NEPI

NEW EUROPE PROPERTY INVESTMENTS PLC

ANNUAL REPORT 2012

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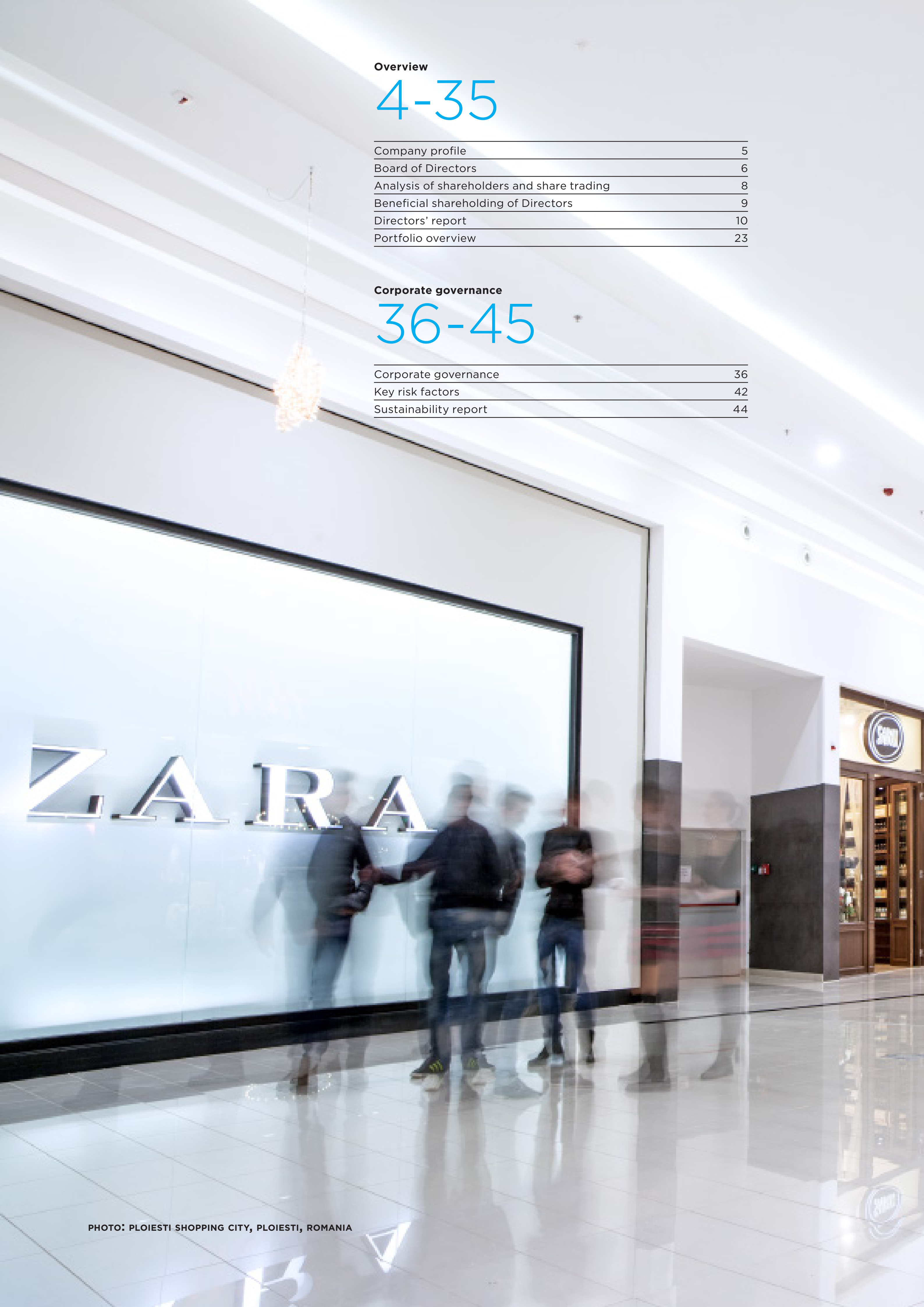

PHOTO: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA

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12.15% compounded annual growth rate in distribution per share since 2008

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA; PHOTO CREDIT: OVIDIU MICSA

COMPANY PROFILE

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

The investment portfolio is currently concentrated in Romania, but the area of focus includes other Eastern European countries.

The Group focuses on investments in **retail assets**, but invests opportunistically in office and industrial properties as well.

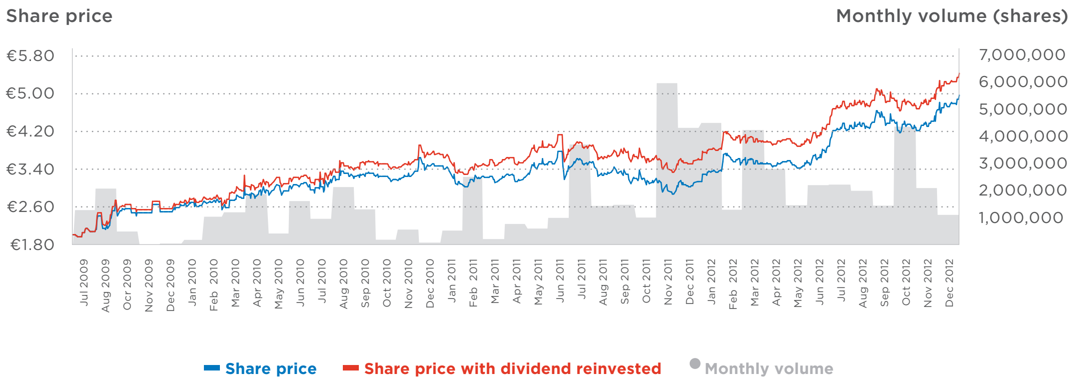
The investment strategy is biased towards **long-term leases in euro with strong corporate covenants**. At 31 December 2012, the portfolio had an outstanding weighted average lease duration of 6.5 years, while 80% of the contracted rental income was from large tenants and major franchisees.

The Group is **internally managed**, combining property and asset management, as well as investment and development skills, in an integrated approach.

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

	2012	2011	2010	2009	2008
Total number of properties	41	34	33	30	29
Lettable area of properties (thousand sqm)	279	219	214	140	87
Fair value of properties (€ million)	445	342	314	146	85
Distribution per share (€ cents)	23.29	20.25	17.61	15.77	14.72
Adjusted NAV per share (€)	2.88	2.43	2.22	1.97	1.98
Gearing*	25%	32%	49%	46%	34%
Shares in issue	144,362,152	102,783,693	76,933,734	40,657,663	28,150,000
Number of shareholders	3,479	1,907	642	232	27

* (loans–cash) / (investment property value + listed securities)



BOARD OF DIRECTORS

Dan Pascariu (62)
Independent non-executive Chairman
Appointed on 30 March 2009
MBA

Dan Pascariu is one of the most influential figures in the Romanian banking system. He started his career with the Romanian Bank for Foreign Trade in 1973 and was later appointed Chairman and CEO. He is a non-executive Chairman of the Board of Unicredit Tiriac Bank. Mr Pascariu was the founder and first President of the Romanian Banking Association as well as a co-founder and associate professor at the Romanian Banking Institute. He serves as member of the Board of Directors at various financial institutions in Romania and abroad.

Martin Slabbert (41)
Chief Executive Officer
Appointed on 14 August 2007
BCom, LLB (cum laude), MCom (cum laude),
Dip FMI, CF (England and Wales)

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

Desmond de Beer (52)
Non-executive Director
Appointed on 21 October 2008
BProc, MAP

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

Dewald Joubert (40)
Independent non-executive Director
Appointed on 23 July 2007
BCom, LLB, Adv Cert Tax – UP

Dewald Joubert has over 15 years of experience in the fields of international tax planning for corporations, transaction structuring and corporate governance. Formerly a practicing lawyer, he spent his professional career initially with Arthur Andersen in South Africa and thereafter in the Isle of Man with the Maitland Group, where he became a partner of the firm. Mr Joubert holds a number of independent non-executive directorships on the boards of various listed companies and significant subsidiaries of listed multinational businesses.

Jeffrey Zidel (62)
Independent non-executive Director
Appointed on 11 November 2009

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

Michael Mills (65)
Independent non-executive Director
Appointed on 13 August 2007
BSc, FCA

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

Victor Semionov (35)
Finance Director
Appointed on 13 May 2010
BCom

Victor Semionov graduated in 1999 with a major in finance from the Academy of Economic Studies in Bucharest and started his career with the Financial Advisory practice of Deloitte Central Europe where he gained experience in mergers and acquisitions, debt finance and turn-arounds. Mr Semionov co-founded NEPI in 2007, and has been with the Group since.

ANALYSIS OF SHAREHOLDERS AND SHARE TRADING

	Number of shareholders 31 Dec 2012	Number of shares held 31 Dec 2012	Percentage of issued shares 31 Dec 2012	Number of shareholders 31 Dec 2011	Number of shares held 31 Dec 2011	Percentage of issued shares 31 Dec 2011
Shareholder spread in terms of the JSE Listings Requirements						
Public	3,448	73,211,597	50.71	1,878	68,804,561	66.94
Non-public	31	71,150,555	49.29	29	33,979,132	33.06
Out of which Directors and employees	28	17,486,701	12.11	28	14,879,132	14.48
TOTAL	**3,479**	**144,362,152**	**100.00**	**1,907**	**102,783,693**	**100.00**
Size of holding (shares)						
Up to 2,500	2,009	2,186,408	1.51	1,013	1,255,456	1.22
2,501–10,000	924	4,546,437	3.15	569	2,982,108	2.90
10,001–100,000	407	12,014,485	8.32	242	7,403,810	7.21
100,001–1,000,000	120	38,160,480	26.44	66	21,513,086	20.93
1,000,001–3,500,000	14	24,372,181	16.88	9	17,475,238	17.00
Over 3,500,000	5	63,082,161	43.70	8	52,153,995	50.74
TOTAL	**3,479**	**144,362,152**	**100.00**	**1,907**	**102,783,693**	**100.00**
Registered shareholders owning 5% or more of issued shares						
Resilient Property Income Fund Ltd	1	21,517,635	14.91	1	19,100,000	18.58
Fortress Income Fund Ltd	1	16,900,000	11.71	1	9,564,000	9.30
Hero Nominees Ltd	1	15,246,219	10.56	–	–	–
TOTAL	**3**	**53,663,854**	**37.18**	**2**	**28,664,000**	**27.88**
Beneficial shareholding of 5% or more of issued shares						
Resilient Property Income Fund Ltd	1	21,517,635	14.91	1	19,100,000	18.58
Fortress Income Fund Ltd	1	16,900,000	11.71	1	9,564,000	9.30
Hero Nominees Ltd	1	15,246,219	10.56	–	–	–
Desmond de Beer	1	7,649,154	5.30	1	6,526,546	6.35
TOTAL	**4**	**61,313,008**	**42.48**	**3**	**35,190,546**	**34.23**

BENEFICIAL SHAREHOLDING OF DIRECTORS

At 31 December 2012	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	7,649,154	7,649,154	5.30
Martin Slabbert	–	5,565,529	5,565,529	3.86
Jeffrey Zidel	235,518	1,811,389	2,046,907	1.42
Victor Semionov	–	1,348,656	1,348,656	0.93
Dan Pascariu	–	143,830	143,830	0.10
TOTAL	**235,518**	**16,518,558**	**16,754,076**	**11.61**
At 31 December 2011				
Desmond de Beer	–	6,526,546	6,526,546	6.35
Martin Slabbert	–	5,061,529	5,061,529	4.92
Jeffrey Zidel	209,056	1,559,834	1,768,890	1.72
Victor Semionov	–	1,143,656	1,143,656	1.11
TOTAL	**209,056**	**14,291,565**	**14,500,621**	**14.10**

After the publication of the Condensed Consolidated Audited Financial Statements for the year ended 31 December 2012, the following Directors, acting as beneficial shareholders, have traded shares: Victor Semionov (sold 176,648 shares), Desmond de Beer (sold 1,701 shares), Dewald Joubert (purchased 947 shares).

PHOTO: PROMENADA MALL BRAILA, ROMANIA

DIRECTORS' REPORT

DISTRIBUTABLE EARNINGS

For the financial year ended 31 December 2012, the Group has achieved distributable earnings of 25.95 euro cents per share. This distinctive financial result is due to the continued strong performance in the Group's assets, the favourable impact of the acquisition of City Business Centre in February 2012, the additional rental income generated through various redevelopments that were completed towards the end of the previous year and the settlement with the vendors of Promenada Mall Braila (which gave rise to €7.1 million in non-recurring distributable earnings). Recurring distributable earnings per share improved by 12.6% compared to the previous financial year.

DISTRIBUTION

The Board of Directors resolved to limit the 2012 full year distribution to 23.29 euro cents per share, an improvement of 15% over the 20.25 euro cents distribution declared in relation to the 2011 financial year. Accordingly, the Board has declared a final distribution of 12.05 euro cents per share in respect of the six months ended 31 December 2012.

PHOTO: BRASOV OFFICE BUILDING, ROMANIA

OPTION TO RECEIVE CAPITAL RETURN

Given the Group's ongoing development and acquisition programme, and following requests from shareholders, the Board explored alternatives to cash distributions to shareholders. As a result, the Board resolved to offer shareholders the option to receive the distributions in relation to the year 2012 as a cash distribution or a return of capital by way of an issue of new shares credited as fully paid up.

The ratios for the issues are: three new shares for each 100 shares held in respect of the distribution for the six months ended 30 June 2012 and 2.774 new shares for each 100 shares held in respect of the distribution for the six months ended 31 December 2012. The Company issued circulars containing details of the elections, that were accompanied by announcements on the Stock Exchange News Service of the JSE (SENS), the Regulatory News Service of the LSE (RNS) and the Bucharest Stock Exchange (BVB).

RETAINED DISTRIBUTABLE EARNINGS

The balance of retained distributable earnings as at 31 December 2012 amounts to €8.2 million after the full year distribution in relation to 2012. This amount includes distributable earnings carried forward from prior years. The retained distributable earnings will be considered for distribution during the 2013 and 2014 financial years as the Group pursues various property developments. Once completed, the developments are expected to have a positive impact on per share distributions. However, during the construction period, developments dilute distributable earnings as interest in relation to property under construction is capitalised at the Group's average cost of finance and as cash balances retained to finance such developments yield low returns.

OTHER HIGHLIGHTS

Adjusted NAV per share improved by 18.5% (2012: €2.88; 2011: €2.43). Non-recoverable tenant income amounted to €72,000 for the year ended 31 December 2012. This is equivalent to 0.18% of contractual rental income and expense recoveries for the year.

Improvement in the volumes of trading of the Company's shares has been a priority for a number of years. During 2012, the Company raised €138 million through the issue of ordinary shares. Partly as a result of this, the shareholder base of the Company expanded to over 3,400 by the 2012 financial year-end (compared to approximately 1,900 at the end of the 2011 financial year) and the volumes of daily trade in the Company's shares have improved further.

RETAIL PROPERTY ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

During the 2012 financial year, the Group made significant progress in extending its portfolio of retail properties and its retail development pipeline with the opening of Ploiesti Shopping City and the conclusion of a number of transactions that secure further retail development and extension opportunities for the 2013 and 2014 financial years. In 2013, the Group will fully benefit from rental income generated by Ploiesti Shopping City. In addition, three significant and six smaller retail developments and/or extension projects have, or are expected to commence construction during the 2013 financial year. NEPI has withdrawn from the Victoria City Centre development opportunity in Bucharest, the capital of Romania, reported in the 2011 Annual Report.

PHOTO: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA

Ploiesti Shopping City

On 15 November 2012, less than 11 months after commencing construction, the Group, in a joint venture with Carrefour Property, finalised and opened the first phase of a regional shopping centre. On the opening day it included more than 75 operational tenants including Altex, Bershka, Carrefour (the second largest retailer in the world), Douglas, Deichmann, Flanco, H&M, Intersport, KFC, Leonardo, New Yorker, Office Shoes, Orsay, Paul, Pull&Bear, Quasi Pronti, Reserved, Segafredo, Sephora, Stradivarius, Takko, Vodafone, Yves Rocher and Zara. A 12-screen cinema complex (the largest one in Romania outside of the capital city) run by Cinema City (the largest cinema operator in central Europe) opened on 5 December 2012. Trading since has exceeded expectations. A second phase development is currently under consideration.

PHOTOS: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA

Brasov Shopping City

During 2012 the Group completed the purchase and leaseback of a retail box (including additional land) from Mobexpert, the leading Romanian furniture retailer. The acquired properties are adjacent to the Group's 2011 redeveloped Strip Mall and the Carrefour hypermarket in Brasov, Romania. The acquisition was concluded with the intention to redevelop the combined properties into a regional shopping centre, in partnership with Carrefour Property.

Brasov is the eighth largest city in Romania and one of the most important economic hubs in the country. Due to its numerous historical sites and its proximity to popular ski and mountain resorts, Brasov is also a leading tourist destination in Romania.

The city does not have a large modern shopping centre and NEPI and Carrefour's properties are ideally located to be redeveloped into a dominant regional shopping centre.

The original intention was to develop up to 57,000 square metres of GLA. The Group and its development partner have since agreed to enlarge the planned centre and are, to this end, in the process of acquiring an additional 7,000 square metres plot of land adjacent to NEPI's assets. The enlarged regional centre will consist of approximately 65,000 square metres of Gross Lettable Area (GLA) and will be integrated with 13,200 square metres of neighbouring bulk retail space. Subject to final approval by NEPI and Carrefour's Boards, the development will be completed in 2014.

PHOTOS: RETAIL ASSETS, BRASOV, ROMANIA

Galati Shopping City

As announced in November 2012 the Group has concluded an agreement to acquire a plot of land of approximately 127,000 square metres in Galati, Romania. The development site is located on one of the city's main boulevards and has good vehicular and public transport access.

Galati is the seventh largest Romanian city and the largest Romanian port city on the Danube River. The site is 25 Km from Promenada Mall Braila, NEPI's regional shopping centre in neighbouring town Braila. There are no major retail centres in Galati. The Group acquired the land with the intention of developing a retail value centre anchored by a hypermarket and several international value brands. However, due to strong tenant demand, the Group now intends to develop a shopping centre. The permitting process is well underway, and construction of the first phase (approximately 30,000 square metres of GLA) will commence once the required building permit has been obtained.

Vulcan Value Centre

As announced in June 2012, the Group entered into a joint venture to acquire and develop a former factory site located in an under-serviced and densely populated area of Bucharest. The site has good vehicular and public transport access. NEPI plans to develop a value centre with 25,500 square metres of GLA anchored by a hypermarket and other value tenants. The zoning approval was obtained during December 2012, which was later than anticipated. Lease agreements have been entered into with Carrefour (for a hypermarket) and KFC (for a drive through). Lease discussions with a number of other international tenants are progressing well.

Broad commercial terms have been negotiated in respect of 65% of the planned GLA. Site preparation works have commenced and construction works will begin when the required building permit has been obtained. The opening is planned for the end of 2013, provided that there are no further delays in the permitting process.

Kaufland Value Extensions

The Group has concluded agreements to acquire land adjacent to existing Kaufland supermarkets in two smaller Romanian towns, Alexandria and Sfantu Gheorghe, and is in the process of acquiring three further similar sites in comparable towns. The intention is to develop convenience retail value schemes linked to the supermarkets.

Kaufland is a German discount supermarket chain which operates over 1,000 stores in Germany and several central and eastern European countries. By the end of 2012 it was the leading food retailer in Romania with 81 well-located owned and operated stores and over €1,300 million sales annually. The stores have standard layouts with sales areas of approximately 5,000 square metres. The five planned developments will initially range from 1,900–2,900 square metres of GLA per development.

Promenada Mall Braila

With the opening of H&M and C&A, the expansion of the fashion offering referred to in NEPI's 2011 Annual Report was completed in May 2012. This has strengthened the centre's regional dominance.

Since this expansion, NEPI has acquired approximately 1,900 square metres of land adjacent to the fashion section of the centre with a view to effect a further extension with additional international brands.

PHOTO: PLOIESTI SHOPPING CITY, ROMANIA

OFFICE PROPERTY ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

Given the relative scarcity of capital for investment in its markets, NEPI has identified attractive office acquisition and development opportunities in Romania. NEPI's office strategy is to own large A-grade offices that comply with international tenant requirements, in prime locations, in cities with significant multinational tenant presence. The Group owns significant prime offices in Bucharest and acquired the centrally located City Business Centre (the only A-grade office development in Timisoara) and centrally located office development land in Cluj-Napoca (Cluj). In February 2013, NEPI acquired The Lakeview offices in Bucharest.

RENDERS OF PROPOSED DEVELOPMENT: THE OFFICE CLUJ-NAPOCA, ROMANIA

City Business Centre

During February 2012, the Group acquired City Business Centre in Timisoara, which is home to a growing back-office activities-and-services market that offers a skilled labour force, low costs and proximity to western Europe. The acquisition includes three existing office buildings of 27,151 square metres of GLA and a forward commitment to acquire two further office buildings with approximately 20,000 square metres of GLA that were under development. Tenants in the three existing office buildings include Alcatel, Deloitte, IBM, Microsoft, PricewaterhouseCoopers, Raiffeisen Bank, UniCredit Tiriac Bank and Wipro. The first of the two office buildings which were under development at the time of the acquisition was completed in September 2012. To date, close to 70% of the office space in this building has been leased to tenants including Autoliv, EBS, Maerz, SAP and Unified Post. The building also includes conference facilities.

The Office Cluj-Napoca

During July 2012, in a joint venture with the developer of City Business Centre, the Group acquired 18,082 square metres of land in the city centre of Cluj, with a view to develop, in three phases, up to 54,200 square metres of A-grade office GLA. Cluj is situated in the north-western part of Romania and is the country's second largest city by population. The city houses the headquarters of a number of multinational companies and is also an important centre for tertiary education. Since the project was announced, significant tenant enquiries have been received for what will be the first A-grade office development in Cluj. Site set-up commenced in February 2013 and the issue of a building permit is imminent. The first phase of the development is expected to be completed by spring 2014.

