus	Holding	Indirect	100	2	2
50	NEPI Investment Management Ltd (BVI)***	Jul 2007/Jun 2010	British Virgin Islands	Holding	Direct	100	6,826	6,826
51	NEPI Investment Management SRL	Jun 2010	Romania	Services	Indirect	100	7,280	7,280
52	NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	Indirect	100	10	10
53	NEPI Real Estate Project One d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	2	-
54	NEPI Real Estate Project Two d.o.o.	Jan 2016	Serbia	Property-owning	Indirect	100	2	-
55	NEPI Six Development SRL	May 2012	Romania	Property-owning	Indirect	100	2	2
56	NEPI Slovakia Management s.r.o.	Jun 2013/ Aug 2013	Slovakia	Services	Indirect	100	335	335
57	NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
58	NEPIOM Ltd	Sep 2012	Isle of Man	Services	Direct	100	78,553	78,553
59	NRE Sibiu Shopping City SRL	Jan 2007/ Mar 2016	Romania	Property-owning	Indirect	100	35,377	-
60	New Energy Management SRL	Jan 2014	Romania	Services	Indirect	100	2	2
61	New Europe Property (BVI) Ltd	Jul 2007	British Virgin Islands	Holding	Direct	100	*	*
62	Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	Indirect	100	1,807	1,807
63	Ploiesti Shopping City SRL **	Dec 2010/Feb 2012	Romania	Property-owning	Indirect	50	2,927	2,927
64	Ramnicu Valcea Shopping City SRL (previously named Satu Mare Real Estate Investment SRL)	Aug 2014	Romania	Property-owning	Indirect	100	14	14
65	Real Estate Asset Management SRL	Jul 2014	Romania	Services	Indirect	100	2	2
66	Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	Indirect	100	4,010	4,010
67	SCP s.r.o.	Apr 2006/ Jul 2016	Slovakia	Property-owning	Indirect	100	17,472	-
68	SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	Indirect	100	18,573	18,573
69	Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	Indirect	100	8,002	2
70	Shopping City Piatra Neamt SRL (previously named Nepi Fourteen Management Solutions SRL)	Jan 2014	Romania	Property-owning	Indirect	100	2	2
71	Shopping City Timisoara SRL (previously named NEPI Seven Business Management SRL)	Jun 2012	Romania	Property-owning	Indirect	100	2	2
72	Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	Indirect	100	11	*
73	Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
74	Targu Mures Shopping City SRL	Feb 2016	Romania	Property-owning	Indirect	100	*	-
75	Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	Indirect	100	12,324	1,324
76	Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	Indirect	100	15,456	3,456
77	Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	Indirect	100	4,795	4,795
78	Vulcan Value Centre SRL	Apr 2012/ Sep 2013	Romania	Property-owning	Indirect	100	5,002	5,002

* Less than €1,000
** Joint-venture companies
*** Dormant companies

The Company's investments in subsidiaries, being the total of direct investments shown in the table above, amount to EUR 228,547 thousand (2015: EUR 140,230 thousand).

The Company has given loans of € 1,548,505 thousand to NEPIOM Limited (31 December 2015: € 1,422,891 thousand). Accrued interest on the loans amounted to € 8,098 thousand (31 December 2015: € 5,622 thousand).

In July 2016, NEPI purchased the 30% interest in ELJ Vatra SRL, the subsidiary which operates Mega Mall in Bucharest, Romania. The Group now owns 100% of ELJ Vatra SRL and control existed before and after this transaction. Therefore, this was treated as a transaction between owners and shown in equity, on the Acquisition of non-controlling interest line. The total non-controlling interest for the period is loss of € 2,316 thousand (2015: profit of € 7,427 thousand).

Total consideration paid	24,500
Less loans settled	1,689
Less carrying amount of non-controling interest	687
Difference charged to retained earnings	22,124

The interest income from loans granted to subsidiaries is presented in Note 29.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks due to 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 its 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 Risk Committee. This 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 with regard to the risks faced.

The Group's policies are established to identify and analyse the risks it may encounter by performing its activities, 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 Group activities.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of Financial Position, except for the bonds. The fair value of bonds is not considered relevant, as the Group does not repurchase its own bonds, and, essentially, its liability towards bonds holders does not vary in line with the market price of its listed notes. However, for referance, as at 31 December 2016, the bonds were trading on the market at 106% (31 December 2015: 99%).

Most bank loans have been renegociated close to year end.

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 2016**	**Group 31 Dec 2015**	**Company 31 Dec 2016**	**Company 31 Dec 2015**
Loans granted to subsidiaries	5	–	–	1,556,603	1,428,513
Loans granted to joint-ventures	33	31,015	36,674	–	–
Trade and other receivables	14	40,539	54,487	15,757	49,849
Cash and cash equivalents	15	48,020	326,610	402	1,008
TOTAL		**119,574**	**417,771**	**1,572,762**	**1,479,370**

The balance of 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).

As at 31 December 2016 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. 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. When monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, the industry they work in, business size and previous financial difficulties.

The exposure to credit risk is mainly influenced by the tenant's individual characteristics. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants (large international and national tenants; large listed tenants; government and major franchisees and companies with assets and/or turnovers exceeding €200 million), but there is no concentration of credit risk with respect to trade debtors.

Management has established a credit policy where new customers are analysed individually for creditworthiness before standard payment terms and conditions are offered. When available the evaluation includes external ratings.
The Group establishes an allowance for impairment based on its estimate of incurred losses in respect of trade and other receivables and investments. The allowance's main element is a specific loss component that relates to individually significant exposures. The carrying value of financial assets approximates their fair value.

Ageing of trade receivables/past due but not impaired	**Group 31 Dec 2016**	**Group 31 Dec 2015**
Receivables not due	**15,883**	**9,322**
Receivables past due but not impaired	**4,409**	**4,992**
Under 30 days	3,720	3,322
30–60 days	245	454
60–90 days	93	391
Over 90 days	351	825
TOTAL TENANTS RECEIVABLES (NOTE 14)	**20,292**	**14,314**

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

The Group assessed its receivables for impairment and concluded that an amount of €1,160 thousand has been reconsidered and is likely to be recovered from tenants in respect of current period revenues: therefore a reversal of allowance for doubtful debts was charged to the Statement of comprehensive income. As at 31 December 2015, an allowance for doubtful debts was charged to the Statement of comprehensive income of €280 thousand, which was considered unlikely to be recovered in respect of 2015 period revenues.

Loans granted to joint-ventures and subsidiaries are not due or impaired.

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 exposure per each bank are constantly monitored. Over 96% of the Group's cash is held with investment grade rated banks.

6.2 Liquidity risk

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

The Group receives rental income on a monthly basis. Typically, the Group ensures 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 loan maturity analysis is made in Note 19.

Group 31 Dec 2016	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Bonds and bank loans	19	51,967	27,189	610,840	44,572	734,568
Tenant deposits	21	201	1,141	-	-	1,342
Financial liabilities at fair value through profit or loss	20	-	-	316	-	316
Trade and other payables	21	14,039	56,155	-	-	70,194
Other long-term liabilities	22				17,403	17,403
TOTAL		**66,207**	**84,485**	**611,156**	**61,975**	**823,823**

Group 31 Dec 2015	Note	under 3 months	3-12 months	1-5 years	over 5 years	Total
Bonds and bank loans	19	4,371	10,327	162,788	392,140	569,626
Tenant deposits	21	54	304	-	-	358
Financial liabilities at fair value through profit or loss	20	-	-	2,149	-	2,149
Trade and other payables	21	12,494	49,975	-	-	62,469
Other long-term liabilities	22	-	-	-	14,988	14,988
TOTAL		**16,919**	**60,606**	**164,937**	**407,128**	**649,590**

6.3 Market risk

Market risk is the risk 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. Changes in market prices can also affect the valuation of the Group's financial investments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. The carrying value of financial assets and liabilities approximates their fair value.

6.3.1 Currency risk

Group's current assets and liabilities are exposed to foreign currency risk on purchases and receivables denominated in Romanian leu (RON), Great British pound sterling (£, GBP), Serbian dinar (RSD), Czech crown (CZK), Croatian kuna (HRK) and South African rand (R, ZAR).

Cash inflows received in other currencies than Euro are converted to Euro using the spot rate available on 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 currencies other than the one cash inflows are received in.

6.3.2 Interest rate risk

The Group is exposed to interest rate risk on loans, borrowings and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 31 December 2016 and 31 December 2015, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Bank loans	278,592	176,212	10,460	183
— Rate capped	174,976	81,346	211	183
— Rate swapped	93,367	94,866	-	-
— Rate variable	10,249	-	10,249	-

Sensitivity analysis for interest bearing financial instruments

A change of 100 Basis Points (bps) in interest rates would have increased/(decreased) equity and profit for the year as shown below. 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 change over the year, therefore the calculations are not representative for the year as a whole. This analysis assumes that all other variables, particularly foreign currency rates, remain constant.

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

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Loans to participants in Current Share Scheme (including accrued interest)	12,753	16,090	12,753	16,090
Loans and borrowings (variable or capped rate)	(185,225)	(81,346)	(10,460)	(183)
TOTAL	**(172,472)**	**(65,256)**	**2,293**	**15,907**

Group 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	128	(128)	128	(128)
Loans and borrowings (variable or capped rate)	(1,852)	1,852	(1,852)	1,852
TOTAL	(1,724)	1,724	(1,724)	1,724

Group 31 Dec 2015	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	161	(161)	161	(161)
Loans and borrowings (variable or capped rate)	(813)	813	(813)	813
TOTAL	(652)	652	(652)	652

Company 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	128	(128)	128	(128)
Loans and borrowings (variable or capped rate)	-	-	-	-
TOTAL	**128**	**(128)**	**128**	**(128)**

Company 31 Dec 2015	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme (including accrued interest)	161	(161)	161	(161)
Loans and borrowings (variable or capped rate)	(2)	2	(2)	2
TOTAL	**159**	**(159)**	**159**	**(159)**

6.3.3 Market risk for listed property shares

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 2016. 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.

Group 31 Dec 2016	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments at fair value through profit or loss	190	(190)	190	(190)
TOTAL	190	(190)	190	(190)

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 only provide reasonable, 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, to 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 regularly, including explanations of variances between actual and budgeted performance, and
- Systems of control procedures and delegated authority: clearly defined guidelines and approval limits exist 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 it complies with 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 2016 and 31 December 2015.

Capital is primarily monitored using the gearing ratio, computed as interest bearing debt less cash divided by investment property and listed property shares, which increased to 27% (31 December 2015: 14%).

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 business development. The Board of Directors also monitors the level of distributions to shareholders. Neither the Company, nor its subsidiaries, are subject to externally imposed capital requirements.

The Group will retain comfortable levels of access to liquidity to finance the Group's development pipeline and to pursue further investment opportunities.

9 INVESTMENT PROPERTY IN USE

Movement in investment property at fair value	**Group 31 Dec 2016**	**Group 31 Dec 2015**
Carrying value at beginning of year	1,576,019	978,980
Additions from business combinations (Note 32)	470,100	287,716
Transferred from Investment property under development (Note 10)	164,959	227,765
Transferred from investment property held for sale as an effect of acquisition of non-controlling interest (Note 16)	1,291	-
Fair value adjustments (Note 28)	158,391	81,894
Investment property reclassified as held for sale (Note 16)	-	(336)
CARRYING VALUE	**2,370,760**	**1,576,019**

Investment property is carried at fair value and is assessed on an semi-annual basis.

The fair value of completed investment property is determined using the discounted cash flow method (DCF), with 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 onto a real property interest. To these projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of cash inflows associated with the real property.

The duration of 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, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission fees, and other operating and management expenses. The series of periodic net cash inflows, combined with the estimated terminal value anticipated at the end of the projection period, is then discounted.

For the year ended 31 December 2016 the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield and for the year ended 31 December 2015, the Group commissioned independent year-end appraisal reports on its investment property from DTZ Echinox Consulting and Jones Lang LaSalle, all members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these. The Group's investment property is classified Level Three on the fair value hierarchy as defined in IFRS 13.

For all investment properties, their current use equates to the highest and best use. The Group's Finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and the independent valuers at least twice a year.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

As at 31 December 2016, the investment property at fair value portfolio had a vacancy rate of 2% (31 December 2015: 2.40%).

At the end of the reporting period, the Group's portfolio included retail, office and industrial properties.

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently 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 fair value hierarchy is 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, and
— Level 3: use of a model with inputs not based on observable data.

The Group's investment property is categorised as Level 3. There were no transfers between 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 6.16% and 14.88%. The Group's resulting weighted average net yield was 6.92% for the entire property portfolio (retail: 7.23%; office: 7.72%; industrial: 11.59%).

Based on the year-end valuation net yield of 6.92%, an increase/decrease of 25bps would result in a €89,335 thousand decrease/increase in the Group's property portfolio (2015: net yield of 7.62%, increase of 25bps would have resulted in a €55,938 thousand decrease).

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 detailed below:

Unobservable input	**Impact on fair value of increase in input**
Estimated rental value	Increase
Discount rate	Decrease
Capitalisation rate for terminal value	Decrease

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2016 is presented in the table below:

Segment	**Valuation technique**	**Estimated rental value** (yearly amount in '000 €)	**Discount rate** (%)	**Capitalisation rate for terminal value** (%)
Retail	Discounted cash flow	193 – 19,146 (9,780*)	8.00 – 10.75 (8.75*)	6.50 – 9.50 (7.25*)
Office	Discounted cash flow	1,604 – 7,737 (4,869*)	8.25 – 9.25 (8.75*)	7.00 – 8.00 (7.50*)
Industrial	Discounted cash flow	409 – 1,146 (912*)	9.75 – 11.75 (11.00*)	8.50 – 10.50 (9.75*)

* Amounts or percentages represent weighted averages

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	Group 31 Dec 2016	Group 31 Dec 2015
Carrying value at beginning of year	132,606	193,174
Additions from business combinations (Note 32)	19,000	10,800
Additions from asset deals and construction in progress	162,867	154,186
Fair value adjustments (Note 28)	(5,672)	1,470
Assets which became operational and were transferred to Investment property in use (Note 9)	(164,719)	(227,024)
CARRYING VALUE	**144,082**	**132,606**

Movement in Investment property under development Office	Group 31 Dec 2016	Group 31 Dec 2015
Carrying value at beginning of year	24,135	15,072
Additions from asset deals and construction in progress	12,292	8,985
Fair value adjustments (Note 28)	(4,246)	827
Assets which became operational and were transferred to Investment property in use (Note 9)	(240)	(741)
Investment property under development reclassified as held for sale (Note 16)	(11)	(8)
CARRYING VALUE	**31,930**	**24,135**

Land included in Investment property under development is carried at fair value and is assessed on semi-annual basis. For the year ended 31 December 2016, the Group commissioned independent year-end reports from Cushman&Wakefield, based on which the fair value of investment property was adjusted. For the year ended 31 December 2015, the Group commissioned independent year-end reports from DTZ Echinox Consulting and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level Three on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach.

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

Borrowing costs capitalised in 2016 amount to €5,765 thousand (2015: €7,804 thousand) and were calculated using an average annual interest rate of 3.7% (2015: 3.9%).

Balance of investment property under development	Group 31 Dec 2016	Group 31 Dec 2015
Retail	144,082	132,606
Office	31,930	24,135
TOTAL	**176,012**	**156,741**

The balance of Investment property under development divided by land carried at fair value and additions from construction works held at cost is detailed below.

Investment property under development	Group 31 Dec 2016	Group 31 Dec 2015
Land (at fair value)	145,810	105,982
Construction works (at cost)	30,202	50,759
TOTAL	**176,012**	**156,741**

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Loans to participants in the Current Share Scheme (Note 18)	12,753	16,090	12,753	16,090
Non-current receivables	1,744	1,402	–	–
Property, plant and equipment and intangible assets	802	606	–	–
TOTAL	**15,299**	**18,098**	**12,753**	**16,090**

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Segment	Balance at 1 Jan 2015	Additions	Measurement Period Adjustments	Balance at 31 Dec 2015	Additions	Balance at 31 Dec 2016
Pitesti Retail Park	**Retail**	**1,671**	–	–	**1,671**	–	**1,671**
Floreasca Business Park	**Office**	**1,664**	–	–	**1,664**	–	**1,664**
Internalisation of NEPI Investment Management	**Corporate**	**5,882**	–	–	**5,882**	–	**5,882**
City Business Centre	**Office**	**2,030**	2,717	–	**4,747**	–	**4,747**
The Lakeview	**Office**	**3,899**	–	–	**3,899**	–	**3,899**
Promenada Mall	**Retail**	**2,493**	–	(2,493)	**-**	–	**-**
Aupark Kosice	**Retail**	–	5,189		**5,189**	–	**5,189**
Iris Titan Shopping Center	**Retail**	–	934		**934**	–	**934**
Forum Usti nad Labem	**Retail**	–	–	–	–	5,646	**5,646**
Shopping City Sibiu	**Retail**	–	–	–	–	9,850	**9,850**
Korzo Shopping Centrum	**Retail**	–	–	–	–	2,899	**2,899**
Aupark Piestany	**Retail**	–	–	–	–	2,497	**2 ,497**
Arena Centar	**Retail**	–	–	–	–	13,512	**13,512**
TOTAL		**17,639**	**8,840**	**(2,493)**	**23,986**	**34,404**	**58,390**

During 2015, the opening goodwill balance of Promenada Mall of €2,493 thousand decreased to nil upon finalising the business combination accounting.

No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs, except for Nepi Investment Management, were based on their fair value less costs of disposal. The fair values of the properties were assessed based on reports by external valuers. The external valuations are determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. For more information on the unobservable input used in the external valuation, reference is made to Note 9. The most relevant assumption is the terminal value capitalisation rate.

Goodwill arising as a result of internalisation of NEPI Investment Management is monitored at the level of this subsidiary, which employs part of the Group's key management and charges management fees to property operating companies. The recoverable amount of the CGU was based on its value in use, which requires the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated cash flow of year 5. The discount rate used is 8%.

13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group will retain comfortable levels of access to liquidity, aimed at financing the Group's development pipeline and pursuing further investment opportunities. Depending on the developments and acquisitions pipeline, the management may decide to invest a portion of the cash in highly liquid dividend paying listed property shares.

The fair value of the listed property shares portfolio as at 31 December 2016 was €18,979 thousand (31 December 2015: nil). The securities are held through a contract with Morgan Stanley & Co International PLC which allows the Company to borrow up to 60% of the value of the securities held.

During 2016, financial investments generated €738 thousand in dividends, €369 thousand in capital losses and €355 thousand in realised loss from sale of shares (2015: nil).

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 financial investments are determined based on quoted prices in active markets: therefore, they are classified, from acquisition to disposal date, as Level One on the fair value hierarchy as defined in IFRS 7.