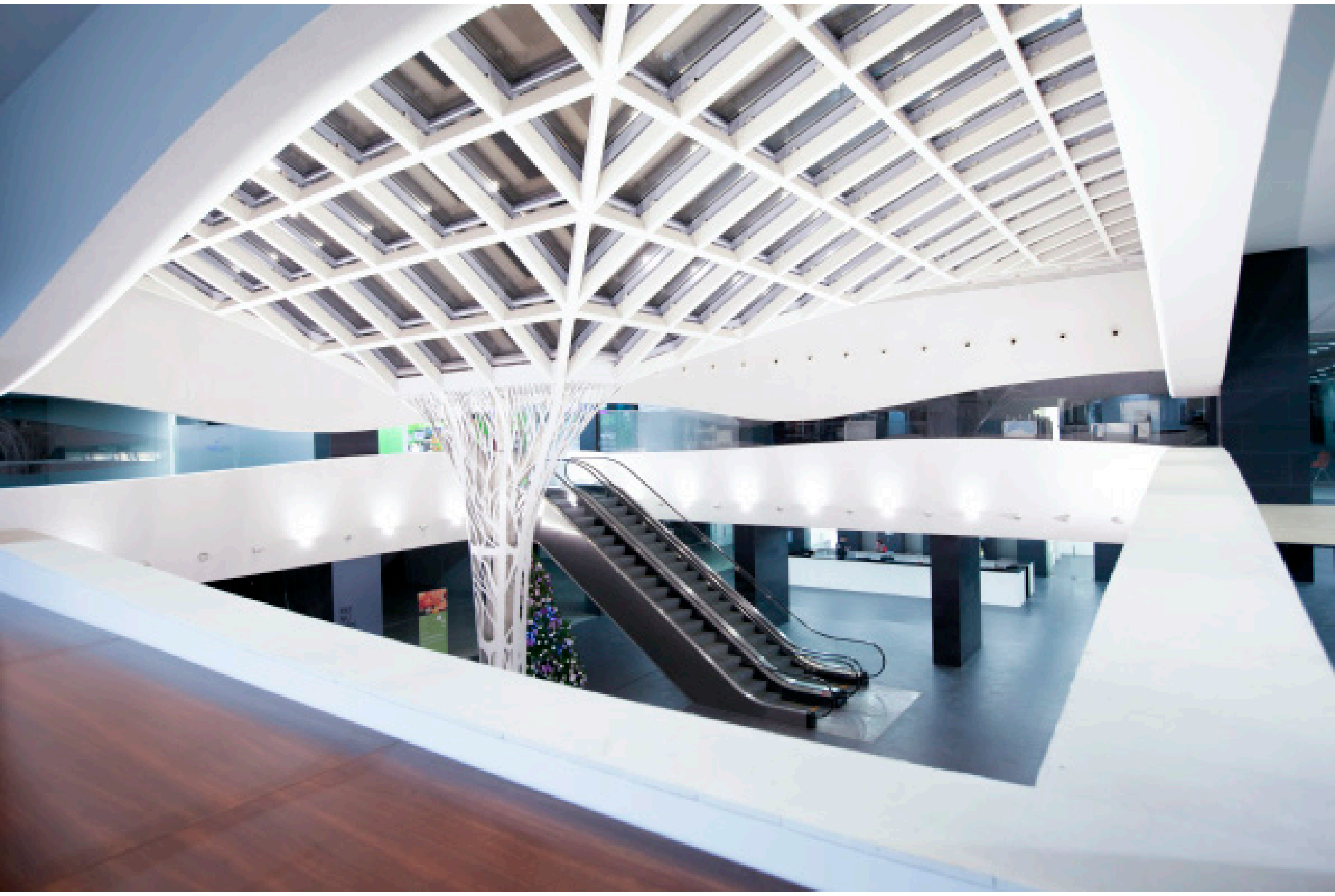
Piata Victoriei Office Development

In 2011, the Group acquired a 4,400 square metres plot located in Bucharest, 200 metres from the seat of the central government, with the intention of refurbishing a historic villa located on it and developing a complementary A-grade office building. Design and permitting works are ongoing in relation to this landmark office development. As the site is part of a historic area, progress is slow as several authorities need to approve the development proposal.

The Lakeview

In February 2013, the Group acquired The Lakeview offices in Bucharest, a landmark A-grade office building consisting of offices and ground floor retail with a total GLA of 25,564 square metres and 485 parking bays. The Lakeview is located close to NEPI's Floreasca Business Park in the emerging office corridor between Floreasca and Barbu Vacarescu streets in the north east of the city. The building is fully occupied with tenants including Alcon, Colgate-Palmolive, Huawei, Philips, PricewaterhouseCoopers and Royal Bank of Scotland.

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA



DISPOSALS

Hypermarket Auchan Pitesti

As announced during August 2012, the Group entered into an agreement with the Auchan Group to sell the hypermarket section of Retail Park Auchan Pitesti for a total consideration of approximately €28.7 million. The transaction, which is subject to a number of conditions precedent, is expected to conclude by 30 June 2013.

CASH MANAGEMENT AND DEBT

Due to the instability of the European banking markets, the Group will retain high levels of access to liquidity to finance the development pipeline and to pursue further investment opportunities. In order to mitigate the dilutory effect this has on earnings, a portion of the cash held for capital commitments has been invested in liquid dividend-paying listed property shares. The total investment exposure to listed securities amounted to €71.5 million as at year-end. As at 31 December 2012 and as at the date of this report, the listed securities traded at a premium to their initial acquisition cost and accrued income.

The Group has renewed its €9.5 million secured revolving facility with UniCredit Tiriac Bank during the 2012 financial year. The facility carries an interest rate of 1 month Euribor plus 4.0% and matures on 31 May 2013 when, at the Group's discretion, the facility is convertible into a term loan repayable on 31 December 2014. This facility remains undrawn at the date of this report.

A construction loan of €33.5 million was granted by BRD (a subsidiary of Societe Generale) in July 2012 for the development of Ploiesti Shopping City. NEPI and Carrefour Property each own 50% of this project, therefore, the Group accounts for 50% of the loan.

The construction loan is being converted into an investment loan and the total loan amount will increase to €40 million, repayable in ten years. The construction loan carries an interest rate of 3 month Euribor plus 4.5%, while the investment loan will carry an interest rate of 3 month Euribor plus 4.0%.

In addition to €147.4 million in cash, net listed property shares and the undrawn secured revolving facility with UniCredit Tiriac Bank, the Group is expected to be in a position to drawdown a further €3.25 million when the construction loan with BRD is converted into an investment loan.

The Group had €219 million of third party debt finance in place at 31 December 2012 (€197 million in secured term debt and €22 million in short-term facilities secured over the listed property shares). €79 million of the secured term debt is due for repayment during the 2013 financial year. The Group does not foresee any difficulty regarding re-financing the expiring debt. At year-end, the Group's gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) decreased to 25%. The average interest rate (including interest rate hedging costs) in relation to the debt was approximately 4.5% during the 2012 financial year.

BANK LOANS AND BORROWINGS AS AT 31 DECEMBER 2012

Borrower	Facility amount	Outstanding amount	Available for drawdown	Interest rate	Hedge
	€	€	€		
NEPI Bucharest One SRL	6,200,000	6,200,000	–	1M Euribor+4.5%	1M Euribor capped at 2%
General Investment SRL	15,000,000	7,846,666	–	Fixed at 6.23%	–
NEPI Bucharest Two and Unique Delamode SRL	9,500,000	–	9,500,000	1M Euribor+4%	1M Euribor capped at 2%
Premium Portfolio	13,995,000	13,156,446	–	Fixed at 5.17%	–
Promenada Mall Braila	40,000,000	37,844,347	–	3M Euribor+3.0%	3M Euribor swapped at 1.8%
Retail Park Auchan Pitesti	28,813,000	26,457,536	–	1M Euribor+4.0%	1M Euribor capped at 2%
Floreasca Business Park	77,000,000	62,246,248	–	3M Euribor+2.5%	3M Euribor swapped at 1.79%
City Business Centre	10,577,586	10,105,342	–	1M Euribor+1.75%	1M Euribor swapped at 1.93%
City Business Centre	10,836,177	10,383,067	–	1M Euribor+1.75%	1M Euribor capped at 2%
City Business Centre	7,872,995	7,617,382	–	1M Euribor+4.0%	1M Euribor capped at 2%
Ploiesti Shopping City	13,500,000	11,925,217	1,574,783	3M Euribor+4.5%	3M Euribor swapped at 1.74%
Ploiesti Shopping City	3,250,000	3,194,228	55,772	3M Euribor+2.75%	3M Euribor swapped at 2.25%
New Europe Property Investments plc	21,942,531	21,942,531	–	EONIA+2%	–
TOTAL	**258,487,289**	**218,919,010**	**11,130,555**		

BANK LOANS AND BORROWINGS REPAYMENT PROFILE

Borrower	2013	2014	2015	2016	2017 and beyond	Total
	€	€	€	€	€	€
NEPI Bucharest One SRL	6,200,000	–	–	–	–	6,200,000
General Investment SRL	1,548,018	6,298,648	–	–	–	7,846,666
Premium Portfolio	293,541	12,862,905	–	–	–	13,156,446
Promenada Mall Braila	2,155,653	35,688,694	–	–	–	37,844,347
Retail Park Auchan Pitesti	1,899,256	2,084,140	22,474,140	–	–	26,457,536
Floreasca Business Park	62,246,248	–	–	–	–	62,246,248
City Business Centre	1,218,105	1,265,202	1,314,149	1,365,022	22,943,313	28,105,791
Ploiesti Shopping City	3,599,228	810,000,	810,000	810,000	9,090,217	15,119,445
New Europe Property Investments plc	21,942,531	–	–	–	–	21,942,531
TOTAL	**101,102,580**	**59,009,589**	**24,598,289**	**2,175,022**	**32,033,530**	**218,919,010**

The accrued interest for the bank loans and borrowings amounts to €945,462.

PORTFOLIO OVERVIEW

MACROECONOMIC STATUS

Romania had a busy political agenda in 2012: local and parliamentary elections, two changed governments and an unsuccessful attempt to impeach the President by the newly formed coalition. The last GDP growth expectation for 2012 was 0.3%. This is a good figure, given that the Romanian economy was held back by lower demand for exports from the EU, the main trading partner, and a severe drought. Unemployment, inflation and public debt remained in healthy territories at 4.7%, 3.3% and 33.5% of GDP respectively.

For the next two years the European Commission forecasts moderate growth of 1.6% and 2.4% respectively, largely supported by local demand and investments.

ROMANIAN MARKET OVERVIEW

Romania's rent levels and yields, as well as overall occupancy rates, remain stable. New space deliveries decreased compared to prior years, but there is a rising development pipeline.

Technology and telecom companies are the most active office occupiers, while leasing transactions are mostly related to pre-leases and renewals. There were a limited number of deals in the office market, with NEPI being one of the most active investors following the acquisition of City Business Centre and, more recently, The Lakeview.

Fashion and food retailers continue their expansion. Most retail spaces delivered are hypermarkets and DIY stores. Hypermarkets are consolidating their position, with Auchan taking over most of the Real stores in Romania. There were only two notable shopping centre openings in 2012, one of them being Ploiesti Shopping City. Out of the total retail stock of approximately 2.7 million square metres Bucharest accounts for 30%, although recent openings were located outside of the capital.

There was limited industrial and warehousing stock delivered to the market and most leasing activity focused on space released by tenants not needing the capacity or existing vacancies.

PROSPECTS

NEPI achieved high levels of growth in recurring distributable earnings per share over the course of the past five years and as a result achieved a nominal average compounded annual growth rate of 12.15% in distribution per share for this period. It remains the Group's ambition to pursue further attractive growth in recurring distributable earnings in 2013 and onwards.

Significant progress was made through the acquisition and development activities reported above. In addition, the Group has, and will continue to explore and pursue further acquisition and development opportunities in Romania and other countries in the region.

These initiatives include two retail development opportunities in Romania and five retail acquisition opportunities in the Central and Eastern European region. Currently these are at various stages of progress. Announcements in this regard will be made as, and when appropriate.

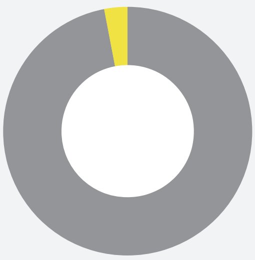
PORTFOLIO OVERVIEW ›continued

Portfolio summary	Group 31 Dec 2012	Group 31 Dec 2011
Total number of properties	41	34
Income producing properties	35	32
Properties under development	6	2
Fair value of properties (€ million)	445	342
Annualised property yield	8%	8.2%
Lettable area of income producing properties (thousand sqm)	279	219
Vacancy	4.8%	5.3%
Years to expiry	6.5	7.0
Weighted average rent (€/sqm/month)	9.8	9.6

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

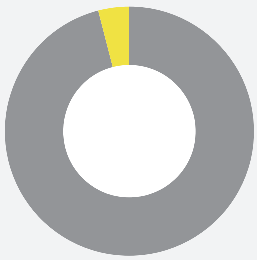
Geographical profile
by value

Romania	97%
Germany	3%



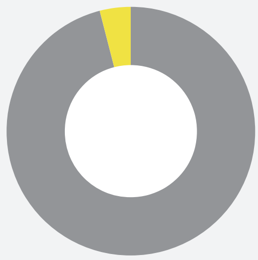
by gross rentals

Romania	96%
Germany	4%



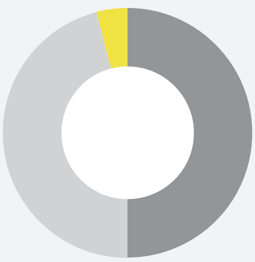
by rentable area

Romania	96%
Germany	4%



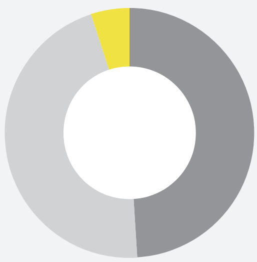
Sectoral profile
by value

Retail	50%
Office	46%
Industrial	4%



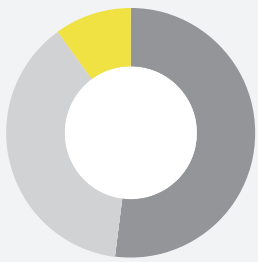
by gross rentals

Retail	49%
Office	46%
Industrial	5%



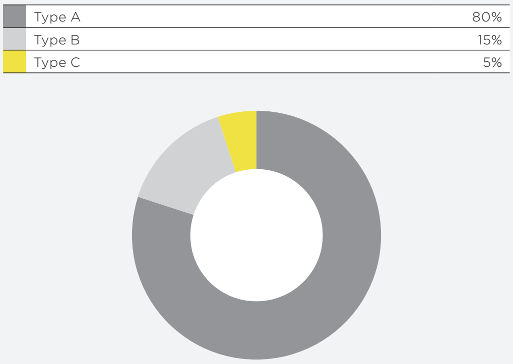
by rentable area

Retail	52%
Office	38%
Industrial	10%



TYPE A TENANTS MAKE UP FOR 80% OF THE PORTFOLIO

Tenant profile
by rentable area



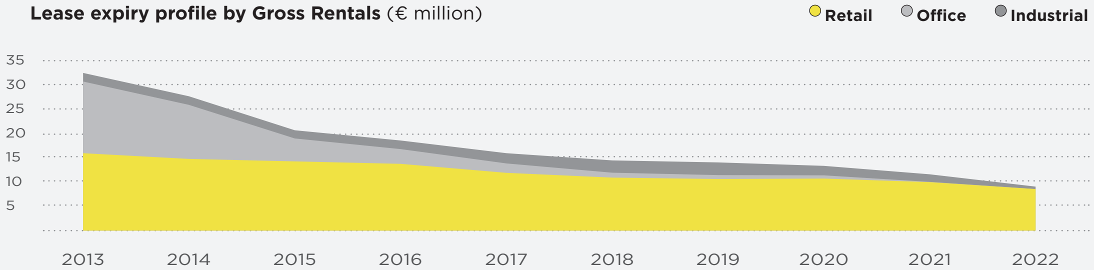
Type A: Large international and national tenants, large listed tenants, government and major franchisees (companies with assets and/or turnovers in excess of €200 million). These include, inter alia, the following:

ABB	Daikin	NBR
Abbott	Deichmann	New Yorker
Agip	Deutsche Post	Oracle
Altex	DHL	Orange
Auchan	EON	Orsay
BCR	GE	Picanol
BASF	Gorenje	Piraeus Bank
Berlin Chemie	H&M	Raiffeisen Bank
BRD	Hervis	REWE
Bricostore	Holcim	Romtelecom
C&A	Honeywell	Takko
Carrefour	KFC	UPC
Cinema City	Lindner	UPS
Colliers	L'Oreal	Vodafone
Credit Europe Bank	Mars	Xerox

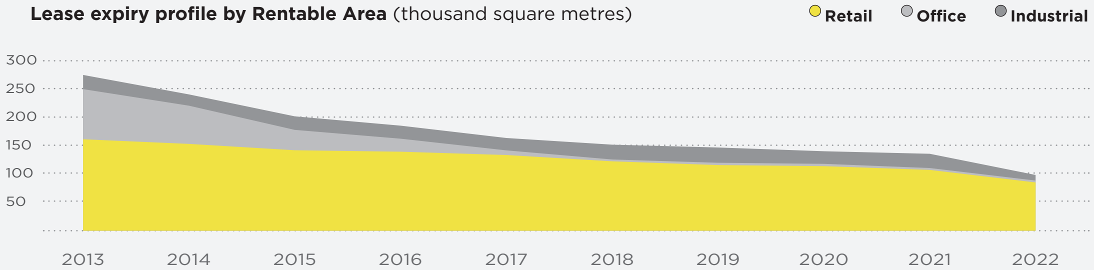
Type B: Smaller international and national tenants, smaller listed tenants and medium to large professional firms (companies with assets and/or turnovers of €100–200 million).

Type C: Other tenants (288, of which 83 located in Germany).

Lease expiry profile by Gross Rentals (€ million)



Lease expiry profile by Rentable Area (thousand square metres)



PORTFOLIO OVERVIEW ›continued

VACANCY PROFILE

The vacancy calculated as a portion of available rentable area (excluding the rentable areas under the earn-out arrangement in City Business Centre) at the 2012 year-end is 4.8% compared to 5.3% at the previous year-end and has reduced further since the 2012 year-end.

At year-end, 13,434 square metres of rentable area were vacant, out of which 1,797 square metres were in Promenada Mall Braila, 1,746 square metres in Zalau Office Building, 1,710 square metres in Ploiesti Shopping City, 1,397 square metres in Retail Park Auchan Pitesti and 1,334 square metres in the Brasov Office Building, of which 619 square metres have been rented by the date of this report. The remaining vacancies include smaller areas in the Raiffeisen portfolio, Bucharest Elisabeta Building and Rasnov industrial facility.

RENTAL ESCALATIONS

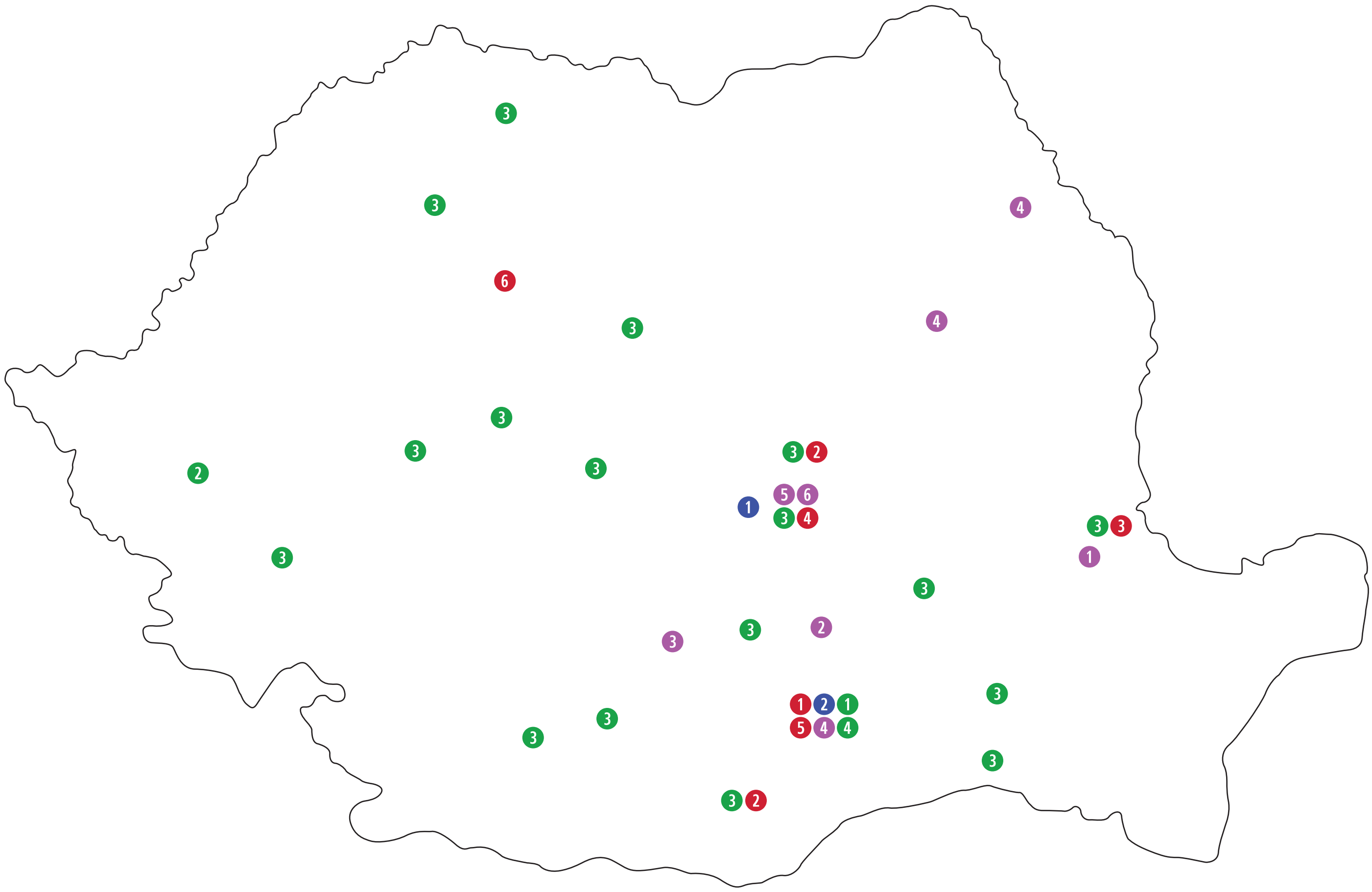
Rental income in Romania is indexed annually with European CPI (2.6% in 2012). Escalations in the rental agreement with Raiffeisen Bank are capped at 3% per annum. Out of the total contracted rent in Germany 83.2% is indexed. A typical lease in the German portfolio is indexed at 65% of the German CPI (2.5% in 2012) that is applicable when cumulative inflation exceeds a certain threshold (usually 10%).