14 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
VAT receivable	16,538	34,964	–	–
Tenant receivables	20,292	14,314	–	–
Other receivables	1,105	3,369	15,700*	49,775*
Prepaid property expenses	2,419	1,739	–	–
Other prepaid fees	185	101	57	74
TOTAL	**40,539**	**54,487**	**15,757**	**49,849**

*includes intercompany receivable balances from other Group companies of €13,227 thousand (31 December 2015: €47,792 thousand).

15 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
EUR	25,105	305,610	142	960
RON*	18,361	17,021	–	–
HRK	3,027	–	–	–
CZK	892	–	–	–
RSD	365	3,931	–	–
ZAR	258	47	251	47
USD	10	–	–	–
GBP	2	1	9	1
TOTAL	**48,020**	**326,610**	**402**	**1,008**

*the majority of cash in RON currency as at 31 Dec 2016 is held for RON denominated payments related to developments

16 INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	Group 31 Dec 2016	Group 31 Dec 2015
Carrying value at beginning of year	25,255	27,360
Additions from investment property in use (Note 9)	–	336
Additions from investment property under development (Note 10)	11	8
Disposals	(3,140)	–
Transferred from investment property held for sale as an effect of acquisition of non-controlling interest (Note 9)	(1,291)	–
Fair value adjustments (Note 28)	(5,310)	(2,449)
CARRYING VALUE	**15,525**	**25,255**

No properties were sold subsequent to the year end, however the Group is engaged in negotiations and is analysing offers received for the remaining balance, and is commited to disposal of the properties classified as held for sale.

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2015	**2,746**	**1,074,310**
— Issued 4,285,745 ordinary shares at €8.46/share*	43	(43)
— Issued 1,351,765 ordinary shares at €9.46/share*	14	(14)
— Issued 14,814,814 ordinary shares at €8.80/share**	148	130,230
— Issue cost recognised to equity	–	(663)
—Interest in order to elect return of capital	–	232
— Re-allocation of shares under Current Share Scheme	–	24
— Sale of shares issued under the Current Share Scheme	14	3,661
— Sale of shares issued under the Initial Share Scheme	21	5,588
CARRIED FORWARD AS AT 31 DECEMBER 2015	**2,986**	**1,213,325**
* The shares were issued in respect of the return of capital: 30 March, 28 September 2015. **The shares were issued as part of the book build: 12 October 2015.		
— Issued 4,123,589 ordinary shares at €9.39/share[1]	41	(41)
— Issued 2,643,019 ordinary shares at €9.38/share[1]	27	(27)
— Issued 16,129,032 ordinary shares at €9.66/share[2]	161	155,729
— Issue cost recognised to equity	–	(888)
— Re-allocation of shares under Current Share Scheme	–	27
— Sale of shares issued under the Initial Share Scheme	–	46
CARRIED FORWARD AS AT 31 DECEMBER 2016	**3,215**	**1,368,171**

[1] The shares were issued in respect of the return of capital: 22 March, 3 October 2016.
[2] The shares were issued as part of the book build: 18 July 2016, of which 7,580,859 ordinary shares were issued pursuant to the general authority to issue shares for cash.

[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, shareholders had the option to receive:

- 17.17 euro cents per share distribution for the six months ended 31 December 2015 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 1.83 new shares for every 100 shares, and
- 18.68 euro cents per share distribution for the six months ended 30 June 2016 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 1.99 new shares for every 100 shares.

Shares were issued from the share premium account.

[2]Book build 13 July 2016

In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 16,129,032 ordinary shares through an accelerated book build process that generated over €156 million in 2016.

The issued share capital figure excludes shares issued under the Initial Share Scheme (set out in Note 18) but includes the shares sold by the participants in the Initial Share Scheme to other investors, and those issued under the Current Share Scheme.

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

18 SHARE-BASED PAYMENTS

The Company issued shares to 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 shareholders on 3 May 2011 (the Current Share Scheme; collectively, the Initial Share Scheme and Current Share Scheme are defined as share purchase schemes).

Share purchase schemes align the interests of executive directors and key individuals with those of the shareholders. The Company achieves this by granting loans to participants in the share purchase schemes to buy 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, 20% vest annually.

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

The Company has security interests that ensure the repayment of the principal and interest on the Company's loan to participants. The Company's recourse against participants to the Initial Share Scheme is limited to the shares issued.

Pending repayment of the loan, the distributions on such shares are used to repay loan interest. For shares issued under the Initial Share Scheme, if the share distribution exceeds interest payment then the excess is paid to the participant, if this is not the case then the shortfall must be paid by the participant to the Company. In the Current Share Scheme, any excess distribution after interest payment is used to repay the loan.

The maximum number of shares that can be issued under the share purchase schemes is 15,000,000.

As at 31 December 2016, under the Initial Share Scheme, 7,000 shares remained issued (31 December 2015: 25,000 shares) and loans in amount of €18 thousand are receivable (31 December 2015: €65 thousand).

During 2015 and 2016, no shares were issued under the Current Share Scheme. Loans in amount of €12,753 thousand remained outstanding as of 31 December 2016 (31 December 2015: €16,090 thousand). Refer to Note 11.

Number of shares	**Group 31 Dec 2016**	**Group 31 Dec 2015**
Maximum number of share purchase schemes shares which can be offered for subscription	**15,000,000**	**15,000,000**
Share purchase schemes shares outstanding at the end of the period	2,608,729	3,340,829
Share purchase schemes shares available but unissued	1,095,210	1,095,210

The Initial Share Scheme is accounted for as a share option scheme, equity-settled and with a vesting period of five years. Therefore, the fair value of share-based payment, determined at grant date, is expensed over the vesting period (2016: nil, 2015: €670 thousand) with a corresponding increase in the share-based payment reserve. The interest charged by the Company on the Initial Share Scheme loans is not recognised in the Statement of comprehensive income (2016: €2 thousand; 2015: €89 thousand).
The Initial Share Scheme is fully vested. The accounting policy with respect to the Current Share Scheme is described in Note 3.17.

19 BONDS AND BANK LOANS

In 2015 NEPI was assigned long-term corporate credit ratings of Baa3 (stable outlook) from Moody's Investors Service ("Moody's") and BBB- (stable outlook) from Standard & Poor's Rating Services ("S&P"). In December 2016 S&P changed the outlook from stable to positive.

Following the investment grade credit rating obtained in 2015, NEPI successfully issued €400,000 thousand unsecured bonds. Of the proceeds, €259,000 thousand were used for refinancing existing debt, while the balance was used to finance the acquisitions and developments pipeline. The Group also extended and improved the funding terms on its most attractive debt facilities, including Aupark Zilina and the unsecured committed revolving credit facility from Raiffeisen Bank International.

As at year-end, the Group has undrawn amounts of €35,000 thousand from the unsecured revolving credit facility and of €10,000 thousand from the Aupark Zilina term loan agreement.

The repayment profile for outstanding loans, excluding future interest, is detailed below. In addition to these loans, the Group has loans and borrowings related to its joint-ventures.

The debt's average interest rate, including hedging costs, was approximately 3.7% during 2016, down from 3.9% in 2015, due to contracting new debt at lower rates and decreasing the interest margin on the existing debt. As at 31 December 2016, the Group was fully hedged against EURIBOR based interest rate movements, with 62% of the base interest rate being hedged with interest rate caps and 38% with interest rate swaps.

NEPI has complied with the financial covenants of its borrowing facilities during 2016 and 2015.

Interest bearing borrowings Group, 31 Dec 2016	**Type**	**Payable in less than 1 year**	**Payable in 1–5 years**	**Payable over 5 years**	**Total**
NE Property Cooperatief UA	Fixed coupon bonds	-	400,000	-	400,000
NE Property Cooperatief UA	Fixed coupon bonds	50,000	-	-	50,000
NE Property Cooperatief UA	Revolving facility	-	95,000	-	95,000
New Europe Property Investments plc	Revolving facility	10,249	-	-	10,249
Aupark Kosice Mall & Tower	Term loan	5,526	93,947	-	99,473
Aupark Zilina	Term loan	1,945	8,483	44,572	55,000
Aupark Piestany	Term loan	396	19,107	-	19,503
Accrued interest on loans and deferred loan costs		(117)	(516)	-	(633)
Accrued interest on bonds		12,852	-	-	12,852
Deferred bond costs		(1,366)	(4,216)	-	(5,582)
Issue discount on bonds		(329)	(965)	-	(1,294)
Total		**79,156**	**610,840**	**44,572**	**734,568**

Interest bearing borrowings Group, 31 Dec 2015	**Type**	**Payable in less than 1 year**	**Payable in 1–5 years**	**Payable over 5 years**	**Total**
NE Property Cooperatief UA	Fixed coupon bonds	–	–	400,000	400,000
Aupark Kosice Mall & Tower	Term loan	5,526	74,617	–	80,143
Floreasca Business Park	Term loan	3,920	43,867	–	47,787
Aupark Zilina	Term loan	3,557	43,858	–	47,415
Accrued interest on loans and deferred loan costs		421	446	–	867
Accrued interest on bonds		1,274	–	–	1,274
Deferred bond costs		–	–	(6,260)	(6,260)
Debt discount on bonds		–	–	(1,600)	(1,600)
Total		**14,698**	**162,788**	**392,140**	**569,626**

Aupark Zilina – VUB Banka loan
At the acquisition of Aupark Zilina in 2013, the Group took over two investment loans from Vseobecna Uverova Banka (VUB), which were renegotiated in 2015 for a margin reduction and an extension of maturity. In November 2016 the Group renegotiated the contract and further decreased the margin, to extend the loan period until December 2022 and increased the loan amount to €65,000 thousands.
Security
— General security over the land and building (fair value as at 31 December 2016 of €116,200 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Zilina.
Covenants
— Debt service cover ratio of minimum 120%, and
— Loan to value ratio of maximum 70%.