As at year-end 2012, the weighted average rental escalation by rentable area was 2.66% for retail, 2.87% for office and 2.66% for industrial.

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

PHOTO: THE LAKEVIEW, BUCHAREST, ROMANIA

PROPERTIES IN ROMANIA



RETAIL

1. Promenada Mall Braila
2. Ploiesti Shopping City
3. Retail Park Auchan Pitesti
4. NEPI One Portfolio: Bucharest, Iasi, Bacau
5. Brasov Strip Mall
6. Mobexpert Brasov

OFFICE

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

INDUSTRIAL

1. Rasnov industrial facility
2. Otopeni warehouse

DEVELOPMENTS AND EXTENSIONS

1. Vulcan Strip Mall
2. Kaufland Value Extensions: Alexandria, Sfantu Gheorghe
3. Galati Shopping City
4. Brasov Shopping City
5. Victoriei Office Bucharest
6. The Office Cluj-Napoca

PROMENADA MALL BRAILA

The fashion offering was extended in 2012 with the opening of H&M and C&A. A further extension is planned for 2013.

LETTABLE AREA
54,850 square metres

PROPERTY VALUE
€73.3 million

PASSING RENT
€5.4 million

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

OWNERSHIP
100%

OCCUPANCY
96.7%

PLOIESTI SHOPPING CITY

The shopping center was completed and opened on 15 November 2012, 11 months after the start of the construction works.

LETTABLE AREA
46,206 square metres

OWNERSHIP
50%

PROPERTY VALUE
€78 million

OCCUPANCY
92.6%

PASSING RENT
€5.6 million

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

RETAIL PARK AUCHAN PITESTI

The Group is in process of selling the hypermarket section to Auchan Group.

LETTABLE AREA
43,100 square metres

PROPERTY VALUE
€70.3 million

PASSING RENT
€5.3 million

MAJOR TENANTS
Auchan, Bricostore, Domo, Lems, Naturlich

OWNERSHIP
100%

OCCUPANCY
96.7%

FLOREASCA BUSINESS PARK

Floreasca Business Park is located in the most attractive business area of Bucharest. The area has seen a lot of development in recent years with new A-grade buildings, a new shopping center and new infrastructure access facilities. Further development is expected due to easy access to the airport and also to the city center.

LETTABLE AREA
36,032 square metres

PROPERTY VALUE
€104.4 million

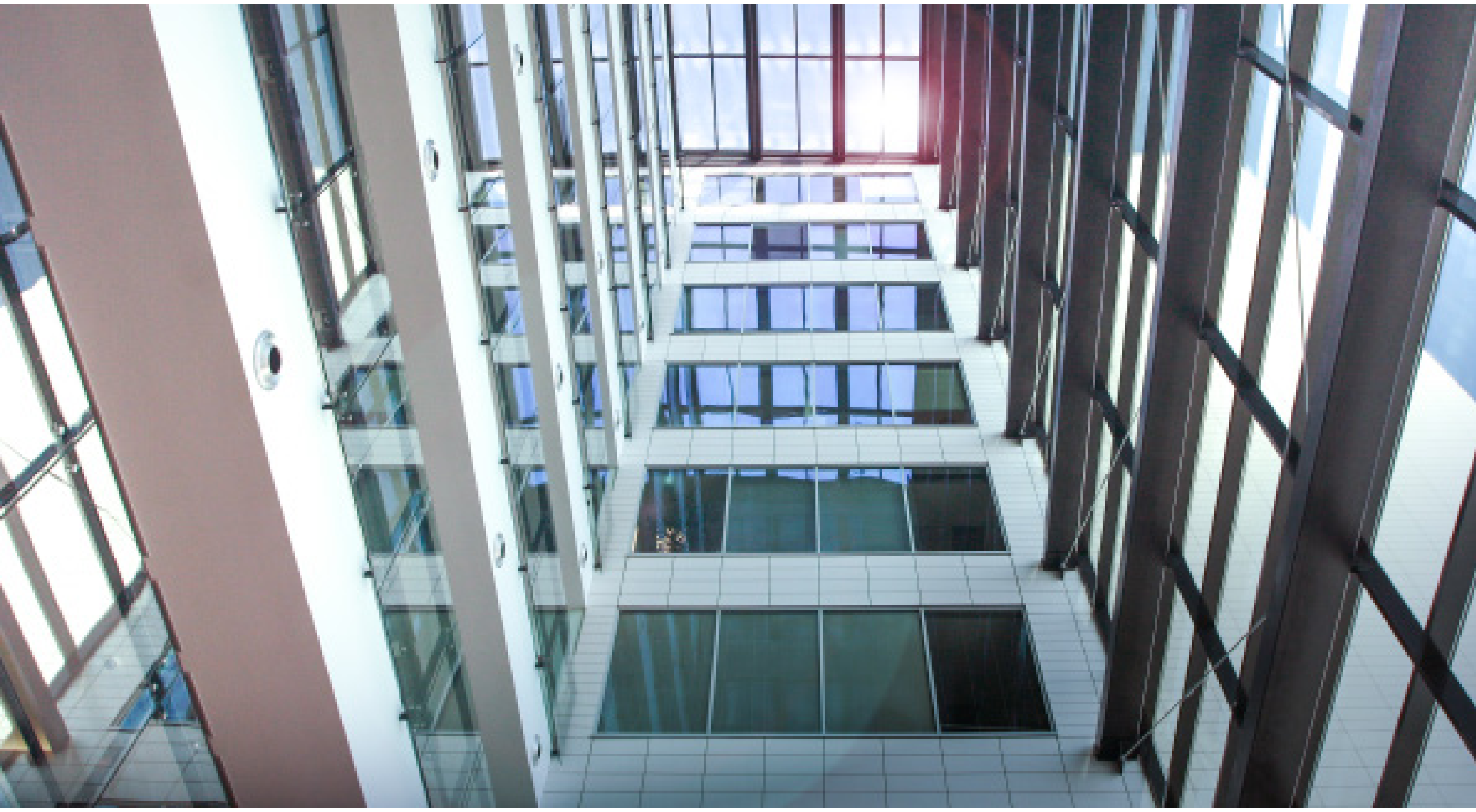
PASSING RENT
€8.6 million

MAJOR TENANTS
Abbot, BASF, Berlin Chemie, Colliers, DHL, General Electric, Gorenje, Honeywell, L'Oreal, Oracle, Xerox

OWNERSHIP
100%

OCCUPANCY
100%

NUMBER OF TENANTS
40



CITY BUSINESS CENTRE

City Business Centre was acquired in 2012 under an earn-out arrangement with its developer. The property is performing very well, as it represents the only A-grade office building complex in Timisoara, the third largest city in Romania.

LETTABLE AREA
27,151 square metres

PROPERTY VALUE
€51.7 million

PASSING RENT
€4.2 million

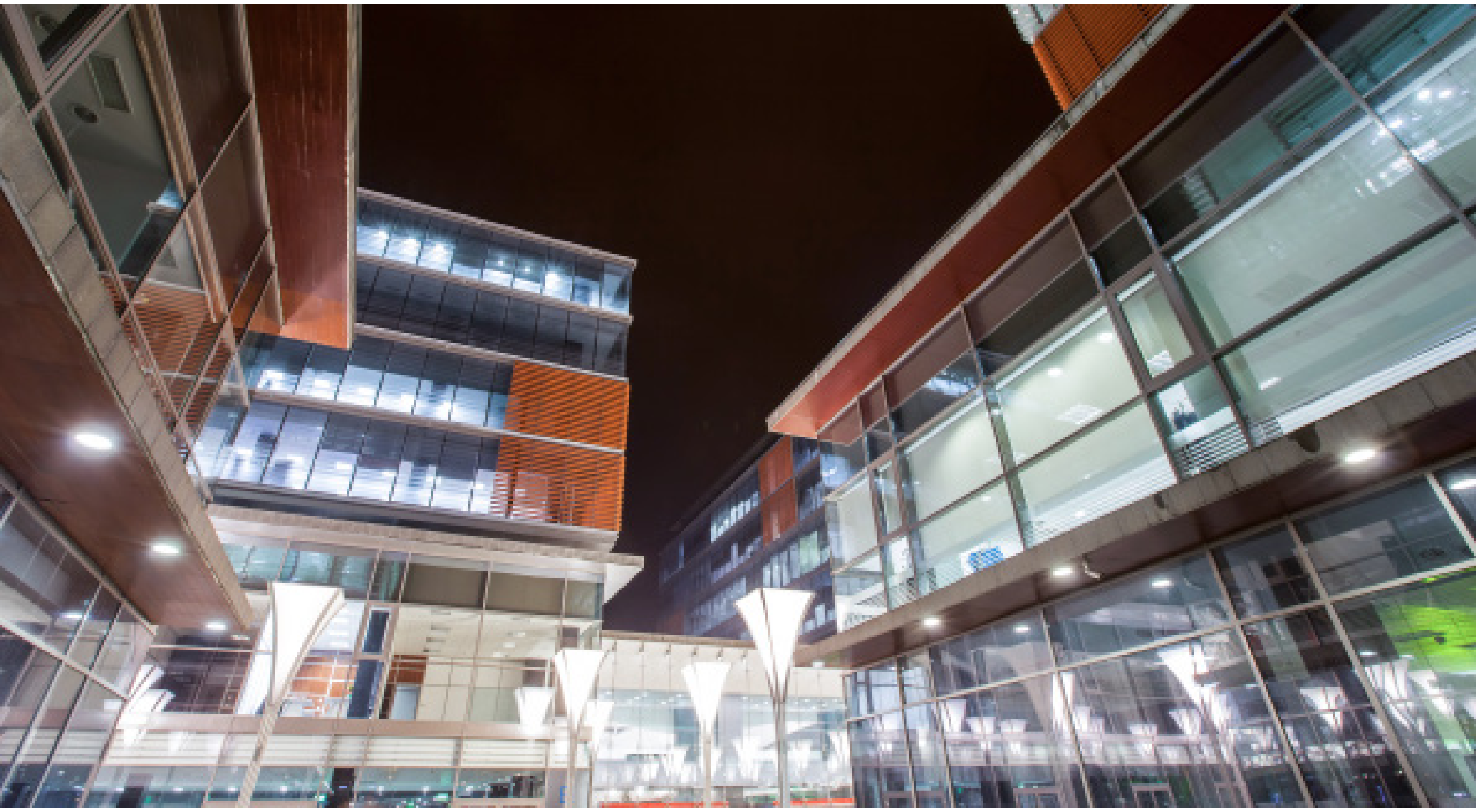
MAJOR TENANTS
Alcatel, Deloitte, IBM, Microsoft, PricewaterhouseCoopers, Raiffeisen Bank, UniCredit Tiriac Bank, Wipro

OWNERSHIP
100%

OCCUPANCY
100%*

NUMBER OF TENANTS
41

* excluding the rentable areas under the earn-out arrangement



THE LAKEVIEW

NEPI's latest acquisition, effective 1 January 2013, is an A-grade office building, fully occupied by international tenants.

The Lakeview is located in Bucharest's emerging business district, in close proximity to Floreasca Business Park.

LETTABLE AREA
25,564 square metres

PROPERTY VALUE
€63.3 million

PASSING RENT
€5.2 million

MAJOR TENANTS
Alcon, Colgate-Palmolive, Huawei, Phillips, PricewaterhouseCoopers, Royal Bank of Scotland

OWNERSHIP
100%

OCCUPANCY
100%

NUMBER OF TENANTS
10

RAIFFEISEN PORTFOLIO

The Raiffeisen portfolio consists of 17 office buildings, situated in cental locations in secondary Romanian cities. Raiffeisen Bank occupies 55% of the lettable area in 15 locations.

LETTABLE AREA
40,581 square metres

PROPERTY VALUE
€30.7 million

PASSING RENT
€2.5 million

MAJOR TENANTS
Raiffeisen Bank

OWNERSHIP
100%

OCCUPANCY
81%

NUMBER OF TENANTS
40

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

CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance and endorses and monitors compliance with the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies and the King III Report on Corporate Governance in South Africa. The Board confirms that the Company is compliant with the provisions of King III in all material respects, except for the following:

KING III PRINCIPLE		NOTES
2.20	Training and development of directors should be conducted through formal processes.	Training and development of directors has not been conducted through a formal process. This has not been necessary as the directors have been familiar with the Group's operations and business environment.
2.23	The performance of the Board, its committees and individual directors should be evaluated annually.	No formal evaluation of the Board, sub-committees, or of individual directors was undertaken in 2012.
9.3	Sustainability reporting and disclosure should have independent assurance.	No formal process of assurance by an independent party has been undertaken in 2012.

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

BOARD OF DIRECTORS

The Board comprises four independent non-executive directors, one non-independent non-executive director and two executive directors. The roles of Chairman and CEO are clearly separated to ensure a balance of power and prevent any director from exercising unfettered powers of decision-making. The Directors of the Company are listed on pages 6 and 7 of the report.

The main functions of the Board include:

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

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

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

APPOINTMENT OF DIRECTORS

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

Investment Committee

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

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

Remuneration Committee

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

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

Nomination Committee

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

The Nomination Committee, comprising three directors, assists the Board in identifying qualified individuals to become Board members and recommends on the composition of the Board.

Audit and Risk Committee

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

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

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

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

Significant risks that are identified by these systems are communicated to the Board with recommendations for actions to mitigate these risks. The Group may use independent agents to undertake any specialist analysis, investigation or action that is needed. The systems are regularly reviewed by the Audit and Risk Committee.

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

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

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

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

ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS

	Board	Investment Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Dan Pascariu	5/5			3/3	1/1
Desmond de Beer	5/5	6/6		3/3	
Dewald Joubert	5/5		5/5	3/3	
Jeffrey Zidel	5/5	6/6	5/5		1/1
Martin Slabbert	5/5	6/6			
Michael Mills	5/5		5/5		1/1
Victor Semionov	5/5				

EXTERNAL AUDIT

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

INTERNAL AUDIT

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

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

GOVERNANCE OF STAKEHOLDERS' RELATIONSHIPS

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

GOVERNANCE OF INFORMATION TECHNOLOGY

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

DIRECTORS' REMUNERATION

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

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

Participation in the share purchase schemes is restricted to employees and executive directors. Performance measures for share purchase schemes awards are set annually by the Remuneration Committee and shares are allocated based on individual performance. The Group provides loan financing to employees and executive directors for acquiring shares. There are no separate share purchase schemes to encourage retention, aside from the share purchase schemes rewarding performance. Directors' remuneration in 2012 is shown in Note 34 to the financial statements.

COMPANY SECRETARY

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

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

COMMUNICATION

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

DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE

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

ETHICS

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

Employees

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

Customers

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

Government

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

Social and Environmental Responsibility

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

Conflict of interest

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

Insider Trading Policy

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

Equal Employment and Non-discrimination

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

KEY RISK FACTORS

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

Risk Description	Impact Areas	Key Mitigants
STRATEGY		
Failure to execute appropriate property investment and development strategies	Net asset value Total property return (income and capital) Shareholder earnings (distribution)	Defined investment strategy Defined asset appraisal process Review of all opportunities against predetermined criteria Monitoring of macroeconomic and property market trends
DEVELOPMENT		
Development and construction risk including contractor solvency and availability	Reduced development returns Cost overruns Programme delays leading to potential loss of occupier revenue Failure to secure planning permission	Close supply chain relationships facilitate assessment and monitoring Assessment of contractors prior to appointment
INVESTOR DEMAND		
Decrease in demand by investors for real estate	Net asset value Potential pressure on banking covenants	Strong occupier financial covenants Active asset management
OFFICE OCCUPIER MARKET		
Weakened occupier demand for office developments, oversupply and potential vacancies due to financial market rationalisation and economic uncertainty	Rental income and cash flow Reduced strength of occupier covenant and increased arrears/bad debts Cost of occupier incentives for new lettings Empty unit (void) costs Net asset value	Focus on long-lease profiles High occupancy Quality assets easier to re-let

KEY RISK FACTORS ›continued

Risk Description	Impact Areas	Key Mitigants
RETAIL OCCUPIER MARKET		
Reduced retail occupier demand for space, increased supply and occupier defaults	Rental income and cash flow Empty unit (void) costs Net asset value	Diversified occupier base Long leases and strong financial covenants Prime portfolio easier to re-let Close occupier relationships assist in understanding changing requirements Review of consumer trends Retail occupiers at risk monitored regularly
FINANCING AVAILABILITY		
Shortage of financing or re-financing at acceptable cost	Inability to fund property investments or development programme Increased cost of finance	Spread of sources and maturity of facilities Committed but undrawn facilities maintained Continuing and extensive capital market and bank relationship management
COST OF FINANCE		
Adverse interest rate movements	Increased cost of borrowing and hedging	Interest hedging policy Hedging effectiveness regularly monitored
CREDIT RISK		
Financial counterparty credit risk	Loss of hedge Loss of deposits Cost of rearranging facilities Incremental changes in financing rate	Summary of exposures by bank and credit ratings reviewed monthly Spread of sources and maturity of facilities Cash placed across a range of deposit accounts Credit worthiness of derivative counterparties assessed

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

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

SUSTAINABILITY REPORT

NEPI is committed to carrying out activities in an environmentally responsible and resource-efficient manner. This requires dedication and involvement at all stages of design, construction, operation and renovation of the properties.

Green building practices are implemented throughout the entire portfolio so that any negative impact on the environment is reduced as much as possible. These include:

- efficient usage of water, energy and other resources
- choice of environmentally friendly materials during the design and construction phases
- thermal gain/loss studies to improve building efficiency through informed design solutions
- solar studies during design stage to reduce energy consumption required to cool buildings and reduce solar gain within buildings using shading elements on facades, specification of glass, etc
- design layouts which increase natural light inside the buildings thus reducing electricity consumption during the daylight
- choice of energy efficient lighting systems
- highly-efficient building management systems which monitor and regulate energy consumption
- reduction in carbon dioxide emissions and environment degradation
- waste management and recycling during construction and insisting that contractors use recyclable packaging
- waste management and recycling during the life cycle of buildings

The above resolutions ensure the reduction of capital expenditures and operating costs is achieved and guarantee top-quality work environment for existing or potential tenants, visitors and employees.

The teams involved in NEPI's developments are committed to designing and delivering the best buildings in terms of minimum environmental impact, space efficiency and comfort, in complete accordance with the current market's demand.

Water consumption savings and maintaining water quality

Efforts are made to install water-efficient equipment to ensure that leaks are detected and remedied as soon as possible. Waste water collected from buildings is treated before being passed into municipal networks and closed-circuit systems are being introduced to reuse water for non potable requirements such as lavatories and watering of gardens.

Electricity savings and carbon dioxide emissions reduction

The optimisation of the electricity consumption is one of the Group's main focus points. Electricity expenses are being systematically reduced, alongside carbon dioxide emissions, as the designs for new developments focus on maximising the use of natural daylight. Low energy bulbs are used in all buildings and the use of light sensors is preferred where practicable. Escalators have motion sensors in order that they stop automatically when not in use. In high-rise buildings where there are multiple elevators, computerised systems are installed which automatically monitor keypad commands and reduce the number of lift movements.

When acquiring or developing new projects the proximity of public transport is important and reduces the carbon footprint. Prime office buildings and latest pursued office acquisitions and developments (Floreasca Business Park, City Business Centre, Piata Victoriei Office Development, The Office Cluj-Napoca and The Lakeview) are all within walking distance of subway and/or tram and bus lines. The retail properties operated and being developed are also very well located in terms of public transport access (Galati Shopping City and Vulcan Strip Mall are situated in areas with very good public transport access;

due to the fact that Promenada Mall Braila is located on the outskirts of town free transport by bus is provided for customers).

Waste management

The approach to waste management is designed to maximise recycling and minimise landfill. Tenants are regularly informed about on-site waste management policy and process. Both supplier purchasing contracts and green leases establish the minimum requirements for waste sorting and recycling that must be respected. The total volume of waste generated in a building mainly relies on the level of activity of the tenants, for instance sales for shopping centres and occupancy for offices buildings. Therefore the Group has limited influence on the total volume of waste generated. The Group is committed to waste management efficiency measured through long-term objectives set for recycling.

BREEAM certification

BREEAM (Building Research Establishment Environmental Assessment Method) is the world's best environmental assessment method and rating system for buildings. It is awarded to low environmental impact buildings with systems in place guaranteed to ensure the minimization of running costs combined with improved working and living environments. Buildings that obtain BREEAM recognition have achieved high levels of corporate and organisational environmental objectives and set the standard for sustainable building design construction and operation.

NEPI's latest office acquisition, The Lakeview, is the first building in Romania ever to obtain a BREEAM 'Very Good' certification.

The asset management team is currently pursuing the same certification for Floreasca Business Park in Bucharest, City Business Centre in Timisoara and Cluj Business Centre in Cluj.

Historical buildings

Piata Victoriei Office in Bucharest will retain an existing historical monument. This building was constructed between 1926 and 1927 by the famous Romanian architect Petre Antonescu, who also designed the capital city's Arc de Triumf and the City Hall. Abandoned for years, it will be fully restored to its former glory following a historical study of the Ministry of Culture's Archives.

The Group also owns another historical monument, a centrally located office building in the city of Targu Mures. The building is currently being restored, and more efficient office space is being constructed for the tenants, reducing energy consumption and service charges.

People management

The human resources policy is to employ and retain the best people whose knowledge and effort produce a competitive advantage in the market place. NEPI started business five years ago with a headcount of only three and today comprises over 60 people, all of whom contribute to the Group's success.

The remuneration policy is designed to encourage individual achievement and is aligned with the the industry standard. The remuneration package for each individual is revised on an annual basis in accordance with the results of the performance evaluation process. The Group offers students and graduates internship programmes in the accounting and finance departments. Interns are given the opportunity to grow their knowledge, skills and potential in a highly professional and competitive work environment.

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

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA; PHOTO CREDIT: OVIDIU MICSA

FINANCIAL STATEMENTS

For the year ended 31 December 2012

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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

The Group and Company financial statements were approved by the Board of Directors on 6 February 2013 and signed on its behalf by:

Martin Slabbert
CHIEF EXECUTIVE OFFICER

Victor Semionov
FINANCE DIRECTOR

DECLARATION BY COMPANY SECRETARY

In terms of the Companies Act of South Africa 71 of 2008, as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this act and that all such returns are true, correct and up to date.