Aupark Kosice - Tatra banka, a.s. and Ceskoslovenska obchodna banka, a.s.
In December 2014, the Group acquired Aupark Kosice Shopping Centre and Aupark Office Tower Kosice, and in December 2015 successfully refinanced the loan facilities from Tatra Banka and Ceskoslovenska Banka in a total amount of €105,000 thousand. The loans mature on 30 September 2020 and are payable in quarterly instalments.
Security
— General security over the land and buildings (total fair value as at 31 December 2016 of €174,685 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Kosice Shopping Centre and Aupark Office Tower Kosice
Covenants
— Debt service cover ratio of minimum 120%, and
— Loan to value of maximum 70% for 2016, and 65% thereafter.

Aupark Piešťany, spol. s r.o. and Aupark Piešťany SC, s.r.o. - Komerční banka, a. s.
In September 2016, the Group acquired Aupark Shopping Center Piešťany and took over the debt agreement from Komerční banka, a. s. with an outstanding amount of €19,602 thousand, which matures in March 2021.
Security
— General security over the land and building (fair value as at 31 December 2016 of €39,550 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Piešťany, spol. s r.o. and Aupark Piešťany SC, s.r.o.
Covenants
— Debt service cover ratio of minimum 130%, and
— Loan to value ratio of maximum 62.1% on the first measurement date (14 March 2017).

NE Property Cooperatief (fixed coupon bonds)
In 2015, the Group successfully issued 400,000 thousand of unsecured, 5.25 year Eurobonds. The bonds mature on 26 February 2021 and carry a 3.750% fixed coupon, with an issue price of 99.597%.
Covenants
— Solvency Ratio (Debt/Assets) of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief - Raiffeisen Bank International revolving facility
In 2014, Raiffeisen Bank International underwrote a €80,000 thousand, unsecured revolving credit facility. In October 2016 the availability was extended until December 2018 and the facility amount increased to €130,000 thousand.
Covenants
— Solvency Ratio of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief (fixed coupon bonds) - private placement
In October 2016, the Group issued €50,000 thousand of unsecured private Eurobonds. The bonds mature on 27 February 2017.
Covenants
— Solvency Ratio of maximum 0.60,
— Consolidated Coverage Ratio of minimum 2:1, and
— Unsecured Consolidated Total Assets of minimum 180% of Unsecured Consolidated Total Indebtedness.

New Europe Property Investment plc - Morgan Stanley revolving facility
Morgan Stanley provided a €10,300 thousand revolving facility, collateralised with the Financial Investments at fair value through profit or loss. Morgan Stanley reserves the right to redeem the debt anytime.

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

The Group uses derivative instruments to hedge variable interest rate (Euribor) exposure. Their fair value is summarised below.

	Group 31 Dec 2016	Group 31 Dec 2015
Financial assets (Caps)		
— Company	671	2,236
— Subsidiaries	6	46
TOTAL FINANCIAL ASSETS	**677**	**2,282**
Financial liabilities (Swaps)		
— Company	316	2,149
— Subsidiaries	–	–
TOTAL FINANCIAL LIABILITIES	**316**	**2,149**

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 IFRS 7.

21 TRADE AND OTHER PAYABLES

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Advances from tenants	22,619	14,930	–	–
Payable for assets under construction	18,960	12,473	–	–
Property related payables	16,374	11,911	–	–
Deferred consideration on business combinations*	9,630	21,286	–	–
Accrued administrative expenses	2,611	1,869	1,276	572
Tenant deposits	1,342	358	–	–
TOTAL	**71,536**	**62,827**	**1,276**	**572**

*Out of the balance of €21,286 thousand as at 31 Dec 2015, a portion of €10,290 thousand relating to City Business Centre and a portion of €1,299 thousand relating to City Park were settled during 2016.

22 OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2016	Group 31 Dec 2015
Tenant deposits	15,205	10,919
Other long-term liabilities	-	2,450
Provisions	2,198	1,619
TOTAL	**17,403**	**14,988**

23 CURRENT AND DEFERRED INCOME TAX

	Group 31 Dec 2016	Group 31 Dec 2015
Current tax expense	1,664	–
Deferred tax expense	34,808	13,979
TAX EXPENSE	**36,472**	**13,979**
Deferred tax brought forward	89,652	57,517
Deferred tax acquired in business combinations (Note 32)	34,404	18,156
DEFERRED TAX LIABILITY CARRIED FORWARD	**158,864**	**89,652**

Deferred tax liability results from the following types of differences:

	Group 31 Dec 2016	Group 31 Dec 2015
Fiscal losses	185,204	207,214
Deferred tax asset	**30,310**	**33,700**
Temporary differences between accounting and fiscal value of investment property	(1,110,121)	(730,446)
Deferred tax liability	**(189,174)**	**(123,352)**
NET DEFERRED TAX LIABILITY	**(158,864)**	**(89,652)**

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	Group 31 Dec 2016	Group 31 Dec 2015
Isle of Man	0%	0%
Netherlands	25%[1]	25%[1]
Romania	16%	16%
Slovakia	22%[2]	22%
Serbia	15%	15%
Czech Republic	19%	-
Croatia	20%[3]	-

1) The rate applies to taxable profits exceeding EUR 0.2 million; below this amount a 20% tax rate is applicable.
2) As at 1 January 2017, the rate applying to taxable profits in Slovakia has been reduced from 22% to 21%. The reduced tax rate of 21% is considered for computation of deferred tax balance as of 31 December 2016.
3) As at 1 January 2017, the rate applying to taxable profits in Croatia has been reduced from 20% to 18%. The reduced tax rate of 18% is considered for computation of deferred tax balance as of 31 December 2016.

Reconciliation between applicable and effective tax rate

The reconciliation between the tax expense and the Group's gross accounting profit multiplied by the Company's income tax rate for the year ended 31 December 2016 and the year ended 31 December 2015 is as follows:

	31-Dec-2016	31-Dec-15
Group profit before taxation	269,124	179,804
At Company's income tax rate 0% (2015: 0%)	-	-
Effect of higher tax rates in foreign jurisdictions:		
Tax in Romania		
- Corporate income tax	(1,325)	-
- Deferred tax expense for taxable temporary differences (net)	(24,244)	(11,260)
Tax in Slovakia		
- Corporate income tax	(333)	-
- Deferred tax expense for taxable temporary differences (net)	(8,304)	(2,613)
Tax in Serbia		
- Corporate income tax	-	-
- Deferred tax expense for taxable temporary differences (net)	(1,201)	(106)
Tax in Czech Republic		
- Corporate income tax	(6)	-
- Deferred tax expense for taxable temporary differences (net)	(147)	-
Tax in Croatia		
- Corporate income tax	-	-
- Deferred tax expense for taxable temporary differences (net)	(912)	-
Tax in the Netherlands	-	-
- Corporate income tax	-	-
Tax expense reported in the income statement	**(36,472)**	**(13,979)**
Effective tax rate	***13.55%***	***7.77%***

Deferred tax liability (net)	*Consolidated statement of financial position* 31-Dec-16	31-Dec-15	*Consolidated statement of comprehensive income* 31-Dec-16	31-Dec-15
Sub-total: Romania	***(101,606)***	***(67,555)***	***(24,200)***	***(12,372)***
Acquired under business combinations during the year (note 32)	(9,850)	(6,967)	-	-
Recognised unused tax losses	*413*	*1,812*	-	-
Deferred tax liability	*(10,263)*	*(8,779)*	-	-
Balance in relation to existing investment property at fair value	(117,254)	(90,476)	(17,998)	(28,743)
Recognised unused tax losses	25,498	29,888	(6,202)	16,371
Sub-total: Slovakia	***(35,530)***	***(21,783)***	***(8,348)***	***(2,613)***
Acquired under business combinations during the year (note 32)	(5,440)	(11,189)	-	-
Recognised unused tax losses	*628*	*638*	-	-
Deferred tax liability	*(6,068)*	*(11,827)*	-	-
Balance in relation to existing investment property at fair value	(30,948)	(11,956)	(7,206)	(3,975)
Recognised unused tax losses	858	1,362	(1,142)	1,362
Sub-total: Serbia	***(1,511)***	***(314)***	***(1,201)***	***1,006***
Balance in relation to existing investment property at fair value	(1,511)	(314)	(1,201)	1,006
Recognised unused tax losses	-	-	-	-
Sub-total: Czech Republic	***(5,793)***	**-**	***(147)***	**-**
Acquired under business combinations during the year (note 32)	(5,646)	**-**	-	-
Recognised unused tax losses	-	-	-	-
Deferred tax liability	*(5,646)*	-	-	-
Balance in relation to existing investment property at fair value	(147)	-	(147)	-
Recognised unused tax losses	-	-	-	-
Sub-total: Croatia	***(14,424)***	**-**	***(912)***	**-**
Acquired under business combinations during the year (note 32)	(13,512)	-	-	-
Recognised unused tax losses	*2,912*	-	-	-
Deferred tax liability	*(16,424)*	-	-	-
Balance in relation to existing investment property at fair value	(912)	-	(912)	-
Recognised unused tax losses	-	-	-	-
Total	**(158,864)**	**(89,652)**	**(34,808)**	**(13,979)**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €189,520 thousand (31 December 2015: €211,246 thousand), out of which € 161,946 thousand (31 December 2015: €198,122 thousand) are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose, and €27,574 thousand (31 December 2015: €13,124 thousand) are available for up to three years to offset against any 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 recognisable deferred tax assets, based on the likely timing and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €4,316 thousand (31 December 2015: €4,032 thousand) 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 2016 is the net effect of deferred tax assets resulted from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