Cornelius Eduard Cassell
COMPANY SECRETARY
6 FEBRUARY 2013

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of New Europe Property Investments plc ('the Company') for the year ended 31 December 2012 which comprise the Group's Statement of financial position, Statement of income, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows, and the Company's Statement of financial position, Statement of income, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibility for the Annual Financial Statements set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2012 and of the Company's and Group's profit for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards

Paul Francis Duffy
For and on behalf of
ERNST & YOUNG LLC
CHARTERED ACCOUNTANTS
DOUGLAS, ISLE OF MAN
8 MARCH 2013

Paul Duffy

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
		€	€	€	€
ASSETS					
Non-current assets		**444,666,197**	**340,161,442**	**362,404,369**	**229,454,757**
Investment property		416,674,175	–	341,802,837	–
— Investment property at fair value	8	393,966,226	–	316,393,495	–
— Investment property under development	8	22,707,949	–	25,409,342	–
Goodwill	10	13,188,795	–	13,351,499	–
Investment in subsidiaries and joint ventures	4	–	6,825,949	–	6,825,948
Loans to subsidiaries	4	–	319,989,688	–	215,862,255
Other long-term assets	9	14,727,635	13,270,220	6,213,458	5,987,490
Financial assets at fair value through profit or loss	16.1	75,592	75,585	1,036,575	779,064
Current assets		**185,176,059**	**97,451,174**	**62,816,541**	**14,951,837**
Trade and other receivables	12	15,798,975	712,592	7,751,441	–
Loans to subsidiaries	4	–	13,328,520	–	13,844,795
Financial investments at fair value through profit or loss	11	81,865,443	81,865,443	–	–
Cash and cash equivalents	13	87,511,641	1,544,619	55,065,100	1,107,042
Investment property held for sale	31	**28,665,158**	**–**	**–**	**–**
TOTAL ASSETS		**658,507,414**	**437,612,616**	**425,220,910**	**244,406,594**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**393,622,378**	**409,915,489**	**235,258,940**	**243,173,014**
Share capital	14	1,352,629	1,352,629	955,693	955,693
Share premium	14	355,026,520	355,026,520	227,844,770	227,844,770
Share-based payment reserve	15	15,491,810	15,491,810	7,456,257	7,456,257
Currency translation reserve		(1,228,783)	–	(2,650,522)	–
Accumulated profit		22,980,202	38,044,530	1,652,742	6,916,294
Total liabilities		**264,885,036**	**27,697,127**	**189,961,970**	**1,233,580**
Non-current liabilities		**147,151,095**	**5,268,795**	**174,098,216**	**1,145,997**
Loans and borrowings	16	117,100,152	–	156,629,879	–
Deferred tax liabilities	19	22,321,189	–	15,086,152	–
Financial liabilities at fair value through profit or loss	16.1	7,729,754	5,268,795	2,382,185	1,145,997
Current liabilities		**117,733,941**	**22,428,332**	**15,863,754**	**87,583**
Trade and other payables	17	12,985,200	324,546	5,251,265	87,583
Loans and borrowings	16	102,048,042	22,103,786	8,235,659	–
Tenant deposits	18	2,700,699	–	2,376,830	–
TOTAL EQUITY AND LIABILITIES		**658,507,414**	**437,612,616**	**425,220,910**	**244,406,594**
Net asset value per share	20	**2.83**		**2.41**	
Adjusted net asset value per share	20	**2.88**		**2.43**	

STATEMENT OF INCOME

For the year ended 31 December 2012

	Note	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
		€	€	€	€
Net rental and related income	21	**30,432,771**	–	**23,727,203**	–
— Contractual rental income and expense recoveries		40,176,801	–	32,069,075	–
— Property operating expenses		(9,744,030)	–	(8,341,872)	–
Administrative expenses	22	(2,211,006)	(704,941)	(1,916,734)	(770,773)
Acquisition fees	23	(1,594,393)	(40,735)	(106,615)	–
Fair value adjustments of investment property and goodwill	25	6,450,485	–	3,010,852	–
Fair value gains of financial investments at fair value through profit or loss	11	10,287,980	10,287,980	–	–
Distributable income from financial investments at fair value through profit or loss	11	822,691	822,691	–	–
Share-based payment expense	15	(996,909)	(996,909)	(1,041,647)	(1,041,647)
Foreign exchange loss		(2,529,495)	–	(475,883)	–
Other operating income	24	10,264,266	10,264,266	–	–
Profit/(loss) before net finance (expense)/income		**50,926,390**	**19,632,352**	**23,197,176**	**(1,812,420)**
Net finance (expense)/income	26	**(12,574,251)**	**23,271,873**	**(4,925,640)**	**16,520,737**
Finance income		1,853,838	30,153,901	6,253,858	19,505,222
Finance expense		(14,428,089)	(6,882,028)	(11,179,498)	(2,984,485)
Profit before tax		**38,352,139**	**42,904,225**	**18,271,536**	**14,708,317**
Tax (expense)/income		**(5,248,690)**	–	**500,210**	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**33,103,449**	**42,904,225**	**18,771,746**	**14,708,317**
Weighted average number of shares in issue	27	116,238,121		78,659,834	
Diluted weighted average number of shares in issue	27	121,391,646		84,264,285	
Basic weighted average earnings per share (euro cents)	27	28.48		23.86	
Diluted weighted average earnings per share (euro cents)	27	27.27		22.28	
Distributable earnings per share (euro cents)	27	25.95		24.67	
Headline earnings per share (euro cents)	28	22.93		20.04	
Diluted headline earnings per share (euro cents)	28	21.96		18.70	

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Profit for the year attributable to equity holders	33,103,449	42,904,225	18,771,746	14,708,317
Other comprehensive income				
— Currency translation differences	1,421,739	–	314,303	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**34,525,188**	**42,904,225**	**19,086,049**	**14,708,317**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated (loss)/profit	Total
	€	€	€	€	€	€
Balance at 1 January 2011	**712,686**	**159,308,324**	**759,550**	**(2,964,825)**	**(2,728,709)**	**155,087,026**
Transactions with owners	243,007	68,536,446	6,696,707	–	(14,390,295)	61,085,865
— Issue of shares	243,007	69,914,745	–	–	–	70,157,752
— Issue cost recognised to equity	–	(1,378,299)	–	–	–	(1,378,299)
— Share-based payment reserve*	–	–	6,696,707	–	–	6,696,707
— Earnings distribution	–	–	–	–	(14,390,295)	(14,390,295)
Total comprehensive income	–	–	–	314,303	18,771,746	19,086,049
— Other comprehensive income	–	–	–	314,303	–	314,303
— Profit for the year	–	–	–	–	18,771,746	18,771,746
BALANCE AT 31 DECEMBER 2011	**955,693**	**227,844,770**	**7,456,257**	**(2,650,522)**	**1,652,742**	**235,258,940**
Balance at 1 January 2012	**955,693**	**227,844,770**	**7,456,257**	**(2,650,522)**	**1,652,742**	**235,258,940**
Transactions with owners	396,936	127,181,750	8,035,553	–	(11,775,989)	123,838,250
— Issue of shares	391,735	125,943,296	–	–	–	126,335,031
— Issue cost recognised to equity	–	(332,117)	–	–	–	(332,117)
— Share-based payment reserve*	–	–	9,258,789		–	9,258,789
— Sale of shares issued under the Initial Share Scheme	1,110	326,324	–	–	–	327,434
— Sale of shares issued under the Current Share Scheme	530	183,367	(158,795)	–	–	25,102
— Vesting of shares issued under the Current Share Scheme	3,561	1,060,880	(1,064,441)	–	–	–
— Earnings distribution	–	–	–	–	(11,775,989)	(11,775,989)
Total comprehensive income	–	–	–	1,421,739	33,103,449	34,525,188
— Other comprehensive income	–	–	–	1,421,739	–	1,421,739
— Profit for the year	–	–	–	–	33,103,449	33,103,449
BALANCE AT 31 DECEMBER 2012	**1,352,629**	**355,026,520**	**15,491,810**	**(1,228,783)**	**22,980,202**	**393,622,378**

* These amounts include €8,236,300 (2011: €5,980,000) relating to the issue of shares in terms of the Current Share Scheme, in relation to which the loans remain outstanding (Note 15).

STATEMENT OF CHANGES IN EQUITY ›continued

For the year ended 31 December 2012

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
	€	€	€	€	€
Balance at 1 January 2011	**712,686**	**159,308,324**	**759,550**	**6,598,272**	**167,378,832**
Transactions with owners	243,007	68,536,446	6,696,707	(14,390,295)	61,085,865
— Issue of shares	243,007	69,914,745	–	–	70,157,752
— Issue cost recognised to equity	–	(1,378,299)	–	–	(1,378,299)
— Share-based payment reserve	–	–	6,696,707	–	6,696,707
— Earnings distribution	–	–	–	(14,390,295)	(14,390,295)
Total comprehensive income	–	–	–	14,708,317	14,708,317
— Profit for the year	–	–	–	14,708,317	14,708,317
BALANCE AT 31 DECEMBER 2011	**955,693**	**227,844,770**	**7,456,257**	**6,916,294**	**243,173,014**
Balance at 1 January 2012	**955,693**	**227,844,770**	**7,456,257**	**6,916,294**	**243,173,014**
Transactions with owners	396,936	127,181,750	8,035,553	(11,775,989)	123,838,250
— Issue of shares	391,735	125,943,296	–	–	126,335,031
— Issue cost recognised to equity	–	(332,117)	–	–	(332,117)
— Share-based payment reserve	–	–	9,258,789	–	9,258,789
— Sale of shares issued under the Initial Share Scheme	1,110	326,324	–	–	327,434
— Sale of shares issued under the Current Share Scheme	530	183,367	(158,795)	–	25,102
— Vesting of shares issued under the Current Share Scheme	3,561	1,060,880	(1,064,441)	–	–
— Earnings distribution	–	–	–	(11,775,989)	(11,775,989)
Total comprehensive income	–	–	–	42,904,225	42,904,225
— Profit for the year	–	–	–	42,904,225	42,904,225
BALANCE AT 31 DECEMBER 2012	**1,352,629**	**355,026,520**	**15,491,810**	**38,044,530**	**409,915,489**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
		€	€	€	€
OPERATING ACTIVITIES					
Profit for the year attributable to equity holders		33,103,449	42,904,225	18,771,746	14,708,317
Adjustments for:					
— Fair value adjustment on investment property and goodwill	8	(6,450,485)	–	(3,010,852)	–
— Fair value gains on financial investments at fair value through profit or loss	11	(10,287,980)	(10,287,980)	–	–
— Distributable income from financial investments at fair value through profit or loss	11	(822,691)	(822,691)	–	–
— Share-based payment expense	15	996,909	996,909	1,041,647	1,041,647
— Foreign exchange loss		2,529,495	–	364,655	–
— Other operating income	24	(10,264,266)	(10,264,266)	–	–
— Net finance expense/(income)	26	12,574,251	(23,271,873)	4,925,640	(16,520,737)
— Corporate tax charge and deferred tax	19	5,248,690	–	(500,210)	–
Operating profit before changes in working capital		**26,627,372**	**(745,676)**	**21,592,626**	**(770,773)**
Increase in trade and other receivables		(6,966,030)	(18,792)	(217,038)	(353,347)
Increase/(decrease) in trade and other payables		2,249,525	(75,514)	(3,016,126)	(126,241)
Interest paid		(8,753,020)	(879,878)	(7,649,493)	–
Interest received		698,739	29,290,459	6,476,898	9,792,055
Income from vendor settlement received	24	11,787,486	11,787,486	–	–
CASH FLOWS FROM OPERATING ACTIVITIES		**25,644,072**	**39,358,085**	**17,186,867**	**8,541,694**
INVESTING ACTIVITIES					
Acquisition of investment property	8	(45,932,846)	–	(24,164,735)	–
Payments for acquisition of subsidiaries less cash acquired	29	(15,915,914)	–	–	–
Purchase of financial investments at fair value through profit or loss	11	(72,287,023)	(72,287,023)	–	
Dividends from financial investments at fair value through profit or loss	11	796,411	796,411	–	–
Proceeds from sale of financial investments at fair value through profit or loss	11	735,840	735,840	–	–
Loans granted to subsidiaries	4	–	(104,687,728)	–	(62,849,727)
CASH FLOWS FROM INVESTING ACTIVITIES		**(132,603,532)**	**(175,442,500)**	**(24,164,735)**	**(62,849,727)**
FINANCING ACTIVITIES					
Proceeds from share issuance		126,355,450	126,355,450	68,454,514	68,454,514
Proceeds from bank borrowings		37,061,976	21,942,531	–	
Repayment of borrowings		(12,066,077)	–	(13,377,307)	–
Premiums paid on acquisition of derivatives		–	–	(2,636,314)	(2,617,552)
Earnings distribution		(11,775,989)	(11,775,989)	(14,194,855)	(14,194,855)
CASH FLOWS FROM FINANCING ACTIVITIES		**139,575,360**	**136,521,992**	**38,246,038**	**51,642,107**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**32,615,900**	**437,577**	**31,268,170**	**(2,665,926)**
Cash and cash equivalents brought forward	13	55,065,100	1,107,042	23,847,282	3,772,968
Translation effect on cash and cash equivalents		(169,359)	–	(50,352)	–
CASH AND CASH EQUIVALENTS CARRIED FORWARD	13	**87,511,641**	**1,544,619**	**55,065,100**	**1,107,042**

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

New Europe Property Investments plc is a limited liability company incorporated in the Isle of Man on 23 July 2007 and domiciled in Lord Street, 2nd Floor, Anglo International House, Douglas, Isle of Man. The Company is listed on the Main Market of the JSE Ltd (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market of the London Stock Exchange (AIM). The Group includes the Company and its subsidiaries as set out under "Basis of consolidation" in Note 2.4 below.

These financial statements are presented for the Group (the consolidated financial statements) and for the Company (the separate financial statements), collectively referred to as the "financial statements".

The Group's activities are detailed in the Directors' Report and in Note 32.

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 6 February 2013.

2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRS). The principal accounting policies set out below have been consistently applied to all the periods presented.

2.1 Functional and presentation currency

The financial statements are presented in Euros (€) unless otherwise indicated, as this is the currency in which the parent Company transacts a substantial part of its business and is the currency considered most convenient for shareholders. Entities located in Romania have RON as a functional currency, while entities located in Germany have Euro as functional currency.

2.2 Basis of preparation

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

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

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

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

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

Property acquisitions and business combinations
Where property is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business or of an asset.

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

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

Business combinations
Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate amount of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s 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 as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the Statement of income.

Valuation of investment property
Please refer to Notes 2.5, 2.6, 2.7 and 8 for further details.

2.3 Statement of compliance
The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board and the requirements of relevant Isle of Man Company Law.

2.4 Basis of consolidation

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The consideration transferred for the acquiree 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 excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

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

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

Transactions eliminated on consolidation

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

Jointly controlled entities

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

Where the joint venture is established through an interest in the company (a jointly controlled entity) the Group recognises its interest in the entity's assets and liabilities using the proportionate consolidation method (the Statement of financial position of the Group includes its share of the assets and liabilities and the Statement of income includes the Group's share of the income and expenses that are under joint control).

2.5 Investment property

Investment properties are those properties held either to earn rental income or for capital appreciation or both.

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

After initial recognition, investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in the Statement of income for the period in 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 to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

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

2.6 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, at which time it is reclassified and subsequently accounted for as investment property.

The land on which investment property is constructed or developed is carried at fair value, which is determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done using the market comparable approach. Gains or losses arising from changes in the fair values are included in the Statement of income for the period in 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 to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

2.7 Non-current assets held for sale

Investment property is classified as a non-current asset held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. For the sale to be highly probable:

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

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

2.8 Goodwill

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

Subsequent measurement

Subsequently, 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 acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

To the extent that the deferred tax provision in excess of the fair value of that liability is subsequently reduced or eliminated, for example, through a change in the tax circumstances of the Group, the goodwill arising from the initial recognition of the deferred tax provision may become impaired.

The goodwill is tested at the same time as determining the fair value of investment property to which goodwill relates (for the main assumptions see Notes 8 and 10).

2.9 Loans to participants in the Current Share Scheme (as defined in Note 15)

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

2.10 Property, plant and equipment and intangible assets

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

For property, plant and equipment, the costs of minor repairs and maintenance are expensed when incurred and gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the Statement of income for the year.

The cost of computer licences and property, plant and equipment is depreciated on a straight-line basis over the following 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

2.11 Borrowings

Borrowings are recognised initially at the fair value of the liability (which is determined using the prevailing market rate of interest for a similar instrument, 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, otherwise it is recognised 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 or for capital appreciation or rental income, are capitalised as part of the cost of these assets. The capitalisation of borrowing costs ceases when substantially all 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: ie, when the obligation specified in the contract is discharged or 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 (a) the carrying amount allocated to the part derecognised and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised, is recognised in the Statement of income.

2.12 Tenant security deposits

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

2.13 Financial instruments

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, derivative financial instruments and loans granted by the Company to its subsidiaries. The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which 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 reference 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 11).

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.

2.13.1 Initial recognition and subsequent measurement

Financial instruments are initially measured at fair value, which, except for financial instruments at fair value through profit or loss and derivatives, include directly attributable transaction costs.

Subsequent to initial recognition, financial instruments are measured as it is set out in the table below:

FINANCIAL INSTRUMENT	RECOGNITION METHOD
Cash and cash equivalents	Carried at fair value
Investments in subsidiaries	Carried at cost, net of impairment losses
Trade and other receivables	Carried at amortised cost using the effective interest rate method, net of impairment losses
Trade and other payables	Carried at amortised cost using the effective interest rate method
Loans granted to subsidiaries	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
Financial liabilities, including loans and borrowings	Measured at amortised cost using the effective interest rate method
Derivative financial instruments	Carried at fair value with changes therein recognised in the Statement of income, hedge accounting is not applied
Financial investments	Carried at fair value with changes therein recognised in the Statement of income

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

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

2.13.2 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 where:

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

Financial liabilities

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

2.13.3 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.

2.14 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 individually significant receivables are assessed for specific impairment.

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

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

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

2.15 Cash and cash equivalents

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

2.16 Share capital and share premium

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

2.17 Share-based payment reserve

The Group has accounted for the Initial Share Scheme (Note 15) as a share option scheme. The fair value of shares granted to key individuals and their nominated entities is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the Statement of income but added for calculation of distributable earnings purposes only.

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

The Current Share Scheme (Note 15) is accounted for by recognising in the share-based payment reserve the value of the loans given to employees. The share-based payment reserve is converted to share capital at each vesting date. The accrued interest is recognised as finance income in the Statement of income.

2.18 Other reserves

2.18.1 Currency translation reserves

The financial statements require translation of foreign operations' figures. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve. Refer to Note 2.31 for details on the method of translation.

2.18.2 Retained earnings

The balance on the Statement of income is transferred to retained earnings at the end of each financial period.

2.19 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.

2.20 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 term 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 in the period in which the expenses can be contractually recovered.

2.21 Expenses

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

2.22 Operating leases

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

2.23 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.

2.24 Dividend distributed

Distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 27.

2.25 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is determined using the Statement of financial position liability method, 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 Statement of financial position date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards 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 to the extent that they will probably not reverse in the foreseeable future.

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

The tax income or expense incurred by the Group reflects deferred tax accrued in the Romanian subsidiaries of the Group.

Output Value Added Tax (VAT) related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the Statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.26 Segment reporting

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

For investment property financial information is provided to the Board of Directors, which is the chief operating decision maker. The information provided is net rentals (including gross rent and property expenses) and valuation gains/losses. The individual properties are aggregated into segments with similar economic characteristics. The Directors consider that this is best achieved by aggregating into retail, office and industrial segments.

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

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

The Group also reports by geographic segments (currently Romania and Germany).

2.27 Related parties

Related parties in the case of the Group include any shareholder who is able to exert a significant influence on the operating policies of the Group. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties.

2.28 Earnings per share

The Group presents basic and diluted earnings per share.

Basic earnings per share are calculated by dividing 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 effects of all dilutive potential ordinary shares issued under the Initial Share Scheme (as defined in Note 15).

2.29 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 and which are entitled to distribution at the end of the period.

2.30 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 (‘included re-measurements’).

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

2.31 Foreign exchange translation

For the purpose of presenting the financial statements, the assets, liabilities and equity of the Group’s operations with a functional currency other than Euro are expressed in Euro using exchange rates prevailing on the Statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s currency translation reserve. Such translation differences are recognised in the Statement of income in the period in which the foreign operation is disposed of.

At 31 December 2012 the principal rate of exchange used for translating foreign currency balances was 1€=4.4287 RON (2011: 1€=4.3197 RON).

The principal average rate of exchange used for translating income and expenses was 1€=4.4560 RON (2011: 1€=4.2189 RON).

2.32 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures (Amended) – Enhanced Derecognition Disclosure Requirements
- IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group its impact is described below:

IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets: The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. Management has assessed that the adoption of this amendment did not have a significant impact on the consolidated financial statements of the Group.

2.33 Standards issued but not yet effective and not early adopted

IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income: The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised): The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Management is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Revised): The standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Management is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

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

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

IFRS 9 Financial Instruments: Classification and Measurement: The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements: The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Management believes this standard will have no impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements: The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

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

IFRS 13 Fair Value Measurement: The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Management is in the process of assessing the impact of this standard on the financial position or performance of the Group.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine: The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation applies to waste removal (stripping costs) incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This is not applicable for the Group.

Annual improvements: The IASB has issued the Annual Improvements to IFRSs 2009 – 2011 Cycle that contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU.

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which 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 current and future periods.

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.

3.1 Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 2.8).

3.2 Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 34.

3.3 Valuation of investment properties

Investment property is stated at its fair value based on reports prepared by an international valuation company at each end of the reporting period.

Valuations are based principally on discounted cash flow projections based on reliable estimates of future cash flows, 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, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation, 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 calculation 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 as at the valuation date, the estimated rental values for existing leases at expiry and the estimated achievable rental values in relation to the existing vacancies. Long-term vacancies are estimated on the basis of the property's location and condition. The valuers' assessments of non-recoverable expenses are based on experience of comparable properties and information on historical costs provided by the Group.

The discount rates used are nominal required returns on total capital before tax and vary between 8.5% and 10%. 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 of the property, the stability of the tenant and the length of the lease.

The residual value is the market value of the property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period. The required yield at the end of the calculation period is between 7.5% and 10%. The resulting weighted average net yield was 8.3% for the Group's property portfolio, 7.9% for the retail portfolio, 8.5% for the office portfolio and 10.3% for the industrial portfolio.

Based on the year-end valuation net yield of 8.3%, an increase of 25 basis points would result in a €11.5 million value decrease in the Group's property portfolio.

3.4 Functional currencies of different entities of the Group

Entities within the Group located in Germany have a different functional currency (€), based on the underlying economic conditions of their operations, compared to entities in Romania which have RON as a functional currency. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities, denomination of currencies of operations of different entities and also the materiality of each location.

3.5 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 2.2.

3.6 Operating lease contracts – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

4 INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has direct investments in New Europe Property (BVI) Ltd, NEPI Investment Management Ltd (BVI) and NEPIOM Ltd, and indirect holdings in the other companies listed in the table below, which were consolidated in the Group's financial statements:

Subsidiaries/joint ventures as at 31 December 2012

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Address	Principal activity	Effective interest	Effective investment 31 Dec 2012	Effective investment 31 Dec 2011
				%	€	€
Braila Promenada Mall SRL (previously named Bel Rom Sase SRL)	Sep 2009	71–73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	8,300,450	8,300,450
CIREF Europe Management Ltd	Dec 2007/ Apr 2008	31–33 The Triangle Ranelagh, Dublin 6, Ireland	Holding company	50**	*	*
CIREF NEPI Holdings Ltd	Apr 2008	17 Grigoriou Xenopoulou PC 3106, Limassol, Cyprus	Holding company	50**	*	*
Cluj Business Centre SRL	Jul 2012	10 Coriolan Brediceanu, City Business Centre, 6th floor, Office 6.8, Timisoara, Romania	Investment vehicle	50**	22	–
Connect Investment SRL	Jan 2010	71–73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	14,091,414	14,091,414
Distinct Services SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor, Office 6, Bucharest, District 1, Romania	Investment vehicle	100	55	55
FDC Braila BV	Sep 2009	231 Schiphol Boulevard 1118BH Amsterdam Schiphol, Netherlands	Holding company	100	8,300,450	8,300,450
Floreasca Business Park SRL	Dec 2010	71–73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	16,446,057	16,446,057
Galaxis Project SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor, Office 9, Bucharest, District 1, Romania	Investment vehicle	100	53	53
General Building Management SRL	Aug 2004/ Jan 2008	71–73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	1,405,631	1,405,631
General Investment SRL	Mar 2003/ Jan 2008	71–73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	25,792,431	25,792,431
Ingen Europe BV	Dec 2010	Shiphol Boulevard 231 Toren B, 5de, 1118BH, Schiphol, Netherlands	Holding company	100	18,000	18,000

Subsidiary/ joint venture	Incorporation/ date became subsidiary or joint venture	Address	Principal activity	Effective interest	Effective investment 31 Dec 2012	Effective investment 31 Dec 2011
				%	€	€
Just Development SRL (renamed to Brasov Shopping City SRL in Feb 2013)	Jun 2011	71-73 Nicolae Caramfil, 4th floor, Office 11, Bucharest, District 1, Romania	Investment vehicle	100	48	48
NE Property Cooperatief UA	Oct 2007	231 Schiphol Boulevard Toren B, 5de, 1118BH, Luchthaven Schiphol, Amsterdam, Netherlands	Holding company	100	10,000	10,000
NEPI Bucharest One SRL	Sep 2007	71-73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	3,844,554	3,844,554
NEPI Bucharest Two SRL	Dec 2007	71-73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	2,755,554	2,755,554
NEPI Five Office Tower SRL	Jan 2012	71-73 Nicolae Caramfil, 4th floor, Office 13, Bucharest, District 1, Romania	Investment vehicle	100	224	–
NEPI Four Tower Building SRL	Jan 2012	71-73 Nicolae Caramfil, 4th floor, Office 5A, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Six Development SRL	May 2012	71-73 Nicolae Caramfil, 4th floor, Office 7A, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Seven Business Management SRL	Jun 2012	71-73 Nicolae Caramfil, 4th floor, Office 15, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Eight Development & Management SRL	Jun 2012	71-73 Nicolae Caramfil, 4th floor, Office 16, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Nine Investment Development SRL	Jun 2012	71-73 Nicolae Caramfil, 4th floor, Office 17, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Ten Development Solutions SRL	Jun 2012	71-73 Nicolae Caramfil, 4th floor, Office 18, Bucharest, District 1, Romania	Investment vehicle	100	45	–
NEPI Eleven Real Estate Development SRL	Oct 2012	71-73 Nicolae Caramfil, 4th floor, Office 21, Bucharest, District 1, Romania	Investment vehicle	100	219	–
NEPI Twelve Property Solutions SRL	Oct 2012	71-73 Nicolae Caramfil, 4th floor, Office 22, Bucharest, District 1, Romania	Investment vehicle	100	219	–
NEPI Thirteen Land Management SRL (renamed to Targu Jiu Development SRL in Feb 2013)	Oct 2012	71-73 Nicolae Caramfil, 4th floor, Office 23, Bucharest, District 1, Romania	Investment vehicle	100	221	–
NEPI Investment Management Ltd (BVI)	Jun 2010	Midocean Chambers, PO Box 805, Road Town Tortola, British Virgin Islands	Investment vehicle	100	6,825,948	6,825,948
NEPI Investment Management Ltd	Jun 2010	17 Grigoriou Xenopoulou PC 3106, Limassol, Cyprus	Investment vehicle	100	2,000	2,000
NEPI Investment Management SA	Jun 2010	71-73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	1,357,158	1,357,158
NEPIOM Ltd	Sep 2012	Anglo International House, Lord Street, Douglas, 2nd floor, IM1 4LN	Investment vehicle	100	1	–
New Europe Property (BVI) Ltd	Jul 2007	Midocean Chambers, Road Town, Tortola, British Virgin Islands	Holding company	100	*	*
New Europe Property NV	Sep 2007	123 Pietermaai, Curacao, Netherlands Antilles	Holding company	100	2,000	2,000
Ploiesti Shopping City SRL (previously NEPI Bucharest Three SRL, MPM Land Management SRL and Ploiesti Commercial Gallery SRL)	Dec 2010/ Feb 2012	71-73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	50**	2,927,024	5,491,695
Premium Portfolio Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse, 60323 Frankfurt am Main, Germany	Investment vehicle	50**	*	*
Premium Portfolio 2 Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse, 60323 Frankfurt am Main, Germany	Investment vehicle	50**	*	*
Timisoara City Business Center One SA	Jan 2012	71-73 Nicolae Caramfil, 4th floor, Office 19, Bucharest, District 1, Romania	Investment vehicle	100	10,572,509	–
Timisoara Office Building SA	Jan 2012	71-73 Nicolae Caramfil, 4th floor, Office 20, Bucharest, District 1, Romania	Investment vehicle	100	7,692,830	–
Unique Delamode SRL (renamed to Otopeni Warehouse and Logistics SRL in Feb 2013)	Sep 2010	71-73 Nicolae Caramfil, 4th floor, Office 1, Bucharest, District 1, Romania	Investment vehicle	100	1,804,853	1,804,853
Victoriei Office Building SRL (previously named Central AH Pioneer SA)	Aug 2011	13 Charles de Gaulle Square, 1st floor, Office 25, Bucharest, District 1, Romania	Investment vehicle	100	4,794,815	4,794,815
Zircon Properties SRL	Apr 2012	71-73 Nicolae Caramfil, 4th floor, Office 20, Bucharest, District 1, Romania	Investment vehicle	50**	2,247	–

* Less than €1
** Joint venture companies

The Company had given loans of €319,989,688 to New Europe Property (BVI) Ltd (31 December 2011: €215,862,255). Accrued interest on the loans amounted to €13,328,520 (31 December 2011: €13,844,795).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

	Note	Group 31 Dec 2012	Group 31 Dec 2011	Group 31 Dec 2012	Group 31 Dec 2011
		Carrying amount		Fair value	
		€	€	€	€
Financial assets					
Loans to participants in Current Share Scheme (including accrued interest)	9, 15	13,270,220	5,987,490	13,270,220	5,987,490
Financial assets at fair value through profit or loss	16.1	75,592	1,036,575	75,592	1,036,575
Trade and other receivables	12	15,798,975	7,751,441	15,798,975	7,751,441
Financial investments at fair value through profit or loss	11	81,865,443	–	81,865,443	–
Cash and cash equivalents	13	87,511,641	55,065,100	87,511,641	55,065,100
TOTAL		**198,521,871**	**69,840,606**	**198,521,871**	**69,840,606**
Financial liabilities					
Loans and borrowings	16	219,148,194	164,865,538	219,148,194	164,865,538
— Fixed rate		21,665,917	22,525,256	21,665,917	22,525,256
— Rate capped		53,650,699	34,518,363	53,650,699	34,518,363
— Rate swapped		121,889,047	107,821,919	121,889,047	107,821,919
— Variable rate		21,942,531	–	21,942,531	–
Financial liabilities at fair value through profit or loss	16.1	7,729,754	2,382,185	7,729,754	2,382,185
Trade and other payables	17	12,985,200	5,251,265	12,985,200	5,251,265
Tenant deposits	18	2,700,699	2,376,830	2,700,699	2,376,830
TOTAL		**242,563,847**	**174,875,818**	**242,563,847**	**174,875,818**

	Note	Company 31 Dec 2012	Company 31 Dec 2011	Company 31 Dec 2012	Company 31 Dec 2011
		Carrying amount			Fair value
		€	€	€	€
Financial assets					
Loans to participants in Current Share Scheme (including accrued interest)	15	13,270,220	5,987,490	13,270,220	5,987,490
Loans to subsidiaries		333,318,208	229,707,050	333,318,208	229,707,050
Financial assets at fair value through profit or loss	16.1	75,585	779,064	75,585	779,064
Trade and other receivables	12	712,592	–	712,592	–
Financial investments at fair value through profit or loss	11	81,865,443	–	81,865,443	–
Cash and cash equivalents	13	1,544,619	1,107,042	1,544,619	1,107,042
TOTAL		**430,786,667**	**237,580,646**	**430,786,667**	**237,580,646**
Financial liabilities					
Loans and borrowings	16	22,103,786	–	22,103,786	–
Fixed rate		161,255	–	161,255	–
Variable rate		21,942,531	–	21,942,531	–
Financial liabilities at fair value through profit or loss	16.1	5,268,795	1,145,997	5,268,795	1,145,997
Trade and other payables	17	324,546	87,583	324,546	87,583
TOTAL		**49,800,913**	**1,233,580**	**49,800,913**	**1,233,580**

5.1 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 2012	Group 31 Dec 2011
		€	€
Loans to participants in Current Share Scheme (including accrued interest)	15	13,270,220	5,987,490
Financial assets at fair value through profit or loss	16.1	75,592	1,036,575
Financial investments at fair value through profit or loss	11	81,865,443	–
Tenants receivables	12	2,957,362	1,385,080
Receivable from CEERES	12	2,556,844	2,411,391
VAT receivable	12	7,835,474	2,261,815
Cash and cash equivalents	13	87,511,641	55,065,100
TOTAL		**196,072,576**	**68,147,451**

As at 31 December 2012 the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.

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

The balance of the loans to participants in the Current Share Scheme are not considered to present credit risk as these are guaranteed with shares (see details in Note 15).

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

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. When available, the Group's review includes external ratings.

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

Ageing of trade receivables/past due but not impaired	**Group 31 Dec 2012**	**Group 31 Dec 2011**
	€	€
Under 30 days	301,277	112,457
30–60 days	78,390	238,539
60–90 days	36,851	73,077
Over 90 days	319,261	184,017
TOTAL	**735,779**	**608,090**

Tenant receivables past due presented above were not impaired because part of the amounts were collected after the balance sheet date or because the Group has guarantees received from tenants (in cash or letters of guarantee from banks) that are higher than the balance receivable. Out of the total amount of €735,779 from the tenant overdue receivables, €505,775 was collected after the year-end, €60,000 is expected to be collected by 30 April 2013 and €115,000 is re-scheduled.

Tenant receivables not due amount to €1,022,667 (31 December 2011: €3,188,380).

An amount of €2,556,844 (31 December 2011: €2,411,391) is related to the receivable from Central Eastern European Real Estate Shareholdings BV (CEERES) overdue for more than 90 days, which carries an interest rate of three month Euribor plus a margin of 5%. CEERES is the holding company of Avrig Group which has secured its obligations with three properties: therefore no impairment was recorded in this respect.

The Group assessed its receivables for impairment and concluded that an amount of €72,000 (2011: €845,507) is unlikely to be recovered in respect of current period revenues: therefore an allowance for doubtful debts was charged to the Statement of income.

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

5.2 Liquidity risk

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

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

The carrying value of financial liabilities is considered to approximate their fair value.

Further reference on bank loans maturity analysis is made in Note 16.

5.3 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 of future cash flow of financial instruments. Also, changes in market prices can affect the valuation of the financial investments held by the Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The carrying value of financial assets and liabilities approximates their fair value. More details on the business environment and market risk management are presented in the Directors' Report.

5.3.1 Currency risk

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

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

The majority of the Group's assets and liabilities are denominated in Euro: therefore there are no significant foreign exchange differences due to fluctuation of exchange rates.

5.3.2 Interest rate risk

The Group is subject to interest rate risk on loans and cash balances held. The Group policy in relation to interest rate risk is to hedge this risk through the use of derivative financial instruments. As at 31 December 2012 and 31 December 2011, the Group held interest rate swaps and interest rate caps as further disclosed in Note 16.1.

31 Dec 2012	Group 31 Dec 2012	Interest rate
	€	%
Cash in bank	87,511,641	3.27
TOTAL	**87,511,641**	

31 Dec 2011	Group 31 Dec 2011	Interest rate
	€	%
Cash in bank	54,964,716	3.79
Security deposits	100,384	3.25
TOTAL	**55,065,100**	

Sensitivity analysis for interest bearing financial instruments

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

31 Dec 2012	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Cash deposits (term)	751,379	(751,379)	751,379	(751,379)
TOTAL	**751,379**	**(751,379)**	**751,379**	**(751,379)**

31 Dec 2011	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Cash deposits	161,577	(161,577)	161,577	(161,577)
Security deposits	1,004	(1,004)	1,004	(1,004)
TOTAL	**162,581**	**(162,581)**	**162,581**	**(162,581)**

As at 31 December 2012, out of loans and borrowings outstanding amount of €219,148,194, borrowings that amounted to €50,456,471 had the Euribor base interest rate capped at 2%, borrowings that amounted to €3,194,228 had the Euribor base interest rate capped at 2.25%, borrowings that amounted to €121,889,047 had the Euribor base interest rate fixed with interest rate swaps at rates between 1.74% and 1.93%, borrowings that amounted to €21,665,917 had fixed interest rates and the remaining borrowing that amounted to €21,942,531 had variable interest rates (Note 16).

Variable interest rate borrowings vary based on Euro OverNight Index Average (EONIA) rate that was 0.131% as at 31 December 2012. A 1% increase in EONIA rate would lead to a €2,847 increase in interest expense, while a 1% decrease in EONIA would lead to a €2,847 decrease in interest expense.

As at 31 December 2011, out of loans and borrowings outstanding amount of €164,658,239, borrowings that amounted to €34,796,902 had the Euribor base interest rate capped at 2% and borrowings that amounted to €104,700,000 had the Euribor base interest rate fixed at 1.8% with an interest rate swap, while the remaining borrowings had fixed interest rates.

5.3.3 Market risk for rate risk listed property shares

Sensitivity analysis for Financial investments (Note 11): 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 2012. These balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables remain constant.

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

6 INTERNAL CONTROLS TO MANAGE RISKS

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

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

7 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

Capital is primarily monitored by using the gearing ratio, computed as interest bearing debt less cash divided by investment property and listed property shares, which decreased to 25% (31 December 2011: 32%).

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

The Group will retain high levels of access to liquidity due to the instability of the European banking markets, to finance the Group's development pipeline and to pursue further investment opportunities. In order to mitigate the dilutory effect this has on earnings, a portion of the cash held for capital commitments has been invested in liquid dividend paying listed property shares (details in Note 11).

8 INVESTMENT PROPERTY

A schedule of investment property is included on pages 114–115.

Movement in investment property at fair value	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Carrying value at beginning of year	316,393,495	300,899,292
Additions from business combinations (Note 29)	51,242,968	–
Additions from joint ventures (Note 30)	10,206,824	–
Transferred from investment property under development	37,976,723	19,596,645
Disposals	–	(5,809,000)
Fair value adjustment (Note 25)	6,811,374	1,706,558
Investment property reclassified as held for sale	(28,665,158)	–
CARRYING VALUE AT END OF YEAR	**393,966,226**	**316,393,495**

In 2011 the Group disposed of the Constanta property at an option price of €5,809,000.

Investment property is carried at fair value that is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consulting SRL and Apollo Real Estate AG & Co KG, both members of RICS (Royal Institution of Chartered Surveyors). The fair value of investment property is based on the year-end appraisal reports.

A fair value adjustment was made in accordance with the Group accounting policies to assess fair values on an annual basis. The Group's investment properties at the end of the reporting period included retail, office and industrial properties and an immaterial amount of residential property in Germany.

Movement in investment property under development

Investment property under development – retail	Promenada Mall Braila	Brasov Strip Mall	Ploiesti Shopping City	Retail Park Auchan Pitesti extension	Mobexpert Brasov	Brasov Shopping City	Vulcan Strip Mall	Kaufland Value Extensions	Galati Shopping City	Total retail
	€	€	€	€	€	€	€	€	€	€
Carrying value at 1 Jan 2011	3,841,323	–	2,500,000	–	–	–	–	–	–	6,341,323
Additions from asset deals and construction in progress	5,418,779	4,326,290	4,293,775	4,374,050	–	–	–	–	–	18,412,894
Fair value adjustments	–	–	258,603	–	–	–	–	–	–	258,603
Assets which became operational and were transferred to Investment Property at fair value	(9,260,102)	(4,326,290)	–	(4,374,050)	–	–	–	–	–	(17,960,442)
CARRYING VALUE AT 31 DEC 2011	**–**	**–**	**7,052,378**	**–**	**–**	**–**	**–**	**–**	**–**	**7,052,378**
Carrying value at 1 Jan 2012	–	–	7,052,378	–	–	–	–	–	–	7,052,378
Joint venture share (Note 30)	–	–	(3,526,239)	–	–	–	–	–	–	(3,526,239)
Additions from business combinations (Note 29)	–	–	–	–	–	–	178,919	–	–	178,919
Additions from asset deals and construction in progress	2,206,151	733,719	20,205,229	286,664	6,014,264*	197,160	814,212	695,492	3,038,846	34,191,737
Disposals	(1,028)	–	(353,808)	–	–	–	–	–	–	(354,836)
Fair value adjustments	–	–	–	–	–	–	–	(11,000)	–	(11,000)
Assets which became operational and were transferred to Investment Property at fair value	(2,205,123)	(733,719)	(22,345,560)	(286,664)	(6,014,264)	–	–	–	–	(31,585,330)
CARRYING VALUE AT 31 DEC 2012	**–**	**–**	**1,032,000**	**–**	**–**	**197,160**	**993,131**	**684,492**	**3,038,846**	**5,945,629**

* During 2012, the Group finalised the purchase and leaseback of a retail box (including additional land) from Mobexpert, the leading Romanian furniture retailer

Investment property under development – office	Victoriei Office	Constanta property	Raiffeisen portfolio: Brasov office	Raiffeisen portfolio: Targu Mures and Zalau	Cluj Business Centre	Premium Portfolio	Other	Total office
	€	€	€	€	€	€	€	€
Carrying value at 1 Jan 2011	–	1,575,000	4,939,666	–	–	–	–	6,514,666
Additions from asset deals and construction in progress	11,386,000	2,900	487,219	–	–	–	58,303	11,934,422
Fair value adjustments	1,781,000	–	(236,921)	–	–	–	–	1,544,079
Assets which became operational and were transferred to Investment Property at fair value	–	(1,577,900)	–	–	–	–	(58,303)	(1,636,203)
CARRYING VALUE AT 31 DEC 2011	**13,167,000**	**–**	**5,189,964**	**–**	**–**	**–**	**–**	**18,356,964**
Carrying value at 1 Jan 2012	13,167,000	–	5,189,964	–	–	–	–	18,356,964
Disposals from sale of 50% share	–	–	–	–	–	–	–	–
Additions from asset deals and construction in progress	724,120	–	794,127	136,052	3,221,089	252,844	18,406	5,146,638
Disposals	–	–	–	–	–	–	–	–
Fair value adjustments	(930,120)	–	–	–	580,231	–	–	(349,889)
Assets which became operational and were transferred to Investment Property at fair value	–	–	(5,984,091)	(136,052)	–	(252,844)	(18,406)	(6,391,393)
CARRYING VALUE AT 31 DEC 2012	**12,961,000**	**–**	**–**	**–**	**3,801,320**	**–**	**–**	**16,762,320**

Borrowing costs capitalised in 2012 amount to €1,224,115 (2011: €1,023,770) and were computed using an average annual interest rate of 4.5%.

Balance of investment property under development	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Retail	5,945,629	7,052,378
Office	16,762,320	18,356,964
TOTAL	**22,707,949**	**25,409,342**

9 OTHER LONG-TERM ASSETS

The other long-term assets are classified as follows:

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Loans to participants in the Current Share Scheme (Note 15)	13,270,220	13,270,220	5,987,490	5,987,490
Property, plant and equipment and intangible assets	314,897	–	225,968	–
Non-current receivables	1,142,518	–	–	–
TOTAL	**14,727,635**	**13,270,220**	**6,213,458**	**5,987,490**

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

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

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

31 Dec 2011	Cost	Accumulated depreciation/ amortisation	Net book value
	€	€	€
Computer licences	12,549	(3,913)	8,636
Office improvements and equipment	123,938	(34,940)	88,998
Equipment used in owner managed activities	135,036	(6,702)	128,334
TOTAL	**271,523**	**(45,555)**	**225,968**

10 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Promenada Mall Braila	Raiffeisen portfolio	Retail Park Auchan Pitesti	Floreasca Business Park	Internalisation of NEPI Investment Management	City Business Centre	Vulcan Strip Mall	Total
	€	€	€	€	€	€	€	€
Balance at 1 Jan 2011	**1,523,220**	**2,386,463**	**2,394,014**	**1,664,414**	**5,881,776**	**–**	**–**	**13,849,887**
Write-off	–	(498,388)	–	–	–	–	–	(498,388)
Balance at 31 Dec 2011	1,523,220	1,888,075	2,394,014	1,664,414	5,881,776	–	–	13,351,499
Balance at 1 Jan 2012	1,523,220	1,888,075	2,394,014	1,664,414	5,881,776	–	–	13,351,499
Additions	–	–	–	–	–	2,030,295	54,186	2,084,481
Impairment	(1,523,220)	–	(723,965)	–	–	–	–	(2,247,185)
BALANCE AT 31 DEC 2012	**–**	**1,888,075**	**1,670,049**	**1,664,414**	**5,881,776**	**2,030,295**	**54,186**	**13,188,795**

As a result of the sale of the Constanta property, the Group recorded a goodwill write-off of €498,388 during the year ended 31 December 2011.