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 2016	Group 31 Dec 2015
Adjusted Net Asset Value	**1,920,996**	**1,566,199**
— Net Asset Value per the Statement of financial position	1,814,552	1,496,550
— Loans in respect of the Initial Share Scheme (Note 18)	18	64
— Deferred tax liabilities	158,864	89,652
— Goodwill	(58,390)	(23,986)
— Deferred tax liabilities for joint-ventures	5,952	3,919
Net Asset Value per share (euro)	5.64	5.01
Adjusted Net Asset Value per share (euro)	5.98	5.25
Number of shares for Net Asset Value per share purposes (Note 30)	321,479,204	298,565,564
Number of shares for Adjusted Net Asset Value per share purposes (Note 30)	321,486,204	298,590,564

25 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2016	Group 31 Dec 2015
Rent	147,454	106,388
Service charge recoveries	32,751	23,208
Other recoveries	29,685	19,203
Revenues from rent and recoveries	**209,890**	**148,799**
Property management, tax, insurance and utilities	(38,119)	(26,900)
Property maintenance cost	(25,395)	(16,920)
Provisions and allowances for doubtful debts	(844)	(912)
Property operating expenses	**(64,358)**	**(44,732)**
TOTAL	**145,532**	**104,067**

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

	Group 31 Dec 2016	Group 31 Dec 2015
No later than 1 year	171,536	122,852
Later than 1 year and not later than 5 years	438,508	333,988
Later than 5 years	294,721	248,614
TOTAL	**904,765**	**705,454**

26 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Staff costs*	(3,851)	(2,138)	–	–
Directors' remuneration (Note 36)	(1,082)	(1,237)	(930)	(1,151)
Audit and advisory services	(2,055)	(1,930)	(1,115)	(76)
Travel and accommodation	(520)	(540)	(403)	(174)
Companies administration	(461)	(561)	(479)	(42)
Stock exchange expenses	(217)	(289)	(217)	(289)
TOTAL	**(8,186)**	**(6,695)**	**(3,144)**	**(1,732)**

* Staff costs capitalised as investment property under development in 2016 amount to €2,014 thousand (2015: €1,577 thousand).

27 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Fees for finalised acquisitions	(2,794)	(742)	–	(8)
Fees for ongoing acquisitions	(1,249)	(180)	–	–
Fees for terminated acquisitions	(296)	(11)	–	–
TOTAL	**(4,339)**	**(933)**	–	**(8)**

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2016	Group 31 Dec 2015
Fair value adjustments of investment property in use (Note 9)	158,391	81,894
Fair value adjustments of investment property under development (Note 10)	(9,918)	2,297
Fair value adjustments of investment property held for sale (Note 16)	(5,310)	(2,449)
TOTAL	**143,163**	**81,742**

29 NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2016	Group 31 Dec 2015	Company 31 Dec 2016	Company 31 Dec 2015
Interest income on loans granted	3,650	4,458	–	–
Interest on Current Share Scheme loans	529	860	529	860
Interest income on bank deposits	592	636	3	44
Interest income from subsidiaries	–	–	30,013	27,003
Interest and penalties on receivables	13	1,659		
Other finance income from subsidiaries	–	–	50,388	43,194
Finance income	**4,784**	**7,613**	**80,933**	**71,101**
Interest expense on financial liabilities measured at amortised cost	(6,158)	(13,340)	(2,107)	(1,934)
Interest expense capitalised on developments	5,765	7,804	–	–
Bonds coupon	(15,194)	(1,274)	–	–
Amortisation of bonds borrowings costs	(1,287)	(557)	–	–
Amortisation of discount on bond issues	(307)	(12)	–	–
Bank charges	(662)	(1,150)	(15)	(80)
Finance expense	**(17,843)**	**(8,529)**	**(2,122)**	**(2,014)**
TOTAL	**(13,059)**	**(916)**	**78,811**	**69,087**

30 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2016 was based on the profit attributable to ordinary equity holders of €234,968 thousand (31 December 2015: €158,398 thousand) and the weighted average of 309,760,628 (31 December 2015: 284,461,222) ordinary shares in issue during the year, excluding shares issued under the Initial Share Scheme.

The calculation of diluted earnings per share for the year ended 31 December 2016 was based on the profit attributable to ordinary equity holders of €234,968 thousand (31 December 2015: €158,398 thousand) and the weighted average of 309,778,913 (31 December 2015: 285,813,260) ordinary shares in issue during the year, including shares issued under the Initial Share Scheme.

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

2016	Event	Number of shares	% of period	Weighted average
01/01/16	Opening balance	298,565,564	22	66,257,016
22/03/16	Return of capital	302,689,153	20	59,708,545
02/06/16	Sales of scheme 1 shares	302,700,153	13	38,148,512
18/07/16	Accelerated book build	318,829,185	20	67,259,855
03/10/16	Return of capital	321,472,204	20	63,413,695
14/12/16	Sales of scheme 1 shares	321,479,204	6	14,973,004
31/12/2016	Closing balance			309,760,628

2015	Event	Number of shares	% of period	Weighted average
01/01/15	Opening balance	274,526,188	21	57,318,655
18/03/15	Sales of scheme 1 shares	274,964,515	3	9,064,764
30/03/15	Return of capital	279,250,260	4	10,740,395
13/04/15	Sales of scheme 1 shares	280,213,403	4	12,317,073
29/04/15	Sales of scheme 1 shares	280,307,170	8	21,562,090
27/05/15	Sales of scheme 1 shares	280,534,117	4	12,331,170
12/06/15	Sales of scheme 1 shares	282,367,737	30	83,779,438
28/09/15	Return of capital	283,719,502	4	10,912,289
12/10/15	Accelerated book build	298,534,316	12	35,266,416
24/11/15	Sales of scheme 1 shares	298,565,564	10	31,168,933
31/12/2015	Closing balance			284,461,222

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

2016	Event	Number of shares	% of period	Weighted average
01/01/16	Opening balance	298,590,564	22	66,262,564
22/03/16	Return of capital	302,714,153	32	97,863,754
18/07/16	Accelerated book build	318,843,185	22	67,262,809
03/10/16	Return of capital	321,486,204	24	78,389,787
31/12/2016	Closing balance	321,486,204		309,778,913

2015	Event	Number of shares	% of period	Weighted average
01/01/15	Opening balance	278,138,240	24	67,242,212
30/03/15	Return of capital	282,423,985	50	141,211,993
28/09/15	Return of capital	283,775,750	4	10,914,452
12/10/15	Accelerated book build	298,590,564	22	66,444,604
31/12/2015	Closing balance	298,590,564		285,813,260

31 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2016 was based on headline earnings of €110,644 thousand (31 December 2015: €84,097 thousand) and the weighted average of 309,760,628 ordinary shares in issue during 2016 (2015: 284,461,222), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the year to headline earnings	**Group 31 Dec 2016**	**Group 31 Dec 2015**
Profit for the year attributable to equity holders	234,968	158,398
Fair value adjustments of investment property in use (Note 28)	(143,163)	(81,742)
Loss on disposal of investment property held for sale	485	–
Total tax effects of adjustments	24,446	14,333
Fair value adjustment of investment property for joint-ventures	(7,252)	(8,204)
Total tax effects of adjustments for joint-ventures	1,160	1,312
HEADLINE EARNINGS	**110,644**	**84,097**
Weighted average number of shares in issue	309,760,628	284,461,222
Diluted weighted average number of shares in issue	309,778,913	285,813,260
Headline earnings per share (euro cents)	35.72	29.56
Diluted headline earnings per share (euro cents)	35.72	29.42

32 BUSINESS COMBINATIONS

During 2016, the Group acquired retail assets in Romania, Czech Republic, Slovakia and Croatia. In all cases, 100% of equity interests was acquired. For further details see Note 12.