The following movements in goodwill occurred during the year ended 31 December 2012:
- the acquisition of City Business Centre generated a goodwill that results mostly from the deferred tax liability as at the acquisition date
- the investment in Vulcan Strip Mall development generated goodwill due to negative net equity at the date of the acquisition of the 50% participation (the entity had incurred various expenses to date related to the land to be acquired)
- the goodwill held in relation to Promenada Mall Braila has been written-off following the settlement reached with the vendors (Note 24)
- the goodwill related to Auchan hypermarket resulted from deferred tax liabilities recognised at acquisition date has been written-off

11 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The fair value of the listed securities portfolio as at 31 December 2012 was €81,865,443, of which €63,699,344 was the value of the securities held through an equity swap with Morgan Stanley & Co (this allows the Company to borrow up to 40% of the value of the securities held through the equity swap at an interest rate of EONIA plus 2%).

During 2012, the listed securities generated €796,411 in dividends, €10,287,980 in capital gains and €26,280 in realised profit from sale of shares.

The financial investments are not considered as long-term strategic investments and are expected to be sold in 2013: therefore these have been designated as financial assets at fair value through profit or loss and classified as current assets.

The fair values of the financial investments are determined based on quoted prices in active markets: therefore, these financial instruments are classified, from their acquisition date until 31 December 2012, as Level One of the fair value hierarchy as defined in IFRS 7.

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Tenant receivables	2,957,362	–	1,385,080	–
Receivable from CEERES (Note 5.1)	2,556,844	–	2,411,391	–
Advance payments	831,980	–	266,990	–
Prepaid property expenses	264,026	–	491,332	–
Prepaid administrative charges	–	–	161,165	–
Receivable from share issues	591,008	591,008	–	–
VAT receivable	7,835,474	–	2,261,815	–
Other receivables	669,517	121,584	334,820	–
Other prepaid fees	92,764	–	438,848	–
TOTAL	**15,798,975**	**712,592**	**7,751,441**	**–**

13 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
EUR	83,242,036	1,456,785	53,466,808	1,072,270
GBP	4,914	1,036	1,222	442
ZAR	87,433	86,713	43,319	34,330
RON	4,177,258	85	1,553,751	–
TOTAL	**87,511,641**	**1,544,619**	**55,065,100**	**1,107,042**

14 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital	Share premium
	€0.01/share	€
Authorised on 23 Aug 2007: 150,000,000 ordinary shares of €0.01 each; Authorised on 24 Aug 2012: increase to 300,000,000 ordinary shares of €0.01 each		
Issued as of 1 January 2011	**712,686**	**159,308,324**
Issued during the year		
— Issued 9,564,245 ordinary shares at €3.0143/share*	95,642	28,734,126
— Issued 14,285,714 ordinary shares at €2.793/share**	142,857	39,857,142
— Sale of 400,000 shares issued under the Initial Share Scheme at €2.9284/share	4,000	1,167,360
— Sale of 50,793 shares issued under the Initial Share Scheme at €3.0836/share	508	156,117
— Cost of rights issue	–	(368,923)
— Foreign exchange loss related to the rights issue	–	(986,038)
— Cost of private placement	–	(23,338)
CARRIED FORWARD AS AT 31 DECEMBER 2011	**955,693**	**227,844,770**

* The shares were issued on 21 June 2011 as part of the private placement.
** The shares were issued on 7 December 2011 as part of the rights issue.

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

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

The issued share capital figure presented excludes shares issued in terms of the Initial Share Scheme and shares issued and unvested in terms of the Current Share Scheme (set out in Note 15) but includes the shares sold by the participants in the share purchase schemes to other investors and shares issued and vested in terms of the Current Share Scheme.

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

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

Vendor placement February 2012

The Company issued 5,518,057 new ordinary shares that were placed at €3.00 per share though a vendor placement. The proceeds from this vendor placement were used to fund the purchase of City Business Centre (Note 29).

Private placement May 2012

The Company placed 15,105,201 new ordinary shares in the Company with shareholders registered on the United Kingdom register at a price of €3.20 per share pursuant to a placement for cash, raising gross proceeds of €48.34 million. The issue price of €3.20 represented a 6.8% discount to the 30 business day volume weighted average traded price prior to the date that the private placement was agreed between the Group and the parties subscribing for the new shares. The proceeds of the private placement will be used to fund developments and acquisitions of further operating assets.

Option to receive capital return September 2012

Given the Group's ongoing development and acquisition programme, and following requests from shareholders, the Board explored alternatives to cash distributions to shareholders. As a result, the Board has resolved to offer shareholders the option to receive the 11.24 euro cents per share distribution for the six months ended 30 June 2012 as a cash distribution or to receive a return of capital by way of an issue of new shares credited as fully paid up at a ratio of three new shares for each 100 shares. The shares were issued from the share premium account.

Private placement October 2012

The Company placed 2,980,061 new ordinary shares in the Company with shareholders registered on the South African register at a price of R43.50 (South African Rand) per share pursuant to a placement for cash, raising gross proceeds of R129.6 million.

Rights offer November 2012

The Company's shareholders were offered 12,345,680 new shares at a ratio of 9.37648 new shares for every 100 shares held by them, at a subscription price per rights offer share of R43.50 for shareholders on the South African share register and €4.05 for shareholders on the UK share register. The total applications for this rights offer amounted to 27,358,903 new shares (222% of the new shares available under the rights offer, equivalent to excess applications of 15,088,687 new shares).

15 SHARE-BASED PAYMENTS

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

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

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

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

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

The maximum number of shares that can be issued under the share purchase schemes is 10,000,000. As at 31 December 2012, 5,100,790 shares were issued under the Initial Share Scheme (31 December 2011: 5,205,397) and loans in amount of €12,489,022 (31 December 2011: €12,745,390) remained outstanding under the Initial Share Scheme (of which the loans in respect of the vested shares amounted to €6,084,258 in 2012 and €3,661,979 in 2011).

During 2012, 2,405,000 shares were issued under the Current Share Scheme (2011: 2,000,000 shares) and loans in amount of €13,270,220 remained outstanding under the Current Share Scheme (2011: €5,987,490) of which the loans in respect of the vested shares amounted to €565,113 (there were no vested shares in the Current Share Scheme as at 31 December 2011). Refer to Note 9.

Number of shares	Group 31 Dec 2012	Group 31 Dec 2011
Maximum number of share purchase schemes shares which can be offered for subscription	**10,000,000**	**8,000,000**
Share purchase schemes shares issued and alloted at the end of the period	9,232,181	7,205,397
Share purchase schemes shares issued and alloted at the beginning of the period	7,205,397	5,205,397
Share purchase schemes shares issued and alloted during the period	2,405,000	2,000,000
Share purchase scheme shares sold during the period	(378,216)	–
Share purchase schemes shares available but unissued	**767,819**	**794,603**

Accounting treatment

The Initial Share Scheme is accounted for as a share option scheme. Therefore, the fair value of the share-based payment, determined at the grant date, is expensed over the vesting period (2012: €996,909, 2011: €1,041,647) with a corresponding increase in the share-based payment reserve. The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the Statement of income, but added for calculation of distributable earnings purposes only (2012: €569,597; 2011: €685,186).

The Current Share Scheme is accounted for by recognising the value of the shares issued as an asset and classified as 'loan to participants in the Current Share Scheme' (Note 9) and respectively as equity and classified as 'share-based payment reserve'. At each vesting date, the vested value of the shares issued in terms of the Current Share Scheme is reclassified from 'share-based payment reserve' to 'share capital'. The accrued interest is recognised as finance income in the Statement of income.

16 LOANS AND BORROWINGS

In May 2012 the Group renewed its €9.5 million secured revolving facility with UniCredit Bank. The facility carries an interest rate of 1 month Euribor plus 4.0% and matures on 31 May 2013 when, at the Group's option, the facility is convertible into a term loan repayable on 31 December 2014. The facility remains undrawn as at 31 December 2012.

A construction loan of €33.5 million was granted by BRD in July 2012 for the development of Ploiesti Shopping City. NEPI and Carrefour Property each own 50% of this project: therefore, the Group accounts for 50% of the loan. The construction loan is in the process of conversion into an investment loan and the total loan amount will increase to €40 million, repayable in ten years. The construction loan carries an interest rate of 3 month Euribor plus 4.5%, while the investment loan will carry an interest rate of 3 month Euribor plus 4.0%.

Details of bank loans are set out in the table below. The repayment profile of the Group's outstanding loans at undiscounted cost is set out in the table below (excluding future interest).

Interest bearing borrowings Group, 31 Dec 2012	Payable in 1 year	Payable in 2–5 years	Payable over 5 years	Total
	€	€	€	€
NEPI Bucharest One	6,200,000	–	–	6,200,000
Premium Portfolio	293,541	12,862,905	–	13,156,446
General Investment	1,548,018	6,298,648	–	7,846,666
Floreasca Business Park	62,246,248	–	–	62,246,248
Retail Park Auchan Pitesti	1,899,256	24,558,280	–	26,457,536
Promenada Mall Braila	2,155,653	35,688,694	–	37,844,347
Timisoara City Business Center One	958,713	4,193,610	15,336,086	20,488,409
Timisoara Office Building	259,392	1,168,758	6,189,232	7,617,382
Ploiesti Shopping City	3,599,228	3,240,000	8,280,217	15,119,445
New Europe Property Investments plc (Note 11)	21,942,531	–	–	21,942,531
Accrued interest	945,462	–	–	945,462
Deferred loan costs	–	(716,278)	–	(716,278)
TOTAL	**102,048,042**	**87,294,617**	**29,805,535**	**219,148,194**

Interest bearing borrowings Group, 31 Dec 2011	Payable in 1 year	Payable in 2–5 years	Total
	€	€	€
NEPI Bucharest One	–	6,028,180	6,028,180
Premium Portfolio	241,105	13,089,811	13,330,916
General Investment	1,064,641	7,657,294	8,721,935
Floreasca Business Park	1,794,103	66,014,382	67,808,485
Retail Park Auchan Pitesti	2,139,366	26,350,819	28,490,185
Vendor finance	–	100,386	100,386
Promenada Mall Braila	2,155,653	37,389,007	39,544,660
Accrued interest	840,791	–	840,791
TOTAL	**8,235,659**	**156,629,879**	**164,865,538**

NOTES TO THE FINANCIAL STATEMENTS ›continued

The reconciliation of the amortised cost of the interest bearing borrowings to their nominal value, which is subject to interest charge is given in the following table.

Interest bearing borrowings Group, 31 Dec 2012	**Amortised cost**	**Finance raising cost**	**Nominal value**
	€	€	€
NEPI Bucharest One	6,057,937	142,063	6,200,000
Premium Portfolio	13,156,446	–	13,156,446
General Investment	7,846,666	–	7,846,666
Floreasca Business Park	62,246,248	–	62,246,248
Retail Park Auchan Pitesti	26,389,945	67,591	26,457,536
Promenada Mall Braila	37,548,093	296,254	37,844,347
Timisoara City Business Center One	20,488,409	–	20,488,409
Timisoara Office Building	7,617,382	–	7,617,382
Ploiesti Shopping City	14,900,942	218,503	15,119,445
New Europe Property Investments plc (Note 11)	21,942,531	–	21,942,531
NEPI Bucharest Two	8,133	(8,133)	–
Accrued interest	945,462	–	945,462
TOTAL	**219,148,194**	**716,278**	**219,864,472**

Interest bearing borrowings Group, 31 Dec 2011	**Amortised cost**	**Finance raising cost**	**Nominal value**
	€	€	€
NEPI Bucharest One	6,179,545	20,455	6,200,000
NEPI Bucharest Two and Unique Delamode	(151,366)	151,366	–
Premium Portfolio	13,330,916	–	13,330,916
Vendor finance	100,386	–	100,386
General Investment	8,721,936	–	8,721,936
Promenada Mall Braila	39,544,660	455,340	40,000,000
Retail Park Auchan Pitesti	28,490,185	106,717	28,596,902
Floreasca Business Park	67,808,485	–	67,808,485
Accrued interest	840,791	–	840,791
TOTAL	**164,865,538**	**733,878**	**165,599,416**

NEPI Bucharest One revolving credit facility

The Group contracted a €6,200,000 loan facility with Alpha Bank Romania SA for the acquisition of properties owned by NEPI Bucharest One. The loan bears interest at a floating rate of 1 month Euribor plus a margin of 4.5%. The Group has capped its Euribor base interest rate exposure at 2%.

Security

- General security over the land and properties (fair value as at 31 December 2012 amounted to €15,170,000), current assets, cash inflows from operating activities and shares of NEPI Bucharest One
- Corporate guarantee issued by the Company

Covenants

- Loan to value ratio of maximum 65%

Revolving facility for New Europe Property Investments plc, NEPI Bucharest Two SRL and Unique Delamode SRL

The Group contracted a €9,500,000 revolving facility that carries an interest rate of 1 month Euribor plus a margin of 4%. The Group has capped its Euribor base interest rate at 2%. The facility was extended on 21 May 2012 and will expire on 31 May 2013 when, at the Group's option, the facility is convertible into a term loan repayable on 31 December 2014.

Security

- General security over the properties (fair value as at 31 December 2012 amounted to €17,060,000), current assets, cash inflows from operating activities and shares of NEPI Bucharest Two SRL and Unique Delamode SRL
- Corporate guarantee issued by the Company

Covenants

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

As at 31 December 2012 this facility was undrawn.

Premium Portfolio

A loan from Nord LB Bank was contracted in relation to the acquisition of Premium Portfolio in Germany. It bears interest at a fixed rate of 5.17% as a result of an interest rate swap concluded with Nord LB Bank.

Security

- General security over the properties (weighted fair value as at 31 December 2012 amounted to €15,110,000), current assets and cash inflows of Premium Portfolio Ltd & Co and Premium Portfolio 2 Ltd & Co

Covenants

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

General Investment loan

A loan from EuroHypo AG for an amount of €15,000,000, of which €7,846,666 is outstanding as at 31 December 2012, has been taken over as a result of the acquisition of General Investment SRL and General Building Management SRL. The loan bears interest at a fixed rate of 6.23%.

Security

— General security over the properties (fair value as at 31 December 2012 amounted to €30,650,226), current assets, cash inflows from operating activities and shares of General Investment SRL and General Building Management SRL

Covenants

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

Promenada Mall Braila loan

A €40,000,000 development loan was taken over and refinanced on 25 February 2010 with KBC Bank Ireland as part of the Promenada Mall Braila acquisition. The facility had a two-year grace period on repayment of the principal. Starting 2012, 16% of the principal has to be repaid in equal annual instalments until maturity in December 2014. The loan bears interest at a floating rate of 3 month Euribor plus a margin of 3%. The Group swapped its Euribor base interest rate exposure at 1.8%.

Security

— General security over the property (fair value as at 31 December 2012 amounted to €73,280,000), current assets, cash inflows from operating activities and shares of Braila Promenada Mall SRL
— The facility is secured with a holding company guarantee (issued by NEPI) in favour of KBC Bank Ireland, which covers the principal repayments due by Promenada Mall Braila during the third and fourth years of the loan agreement (that amounts to €6,318,600), and interest that is payable at any time during the term of the loan

Covenants

— The covenants on a portfolio basis are below.

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

Retail Park Auchan Pitesti loan

In June 2010, the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti with a new loan facility from Unicredit Bank and Banca Romaneasca. The facility of €28,813,000 matures in January 2015 with principal amortisation that started in 2012. The loan bears interest at a floating rate of 1 month Euribor plus a margin of 4.0%. The Group capped its Euribor base interest rate exposure at 2%.

Security

— General security over the property (fair value as at 31 December 2012 amounts to €70,275,158), current assets, cash inflows from operating activities, accounts and receivables of Connect Investment SRL
— A property maintenance reserve account holding the equivalent of 1% of annual net operating income of the property

Covenants

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

Floreasca Business Park loan

The Group has taken over a loan from Raiffeisen Zentralbank Österreich AG with an outstanding amount of €62,246,248 as at 31 December 2012. The loan matures at the end of 2013 and is repayable in quarterly instalments. The bank is entitled to a 100% share of the after-tax cash inflow obtained by Floreasca Business Park. The borrowed amount bears interest at a floating rate of 3 month Euribor plus a margin of 2.5%. The Group has swapped its Euribor base interest rate exposure in relation to the loan at 1.79%.

Security

— General security over the property (fair value as at 31 December 2012 amounts to €104,370,000), current assets, cash inflows from operating activities, accounts and receivables of Floreasca Business Park SRL

Covenants

— The cash contribution in the project must amount to at least €14,250,000

City Business Centre – Investkredit Bank AG loan

During February 2012, the Group acquired the City Business Centre Timisoara and had taken over two loan facilities from Investkredit Bank AG that amounted to €21,413,763.

One loan facility matures in 2028, and the other one in 2029. The loans are repayable in monthly instalments. The borrowed amount bears interest at a floating rate of 1 month Euribor plus a margin of 1.75%. The Group capped its Euribor base interest rate exposure at 1.93% for one facility and 2% for the other.

Security

— General security over the property (fair value as at 31 December 2012 amounts to €33,210,000), current assets, cash inflows from operating activities, accounts and receivables of Timisoara City Business Centre One SA

Covenants

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

City Business Centre – Banca Comerciala Romana loan

The Group has taken over a loan from Banca Comerciala Romana SA that amounted to €7,872,995. The loan matures in 2021 and is repayable in monthly instalments. The borrowed amount bears interest at a floating rate of 1 month Euribor plus a margin of 4%. The Group capped its Euribor base interest rate exposure in relation to the loan at 2%.

Security

— General security over the property (fair value as at 31 December 2012 amounted to €18,460,000), current assets, cash inflows from operating activities, accounts and receivables of Timisoara Office Building SA

Covenants

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

Ploiesti Shopping City loan

On 15 November 2012 the Group opened a regional shopping centre in joint venture with Carrefour Property in Ploiesti. For this the Group has taken over a revolving loan facility of €3,250,000 and a €13,500,000 development loan (which represent 50% of the total amount of the loans) from BRD Group Societe Generale SA.

The revolving loan facility matures in 2013 and bears interest at a floating rate of 3 month Euribor plus a margin of 2.75%. The Group capped its Euribor base interest rate exposure in relation to the loan at 2.25%.

The development loan matures at the end of 2024. The borrowed amount bears interest at a floating rate of 3 month Euribor plus a margin of 4.5%. The Group has swapped its Euribor base interest rate exposure in relation to the loan at 1.74%.

Security

— General security over the property (weighted fair value as at 31 December 2012 amounted to €40,037,000), current assets, cash inflows from operating activities, accounts and receivables of Ploiesti Shopping City SRL

Covenants for the development loan

— Loan to value ratio of maximum 50%
— Debt service cover ratio of minimum 120%
— Interest coverage ratio of minimum 170%

New Europe Property Investments plc loan

The Group has received a short-term loan from Morgan Stanley & Co International plc, for financing the financial investments described in Note 11. The loan balance as at 31 December was €21,942,531. The borrowed amount bears interest at a floating rate of EONIA plus a margin of 2%.

Security

— General security over the financial investments acquired with this loan, for which the fair value estimated as at 31 December 2012 was €63,699,344

16.1 Financial assets and liabilities at fair value through profit or loss

The fair value of the financial instruments that resulted from the derivative instruments mentioned above are summarised below.

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Financial assets		
— Company	75,585	779,064
— Subsidiaries	7	257,511
TOTAL FINANCIAL ASSETS	**75,592**	**1,036,575**
Financial liabilities		
— Company	5,268,795	1,145,997
— Subsidiaries	2,460,959	1,236,188
TOTAL FINANCIAL LIABILITIES	**7,729,754**	**2,382,185**

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

17 TRADE AND OTHER PAYABLES

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Payable for assets under construction	7,142,964	–	1,878,237	–
Property related payables	2,401,403	–	1,089,666	–
Advances from tenants	1,987,847	–	1,261,475	–
Administrative and secretarial accrued expenses	1,407,784	324,546	976,685	87,583
Accrued management fee	45,202	–	45,202	–
TOTAL	**12,985,200**	**324,546**	**5,251,265**	**87,583**

18 TENANT DEPOSITS

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
NEPI Bucharest Two	1,675,004	1,717,630
Retail Park Auchan Pitesti	361,944	371,823
City Business Centre	294,211	–
Promenada Mall Braila	125,974	105,316
Floreasca Business Park	70,273	71,825
Raiffeisen Portfolio	68,119	–
Ploiesti Shopping City	66,473	–
NEPI Bucharest One	21,012	18,205
Other tenant deposits	17,689	92,031
TOTAL	**2,700,699**	**2,376,830**

19 CORPORATE TAX CHARGE AND DEFERRED TAX

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Current year tax	–	–
Deferred tax expense/(income)	5,248,690	(500,210)
TAX EXPENSE/(INCOME)	**5,248,690**	**(500,210)**
Deferred tax acquired in business combinations (Note 29)	2,710,312	–
Deferred tax derecognised in respect of Auchan hypermarket sale (Note 31)	(723,965)	–
Deferred tax brought forward	15,086,152	15,586,362
DEFERRED TAX LIABILITY CARRIED FORWARD	**22,321,189**	**15,086,152**

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

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Fiscal losses	27,750,802	27,539,481
Deferred tax asset	**4,440,128**	**4,406,317**
Temporary differences between accounting and fiscal value of Investment Property	(167,258,230)	(121,827,931)
Deferred tax liability	**(26,761,317)**	**(19,492,469)**
NET DEFERRED TAX LIABILITY	**(22,321,189)**	**(15,086,152)**

The Group's subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate prior year fiscal losses that amount to €31,558,669 (2011: €36,050,399) and are available up to seven years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised for fiscal losses of €3,388,693 (2011: €8,510,921) 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 2012 is the net effect of the deferred tax assets that resulted from fiscal losses and deferred tax liabilities that resulted from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property.

Reconciliation of tax rate	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Profit before tax	38,352,139	42,904,225	18,271,536	14,708,317
Isle of Man income tax at 0%	–	–	–	–
Effect of higher rates on overseas earnings	–	–	–	–
Total current year tax excluding deferred tax	–	–	–	–
EFFECTIVE TAX RATE	**0.00%**	**0.00%**	**0.00%**	**0.00%**

The Group does not withhold taxes on distribution paid.

20 NET ASSET VALUE PER SHARE

Reconciliation of net asset value to adjusted net asset value	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Adjusted net asset value	**415,243,794**	**249,738,983**
— Net asset value per the Statement of financial position	393,622,378	235,258,940
— Loans in respect of the Initial Share Scheme (Note 15)	12,489,022	12,745,390
— Deferred tax liabilities (Note 19)	22,321,189	15,086,152
— Goodwill (Note 10)	(13,188,795)	(13,351,499)
Net asset value per share	**2.83**	**2.41**
Adjusted net asset value per share	**2.88**	**2.43**
Number of shares for net asset value per share purposes	**139,258,914**	**97,569,456**
Number of shares for net adjusted asset value per share purposes	**144,362,152**	**102,783,693**

21 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Rent	31,596,107	25,974,864
Service charges recoveries	4,605,980	3,239,523
Other recoveries	3,974,714	2,854,688
Recoveries and contractual rental income	**40,176,801**	**32,069,075**
Property management, tax, insurance and utilities	(9,893,797)	(6,987,637)
Property maintenance cost	(466,408)	(508,728)
Provisions and allowances for doubtful debts	616,175	(845,507)
Property operating expenses	**(9,744,030)**	**(8,341,872)**
TOTAL	**30,432,771**	**23,727,203**

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

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Not later than 1 year	32,197,133	24,936,668
Later than 1 year and not later than 5 years	81,821,717	70,459,731
Later than 5 years	99,061,669	49,232,296
TOTAL	**213,080,519**	**144,628,695**

22 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Directors' remuneration (Note 34)	(427,970)	(405,513)	(379,717)	(356,998)
Stock exchange expenses	(176,967)	(176,967)	(129,722)	(115,873)
Companies administration	(19,934)	–	(129,612)	–
Audit and advisory services	(543,465)	(24,750)	(247,681)	(70,323)
Travel and accommodation	(191,616)	(23,834)	(196,203)	(51,506)
Support and maintenance services	(851,054)	(73,877)	(780,755)	(157,201)
Bank charges*	–	–	(53,044)	(18,872)
TOTAL	**(2,211,006)**	**(704,941)**	**(1,916,734)**	**(770,773)**

* Bank charges are presented in 2012 as finance expense.

23 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Fees for finalised acquisitions	(870,347)	(40,735)	–	–
Fees for ongoing acquisitions	(457,326)	–	(75,325)	–
Fees for terminated acquisitions	(266,720)	–	(31,290)	–
TOTAL	**(1,594,393)**	**(40,735)**	**(106,615)**	**–**

The fees paid for finalised transactions refer mostly to the acquisition of Timisoara City Business Centre and the joint venture with Carrefour Property BV in respect of Ploiesti Shopping City. Out of the fees paid for ongoing transactions €293,136 are related to the Vulcan Strip Mall land acquisition.

24 OTHER OPERATING INCOME

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

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

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

The Board of Directors resolved that the portion of €3,144,561 from the vendor settlement income is non-distributable. Out of the remaining distributable income, the Group has used €3,275,181 for the 2012 distributions (Note 27).

25 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY AND GOODWILL

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Fair value adjustment of investment property	6,450,485	3,509,240
Fair value adjustment of goodwill	–	(498,388)
TOTAL	**6,450,485**	**3,010,852**

26 NET FINANCE (EXPENSE)/INCOME

	Group 31 Dec 2012	Company 31 Dec 2012	Group 31 Dec 2011	Company 31 Dec 2011
	€	€	€	€
Interest income on bank deposits	1,131,020	1,465	321,598	3,533
Interest income from subsidiaries	–	29,736,134	–	19,501,689
Interest on Current Share Scheme loans	416,302	416,302	223,040	–
Interest and penalties on receivables	306,516	–	5,709,220	–
Finance income	**1,853,838**	**30,153,901**	**6,253,858**	**19,505,222**
Interest expense on financial liabilities measured at amortised cost	(7,920,766)	(2,012,046)	(7,034,726)	–
Net changes of financial instruments at fair value through profit or loss	(6,328,495)	(4,845,040)	(4,144,772)	(2,984,485)
Bank charges*	(178,828)	(24,942)	–	–
Finance expense	**(14,428,089)**	**(6,882,028)**	**(11,179,498)**	**(2,984,485)**
TOTAL	**(12,574,251)**	**23,271,873**	**(4,925,640)**	**16,520,737**

* Bank charges were presented in 2011 as part of administrative costs.

27 EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2012 was based on the profit attributable to ordinary equity holders of €33,103,449 (31 December 2011: €18,771,746) and the weighted average of 116,238,121 (31 December 2011: 78,659,834) ordinary shares in issue during the year (excluding the shares issued under the Initial Share Scheme).

The calculation of diluted earnings per share for the year ended 31 December 2012 was based on the profit attributable to ordinary equity holders of €33,103,449 (31 December 2011: €18,771,746) and the weighted average of 121,391,646 (31 December 2011: 84,264,285) ordinary shares in issue during the year (including the shares issued under the Initial Share Scheme). The calculation of distributable earnings per share was based on profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 31 December 2012.

	Group 31 Dec 2012	Group 31 Dec 2011
	€	€
Profit for the year attributable to equity holders	**33,103,449**	**18,771,746**
Unrealised foreign exchange loss	2,529,495	475,883
Acquisition fees	1,594,393	–
Share-based payment expense	996,909	1,041,647
Accrued interest on share-based payments	569,597	685,186
Fair value adjustments of investment property and goodwill	(6,450,485)	(3,010,852)
Fair value gains of financial investments at fair value through profit or loss	(10,287,980)	–
Financial assets at fair value	6,328,495	4,263,016
Amortisation of financial assets	(572,063)	(972,520)
Dividends received from listed securities investments	(822,691)	–
Accrued income from listed securities investments	3,092,147	–
Deferred tax expense/(income)	5,248,690	(500,210)
Shares issued *cum* distribution	3,156,648	2,323,347
Non-distributable portion of the vendor settlement income	(3,144,561)	–
DISTRIBUTABLE EARNINGS FOR THE YEAR	**35,342,043**	**23,077,243**
Less: distribution declared	(31,497,562)	(18,689,531)
Interim distribution	(14,101,923)	(8,293,733)
Final distribution	(17,395,639)	(10,395,798)
Earnings not distributed	3,844,481	4,387,712
Number of shares entitled to distribution	144,362,152	99,196,545
DISTRIBUTABLE EARNINGS PER SHARE (EURO CENTS)	**25.95**	**24.67**
Less: distribution declared (euro cents)	**(23.29)**	**(20.25)**
Interim distribution per share (euro cents)	(11.24)	(9.77)
Final distribution per share (euro cents)	(12.05)	(10.48)
Earnings per share not distributed (euro cents)	**2.66**	**4.42**

The distributable earnings figure is arrived at by adjusting the accounting profit of €33,103,449 as follows.

a. Reversing the non-cash flow items recognised in the Statement of income discussed below.
- An unrealised foreign exchange loss of €2,529,495, which resulted from the consolidation of the RON denominated financial statements of the Romanian subsidiaries, in the financial statements. In substance, the Group's income, expenses, assets and liabilities are euro-denominated and currency adjustments that result from this accounting treatment are reversed when calculating distributions
- A positive net fair value adjustment of €6,450,485 to reflect the net improvement in the market value of the Group's investment properties based on the year-end valuations
- A positive fair value adjustment of €10,287,980 to reflect the improvement in the market value of the Group's listed securities investments
- A negative fair value adjustment of €6,328,495 to reflect a net reduction in the value of financial instruments held for interest rate hedging purposes
- A negative impact of the acquisition fees of €1,594,393 incurred by the Group during the financial year
- A positive impact of €822,691 representing dividends received from listed securities investments
- A deferred tax expense of €5,248,690: the deferred tax charge arises on the difference between the fair values and book values of assets as this would become payable if the assets were sold by the subsidiaries. On an ongoing basis this theoretical charge is not expected to materialise
- A share-based payment expense of €996,909 that results from the treatment of the Initial Share Scheme (ie the share purchase scheme which was in place since the Company's listing on the AIM market of the London Stock Exchange) as an option scheme in accordance with IFRS

b. Recognising:
- Accrued dividend from equity investments of €3,092,147
- An accrued interest income of €569,597 on the loans in respect of the Initial Share Scheme
- An expense of €572,063 in relation to the amortisation of the premiums paid in respect of the interest rate hedging instruments
- An amount of €3,156,648 in respect of the share issues that took place cum dividend during the financial year

The weighted average number of shares (excluding the Initial Share Scheme shares) for basic earnings per share purposes is presented below.

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

2011	Event	Number of shares	% of period	Weighted average
01/01/2011	Existing shares	71,268,704	36	25,257,314
10/05/2011	Share issue	73,268,704	11	8,252,794
20/06/2011	Private placement	82,832,949	28	23,211,431
06/11/2011	Sale of shares issued under the Initial Share Scheme	83,232,949	19	15,508,353
07/12/2011	Rights issue	97,518,663	6	6,161,894
30/12/2011	Sale of shares issued under the Initial Share Scheme	97,569,456	0	268,048
31/12/2011	Year-end			78,659,834

The weighted average number of shares (including the Initial Share Scheme shares) for diluted earnings per share purposes is presented below.

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

2011	Event	Number of shares	% of period	Weighted average
01/01/2011	Existing shares	76,933,734	36	27,264,977
10/05/2011	Share issue	78,933,734	11	8,890,888
20/06/2011	Private placement	88,497,979	28	24,798,884
07/12/2011	Rights issue	102,783,693	25	23,309,536
31/12/2011	Year-end			84,264,285

28 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2012 was based on headline earnings of €26,652,964 (31 December 2011: €15,760,894) and the weighted average of 116,238,121 ordinary shares in issue during 2012 (2011: 78,659,834), excluding the Initial Share Scheme shares.

The calculation of diluted headline earnings per share for the year ended 31 December 2012 was based on headline earnings of €26,652,964 (31 December 2011: €15,760,894) and the weighted average of 121,391,646 ordinary shares in issue during 2012 (2011: 84,264,285), including the Initial Share Scheme shares.

Reconciliation of profit for the year to headline earnings	**Group 31 Dec 2012**	**Group 31 Dec 2011**
	€	€
Profit for the year attributable to equity holders	33,103,449	18,771,746
Fair value adjustments of investment property and goodwill	(6,450,485)	(3,010,852)
HEADLINE EARNINGS	**26,652,964**	**15,760,894**

29 BUSINESS COMBINATIONS

City Business Centre

In January 2012, the Group concluded agreements for the acquisition of all the issued shares in and shareholders' claims against Timisoara City Business Centre One (previously named Modatim Investment SA) and Timisoara Office Building (previously named Modatim Properties SA) from MTInv Holding BV and Mr Ovidiu Sandor (the Sellers). The two companies own three adjoining office buildings (City Business Centre) of 27,151 square metres located in the centre of Timisoara, Romania.

The aggregate purchase price for the shares in and shareholders' claims against the two companies is an amount of €16,554,621 funded through the proceeds of a vendor consideration placing in terms of which 5,518,057 new ordinary shares were issued and placed at €3 per share (Note 14).

The fair value of the identifiable assets and liabilities of the two companies owning the three buildings in Timisoara as at the date of acquisition are detailed below.

	1 Jan 2012
	€
Investment property	45,640,203
Trade and other receivables	1,117,099
Cash and cash equivalents	1,220,606
Trade and other payables	(1,456,513)
Loans and borrowings	(29,286,757)
Deferred tax liabilities	(2,710,312)
Total identifiable net assets at fair value	**14,524,326**
Goodwill arising on acquisition	2,030,295
Total consideration paid	**16,554,621**

From the effective date of acquisition (1 January 2012) TCBCO and TOB have contributed €6,471,375 to the profit after tax and €5,629,504 to the recoveries and contractual rental income of the Group.

The goodwill of €2,030,295 arose mostly from the deferred taxation liability of €2,710,312.

Contingent consideration

The Group has agreed to four subsequent price adjustments in respect of this business combination, which are computed based on the variation in occupancy and are payable in cash to the sellers.

Two of these price adjustments have taken place during 2012 and resulted in €1,710,919 being paid in July 2012 (relating to the first six months of the year) and €331,347 being recorded as a payable in these financial statements (relating to the last six months of the year). Both price adjustments are considered to increase the value of the investment property, therefore not adjusting the goodwill.

A further €3,560,499 was estimated as the fair value of the properties related to current vacancies, which are expected to be filled in the near future. This amount was estimated by independent valuers and included in the year-end appraisal reports for City Business Centre, and also recorded as a payable in these financial statements. The effect of the first movement adjustment is summarised in the table below.

	Group 31 Dec 2012
	€
Investment property at acquisition date	45,640,203
First further payment	1,710,919
Second further payment	331,347
Subsequent further payments	3,560,499
INVESTMENT PROPERTY AT 31 DECEMBER 2012	**51,242,968**

Vulcan Strip Mall

In April 2012, the Group entered into a joint-venture agreement with Mr Michael Topolinski, under which the Group purchased 50% of the interest in Zircon Properties SRL ('Zircon') (Note 30). Zircon has a pre-agreement for the acquisition of a land plot in Bucharest, where it intends to develop the retail project Vulcan Strip Mall.

The purchase price for the acquisition of the 50% interest in Zircon amounted to €2,247. The fair value of the identifiable assets and liabilities of Zircon as at the date of acquisition are detailed below.

	12 Apr 2012
	€
Investment property under development	178,919
Trade and other receivables	50,964
Cash and cash equivalents	4,474
Trade and other payables	(286,296)
Total identifiable net liabilities at fair value	**(51,939)**
Goodwill arising on acquisition	54,186
Total consideration paid	**2,247**

From the effective date of acquisition (12 April 2012), Zircon Properties SRL has incurred losses of €388,923, related to land acquisition fees and administrative expenses.

30 JOINT VENTURES

In February 2012, the Group entered into a joint venture agreement (50% interest) with Carrefour Property BV, with the purpose of developing Ploiesti Shopping City. No gains or losses occurred at the transfer of the subsidiary into the joint venture entity. The Group contributed to the joint venture with land valued at €7,052,378, while Carrefour Property BV contributed with the existing hypermarket valued at €20,413,648. Both parties also contributed with cash, which was used for the construction of the shopping centre that was finalised in November 2012.

In April 2012, the Group acquired a 50% interest in Zircon, a company in the process of acquiring a land plot in Bucharest to be used for the development of Vulcan Strip Mall (Note 29). Also in 2012, the Group acquired a 50% interest in Cluj Business Centre SRL, a company that subsequently acquired a land plot and is in the process of developing an A-grade office complex in Cluj, Romania. The Group also holds 50% interest in the Premium Portfolio in Germany since April 2008.

The Group's interest in the assets and liabilities, revenues and expenses of the joint venture are presented below.

31 Dec 2012	Ploiesti Shopping City	Premium Portfolio	Vulcan Strip Mall	Cluj Business Centre	Total
	€	€	€	€	€
Statement of financial position (NEPI share)					
Non-current assets	40,037,000	15,110,000	993,131	3,801,361	59,941,492
Current assets	6,758,920	682,646	352,902	768,136	8,562,604
Total assets	**46,795,920**	**15,792,646**	**1,346,033**	**4,569,497**	**68,504,096**
Non-current liabilities	(34,503,566)	(18,681,217)	(1,584,548)	(4,040,252)	(58,809,583)
Current liabilities	(7,347,620)	(706,959)	(13,691)	(118,421)	(8,186,691)
Total liabilities	**(41,851,186)**	**(19,388,176)**	**(1,598,239)**	**(4,158,673)**	**(66,996,274)**
Equity attributable to equity holders	**4,944,734**	**(3,595,530)**	**(252,206)**	**410,824**	**1,507,822**
Statement of income (NEPI share)					
Contractual rental income and expense recoveries	1,041,381	1,466,427	–	–	2,507,808
Property operating expenses	(95,002)	(315,278)	–	(623)	(410,903)
Administrative expenses	(142,651)	(31,466)	(8,602)	(799)	(183,518)
Acquisition fees	(374,436)	–	(287,930)	(16,814)	(679,180)
Fair value adjustment investment property	6,452,616	–	–	580,231	7,032,847
Foreign exchange gain/loss	(214,148)	–	10,570	26,716	(176,862)
Profit before net finance expense	**6,667,760**	**1,119,683**	**(285,962)**	**588,711**	**8,090,192**
Finance income	320,598	339	3,661	66,595	391,193
Finance expense	(2,520,651)	(687,058)	(75,541)	(143,896)	(3,427,146)
Profit before income tax	**4,467,707**	**432,964**	**(357,842)**	**511,410**	**5,054,239**
Tax	(1,927,167)	–	90,789	(96,485)	(1,932,863)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**6,394,874**	**432,964**	**(448,631)**	**607,895**	**6,987,102**

31 Dec 2011	Premium Portfolio
	€
Statement of financial position (NEPI share)	
Non-current assets	16,503,459
Current assets	1,165,621
Total assets	**17,669,080**
Non-current liabilities	(19,249,614)
Current liabilities	(692,456)
Total liabilities	**(19,942,070)**
Equity attributable to equity holders	**(2,272,990)**
Statement of income (NEPI share)	
Contractual rental income and expense recoveries	1,483,753
Property operating expenses	(370,040)
Administrative expenses	(61,489)
Acquisition fees	–
Fair value adjustment investment property	(213,822)
Foreign exchange gain/loss	–
Profit before net finance expense	**838,402**
Finance income	3,997
Finance expense	(734,051)
Profit before income tax	**108,348**
Tax	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**108,348**

31 INVESTMENT PROPERTY HELD FOR SALE

As announced on 3 August 2012, the Group entered into agreements with the Auchan Group to sell the hypermarket section of Retail Park Auchan Pitesti for a total consideration of €28,665,158. The transaction, which is subject to a number of conditions precedent, is expected to conclude early in 2013.

The Group has reclassified the hypermarket section of Retail Park Auchan Pitesti as investment property held for sale. The Group assumed the consideration to be collected estimates the fair value of the property. This resulted in recognising a fair value adjustment of investment property of €6,525,158 for the year ended 31 December 2012.

The profit for the year 2012 from property held for sale amounted to €1,748,367 (2011: €1,715,793).

Together with the Auchan hypermarket, the Group will dispose of statutory capital and reserves of approximately €200,000, a loan that amounts to approximately €8,600,000 and other immaterial assets and liabilities. Deferred tax liability was decreased by €723,965 in this respect.

32 SEGMENT REPORTING

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

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

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

Segment results 31 Dec 2012	**Retail**	**Industrial**	**Office**	**Corporate**	**Total**
	€	€	€	€	€
Contractual rental income and expense recoveries	18,567,825	1,893,058	19,715,918	–	40,176,801
Property operating expenses	(4,292,266)	(196,523)	(5,205,753)	(49,488)	(9,744,030)
Administrative expenses	(679,419)	(155,506)	(868,954)	(507,127)	(2,211,006)
Acquisition fees	(682,733)	–	(155,835)	(755,825)	(1,594,393)
Fair value adjustment on investment property and goodwill	7,340,488	(936)	(889,067)	–	6,450,485
Fair value gains on investments	–	–	–	10,287,980	10,287,980
Distributable income from investments	–	–	–	822,691	822,691
Foreign exchange loss	(1,186,558)	(38,151)	(583,784)	(721,002)	(2,529,495)
Share-based payment expense	–	–	–	(996,909)	(996,909)
Other operating income	–	–	–	10,264,266	10,264,266
Segment profit before net finance expense	**19,067,337**	**1,501,942**	**12,012,525**	**18,344,586**	**50,926,390**
Finance income	79,062	108,634	58,490	1,607,652	1,853,838
Finance expense	(11,543,003)	(1,587,264)	(8,291,952)	6,994,130	(14,428,089)
PROFIT BEFORE TAX	**7,603,396**	**23,312**	**3,779,063**	**26,946,368**	**38,352,139**

Segment results 31 Dec 2011	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Contractual rental income and expense recoveries	14,848,471	1,830,940	15,389,664	–	32,069,075
Property operating expenses	(4,756,150)	(241,288)	(3,311,988)	(32,446)	(8,341,872)
Administrative expenses	(621,649)	(219,911)	(500,989)	(680,800)	(2,023,349)
Fair value adjustment on investment property and goodwill	4,037,665	(288,261)	(738,552)	–	3,010,852
Foreign exchange (loss)/gain	(327,699)	16,045	(49,453)	(114,776)	(475,883)
Share-based payment expense	–	–	–	(1,041,647)	(1,041,647)
Segment profit/(loss) before net finance expense	**13,180,638**	**1,097,525**	**10,788,682**	**(1,869,669)**	**23,197,176**
Finance income	47,833	2,056	23,311	6,180,658	6,253,858
Finance expense	(8,300,675)	(1,286,570)	(5,349,820)	3,757,567	(11,179,498)
PROFIT BEFORE TAX	**4,927,796**	**(186,989)**	**5,462,173**	**8,068,556**	**18,271,536**

Segment assets and liabilities 31 Dec 2012	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Segment assets					
Investment property at fair value	187,221,000	17,060,000	189,685,226	–	393,966,226
Investment property under development	5,945,629	–	16,762,320	–	22,707,949
Goodwill	1,724,236	–	5,582,783	5,881,776	13,188,795
Other long-term assets	–	–	–	14,727,635	14,727,635
Financial assets at fair value through profit or loss	–	–	–	75,592	75,592
Trade and other receivables	8,906,396	120,274	2,859,576	3,912,729	15,798,975
Financial investments at fair value through profit or loss	–	–	–	81,865,443	81,865,443
Cash and cash equivalents	5,511,790	109,712	5,867,411	76,022,728	87,511,641
Investment property held for sale	28,665,158	–	–	–	28,665,158
TOTAL SEGMENT ASSETS	**237,974,209**	**17,289,986**	**220,757,316**	**182,485,903**	**658,507,414**
Segment liabilities					
Loans and borrowings	81,529,365	(165,006)	35,735,793	–	117,100,152
Non-current liabilities	11,084,347	240,497	13,490,676	5,235,423	30,050,943
Trade and other payables	5,247,308	409,211	5,564,350	1,764,331	12,985,200
Interest bearing borrowings	14,349,272	40,000	65,554,984	22,103,786	102,048,042
Tenant deposits	578,164	1,675,004	447,531	–	2,700,699
TOTAL SEGMENT LIABILITIES	**112,788,456**	**2,199,706**	**120,793,334**	**29,103,540**	**264,885,036**

Segment assets and liabilities 31 Dec 2011	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Segment assets					
Investment property at fair value	166,341,301	17,060,000	132,992,194	–	316,393,495
Investment property under development	7,052,478	–	18,356,864	–	25,409,342
Goodwill	–	–	–	13,351,499	13,351,499
Other long-term assets	184,330	–	–	6,029,128	6,213,458
Financial assets at fair value through profit or loss	37,685	–	–	998,890	1,036,575
Trade and other receivables	1,853,103	29,535	327,274	5,541,529	7,751,441
Cash and cash equivalents	2,357,170	425,749	2,886,697	49,395,484	55,065,100
TOTAL SEGMENT ASSETS	**177,826,067**	**17,515,284**	**154,563,029**	**75,316,530**	**425,220,910**
Segment liabilities					
Loans and borrowings	82,957,342	–	73,672,537	–	156,629,879
Non-current liabilities	1,236,188	–	–	16,232,149	17,468,337
Trade and other payables	2,784,204	193,040	1,378,505	895,516	5,251,265
Interest bearing borrowings	4,899,937	–	3,335,722	–	8,235,659
Tenant deposits	502,117	1,717,628	157,085	–	2,376,830
TOTAL SEGMENT LIABILITIES	**92,379,788**	**1,910,668**	**78,543,849**	**17,127,665**	**189,961,970**

From 15 April 2008, the Group commenced operations in Germany as a result of its joint acquisition of six properties. The Group's segmental results are presented below.