Forum Usti nad Labem

The Group acquired Forum Usti nad Labem, a regional mall with 27,800m^2 of Gross Leasable Area (GLA), located in Usti nad Labem, one of the largest cities in the Czech Republic. It was opened in 2009. The transaction effective date was 29 February 2016, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	82,600
Current assets*	4,546
Current liabilities	(3,371)
Deferred tax liabilities	(5,646)
Total identifiable net assets at fair value	**78,129**
Goodwill arising on acquisition	5,646
Total consideration paid in cash	**83,775**

**out of which cash in the subsidiary acquired in the transaction amounts to €3,888 thousand*

Shopping City Sibiu

The Group acquired Shopping City Sibiu, a 78,200m² GLA shopping mall, located in Sibiu, Romania. The mall is the region's main shopping destination and it was opened in 2006. The transaction effective date was 31 March 2016, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	100,000
Current assets*	2,950
Current liabilities	(5,495)
Deferred tax liabilities	(9,850)
Total identifiable net assets at fair value	**87,605**
Goodwill arising on acquisition	9,850
Total consideration payable	**97,455**
Contingent consideration	(1,000)
Total consideration paid in cash	**96,455**

**out of which cash in the subsidiaries acquired in the transaction amounts to €2,272 thousand*

Korzo Shopping Centrum

The Group acquired the 16,100m² GLA Korzo Shopping Centrum, the main shopping centre in Prievidza, Slovakia. The centre is part of a larger retail park and it was opened in 2010. The transaction effective date was 19 July 2016, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	29,500
Current assets*	966
Current liabilities	(1,132)
Deferred tax liabilities	(2,899)
Total identifiable net assets at fair value	**26,435**
Goodwill arising on acquisition	2,899
Total consideration payable	**29,334**
Receivable from sellers	126
Total consideration paid in cash	**29,460**

**out of which cash in the subsidiary acquired in the transaction amounts to €966 thousand*

Aupark Shopping Center Piestany

The Group acquired the 10,300m² GLA Aupark Shopping Center, the main shopping centre in Piestany, Slovakia's main resort and spa centre. It was opened for trading in 2010. The transaction effective date was 31 August 2016, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property	39,500
Current assets*	11,325
Current liabilities	(12,535)
Non-current liabilities	(20,080)
Deferred tax liabilities	(2,497)
Total identifiable net assets at fair value	**15,713**
Goodwill arising on acquisition	2,497
Total consideration paid in cash	**18,210**

**out of which cash in the subsidiaries acquired in the transaction amounts to €854 thousand*

Arena Centar

The Group acquired the 62,100m² GLA Arena Centar, the largest shopping centre in Zagreb, Croatia's capital. The mall opened for trading in 2010. The transaction included the acquisition of additional 4.4ha land adjacent to the centre and suitable for future development. The transaction effective date was 4 November 2016, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below:

Investment property at fair value	218,500
Investment property under development	19,000
Current assets*	8,403
Current liabilities	(10,612)
Deferred tax liabilities	(13,512)
Total identifiable net assets at fair value	**221,779**
Goodwill arising on acquisition	13,512
Total consideration paid in cash	**235,291**

**out of which cash in the subsidiary acquired in the transaction amounts to €6,252 thousand*

From the effective date of acquisition, the following contributions were made to profit after tax and to revenues from rent and recoveries:

	Shopping City Sibiu	Forum Usti nad Labem	Korzo Shopping Centrum	Aupark Shopping Center Piestany	Arena Centar	Total
Profit after tax	14,229	4,341	4,511	642	6,642	**30,365**
Revenues from rent and recoveries	7,116	4,599	1,331	896	2,598	**16,540**

33 JOINT-VENTURES

The summarised financial statements of the joint-ventures are presented below at 100%.

Statement of financial position

31 Dec 2016	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Non-current assets	91,837	95,985	187,822
Current assets	4,406	5,664	10,070
TOTAL ASSETS	**96,243**	**101,649**	**197,892**
Non-current liabilities	(80,773)	(63,323)	(144,096)
Current liabilities	(4,111)	(5,639)	(9,750)
Total liabilities	**(84,884)**	**(68,962)**	**(153,846)**
Equity attributable to equity holders	**(11,359)**	**(32,687)**	**(44,046)**
TOTAL EQUITY AND LIABILITIES	**(96,243)**	**(101,649)**	**(197,892)**

31 Dec 2015	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Non-current assets	84,035	79,193	163,228
Current assets	3,468	4,018	7,486
TOTAL ASSETS	**87,503**	**83,211**	**170,714**
Non-current liabilities	(78,257)	(51,997)	(130,254)
Current liabilities	(3,899)	(5,281)	(9,180)
Total liabilities	**(82,156)**	**(57,278)**	**(139,434)**
Equity attributable to equity holders	**(5,347)**	**(25,933)**	**(31,280)**
TOTAL EQUITY AND LIABILITIES	**(87,503)**	**(83,211)**	**(170,714)**

Statement of comprehensive income

31 Dec 2016	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	10,335	6,800	17,135
Property operating expenses	(2,965)	(1,627)	(4,592)
Administrative expenses	(75)	167	92
Fair value adjustment investment property	7,528	6,976	14,504
Foreign exchange gain/loss	(5)	96	91
Profit before net finance expense	**14,818**	**12,412**	**27,230**
Net finance income/(expense)	**(6,171)**	**(3,770)**	**(9,941)**
Finance income	3	1	4
Finance expense	(6,174)	(3,771)	(9,945)
Changes in fair value of financial instruments	(349)	(107)	(456)
Profit/(loss) before income tax	**8,298**	**8,535**	**16,833**
Tax release/(charge)	(2,285)	(1,782)	(4,067)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**6,013**	**6,753**	**12,766**

31 Dec 2015	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	9,057	3,367	12,424
Property operating expenses	(2,948)	(807)	(3,755)
Administrative expenses	(232)	190	(42)
Fair value adjustment investment property	1,901	14,507	16,408
Foreign exchange gain/loss	(20)	10	(10)
Profit before net finance expense	**7,758**	**17,267**	**25,025**
Net finance income/(expense)	**(6,523)**	**(3,146)**	**(9,669)**
Finance income	16	8	24
Finance expense	(6,539)	(3,154)	(9,693)
Changes in fair value of financial instruments	568	(68)	500
Profit/(loss) before income tax	**1,803**	**14,053**	**15,856**
Tax release/(charge)	(7,780)	(3,278)	(11,058)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**(5,977)**	**10,775**	**4,798**

Shareholder loans to Ploiesti Shopping City and The Office Cluj-Napoca were granted by NE Property Cooperatief. All shareholder loans are subject to interest at 8% per annum (2015: 12% per annum). Interest income from joint-ventures in 2016 amounted to €3,624 thousand (2015: €3,792 thousand).

31 Dec 2016	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Long-term loans granted to joint-ventures	20,979	10,036	31,015

31 Dec 2015	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Long-term loans granted to joint-ventures	19,925	16,749	36,674

Ploiesti Shopping City – BRD Groupe Societe Generale loan
Ploiesti Shopping City entered into a loan facility agreement for a total amount of €36,500 thousand from BRD Groupe Societe Generale. The credit facility matures in.
Security
— General security over the property (weighted fair value as at 31 December 2016 of €44,950 thousand), current assets, cash inflows from operating activities, accounts and receivables of Ploiesti Shopping City.
Covenants
— Loan to value ratio of maximum 50%,
— Debt service cover ratio of minimum 120%, and
— Interest coverage ratio of minimum 170%.

The Office, Cluj-Napoca – Raiffeisen Bank loan
In 2014, The Office entered into a credit facility agreement with a total value of €18,000 thousand with Raiffeisen Bank. In 2016, The Office obtained two additional credit facilities: €17,000 thousand in January and €8,500 thousand in November. The Maturity Date was extended to June 2021.
Security
— General security over the property (weighted fair value as at 31 December 2016 of €40,987.5 thousand), current assets, cash inflows from operating activities, accounts and receivables of Cluj Business Centre.
Covenants
— Loan to value ratio of maximum 60%, and
— Debt service cover ratio of minimum 125%.

34 SEGMENT REPORTING

Reporting segments are retail, office, industrial and corporate, and the Group primarily manages operations in accordance with this classification.

Administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs and income tax are not reported 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 include mainly investments (other than investment property) and related revenue, corporate assets (primarily Company headquarters), 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 on a segmental basis. The Group's format for segment reporting is based on business segments.

Segment results 31 Dec 2016	Retail	Office	Industrial	Corporate	Total
Revenue from rent and recoveries	177,614	30,263	2,013	-	209,890
Property operating expenses	(56,238)	(7,907)	(213)	-	(64,358)
Administrative expenses	(5,147)	(563)	(48)	(2,428)	(8,186)
EBITDA	**116,229**	**21,793**	**1,752**	**(2,428)**	**137,346**
Acquisition fees	(4,339)	-	-	-	(4,339)
Fair value adjustments of investment property	138,196	5,700	(733)	-	143,163
Fair value gains on financial investments	-	-	-	(369)	(369)
Net result on sale of financial investments	-	-	-	(355)	(355)
Dividends received from financial investments	-	-	-	738	738
Foreign exchange gain/(loss)	(177)	4	3	43	(127)
Loss on disposal of investment property held for sale	(140)	(345)	-	-	(485)
Other operating income	(16)	15	1	-	-
Profit before Net finance (income)/expense	**249,753**	**27,167**	**1,023**	**(2,371)**	**275,572**
Net finance (income)/expense	**1,718**	**4,297**	**14**	**(19,088)**	**(13,059)**
— Finance income	205	3,470	49	1,060	4,784
— Finance expense*	1,513	827	(35)	(20,148)	(17,843)
Changes in fair value of financial instruments	(11)	(28)	-	267	228
Share of profit of joint-ventures	3,007	3,376	-	-	6,383
Profit/(loss) before tax	**254,467**	**34,812**	**1,037**	**(21,192)**	**269,124**
Current tax expense	(1,443)	(112)	(17)	(92)	(1,664)
Deferred tax expense	(32,341)	(2,352)	(115)	-	(34,808)
Profit/(loss) after tax	**220,683**	**32,348**	**905**	**(21,284)**	**232,652**
Non-controlling interest	2,316	-	-	-	2,316
Profit/(loss) for the year attributable to equity holders	**222,999**	**32,348**	**905**	**(21,284)**	**234,968**

*Finance expense includes capitalised interest on developments.

Segment results 31 Dec 2015	Retail	Office	Industrial	Corporate	Total
Revenue from rent and recoveries	120,046	26,728	2,025	–	148,799
Property operating expenses	(38,080)	(6,437)	(215)	–	(44,732)
Administrative expenses	(3,582)	(1,162)	(141)	(1,810)	(6,695)
EBITDA	**78,384**	**19,129**	**1,669**	**(1,810)**	**97,372**
Acquisition fees	(873)	(57)	(3)	–	(933)
Fair value adjustments of investment property	85,433	(3,323)	(368)	–	81,742
Share-based payment expense	–	–	–	(670)	(670)
Foreign exchange gain/loss	(443)	107	(3)	–	(339)
Profit before Net finance expense/(income)	**162,501**	**15,856**	**1,295**	**(2,480)**	**177,172**
Net finance expense/(income)	**3,465**	**(2,209)**	**(88)**	**(2,084)**	**(916)**
— Finance income	1,661	1,568	–	4,384	7,613
— Finance expense*	1,804	(3,777)	(88)	(6,468)	(8,529)
Changes in fair value of financial instruments	(26)	62	–	1,113	1,149
Share of profit of joint-ventures	(4,625)	7,024	–	–	2,399
Profit before tax	**161,315**	**20,733**	**1,207**	**(3,451)**	**179,804**
Deferred tax expense	(14,373)	189	205	–	(13,979)
Profit after tax	**146,942**	**20,922**	**1,412**	**(3,451)**	**165,825**
Non-controlling interest	(7,427)	–	–	–	(7,427)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**139,515**	**20,922**	**1,412**	**(3,451)**	**158,398**

*Finance expense includes capitalised interest on developments.

Segment assets and liabilities 31 Dec 2016	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**2,272,377**	**366,165**	**15,775**	**19,859**	**2,674,176**
Investment property	2,202,742	328,255	15,775	-	2,546,772
— Investment property in use	2,058,660	296,325	15,775	-	2,370,760
— Investment property under development	144,082	31,930	-	-	176,012
Goodwill	42,198	10,310	-	5,882	58,390
Investments in joint-ventures	5,679	16,344	-	-	22,023
Long-term loans granted to joint ventures	20,979	10,036	-	-	31,015
Other long-term assets	776	1,217	-	13,306	15,299
Financial assets at fair value through profit or loss	3	3	-	671	677
Current assets	**63,692**	**9,568**	**468**	**33,810**	**107,538**
Trade and other receivables	35,457	4,366	80	636	40,539
Financial investments at fair value through profit or loss	-	-	-	18,979	18,979
Cash and cash equivalents	28,235	5,202	388	14,195	48,020
Investment property held for sale	**2,375**	**13,150**	**-**	**-**	**15,525**
TOTAL ASSETS	**2,338,444**	**388,883**	**16,243**	**53,669**	**2,797,239**
SEGMENT LIABILITIES					
Non-current liabilities	**304,312**	**36,279**	**2,101**	**489,303**	**831,995**
Bank loans	154,886	10,707	-	95,000	260,593
Bonds	727	125	5	393,962	394,819
Deferred tax liabilities	136,642	21,769	428	25	158,864
Other long-term liabilities	12,057	3,678	1,668	-	17,403
Financial liabilities at fair value through profit or loss	-	-	-	316	316
Current liabilities	**64,715**	**12,826**	**418**	**72,733**	**150,692**
Trade and other payables	57,554	12,205	418	1,359	71,536
Bank loans	7,161	621	-	10,217	17,999
Bonds	-	-	-	61,157	61,157
TOTAL LIABILITIES	**369,027**	**49,105**	**2,519**	**562,036**	**982,687**

Segment assets and liabilities 31 Dec 2015	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**1,443,616**	**344,828**	**16,508**	**24,488**	**1,829,440**
Investment property	1,409,757	306,495	16,508	–	1,732,760
— Investment property in use	1,277,151	282,360	16,508	–	1,576,019
— Investment property under development	132,606	24,135	–	–	156,741
Goodwill	11,702	7,192	–	5,092	23,986
Investments in joint-ventures	2,673	12,967	–	–	15,640
Long-term loans granted to joint ventures	19,926	16,748	–	–	36,674
Other long-term assets	(457)	1,395	–	17,160	18,098
Financial assets at fair value through profit or loss	15	31	–	2,236	2,282
Current assets	**82,727**	**15,850**	**591**	**281,929**	**381,097**
Trade and other receivables	48,415	4,507	108	1,457	54,487
Cash and cash equivalents	34,312	11,343	483	280,472	326,610
Investment property held for sale	**5,917**	**19,338**	–	–	**25,255**
TOTAL ASSETS	**1,532,260**	**380,016**	**17,099**	**306,417**	**2,235,792**
SEGMENT LIABILITIES					
Non-current liabilities	**192,415**	**72,677**	**1,942**	**394,683**	**661,717**
Bank loans	114,930	47,464	–	394	162,788
Bonds	–	–	–	392,140	392,140
Deferred tax liabilities	67,826	21,559	267	–	89,652
Other long-term liabilities	9,659	3,654	1,675	–	14,988
Financial liabilities at fair value through profit or loss	–	–	–	2,149	2,149
Current liabilities	**49,460**	**26,361**	**430**	**1,274**	**77,525**
Trade and other payables	40,664	21,733	430	–	62,827
Bank loans	8,796	4,628	–	–	13,424
Bonds	–	–	–	1,274	1,274
TOTAL LIABILITIES	**241,875**	**99,038**	**2,372**	**395,957**	**739,242**

The Group has operations in Romania, Slovakia, and since September 2014 in Serbia. In 2016 the Group has expanded its operations in Czech Republic through the acquisition of Forum Usti nad Labem in February 2016, and in Croatia through the acquisition of Arena Centar Zagreb in November 2016. The Group's segmental results are detailed below.

Geographical segments results	Romania	Slovakia	Serbia	Czech Republic	Croatia	Holding*	Total 2016	Romania	Slovakia	Serbia	Total 2015
Net rental and related income	113,780	21,426	3,210	4,517	2,599	-	145,532	80,482	20,342	3,243	104,067
Profit before tax	221,898	48,218	3,644	4,436	7,557	(16,629)	269,124	149,429	26,867	3,508	179,804
Investment property	1,771,862	376,301	76,758	82,725	239,125	-	2,546,772	1,417,875	274,885	40,000	1,732,760

*The Holding segment represents management and holding entities in Isle of Man and The Netherlands

In addition to the above, ELJ Vatra represents a separate reporting segment for the Group. For the year ended 31 December 2016, ELJ Vatra had Investment Property in use of €283,100 thousand and Profit before tax for the year of €16,697 thousand.

35 CONTINGENT ASSETS AND LIABILITIES

Guarantees

Group policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business.

As at 31 December 2016, the Group had received letters of guarantee from tenants worth €37,671 thousand (31 December 2015: €27,180 thousand) and from suppliers worth €11,212 thousand (31 December 2015: €16,312 thousand) related to ongoing developments.

36 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 detailed in Note 5. Directors are presented 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 previous year are detailed in the table below. No other payments were made to Directors, except reimbursements for travel and accommodation.

Directors' fees	Total Group 31 Dec 16	Company 31 Dec 16	Subsidiaries 31 Dec 16	Total Group 31 Dec 15	Company 31 Dec 15	Subsidiaries 31 Dec 15
Alex Morar	345	290	55	233	219	14
Mirela Covaşă	260	191	69	173	155	18
Tiberiu Smaranda**	173	145	28	199	178	21
Dan Pascariu	50	50	-	30	30	-
Michael Mills	48	48	-	26	26	-
Desmond de Beer	47	47	-	32	32	-
Jeffrey Zidel	47	47	-	33	33	-
Nevenka Pergar	46	46	-	21	21	-
Robert Emslie***	43	43	-	-	-	-
Antoine Dijkstra***	23	23	-	-	-	-
Andries de Lange***	-	-	-	-	-	-
Victor Semionov*	-	-	-	296	266	30
Martin Slabbert*	-	-	-	166	163	3
Dewald Joubert*	-	-	-	28	28	-
Total	1,082	930	152	1,237	1,151	86

*Martin Slabbert and Victor Semionov have resigned on 7 August 2015 and Dewald Joubert has resigned from the board of directors of NEPI on 30 December 2015;

** Tiberiu Smaranda, executive director, has resigned with effect from 1 September 2016. The following compensation package has been approved by the Board of Directors for Tiberiu Smaranda, as indirect beneficiary:

- conditional vesting of 244,000 shares in 2017 which have been allocated as part of the share purchase scheme during 2012-2014.
- sale by the Company of 187,478 NEPI shares, previously issued, at €4.41/share, out of which 124,031 shares with unconditional vesting in December 2016, and 63,447 shares with vesting during 2017, conditional on the Company achieving certain performance KPIs;
- a further sale by the Company of up to 15,000 NEPI shares, previously issued, at €4.41/share, with vesting during 2017 conditional on the Company having achieved certain performance KPIs.

*** Robert Emslie was appointed as a non-executive director on 4 February 2016, Antoine Dijkstra was appointed as a non-executive director on 13 June 2016 and Andries de Lange was appointed as an alternate director to Mr Desmond de Beer, an independent non-executive director of NEPI, with effect from 9 August 2016.

Shares held under the purchase schemes 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 2016
Tiberiu Smaranda	488,478
Alex Morar	229,000
Mirela Covasa	271,629
TOTAL	**989,107**

Name of Director	Number of shares held as at 31 Dec 2015
Tiberiu Smaranda	455,000
Alex Morar	391,000
Mirela Covasa	271,629
TOTAL	**1,117,629**

* Tiberiu Smaranda, executive director, has resigned with effect from 1 September 2016.

37 SUBSEQUENT EVENTS

Rockcastle transaction

During the fourth quarter of 2016, NEPI and Rockcastle Global Real Estate Company Limited (Rockcastle), a property investment company established in Mauritius and listed on the JSE and the Stock Exchange of Mauritius (SEM), issued joint cautionary announcements regarding a potential transaction. On 14 December 2016, a framework agreement was announced (Framework Agreement), pursuant to which their respective businesses would be merged into an entity newly-incorporated in the Isle of Man, NEPI Rockcastle plc (NewCo). This is expected to be implemented with reference to an effective share swap ratio of 4.5 Rockcastle shares for one NEPI share (the Swap Ratio).

In accordance with the Framework Agreement, NEPI and Rockcastle will transfer all assets and liabilities, including ownership interests in their respective subsidiaries, effectively transferring their entire businesses to NewCo. In exchange, NewCo will issue ordinary shares (NewCo Shares) to NEPI and Rockcastle, in line with the Swap Ratio.

NewCo is expected to benefit from enhanced liquidity, and be the largest listed real estate company in Central and Eastern Europe (CEE). NewCo Shares are expected to be listed on the Main Board of the JSE and Euronext Amsterdam, as well as any other stock exchange NEPI and Rockcastle agree upon. The transaction will integrate two complementary management teams, unlocking strategic synergies and creating additional value for shareholders.

Considering the envisaged merger, and anticipated improvements in portfolio size and diversification, Standard & Poor's Global Ratings (S&P) revised NEPI's outlook from 'Stable' to 'Positive' and reaffirmed the Company's long-term 'BBB-' corporate credit rating. Moody's Investors Service (Moody's) retained NEPI's Baa3 Stable, but considers the merger credit positive.

These transactions will be implemented following the fulfilment, or waiver, of several conditions precedent, including approval by Boards of Directors and shareholders, as well as all relevant authorities, on or before, 30 June 2017.

A circular detailing this transaction, accompanied by announcements on the relevant stock exchanges, is expected to be issued by 30 April 2017.

The Directors are not aware of any other subsequent events from 31 December 2016 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.

APPENDIX

Schedule of properties

No.	Property name	Year opened/ acquired	Type	Location
	TOTAL PROPERTIES			
	INCOME PRODUCING PROPERTIES			
	RETAIL			
1	Mega Mall	2015	Super-Regional Mall	Romania
2	Arena Centar	2010 / 2016	Super-Regional Mall	Croatia
3	City Park	2008 / 2013	Regional Mall	Romania
4	Promenada Mall	2013 / 2014	Lifestyle Centre	Romania
5	Aupark Kosice Mall	2011 / 2014	Regional Mall	Slovakia
6	Shopping City Sibiu	2006 / 2016	Super-Regional Mall	Romania
7	Shopping City Timisoara	2015-2016	Regional Mall	Romania
8	Aupark Zilina	2010 / 2013	Regional Mall	Slovakia
9	Iris Titan Shopping Center	2008 / 2015	Community Centre	Romania
10	Shopping City Deva	2007 / 2013	Regional Mall	Romania
11	Braila Mall	2008 / 2009	Regional Mall	Romania
12	Forum Ústí nad Labem	2009 / 2016	Regional Mall	Czech Republic
13	Vulcan Value Centre	2014	Community Centre	Romania
14	Shopping City Galati	2013	Regional Mall	Romania
15	Pitesti Retail Park***	2007 / 2010	Community Centre	Romania
16	Ploiesti Shopping City**	2012	Regional Mall	Romania
17	Kragujevac Plaza	2012 / 2014	Regional Mall	Serbia
18	Shopping City Targu Jiu	2014	Regional Mall	Romania
19	Shopping City Piatra Neamt	2016	Regional Mall	Romania
20	Aupark Shopping Center Piestany	2010 / 2016	Community Centre	Slovakia
21	Korzo Shopping Centrum	2010-2011/2016	Community Centre	Slovakia
22	Severin Shopping Center	2009 / 2013	Regional Mall	Romania
23	Aurora Shopping Mall	2008 / 2014	Regional Mall	Romania
24-30	Regional strip centres***	2007-2014	Strip Centres	Romania
	OFFICE			
31	City Business Centre	2007-2015/ 2015		Romania
32	Floreasca Business Park	2009 / 2010	Office	Romania
33	The Lakeview	2010 / 2013	Office	Romania
34	The Office Cluj-Napoca**	2014-2015		Romania
35	Aupark Kosice Tower	2012 / 2014	Office	Slovakia
	INDUSTRIAL			
36	Rasnov Industrial Facility	2007	Industrial	Romania
37	Otopeni Warehouse	2010	Industrial	Romania
	TOTAL DEVELOPMENTS AND LAND BANK			
	DEVELOPMENTS UNDER CONSTRUCTION			
34	The Office Cluj-Napoca** - Phase III		Extension	Romania
38	Victoriei Office		Development	Romania
	DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING			
4	Promenada Mall		Extension	Romania
39	Promenada Novi Sad		Development	Serbia
40	Shopping City Targu Mures		Development	Romania
41	Shopping City Satu Mare		Development	Romania
42	Ramnicu Valcea Mall		Development	Romania
14	Shopping City Galati		Extension	Romania
43-44	Retail parks (Krusevac and Sabac)		Development	Serbia
6	Shopping City Sibiu		Extension	Romania
16	Ploiesti Shopping City**		Extension	Romania
24	Vaslui strip centre		Extension	Romania
	Land bank			
	NON-CORE PROPERTIES			

* Estimated rental value for developments

**The Group holds 50% interest in Ploiesti Shopping City (in partnership with Carrefour Property) and The Office, Cluj-Napoca (in partnership with Ovidiu Sandor, an experi

***The respective retail centres are part of larger retail schemes. The remaining balance of the GLA is owned by third parties.

^The developments under permitting and pre-leasing's GLA depends on permitting.

Ownership	GLA	Weighted by ownership					Occupancy
		GLA	Valuation/ Cost to date	Passing rent*	Average rental		
%	m²	m²	€m	€m	€/ m²/ month		
	1,499,600	**1,367,750**	**2,656.2**	**185.5**			
	1,162,900	**1,043,400**	**2,456.7**	**180.2**	**14.4**		**98.0%**
	969,900	**871,800**	**2,103.6**	**152.2**	**14.6**		**97.7%**
100	75,200	75,200	283.1	18.9	20.9		98.7%
100	62,100	62,100	219.9	15.3	20.5		95.2%
100	51,700	51,700	167.2	11.9	19.2		96.7%
100	39,400	39,400	176.0	11.0	23.3		98.4%
100	33,800	33,800	154.0	9.5	23.4		95.2%
100	78,200	78,200	108.1	8.5	9.1		96.8%
100	56,700	56,700	108.6	8.0	11.8		100.0%
100	25,100	25,100	116.2	7.9	26.3		100.0%
100	45,000	45,000	92.8	7.5	13.9		99.7%
100	52,200	52,200	71.1	6.1	9.8		99.1%
100	55,400	55,400	74.0	6.0	9.0		96.3%
100	27,800	27,800	82.7	5.5	16.5		95.0%
100	24,600	24,600	50.9	3.9	13.3		99.9%
100	27,200	27,200	52.3	3.9	11.9		96.8%
100	39,900	24,800	38.3	3.7	12.5		100.0%
50	45,800	22,900	45.0	3.4	12.5		96.5%
100	21,900	21,900	39.9	3.3	12.6		94.8%
100	27,100	27,100	38.9	3.2	9.9		99.9%
100	27,900	27,900	40.9	3.1	9.4		94.2%
100	10,300	10,300	39.6	2.6	21.0		99.4%
100	16,100	16,100	33.6	2.6	13.2		98.7%
100	22,600	22,600	28.4	2.3	8.5		98.2%
100	18,000	18,000	10.8	1.6	7.4		100.0%
100	85,900	25,800	31.3	2.5	8.1		100.0%
	165,200	**143,800**	**337.3**	**26.2**	**15.2**		**98.8%**
100	47,600	47,600	96.9	7.9	13.8		98.9%
100	36,300	36,300	107.7	7.9	18.1		99.0%
100	25,600	25,600	71.0	5.3	17.3		98.9%
50	42,800	21,400	41.0	3.3	13.0		97.1%
100	12,900	12,900	20.7	1.8	11.6		100.0%
	27,800	**27,800**	**15.8**	**1.8**	**5.5**		**98.0%**
100	23,000	23,000	10.8	1.3	4.6		97.6%
100	4,800	4,800	5.0	0.5	9.5		100.0%
	303,300	**290,950**	**183.9**	**4.1**			
	26,100	**16,850**	**38.9**	**4.1**			
50	18,500	9,250	7.0	1.4			
100	7,600	7,600	31.9	2.7			
	277,200^	**274,100**	**106.7**				
100	60,000	60,000	33.1				
100	56,000	56,000	32.1				
100	46,000	46,000	6.3				
100	28,700	28,700	10.3				
100	27,900	27,900	10.2				
100	21,000	21,000	9.0				
100	18,000	18,000	4.7				
100	10,600	10,600	-				
50	6,200	3,100	1.0				
100	2,800	2,800	-				
			38.3				
	33,400	**33,400**	**15.6**	**1.2**			

enced Romanian office developer).

Company	**New Europe Property Investments plc** Registration number 001211V JSE share code: NEP, BVB share code: NEP 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN
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NEPI

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