Geographic segments results	Romania 2012	Romania 2011	Germany 2012	Germany 2011	Total 2012	Total 2011
	€	€	€	€	€	€
Net operating income	29,281,622	22,613,490	1,151,149	1,446,749	30,432,771	23,727,203
Profit before tax	39,565,478	18,163,188	(1,213,339)	108,348	38,352,139	18,271,536
Investment property	401,564,175	325,299,378	15,110,000	16,503,459	416,674,175	341,802,837

33 CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business. The Company issued corporate letters of guarantee in relation to some of the credit facilities (see Note 16).

As at 31 December 2012 the Company received letters of guarantee from tenants that amounted to €5,870,790 and letters of guarantee from suppliers that amounted to €339,569 related to the developments Ploiesti Shopping City, Promenada Mall Braila and Brasov Strip Mall.

Capital commitments

The Group has a commitment to acquire two office buildings in Timisoara that are currently under development. The value of these properties cannot be estimated at this moment.

The Group committed to acquire several plots planned to be used in retail developments. The consideration paid by 31 December 2012 amounted to €58,094 in respect of Kaufland Value Extensions and €2,816,551 in respect of Galati Shopping City.

In addition, the Group committed to acquire an additional plot in relation to the Vulcan Strip Mall development. The purchase price depends on several conditions to be fulfilled by the seller and cannot be estimated as at the date of this report. Advance consideration paid by 31 December 2012 amounted to €1,800,000. The Group recognised 50% of the advance payment in these financial statements, according to its interest in this project.

34 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries and Directors are related parties. The subsidiaries of the Company are presented in Note 4. The Directors are noted in the 'Board of Directors' section.

Material related party transactions

Loans to and investments in subsidiaries are set out in Note 4. Fees paid to Directors during the current and prior year are set out in the table below. No other payments were made to Directors, except for reimbursements of travel and accommodation costs.

Directors' fees	Total Group 31 Dec 12	Company 31 Dec 12	Subsidiaries 31 Dec 12	Total Group 31 Dec 11	Company 31 Dec 11	Subsidiaries 31 Dec 11
	€	€	€	€	€	€
Dan Pascariu	29,140	29,140	–	27,609	27,609	–
Martin Slabbert	195,267	178,254	17,013	168,000	149,968	18,032
Desmond de Beer	30,670	30,670	–	27,600	27,600	–
Dewald Joubert	27,096	27,096	–	24,972	24,972	–
Jeffrey Zidel	32,210	32,210	–	28,725	28,725	–
Michael Mills	25,054	25,054	–	23,478	23,478	–
Victor Semionov	88,533	83,089	5,444	79,333	74,646	4,687
TOTAL	**427,970**	**405,513**	**22,457**	**379,717**	**356,998**	**22,719**

The following directors (and their associates) exercised their rights and purchased the number of ordinary shares indicated against their names, in terms of the rights offer which was concluded in November 2012.

Name of director/ associate	Transaction date	Price per security	Number of securities	Total value	Nature of transaction	Nature and extent of director's interest
Desmond de Beer and associates	20 Nov 2012	R43.50	362,748 rights offer shares	R15,779,538	Off market	Indirect beneficial
Jeffrey Zidel and associates	20 Nov 2012	R43.50	122,353 rights offer shares	R5,322,356	Off market	Direct/ Indirect beneficial
Martin Slabbert and associates	20 Nov 2012	R43.50	104,000 rights offer shares	R4,524,000	Off market	Indirect beneficial
Victor Semionov	20 Nov 2012	R43.50 or €4.05	5,000 rights offer shares	R126,150 + €8,505	Off market	Indirect beneficial
Dan Pascariu	20 Nov 2012	R43.50	12,330 rights offer shares	R536,355	Off market	Indirect beneficial

Details on the shares issued under the share purchase schemes and held by the Directors are presented below.

Director	Date of issue	Share issue price	Number of shares issued
		€	€
Martin Slabbert			**4,098,814**
	5 June 2008	2.18	600,000
	28 October 2009	2.10	300,302
	25 May 2010	2.58	195,000
	30 June 2010	2.58	2,266,012
	9 May 2011	2.99	337,500
	12 June 2012	3.28	400,000
Victor Semionov			**1,237,669**
	5 June 2008	2.18	300,000
	25 May 2010	2.58	140,000
	30 June 2010	2.58	377,669
	9 May 2011	2.99	170,000
	12 June 2012	3.28	250,000

35 COMPARATIVE PERIOD

The Comparative period is the year ended 31 December 2011.

36 SUBSEQUENT EVENTS

On 14 February 2013, The Group concluded an agreement to acquire all the shares in and shareholder's claim against BVB Real Estate from AIG/Lincoln Lakeview Sarl and to acquire the outstanding bank debt of BVB Real Estate from MKB Bank Zartkoruen Mukodo Reszvenytarsasag ('the Transaction'). BVB Real Estate owns an A–grade office building situated in Bucharest, Romania, known as The Lakeview, with a total GLA of 25,564 square metres and 485 parking bays. The Lakeview is located close to NEPI's Floreasca Business Park in the emerging office corridor between Floreasca and Barbu Vacarescu streets in the north east of Bucharest. The building is fully occupied with tenants including Alcon, Colgate-Palmolive, Huawei, Philips, PricewaterhouseCoopers and Royal Bank of Scotland. It is expected that the acquisition of the property will be earnings enhancing. The aggregate purchase price is approximately €61,000,000, which will be settled in cash. The property value is estimated at €63,300,000 million. The transaction will be accounted in the next financial year as a business combination. The value computations for the assets and liabilities taken over are not finalised as at the date of this report.

The Group is in in the process of acquiring an additional 7,000 square metres plot of land adjacent to NEPI's retail assets in Brasov, which will be used for the development of Brasov Shopping City. An advance was paid in February 2013 in this respect.

In February 2013, NEPI has acquired approximately 1,900 square metres of land adjacent to the fashion section of the Promenada Mall Braila with a view to affect a further extension of the shopping centre with additional international fashion brands.

The Directors are not aware of any other subsequent events from 31 December 2012 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

SCHEDULE OF PROPERTIES

Property name	Property address	Ownership
		%
RETAIL PORTFOLIO		
Ploiesti Shopping City	Sat Blejoi, Prahova, Romania	50
Promenada Mall Braila	Sat Varsatura, Braila, Romania	100
Retail Park Auchan Pitesti	65B Geamana, Arges, Romania	100
Brasov	105 Bucuresti Street, Brasov, Romania	100
Leipzig	123 Mockauerstrasse, Leipzig, Germany	50
Brasov Shopping City	105 Bucuresti Street, Brasov, Romania	100
Bruckmühl	15a Pettenkoferstrasse, Bruckmühl, Germany	50
Mölln	127a+b Wasserkrüger, Mölln, Germany	50
Bucharest	23 Elisabeta Street, Bucharest, Romania	100
Eilenburg	34-35 Grenzstrasse, Eilenburg, Germany	50
Frankfurt	10-24 Battonnstrasse, Frankfurt, Germany	50
Iasi	4 Strapungerii Street, Iasi, Romania	100
Bacau	5 Balcescu Street, Bacau, Romania	100
OFFICE PORTFOLIO		
Floreasca Business Park	169A Floreasca Street, Bucharest, Romania	100
City Business Centre*	10 C Brediceanu, Timisoara, Romania	100
Brasov	3 Kogalniceanu Street, Brasov, Romania	100
Munich	7 Silberhornstrasse, Munich, Germany	50
Zalau	19 Unirii Street, Salaj, Romania	100
Craiova	15B Buzesti Street, Dolj, Romania	100
Galati	31 Brailei Street, Galati, Romania	100
Buzau	2 Balcescu Street, Buzau, Romania	100
Slatina	1 Vladimirescu Street, Olt, Romania	100
Baia Mare	18 Unirii Street, Maramures, Romania	100
Sfantu Gheorghe	33-37, 1 Decembrie Street, Covasna, Romania	100
Deva	18 Maniu Street, Hunedoara, Romania	100
Targoviste	227 Domneasca Street, Dambovita, Romania	100
Alba Iulia	29 I.C. Bratianu Street, Alba, Romania	100
Slobozia	13 Chimiei Street, Ialomita, Romania	100
Resita	4, 1 Decembrie Street, Caras-Severin, Romania	100
Targu Mures**	2 Bolyai Street, Mures, Romania	100
Calarasi	27 Progresului Street, Calarasi, Romania	100
Alexandria	63 Colfescu Street, Teleorman, Romania	100
Sibiu	69, 1 Decembrie Street, Sibiu, Romania	100
INDUSTRIAL PORTFOLIO		
Rasnov industrial facility	1A Campului Street, Brasov, Romania	100
Otopeni warehouse	11C Vlaicu, Ilfov, Romania	100
DEVELOPMENTS AND EXTENSIONS		
Victoriei Office	8 Aviatorilor Blvd, Bucharest, Romania	100
Ploiesti Shopping City extension	Sat Blejoi, Prahova, Romania	50
Cluj Business Centre	77, 21 Decembrie 1989 Street, Cluj, Romania	50
Galati Shopping City	251 George Cosbuc Blvd, Galati, Romania	100
Vulcan Value Centre	88 Sebastian Street, Bucharest, Romania	50
Kaufland Value Extension	Alexandria, Teleorman, Romania	100
Brasov Shopping City extension	105 Bucuresti Street, Brasov, Romania	100
Kaufland Value Extension	Sfantu Gheorghe, Covasna, Romania	100
TOTAL		

* Vacancy excludes the rentable areas under the earn-out arrangements.
** The building is currently under refurbishment.

	Rentable area	Weighted rentable area	Weighted average rental	Weighted average vacancy	Valuation	Weighted valuation
	sqm	sqm	€/sqm	%	€	€
	46,206	23,103	11.24	7.4	78,010,000	39,005,000
	54,850	54,850	8.58	3.3	73,280,000	73,280,000
	43,100	43,100	10.72	3.2	70,275,158	70,275,158
	5,290	5,290	12.47	0.0	9,570,000	9,570,000
	5,864	2,932	9.29	0.0	7,850,000	3,925,000
	7,112	7,112	5.50	0.0	6,041,000	6,041,000
	5,889	2,944	7.07	0.0	5,990,000	2,995,000
	5,510	2,755	5.78	0.0	4,960,000	2,480,000
	838	838	63.99	56.3	4,590,000	4,590,000
	3,727	1,864	7.64	0.0	2,730,000	1,365,000
	1,088	544	14.50	0.0	2,460,000	1,230,000
	193	193	20.00	0.0	540,000	540,000
	150	150	22.00	0.0	470,000	470,000
	179,817	**145,675**	**9.70**	**3.7**	**266,766,158**	**215,766,158**
	36,032	36,032	19.80	0.0	104,370,000	104,370,000
	27,151	27,151	13.95	0.0	51,670,000	51,670,000
	6,720	6,720	7.87	19.9	6,450,000	6,450,000
	2,222	1,111	13.75	0.0	6,230,000	3,115,000
	3,460	3,460	8.69	50.5	2,640,000	2,640,000
	2,486	2,486	7.31	1.9	2,570,000	2,570,000
	2,814	2,814	6.15	24.7	1,920,000	1,920,000
	2,422	2,422	7.13	16.5	1,850,000	1,850,000
	2,767	2,767	6.75	32.4	1,770,000	1,770,000
	2,406	2,406	5.87	13.8	1,680,000	1,680,000
	2,349	2,349	6.18	0.0	1,510,000	1,510,000
	1,860	1,860	7.46	0.0	1,470,000	1,470,000
	2,373	2,373	6.70	44.9	1,440,000	1,440,000
	2,366	2,366	5.47	30.7	1,360,000	1,360,000
	1,907	1,907	6.94	21.6	1,290,000	1,290,000
	1,322	1,322	7.57	0.0	1,130,000	1,130,000
	2,033	2,033	3.13	0.0	1,050,226	1,050,226
	1,421	1,421	6.82	0.0	1,040,000	1,040,000
	975	975	7.54	0.0	830,000	830,000
	900	900	1.02	0.0	650,000	650,000
	105,986	**104,875**	**13.77**	**7.3**	**192,920,226**	**189,805,226**
	23,040	23,040	4.47	1.7	11,760,000	11,760,000
	4,802	4,802	9.16	0.0	5,300,000	5,300,000
	27,842	**27,842**	**5.29**	**1.4**	**17,060,000**	**17,060,000**
					12,961,000	12,961,000
					2,064,000	1,032,000
					7,602,641	3,801,320
					3,038,846	3,038,846
					1,986,262	993,131
					622,151	622,151
					197,160	197,160
					62,341	62,341
					28,534,401	**22,707,949**
	313,645	**278,392**	**10.71**	**4.8**	**505,280,785**	**445,339,333**

NOTICE OF 2013 ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of NEPI will be held at its registered office being 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on Thursday, 2 May 2013 at 10:00 AM British Summer Time ('BST') to address the considering and, if deemed fit, adopting the resolutions set out below.

ORDINARY BUSINESS

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

1. To receive and adopt the reports of the Directors and Auditor of the Company and the financial statements for the year ended 31 December 2012.
2. To re-elect those Directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company and being eligible, have offered themselves for re-election.
   - 2.1 Martin Slabbert
   - 2.2 Jeffrey Zidel
3. To authorise the Directors of the Company to fix their remuneration in accordance with article 95 of the Articles of Association of the Company.
4. To re-appoint Ernst & Young LLC as Auditor of the Company and to authorise the Company's Directors to fix their remuneration.

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

SPECIAL BUSINESS

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

5. In order to increase the maximum aggregate number of shares which can be offered for subscription or purchase under the NEPI incentive scheme, the shareholders are to consider and, if thought fit, pass the following resolution:
   Resolved as a special resolution, that the NEPI Share Purchase Scheme adopted by shareholders on 24 April 2012 (the 'Current Share Scheme') be and is hereby amended to:

5.1 increase the maximum aggregate number of shares which can be offered for subscription or purchase under this scheme ('scheme allocation')
- — from 10,000,000 (ten million) shares less the number of shares issued in terms of the NEPI incentive scheme (ie the scheme which was in place since before the Company's listing on the AIM market of the London Stock Exchange) and in respect of which the purchase price remained outstanding as at the date of implementation of the Current Share Scheme (being 5,100,790 shares),
- — to 15,000,000 (fifteen million) shares less 5,100,790 shares issued in terms of the NEPI incentive scheme and referred to above; and

5.2 to increase the maximum aggregate number of shares which can be offered to any one individual under the NEPI Share Purchase Scheme from 2,000,000 (two million) to 3,000,000 (three million) shares, provided that this maximum shall not apply in the event that any reduction in the Company's issued ordinary share capital results in any offeree having accepted an offer in excess of such maximum.

In order for this special resolution to be adopted, at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

6 So as to maintain the maximum "headroom" available to the Directors for expanding the Company's business by allotting equity securities of the Company for cash on a non pre-emptive basis, the shareholders are to consider and, if thought fit, pass the following resolution:

Resolved as a special resolution that, subject to the restrictions set out below and subject to the provisions of article 5.3, the Listings Requirements of the JSE Ltd, the AIM Rules for Companies issued by the London Stock Exchange plc and the rules of the Bucharest Stock Exchange, the Directors of the Company be and are hereby authorised until this authority lapses at the next Annual General Meeting of the Company, provided that this authority shall not extend beyond 15 months, to allot and issue shares of the Company (including the grant or issue of options or convertible securities that are convertible into an existing class of shares) for cash (or for the extinction or payment of any liability, obligation or commitment, restraint or settlement of expenses) on the following basis:

6.1 the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;

6.2 the allotment and issue of shares for cash shall be made only to persons qualifying as 'public shareholders', as defined in the Listings Requirements, and not to 'related parties';

6.3 shares which are the subject of general issues for cash:

6.3.1 in aggregate in any one financial year may not exceed 15% of the Company's shares in issue of that class (for purposes of determining the shares comprising the 15% number in any one year, account must be taken of the dilution effect, in the year of issue of options or convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);

6.3.2 of a particular class will be aggregated with any securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, by including the number of equity securities which may be issued in future arising out of the issue of such options/ convertible securities);

6.3.3 as regards the number of shares which may be issued (the 15% number), same shall be based on the number of shares of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:

6.3.3.1 less any shares of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year of the Company (which commenced on 1 January 2013);

6.3.3.2 plus any shares of that class to be issued pursuant to:

6.3.3.2.1 a rights issue which has been announced, is irrevocable and is fully underwritten; or

6.3.3.2.2 an acquisition (in respect of which final terms have been announced) which acquisition issue securities may be included as though they were securities in issue at the date of application;

NOTICE OF 2013 ANNUAL GENERAL MEETING ›continued

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

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

6.5.1 the number of shares issued;

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

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

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

Quorum

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

By order of the Board,
CE Cassell
COMPANY SECRETARY

NOTES TO NOTICE OF ANNUAL GENERAL MEETING, DATED 2 MAY 2013

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

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

3 A proxy form is included with this notice (on page 121) and instructions for its use are shown on the form.

4 A duly completed and signed proxy form must be received by the Company's registrar, Sabre Fiduciary Ltd, at the Company's registered office (which is detailed in this notice) no later than 48 hours before the time that the Annual General Meeting is due to commence.

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

6 Pursuant to regulation 22 of the Uncertificated Securities Regulations 2006 (SD 743/06) the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast) a person must be entered on the register of members of the Company by no later than 10:00 AM BST on Monday 29 April 2013 ('the Register Time and Date'), being not more than two working days before the time fixed for the meeting to commence. Changes to entries on the register after the Register Time and Date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

PROXY FORM

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

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

being a member/members of New Europe Property Investments plc hereby appoint the Chairman of the meeting, or failing him .... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 2 May 2013 at 10:00 AM BST and at any adjournment thereof.

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

ORDINARY BUSINESS

		YES	NO
1	To receive and adopt the reports of the Directors and Auditor of the Company and the financial statements for the year ended 31 December 2012.		
2	To re-elect those Directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company:		
2.1	Martin Slabbert; and		
2.2	Jeffrey Zidel.		
3	To authorise the Directors of the Company to fix their remuneration.		
4	To re-appoint Ernst & Young LLC as Auditor of the Group and Company and to authorise the Company's Directors to fix their remuneration.		

SPECIAL BUSINESS

		YES	NO
5	That the NEPI Share Purchase Scheme be amended as proposed in the notice of the Annual General Meeting.		
6	General authority to issue shares for cash as proposed in the notice of the Annual General Meeting.		

SIGNATURE

DATE

www.nepinvest.com

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

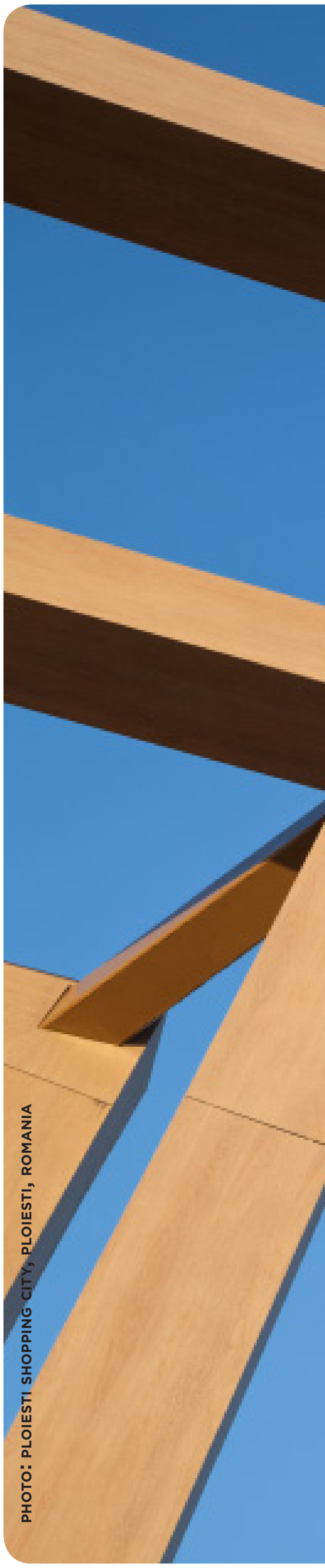

PHOTO: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA