ANNUAL REPORT 2014

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More information on our website

www.nepinvest.com

The terms 'NEPI', the 'Group', the 'Company', 'we', 'our' and 'us' refer to New Europe Property Investments plc and, as applicable, its subsidiaries and/or interests in joint-ventures and associates.

PHOTO: SHOPPING CITY TARGU JIU, ROMANIA

Company profile

PHOTO: AUPARK KOSICE MALL, KOSICE, SLOVAKIA

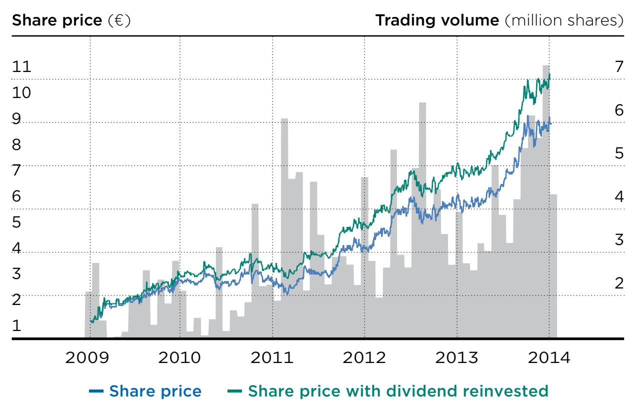
New Europe Property Investments plc is a commercial property investor and developer listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE).

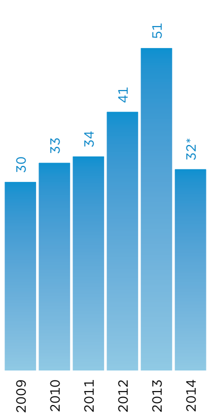
NEPI was founded to acquire, develop and manage regionally dominant retail assets in emerging European Union markets with high-growth potential. The Group built up an exceptional property portfolio and development pipeline in Romania and Slovakia, and is progressing with a retail expansion programme in other target markets. The Group also invests in A-grade offices in Romanian cities with significant multinational tenant demand.

The investment strategy is biased towards long-term leases in Euro with strong corporate covenants. On 31 December 2014, the portfolio had an outstanding weighted average lease duration of 5.2 years, while 64% of the contracted rental income was generated by contracts signed with large tenants and major franchisees.

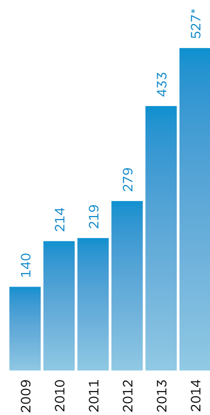
The Group is internally managed and combines property and asset management with investment and development skills in an integrated approach.

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

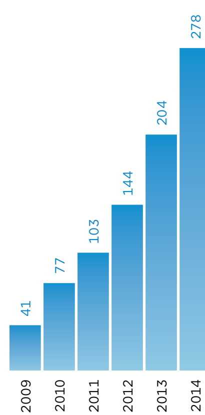




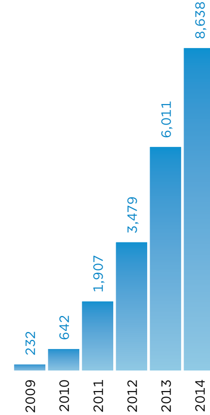
TOTAL NUMBER OF PROPERTIES



LETTABLE AREA OF PROPERTIES
thousand m²



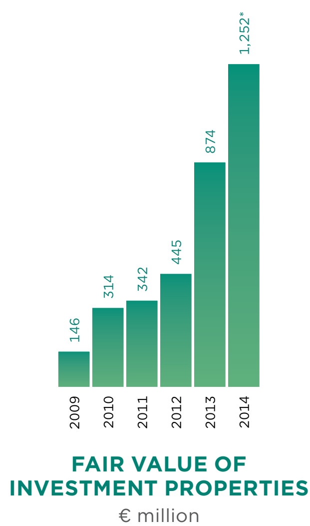
SHARES IN ISSUE
million



NUMBER OF SHAREHOLDERS

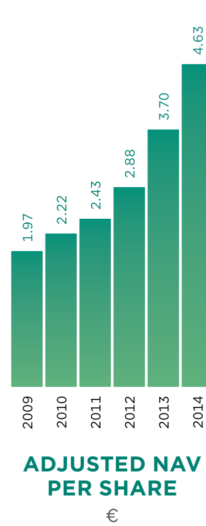
*Excluding properties held for sale, Aupark Kosice Mall and Aupark Kosice Tower

PHOTO: VULCAN VALUE CENTRE, BUCHAREST, ROMANIA

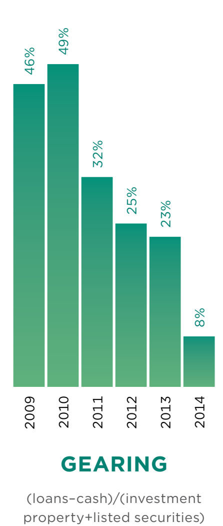


FAIR VALUE OF INVESTMENT PROPERTIES
€ million

DISTRIBUTION PER SHARE
€ cents



ADJUSTED NAV PER SHARE
€



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

Board of Directors

Executive

[1] Martin Slabbert (44)

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), gaining experience in mergers and acquisitions (M&A), turnaround strategies and financial restructuring. He was Senior Vice-President for the shareholders' funds, member of the Executive Committee at Nedcor Investment Bank and later a 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.

[2] Alexandru Morar (31)

Executive Director
Appointed on 25 September 2013
BSc

Alexandru Morar graduated with a dual degree in finance and information systems from Stern School of Business, New York University, and began his career as an analyst at Julius Baer investment bank. He later joined the financial advisory practice of Deloitte Romania where he spent two years working on an energy related project, as well as M&A transactions. He joined NEPI upon its founding in 2007 and has contributed to all aspects of the business since then. Mr Morar is currently focused on the investments and acquisitions programme, and oversees elements of asset management.

[3] Mirela Covasa (32)

Finance Director
Appointed on 10 February 2015
BCom, ACCA, CAFR

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

[4] Tiberiu Smaranda (33)

Executive Director
Appointed on 25 September 2013
BA

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

[5] Victor Semionov (37)

Chief Operating Officer
Appointed on 13 May 2010
BCom

Victor Semionov graduated with a degree in finance and has 15 years experience in finance and real estate. He spent seven years with the Corporate Finance department of Deloitte Central Europe where he implemented M&A, debt finance and turnaround projects with total transactions in excess of €3 billion. Mr Semionov co-founded NEPI in 2007, and has been involved with the set-up and operation of the business at all levels since then. In 2015 he was appointed Chief Operating Officer, after serving as Finance Director for nearly five years.

Non-executive

[1] **Dan Pascariu** (64)

Independent Non-executive Chairman
Appointed on 30 March 2009
MBA

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

[2] **Desmond de Beer** (54)

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

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

[3] **Dewald Joubert** (42)

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

Dewald Joubert has extensive experience in international tax planning for corporations, transaction structuring and corporate governance. Formerly a lawyer, his professional career began with Arthur Andersen South Africa, and was subsequently appointed partner at the Maitland Group, Isle of Man. Mr Joubert is joint managing director of a private equity group and independent non-executive director on the boards of various listed companies and significant subsidiaries of listed multinational businesses, such as the investment holding structure of the Oppenheimer Family Business, Anglo Gold Ashanti and Nampak.

[4] **Jeffrey Zidel** (64)

Independent Non-executive Director
Appointed on 11 November 2009

Jeffrey Zidel is a successful property developer and investor, and has been involved in all aspects of the property industry for over 40 years. He is currently Chairman of Fortress Income Fund, listed on the JSE, and director of The South African Council of Shopping Centres.

[5] **Michael Mills** (67)

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. Notable recent positions include Chairman of Advance Value Realisation, Managing Director of Atlas Medical Recruitment, Chairman of Athanor Capital Partners, Chairman of Legacy Distribution Group and CEO of Drew Scientific Group.

[6] **Nevenka Pergar** (52)

Independent Non-executive Director
Appointed on 10 February 2015
LLB, MBA

Nevenka Pergar is the owner and director of NP Consulting, an independent advisory company that offers legal and business consultancy. She acts as a local subcontractor for ING Bank projects in south eastern Europe (SEE), and acquired a wide experience in public services serving in Slovenia's Ministry of Economy. She was a member of two Slovenian governments, first as a Secretary General of the Government and then as a Junior Minister for Public Administration. Ms Pergar is currently a member of AmCham and The Managers' Association of Slovenia.

Directors' report

Distributable earnings

The Group achieved 15.53 euro cents distributable earnings per share for the second half of the 2014 financial year. This result, combined with the 14.16 euro cents distributable earnings per share for the first half of the financial year, represents a 15% improvement in recurring distributable earnings per share compared to 2013. This improvement is due to the continuing strong performance of Group assets and the favourable impact of acquisitions and developments completed during the financial year.

Distribution of retained distributable earnings

The Company has maintained a constant 15% per annum growth in distributions per share from the 2010 base to the 2014 interim period distribution. This was achieved by balancing variations in distribution growth per share, stemming partly from significant, but irregular, growth in recurring distributable income from completed property developments which have a dilutive effect during construction, by retaining and offsetting the distribution of non-recurring distributable earnings to date. Following the 2014 interim distribution, the balance of retained distributable earnings carried forward from prior financial periods was €5.1 million. Earnings guidance for the 2015 financial year predicts robust growth in recurring distributable earnings per share, therefore the Company is distributing the balance of retained distributable earnings carried forward from prior financial periods.

Final distribution and option to receive capital return

The Board has declared a final distribution of 17.35 euro cents per share for the six months ended 31 December 2014. This results in a 32.22 euro cents per share distribution for 2014, an improvement of 20% compared to the previous year. Shareholders have the option to receive their distribution as cash or an issue of fully-paid shares at a ratio of 2.05 new shares for every 100 held. A circular detailing this resolution, accompanied by announcements on the Stock Exchange News Service (SENS) of the Johannesburg Stock Exchange Limited (JSE), the Regulatory News Service (RNS) of the London Stock Exchange (LSE) and the Bucharest Stock Exchange (BVB), was issued on 27 February 2015.

Prospects and earnings guidance

The development and extension pipeline detailed in this report, as well as the potential acquisitions being explored, position the Group for strong growth in its recurring distributable earnings during 2015 and thereafter. In the interim 2014 results announcement the Group indicated that 'it will focus on opportunities that will lead to, and take decisions with a view to, maximising long-term, recurring distributable earnings per share, even if these cause a reduction in short-term, year-on-year per share distribution growth', and has therefore not provided earnings guidance.

Even though this policy remains relevant, the Board is confident that recurring distributable earnings per share for the first half of 2015 will range from 17.3 to 17.7 euro cents per share (compared to 14.16 euro cents per share for the six months ended 30 June 2014) based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur and planned developments remain on track, leading to growth in distributable earnings per share ranging from 22% to 25% compared to the first half of 2014. This forecast has not been audited or reviewed by NEPI's auditors and is the responsibility of the Board.

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

15%
increase in recurring distributable earnings per share (YOY)

25%
increase in adjusted NAV per share (YOY)

45%
increase in retail asset base GLA (YOY)

PHOTO: PROMENADA MALL, BUCHAREST, ROMANIA

PHOTO: KRAGUJEVAC PLAZA, KRAGUJEVAC, SERBIA

Acquisitions and developments

The Group completed property acquisitions and developments to the value of €434 million (at cost) during 2014.

All following figures relating to populations are estimates.

Retail property acquisitions and completed developments

The Group acquired and developed four malls and three value centres during the financial year and the acquisition of another mall was finalised in February 2015. Including these, NEPI owns nine malls and nine value centres in Romania, two malls in Slovakia and one mall in Serbia. Two additional malls are currently being constructed by NEPI in Romania.

Directors' report

AURORA SHOPPING MALL, BUZAU AND ALBA IULIA VALUE CENTRE

Effective acquisition date: 13 August 2014

The Group has acquired Aurora Shopping Mall, Buzau, a 17,959m² GLA under-performing mall, and the Alba Iulia Value Centre, a 3,220m² GLA extension to a Kaufland hypermarket, in a three party transaction including the seller's lending bank.

Aurora Shopping Mall is situated on the main boulevard of Buzau, Romania, a major transit hub for two of the country's main historical regions. Buzau is the capital of Buzau county that has 432,000 residents, 430,000 of which are living within a 45-minute drive of the mall. Major tenants include international and national brands such as Altex, Carrefour, Deichmann and New Yorker. NEPI plans to reconfigure and refurbish the mall, including building a cinema and improving the layout and tenant configuration.

The Alba Iulia Value Centre is located near the intersection of two busy roads, in Alba Iulia, Romania, adjacent to a Kaufland hypermarket and a Profi supermarket, that combined form a retail platform of approximately 10,000m² GLA. Historical Alba Iulia has 64,000 inhabitants, with 137,000 residents of the county living within a 45-minute drive of the value centre. NEPI's tenants are international and national brands Altex, Deichmann, dm and Takko.

KRAGUJEVAC PLAZA

Effective acquisition date: 1 September 2014

The Group has acquired Kragujevac Plaza, a regional mall of 21,870m² GLA next to a busy intersection in Kragujevac, Serbia, 145km from the capital Belgrade. The centre is one of three modern malls in Serbia. Kragujevac, the country's fourth largest city, has 150,000 inhabitants, and there are 280,000 people living within a 45-minute drive of the mall. The city's economy is best known for its automotive production and has been an important regional industrial and commercial centre for over two centuries. Tenants include international and national brands, such as Adidas, C&A, Cineplexx, Deichmann, Idea, McDonald's, New Yorker, Orsay and Tom Tailor. This is the Group's first acquisition in Serbia that will serve as a platform for careful further expansion in the country and former Yugoslavia. Serbia is on the accession path to the European Union and NEPI's management believes its retail market has the potential for high growth.

VASLUI VALUE CENTRE

Opening date: 22 May 2014

The Group completed a value centre extension to a Kaufland hypermarket in Vaslui, Romania. Vaslui has 55,400 inhabitants, with 221,900 residents living within a 45-minute drive of the shopping centre. The value centre has 6,700m² Gross Leasable Area (GLA), of which NEPI owns 1,782m². The centre's tenants are international and national brands Altex, Deichmann and Takko.

Directors' report

VULCAN VALUE CENTRE

Opening date: 4 September 2014

The Group has completed the development of Vulcan Value Centre, Bucharest, Romania. The 24,700m^2 GLA centre is located in the city's densely populated south west and tenants include international and national brands, such as C&A, Carrefour, CCC, Deichmann, dm, Domo, Hervis Sports, H&M, Jysk, Lems, Noriel and Takko. There are 49,000 residents living within a fifteen-minute walk, while the centre is visible, and accessible, from a major boulevard and has convenient bus and tram stops. Trading has been very strong, with a healthy number of tenants paying turnover rent in excess of base rent during the first few months. The value centre was 94.8% let at year-end and is expected to be fully let by May 2015. The centre was opened within nine months of the issuance of the building permit. Construction permits for the planned KFC drive-through had not been obtained by the date of this report.

SHOPPING CITY TARGU JIU

Opening date: 16 October 2014

The Group has completed the development of a regional mall in Targu Jiu, Romania. The city has a population of 78,600, is the capital of Gorj county and this is its only modern mall. There are 323,500 inhabitants living within a 45-minute drive from the mall. The 26,800m^2 GLA mall, currently houses various international and national brands, such as Carrefour, CCC, Cinema City, Deichmann, dm, H&M, Jysk and KFC. The mall is 99.2% let and expected to be fully occupied by the beginning of the Easter 2015 sales period when C&A and New Yorker open. The mall was opened within a year of the issuance of the building permit.

PROMENADA MALL

Effective acquisition date: 31 October 2014

The Group has acquired the 40,300m^2 GLA Promenada Mall, situated in the emerging Floreasca-Barbu Vacarescu business district of Bucharest, close to some of the city's most affluent neighbourhoods. NEPI also owns two office buildings in the area. Promenada Mall opened in 2013 and is located in an area significantly developed in recent years, including new A-grade offices and infrastructure. There are 385,000 inhabitants living within a 15-minute drive, an estimated additional 24,000 office employees within a 10-minute walk working in the nearby offices (based on information collated in October 2014) and a further 135,000 residents within a 20-minute metro ride. Promenada Mall will benefit from substantial additional local office and infrastructure development in the near future. In addition to Bucharest's main subway line, the mall is also serviced by trams and buses. Tenants include international and national brands, such as Billa, Bershka, C&A, Deichmann, H&M, Hervis, Intersport, Lacoste, Massimo Dutti, Oysho, Peek&Cloppenburg, Promod, Stradivarius, Tommy Hilfiger and Zara. In order to broaden the mall's reach, the Group intends to extend it with approximately 25,000m^2 GLA, including fashion, entertainment and leisure, and has acquired an adjoining 1.2ha currently zoned for the development of 50,000m^2 of above ground offices. The Group intends to apply for rezoning of the acquired land in order to develop a mixed-use extension with integrated A-grade offices.

PHOTO: PROMENADA MALL, BUCHAREST, ROMANIA

AUPARK KOSICE

Effective acquisition date: 18 December 2014

The Group acquired Aupark Kosice, a mixed-use development, including a 34,000m² GLA regional mall (Aupark Kosice Mall), an adjoining 12,800m² GLA office building (Aupark Kosice Tower), and a 4.1ha development site (Malinovsky Barracks), in one transaction. Although the transfer of shares of the companies owning the properties was pending at year-end, and as a result the transaction is not reflected as completed in the 2014 accounts, the effective date of the acquisition is 18 December 2014. Kosice, Slovakia, is 400km from the capital Bratislava, close to the Hungarian border, and Aupark Kosice is located in the south east of the city centre. Kosice has 240,000 inhabitants and is the country's second largest city, eastern Slovakia's economic and cultural centre and capital of a region with 792,000 residents. The city is an important industrial centre and the US Steel Kosice steel mill is one of the largest employers.

There are 480,000 inhabitants living within a 45-minute drive. Tenants include international and national brands, such as Bata, Billa, C&A, Calvin Klein Jeans, Datart, Deichmann, EXIsport, Geox, Gerry Weber, Golem, Guess, H&M, Intersport, Lenovo, Mango, Marionnaud, New Yorker, Nike, Office Shoes, s. Oliver, Samsung, Terranova, Tom Tailor, Tommy Hilfiger and US Polo Assn.

The Malinovsky Barracks plot is located in the north west of the city centre, within 2km of Aupark Kosice Mall. The site can be used for the development of a retail, or mixed-use, scheme of up to 50,000m² GLA and was acquired defensively due to its proximity to Aupark Kosice Mall. The acquisition of Aupark Kosice strengthens the Group's presence in Slovakia.

Directors' report

Retail property developments and extensions

MEGA MALL

The Group owns a 70% interest in the large ongoing development on the former Electroaparataj factory site in eastern Bucharest. Construction and leasing efforts for the 72,100m² GLA mall are progressing well and it should open as planned during the second quarter of 2015. It is one of the country's largest non-public, non-infrastructure related construction projects and is expected to dominate retail in the densely populated eastern Bucharest. There are 600,000 residents living within a 15-minute drive. Tenant leases for 94% of GLA have been secured, including international and national brands, such as Adidas, Benvenuti, Bershka, C&A, Carrefour, CCC, Cinema City, Deichmann, dm, Douglas, H&M, Hervis, Intersport, KFC, Koton, LC Waikiki, Lego, Mango (Romanian flagship store), Marks & Spencer (Romanian flagship store), New Yorker, Pandora, Peek&Cloppenburg, Pull&Bear, Samsung, Sephora, Stradivarius, Subway, Tom Tailor, Tommy Hilfiger, World Class and Zara.

CITY PARK EXTENSION

The Group has made progress with its 20,200m² GLA extension to the existing 29,284m² GLA in City Park in Constanta, Romania, in two phases. Phase I, which includes the construction of a ten-screen Cinema City with the country's second 4DX auditorium (the first will be in NEPI's Mega Mall) is ongoing and is expected to open before June 2015. Permitting for Phase II was obtained in March 2015, and opening is scheduled for November 2015.

DEVA SHOPPING CENTRE EXTENSION

Permitting for the 10,600m² GLA extension and redevelopment of Deva Shopping Centre, Romania, into a regional mall has been obtained. Construction and leasing are progressing well. The extension and redevelopment will include additional fashion anchors, entertainment and leisure facilities including a six-screen cinema. It is expected to open in September 2015.

PHOTO: MEGA MALL, BUCHAREST, ROMANIA

SEVERIN SHOPPING CENTER EXTENSION

Permitting for the extension and redevelopment of Severin Shopping Center located in Drobeta-Turnu Severin, Romania, has been obtained and leasing is ongoing. Phase I of the 9,700m² planned GLA extension, including a six-screen cinema, is expected to open in September 2015.

SHOPPING CITY TIMISOARA

The Group has acquired an 18ha land plot to develop a regional mall in Timisoara, Romania. The city has a population of 319,300 inhabitants, is the third largest in Romania and the capital of a county with 683,000 residents. Timisoara benefits from a robust economy based on manufacturing automotive components, regional offices for multinational companies and a strong IT&C sector. The city offers a skilled, relatively cheap labour force combined with close proximity to Western Europe. NEPI is developing a phased 80,000m² GLA regional mall on a main road in southern Timisoara. There are 570,500 inhabitants living within a 45-minute drive of the development, which has excellent visibility and accessibility due to its 550m frontage on the city's major north-south boulevard. Across from the site, within walking distance, is a densely populated residential neighbourhood housing 20,000 inhabitants. Construction on the 55,700m² GLA Phase I, including a Carrefour hypermarket, various fashion anchors and substantial modern entertainment and leisure facilities, commenced in December 2014. An opening date has not been decided.

SHOPPING CITY PIATRA NEAMT

The Group has acquired 7.4ha of land between two main roads in Piatra Neamt, Romania, to develop into a 29,300m² GLA regional mall. Piatra Neamt has 85,000 inhabitants, is the capital of a county with 470,000 inhabitants and has a shortage of modern retail. There are 245,000 inhabitants living within a 45-minute drive. Permitting is ongoing and it is expected that the development will be completed during 2016.

Directors' report

Office property acquisitions and completed developments

With the completion of Phase I of the Cluj office development, NEPI owns A-grade offices in Bucharest, Cluj-Napoca and Timisoara, the three Romanian cities with the largest office markets and most multinational office tenants. This is consistent with NEPI's office strategy to invest opportunistically in Romanian cities with significant multinational tenant demand. Two additional office developments are under construction in Bucharest and Cluj.

THE OFFICE, CLUJ-NAPOCA PHASE I

Opening date: 21 August 2014

The Group has completed the development of The Office Phase I in Cluj, the city's first A-grade office. Cluj is located in north-western Romania, and, with 325,000 inhabitants, is the country's second largest city by population. It is one of Romania's main technology clusters and has the country's second largest number of software and services companies. The office market is competitive, however, it lacks A-grade offices and therefore demand for high-quality space is growing. This office development, that will consist of approximately 58,000m² GLA in three phases, is an opportunistic development designed to capitalise on current and predicted future tenant demand. Phase I has 21,273m² GLA. Leasing has progressed well, and as of the date of this report, national and international tenants, such as 3Pillar Global, Betfair, Bombardier, Bosch, Corporate Office Solutions (COS), Deloitte, National Instruments, TUI, Wolters Kluwer, Yardi and Yonder have been secured for 92% of GLA.

AUPARK KOSICE TOWER

Effective acquisition date: 18 December 2014

The Group has acquired Aupark Kosice Tower with Aupark Kosice Mall. Tenants include ESET, GTS, Holcim, IBM and PricewaterhouseCoopers.

PHOTO: THE OFFICE, CLUJ-NAPOCA, ROMANIA

Office property developments

THE OFFICE, CLUJ-NAPOCA PHASE II

Following the completion of Phase I in August 2014 and increasing tenant interest in the development, the Group commenced the second of the three phases of this joint-venture in November 2014. Phase II will include 19,400m² A-grade office GLA and is expected to be ready for tenant fit out by November 2015.

VICTORIEI OFFICE

The Group obtained a building permit for the historic Piata Victoriei, Bucharest, in early 2014, and secured permitting to relocate utility infrastructure in December 2014. The site is located in the capital's central business district near landmark buildings, such as the Government's office, and has very good access to the subway and other public transport. Work on the 8,400m² GLA landmark office development, which includes the refurbishment of a national monument, has commenced and offices should be available for tenant fit-out by December 2015.

Directors' report

First-time credit rating

NEPI's long-term debt strategy is to fund assets with approximately 30% (capped at 35%) debt on a loan-to-value (LTV) basis. Financing sources will be diversified to optimise the long-term cost of debt, and therefore the Group intends issuing unsecured debt at a corporate level. Considering the attractive levels of long-term corporate debt issuance in Europe during summer 2014, NEPI obtained a first-time Ba1 (stable outlook) corporate family rating from Moody's Investors Service in October 2014.

The rating is one notch below Romania's rating and international investment grade. This is a significant achievement given NEPI's relatively small scale of operations compared to other European corporate issuers and its substantial development pipeline, and is a testimony to the Group's robust financial metrics.

A roadshow for European institutional fixed income investors was undertaken in the same month, however, as relevant interest rates increased relative to those offered earlier in the year NEPI decided to postpone the issue. The matter will be reconsidered when markets improve significantly or when the Group's rating is upgraded to international investment grade. Management estimates that an international investment grade rating will be achieved within 18 months.

PHOTO: SHOPPING CITY TARGU JIU, ROMANIA

Bank loans and borrowings repayment profile

Borrower	Outstanding amount	Available for drawdown	2015	2016	2017	2018	2019 and beyond
Floreasca Business Park	51,707	–	3,920	3,920	3,920	39,947	–
Aupark Zilina	49,370	–	1,954	47,416	–	–	–
The Lakeview	27,713	–	2,110	2,110	2,110	21,383	–
City Business Centre	24,454	–	1,314	1,365	1,418	1,473	18,884
Shopping City Galati	18,873	–	1,355	1,355	1,355	1,355	13,453
Ploiesti Shopping City*	17,429	–	1,095	1,095	1,095	1,095	13,049
Pitesti Retail Park	11,131	–	11,131	–	–	–	–
Regional value centres	11,013	200	623	5,851	373	373	3,793
The Office*	6,875	–	348	348	348	348	5,483
NE Property Cooperatief	–	80,000	–	–	–	–	–
Industrial Portfolio	–	9,500	–	–	–	–	–
TOTAL	**218,565**	**89,700**	**23,850**	**63,460**	**10,619**	**65,974**	**54,662**

*Joint-venture

All amounts in thousand euro

Cash management and debt

Throughout the financial year the Company raised €497 million through the issue of new ordinary shares, €26 million of secured debt facilities were extended, €38 million of new secured debt facilities were obtained and €51 million of secured debt facilities were repaid when they expired. The Group disposed of its listed security holdings during the financial year.

Following the credit rating issued by Moody's, Raiffeisen Bank International underwrote an €80 million unsecured revolving credit facility for NEPI which remained undrawn at year-end. The Group has additional undrawn secured revolving facilities of €9.7 million. The Group pre-paid the equity portion of the purchase price for the Kosice acquisition (the balance is funded with a retained bank loan) and ended the year with €112 million in cash.

On 31 December 2014 the Group's gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) decreased to 8% compared to 22.5% at year-end 2013. The average interest rate of the debt (including hedging costs) was approximately 5% over the financial year. The reference base rate (1 month EURIBOR, 3 month EURIBOR) was hedged with a weighted average interest rate cap of 2% for 44% of the outstanding notional amount and a weighted average interest rate swap of 1.8% for 56% of the outstanding notional amount. Further debt facilities will be considered during the current financial year.

Disposals

GERMAN PORTFOLIO

Disposal date: 31 December 2014

The Group sold its interest in the German properties acquired in 2008 to its co-investor for €18.2 million on a debt free basis, which represents a premium of €619,402 on the book value. This is consistent with the Group's strategy to invest in higher growth eastern EU markets. The transaction was finalised in December 2014.

Other highlights

Collection of tenant receivables reflects the quality of the tenant covenant. Non-recoverable tenant income for 2014 amounted to €158,753, equivalent to 0.17% of annual contractual rental income and expense recoveries.

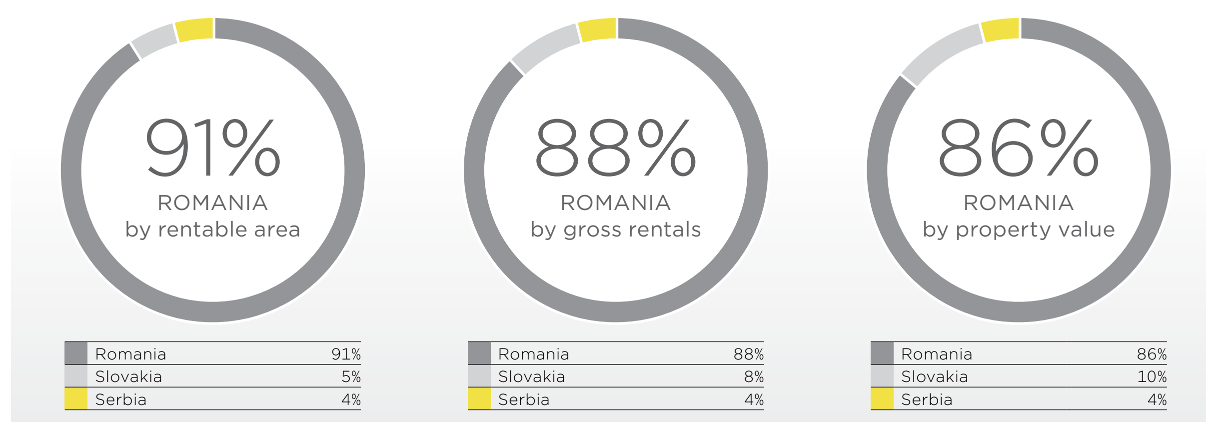
Portfolio overview

Summary Investment Properties

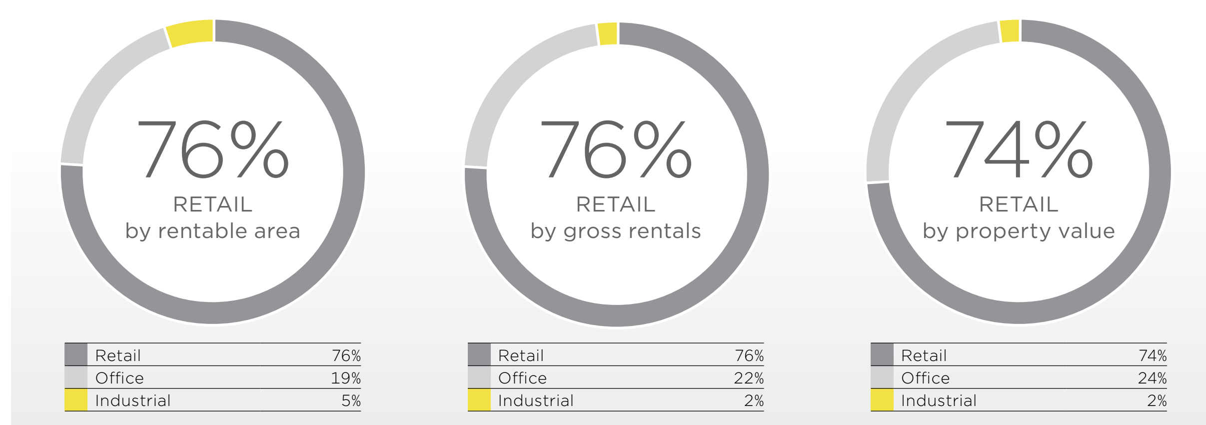
	Group 31 Dec 2014	Group 31 Dec 2013
Total number of properties	32	51
Income producing properties	26	45
Properties under development	6	6
Fair value of properties (€ million)	1,252	874
Annualised property yield	7.8%	8.3%
Lettable area of income producing properties (thousand m²)	527	433
Vacancy	1.81%	2.33%
Years to expiry	5.2	4.8
Weighted average rent (€/m²/month)	13.4	12.7

All figures in this section are weighted with the proportion owned by NEPI in each project and exclude properties held for sale, Aupark Kosice Mall and Aupark Kosice Tower, which were acquired after year-end.

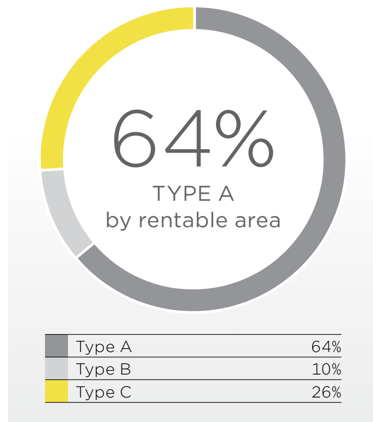
Geographical profile 2014



Sectoral profile 2014



Tenant profile 2014



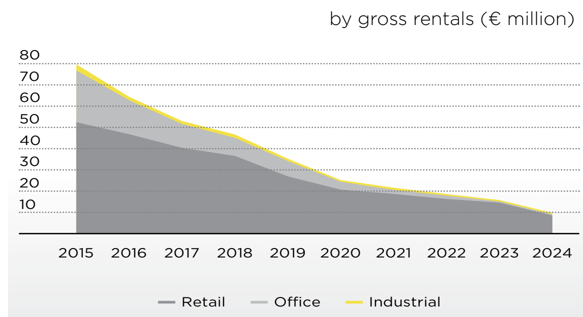
Type A: Large international and national tenants, large listed tenants, government and major franchisees (companies with assets and/or turnovers in excess of €200 million). These include, inter alia, the following:

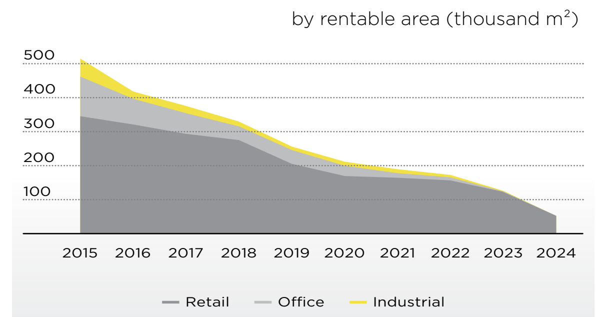
3Pillar Global	Colliers	Idea	PricewaterhouseCoopers
ABB	Cora	Inditex Group	PRO TV
Abbott	Credit Europe Bank	ING	Raiffeisen Bank
Abbvie	Daikin	KFC	RCS RDS
Accenture	Deichmann	Jysk	Regus
Auchan	Deloitte	Kingfisher	Royal Bank of Scotland
BCR	DHL	Lenovo	Sephora
Berlin Chemie	dm	L'Oreal	Sandoz
Betfair	Ericsson	Mars	Siemens
Billa	Federal-Mogul	McDonald's	Takko
Bombardier	General Electric	Metro Cash&Carry	Tom Tailor
BRD Groupe Societe Generale	Germanos	New Yorker	Tommy Hilfiger
C&A	H&M	OMV Petrom	UPC
Carrefour	Hervis	Orange	UPS
Cinema City	Holcim	Pandora	Visma
Cineplexx	Huawei	Philips	Vodafone
Colgate-Palmolive	IBM	Praktiker	Wipro

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

Type C: Other tenants.

Contracted gross rent





Vacancy profile

The vacancy calculated as a portion of available rentable area at the end of 2014 is 1.81% (excluding properties held for sale, Aupark Kosice Mall, Aupark Kosice Tower) compared to 2.33% at the end of the previous year.

At year-end, 9,543m² of rentable area was vacant, of which 6,674m² was retail space (1.27%), 2,469m² office (0.47%) and 400m² was industrial (0.07%).

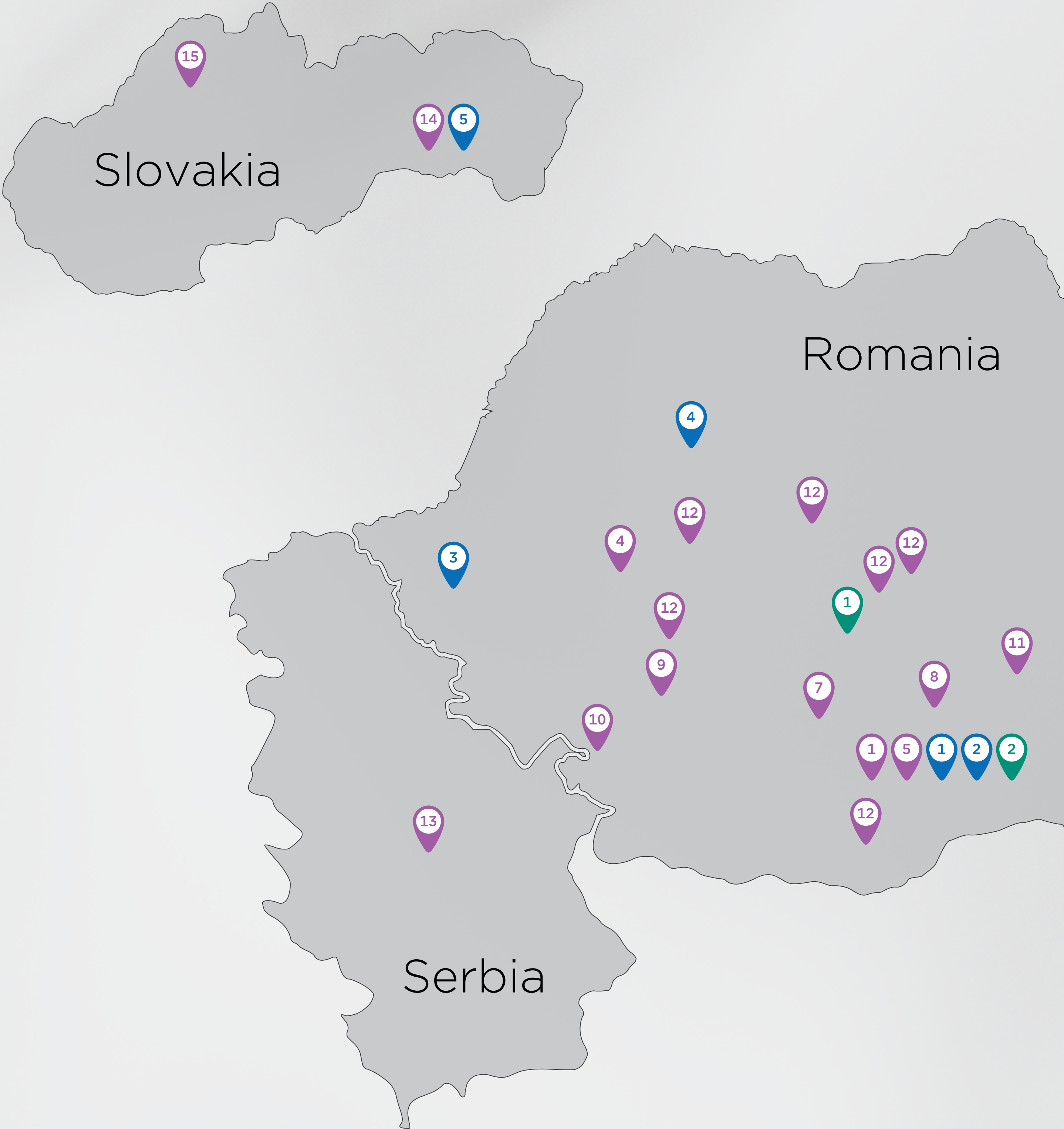
Rental escalations

The annual rise in rental income in Romania and Slovakia is index-linked to the European Consumer Price Index (CPI). The average rent increase during 2014 was 1.03% in Romania and 2.61% in Slovakia.

At the end of the year 2014, the weighted average rental escalation by rentable area was 1.22% for retail, 1.01% for office and 0.86% for industrial.

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

Portfolio overview



RETAIL	ROMANIA
	1 Promenada Mall
	2 City Park
	3 Braila Mall
	4 Deva Shopping Centre
	5 Vulcan Value Centre
	6 Shopping City Galati
	7 Pitesti Retail Park
	8 Ploiesti Shopping City
	9 Shopping City Targu Jiu
	10 Severin Shopping Center
	11 Aurora Shopping Mall
	12 Regional value centres (see page 40)
	SERBIA
	13 Kragujevac Plaza
	SLOVAKIA
	14 Aupark Kosice Mall
	15 Aupark Zilina
OFFICE	**ROMANIA**
	1 Floreasca Business Park
	2 The Lakeview
	3 City Business Centre
	4 The Office – Phase I
	SLOVAKIA
	5 Aupark Kosice Tower
INDUSTRIAL	**ROMANIA**
	1 Rasnov Industrial Facility
	2 Otopeni Warehouse

Retail

Promenada Mall

BUCHAREST, ROMANIA

The recently opened Promenada Mall is situated in Bucharest's emerging new central business district, near to NEPI's Floreasca Business Park and The Lakeview. The Group plans to extend this mall with 50,000m² of mixed-use fashion, leisure, entertainment and office GLA.

Ownership	100%
GLA	40,300m²
Valuation	€149.4 million
Passing rent	€10 million
Occupancy	98%

Major tenants

Billa, Bershka, C&A, Deichmann, H&M, Hervis, Intersport, KFC, Lacoste, Massimo Dutti, McDonald's, Oysho, Peek&Cloppenburg, Promod, Stradivarius, Tommy Hilfiger, Zara

Aupark Kosice Mall

KOSICE, SLOVAKIA

Aupark Kosice is a mixed-use development comprising a 34,000m² GLA regional mall and 12,800m² GLA office building. The property is situated in Slovakia's second largest city, Kosice, 400km from the capital Bratislava. The mall's acquisition was finalised on 10 February 2015, but the effective date is 18 December 2014.

Ownership	100%
GLA	34,000m²
Valuation	€140.1 million
Passing rent	€9.1 million
Occupancy	97.5%

Major tenants

Bata, Billa, C&A, Calvin Klein Jeans, Datart, Deichmann, EXIsport, Geox, Gerry Weber, Golem, Guess, H&M, Intersport, Lenovo, Mango, Marionnaud, New Yorker, Nike, Office Shoes, s.Oliver, Samsung, Terranova, Tom Tailor, Tommy Hilfiger, US Polo Assn

Promenada
ZARA
H&M

BODYWORK
PORT DE BRAS/ZUMBA
JOGA/BOX/PILATES
SATUR

City Park

CONSTANTA, ROMANIA

This mall has a prime location in Constanta, the fifth largest city in Romania, close to Mamaia, the country's most popular seaside resort. City Park is expected to dominate the Constanta region once the 20,200m² GLA fashion, entertainment and leisure extension, currently under construction, is completed.

Ownership	100%
GLA	29,284m^2
Valuation	€90.4 million
Passing rent	€7.4 million
Occupancy	100%

Major tenants

Adidas, Bershka, Cora, Domo, Gant, KFC, Koton, Lacoste, LC Waikiki, Mango, Marks&Spencer, Nike, McDonald's, Oysho, Pizza Hut, Pull&Bear, Stradivarius, Zara

Aupark Zilina

ZILINA, SLOVAKIA

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

Ownership	100%
GLA	25,127m^2
Valuation	€99.5 million
Passing rent	€7.1 million
Occupancy	99.8%

Major tenants

Billa, C&A, Calzedonia, Camaieu, Datart, Deichmann, EXIsport, H&M, Mango, Marionnaud, New Yorker, Orsay, Takko, Tom Tailor, Tommy Hilfiger

cora
cora
vodafone

aupark

Braila Mall

BRAILA, ROMANIA

This property was acquired in 2009, and a subsequent three-phase redevelopment has resulted in a threefold footfall increase. With a diverse range of tenants, including a large entertainment and leisure area, this regional mall dominates Braila and Galati counties.

Ownership	100%
GLA	54,850m^2
Valuation	€73.4 million
Passing rent	€5.4 million
Occupancy	96.9%

Major tenants

Altex, Bricostore, C&A, Carrefour, Cinema City, Deichmann, Flanco, H&M, Hervis, KFC, Lems, Marionnaud, Naturlich, New Yorker, Orsay, Reserved

Deva Shopping Centre

HUNEDOARA, ROMANIA

This regional shopping centre was acquired in 2013. The Group has started construction of an additional 10,600m² GLA of fashion, entertainment and leisure facilities.

Ownership	100%
GLA	42,180m^2
Valuation	€49.6 million
Passing rent	€4.5 million
Occupancy	99.1%

Major tenants

Auchan, dm, Domo, Jysk, Metro Cash&Carry, Praktiker, Sensiblu, Takko

C&A
Hervis
SPORTS
Hervis
SPORTS
Carrefour
H&M

JYSK
METRO

Vulcan Value Centre

BUCHAREST, ROMANIA

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

Ownership	100%
GLA	24,700m²
Valuation	€50.7 million
Passing rent	€3.9 million
Occupancy	94.8%

Major tenants

C&A, Carrefour, CCC, dm, Domo, Deichmann, H&M, Hervis, Lems, Noriel, Sensiblu, Takko

Shopping City Galati

GALATI, ROMANIA

This shopping centre was developed in 2013, to complement NEPI's current retail offering in the Braila–Galati region. It is the city's only modern shopping centre and the Group owns sufficient land for a substantial extension.

Ownership	100%
GLA	27,206m²
Valuation	€48 million
Passing rent	€3.6 million
Occupancy	97.6%

Major tenants

Altex, C&A, Carrefour, CCC, Deichmann, dm, Domo, Flanco, H&M, Intersport, KFC, Killtec, New Yorker, Nike, Otter, Sensiblu

VULCAN
DOMO
JYSK
CCC
VULCAN
Carrefour

SHOPPING CITY
GALATI
H&M
KFC
Carrefour

Pitesti Retail Park

ARGES, ROMANIA

This value centre is adjacent to the best performing hypermarket in Pitesti (sold by NEPI to Auchan in 2013). The centre has a large number of value tenants, including a substantial furniture and home decor offering.

GLA	39,868m²
GLA weighted by ownership	24,836m²
Valuation weighted by ownership	€41.7 million
Passing rent weighted by ownership	€3.6 million
Occupancy	100%

Major tenants

Auchan, Bricostore, Domo, Jysk, Lems, Naturlich

Kragujevac Plaza

KRAGUJEVAC, SERBIA

Kragujevac Plaza is one of Serbia's three modern malls. It is the Group's first Serbian acquisition, and will serve as a platform for careful further expansion in the former Yugoslavia. Kragujevac Plaza opened in February 2012 and dominates its region.

Ownership	100%
GLA	21,870m²
Valuation	€39.5 million
Passing rent	€3.4 million
Occupancy	97.4%

Major tenants

Adidas, C&A, Cineplexx, Deichmann, Home Centre, Idea, McDonald's, New Yorker, Orsay, Sport Vision, Terranova, Tom Tailor

Auchan
STOP
STOP

Ploiesti Shopping City

PRAHOVA, ROMANIA

This is the dominant mall in Prahova, a region with 760,000 residents. A smaller competing mall opened in late 2013, but had no adverse impact on Ploiesti Shopping City, whose trading levels have increased unabated since it opened.

GLA	46,436m^2
GLA weighted by ownership	23,218m^2
Valuation weighted by ownership	€39.6 million
Passing rent weighted by ownership	€3 million
Occupancy	97.4%

Major tenants

Altex, Bershka, Carrefour, CCC, Cinema City, Deichmann, Domo, Douglas, Flanco, H&M, Intersport, Lems, LC Waikiki, KFC, Koton, New Yorker, Orsay, Paul, Pull&Bear, Sephora, Stradivarius, Takko, Zara

Shopping City Targu Jiu

GORJ, ROMANIA

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

Ownership	100%
GLA	26,800m^2
Valuation	€37.1 million
Passing rent	€3 million
Occupancy	99.2%

Major tenants

Altex, C&A, Carrefour, CCC, Cinema City, Deichmann, dm, H&M, Jysk, KFC, New Yorker, Orsay, Sensiblu, Takko

H&M
KOTON
PAUL

CINEMA CITY
Carrefour
FLANCO
KFC
CCC
ALTEX
Shopping City
H&M
D
IEȘIRE
P
INTRARE

Severin Shopping Center

MEHEDINTI, ROMANIA

This shopping centre was acquired in 2013. It has no significant competition. Phase I of the planned 9,700m² GLA extension includes a cinema and is scheduled to be completed in September 2015.

Ownership	100%
GLA	16,546m²
Valuation	€19.3 million
Passing rent	€1.6 million
Occupancy	97.3%

Major tenants

Altex, Carrefour, Deichmann, Lee Cooper, New Yorker, Orsay, Sensiblu, Takko

Aurora Shopping Mall

BUZAU, ROMANIA

Aurora Shopping Mall is situated on the main boulevard of Buzau, a major transit hub for two of Romania's main historic regions. NEPI plans to reconfigure and refurbish the mall, a process that will include building a cinema and improving the layout and tenant configuration.

Ownership	100%
GLA	17,959m²
Valuation	€7.3 million
Passing rent	€1.4 million
Occupancy	100%

Major tenants

Altex, Carrefour, CCC, Deichmann, KFC, Intersport, New Yorker, Orsay

Carrefour
Severin
NEWYORKER

-40%
LA TOATE PRODUSELE!
ALTEX

Regional value centres

ROMANIA

The Group owns a value centre in Brasov, adjacent to an existing Carrefour hypermarket. Five regional value centres, located in Alexandria, Petrosani, Sfantu Gheorghe, Sighisoara and Vaslui, all benefiting from adjacent Kaufland hypermarkets, were developed and opened during 2013 and 2014 by NEPI. In August 2014 NEPI acquired a sixth value centre in Alba Iulia.

GLA	85,852m^2
GLA weighted by ownership	24,863m^2
Valuation weighted by ownership	€30.5 million
Passing rent weighted by ownership	€2.4 million
Occupancy	100%

Major tenants

Altex, Deichmann, dm, Domo, Mobexpert, Takko

PHOTO: VASLUI VALUE CENTRE, ROMANIA

PHOTO: BRASOV VALUE CENTRE, ROMANIA

Office

Floreasca Business Park

BUCHAREST, ROMANIA

Floreasca Business Park is located in Bucharest's emerging new central business district, in close proximity to NEPI's Promenada Mall and Lakeview offices. In recent years this area has seen significant development, including new A-grade offices, a shopping mall and infrastructure, providing improved access.

Ownership	100%
GLA	36,240m^2
Valuation	€101.1 million
Passing rent	€7.4 million
Occupancy	97.6%

Major tenants

ABB, Abbott, Berlin Chemie, Colliers, Daikin, DHL, Exxon Mobil, Federal Mogul, General Electric, Holcim, L'Oreal, Lenovo, Mars, Regus, Royal Canin, Sandoz, Wipro

The Lakeview

BUCHAREST, ROMANIA

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

Ownership	100%
GLA	25,564m^2
Valuation	€67.5 million
Passing rent	€5.2 million
Occupancy	100%

Major tenants

Abbvie, Alcon, Colgate-Palmolive, Huawei, NEPI, Philips, PricewaterhouseCoopers

169
TAXI TITAN

pwc

City Business Centre

TIMIS, ROMANIA

City Business Centre is the largest A-grade office in Timisoara, Romania's third city by population.

Ownership	100%
GLA	27,151m^2
Valuation	€57.1 million
Passing rent	€4.7 million
Occupancy	97.1%

Major tenants

3Pillar Global, Accenture, Alcatel, Deloitte, Generali, IBM, OMV Petrom, Raiffeisen Bank, Toluna, UniCredit Tiriac Bank, Visma, Wipro

The Office

CLUJ, ROMANIA

During 2014, the Group completed Phase I of The Office in Cluj, the city's first A-grade development. A Phase II of the development is under construction.

GLA	21,273m^2
GLA weighted by ownership	10,636m^2
Valuation weighted by ownership	€19.9 million
Passing rent weighted by ownership	€1.6 million
Occupancy	92.5%

Major tenants

3Pillar Global, Betfair, Bombardier, Bosch, Corporate Office Solutions (COS), Deloitte, National Instruments, TUI, Wolters Kluwer, Yardi, Yonder

IBM
vodafone

Aupark Kosice Tower

KOSICE, SLOVAKIA

The Aupark Kosice Tower comprises a ten-storey level office building, with 12,800m² GLA, connected to Aupark Shopping Centre. The building is adjacent to the main road connecting the centre with the city's international airport, on the south side of Kosice's main shopping street. The acquisition was finalised on 10 February 2015, but the effective date is 18 December 2014.

Ownership	100%
GLA	12,800m²
Valuation	€20.1 million
Passing rent	€1.8 million
Occupancy	100%

Major tenants

Eset, IBM, GTS, Holcim, PricewaterhouseCoopers

Industrial portfolio

ROMANIA

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

Ownership	100%
GLA	27,842m²
Valuation	€16.9 million
Passing rent	€1.7 million
Occupancy	98.6%

Major tenants

Delamode, Dexion, DM Elektron, Psi Control, UPS

delamode
International Logistics
ups

Developments and extensions

RETAIL

1 Mega Mall
2 Shopping City Timisoara
3 City Park extension
4 Deva Shopping Centre extension

OFFICE

1 Victoriei Office
2 The Office – Phase II

Developments and extensions pipeline

Over the past few years the Group has been steadily increasing investment in developments. Projects and redevelopments completed during this period have significantly contributed to the growth in recurring distributable earnings per share. NEPI's development pipeline, including redevelopments and extensions, has increased to €547 million (estimated at cost), of which €176 million had been incurred by 31 December 2014. This represents an increase of €161 million compared to 2013.

Committed: projects currently under construction
Controlled: projects where the land is controlled, but not yet under construction
Capitalised interest is not included

Retail

Mega Mall

BUCHAREST, ROMANIA

Mega Mall is one of the country's largest non-public, non-infrastructure construction projects and is expected to dominate retail in densely populated eastern Bucharest.

Ownership	70%
GLA	72,080m^2
Estimated rental value	€17.1 million
Opening date (targeted)	Q2 2015

Shopping City Timisoara

TIMIS, ROMANIA

The Group is developing a regional mall, in two phases, on an 18ha plot in Timisoara, located in a densely populated residential area. Construction of Phase I, including a Carrefour hypermarket, various fashion anchors and extensive modern entertainment and leisure facilities, commenced in December 2014.

Ownership	100%
GLA	55,692m^2
Estimated rental value	€7.6 million
Opening date (targeted)	Q4 2015

DEVELOPMENTS AND EXTENSIONS

RENDER

RENDER

City Park extension

CONSTANTA, ROMANIA

Construction of Phase I, including a ten-screen Cinema City with the country's second 4DX auditorium (the first will be in Mega Mall), has started and is expected to be complete by June 2015. The Phase II development works are scheduled for completion by November 2014.

Ownership	100%
GLA (estimated)	20,192m^2
Estimated rental value	€3.9 million
Opening date (targeted)	Q4 2015

Deva Shopping Centre extension

HUNEDOARA, ROMANIA

Construction and leasing of the fashion, entertainment and leisure facilities extension, including a six-screen cinema, are ongoing.

Ownership	100%
GLA	10,599m^2
Estimated rental value	€1.3 million
Opening date (targeted)	Q3 2015

RENDER
CITY PARK

RENDER

Office

Victoriei Office

BUCHAREST, ROMANIA

Victoriei Office, an exclusive concept combining a modern office with a refurbished historical building, is under construction in Victoriei Square, central Bucharest, close to the Government building.

Ownership	100%
GLA	8,428m^2
Estimated rental value	€3 million
Opening date (targeted)	Q4 2015

The Office – Phase II

CLUJ, ROMANIA

Following the completion of Phase I in August 2014, and increasing tenant interest, the Group commenced this joint-venture's second of three phases in November 2014.

GLA	19,412m^2
GLA weighted by ownership	9,706m^2
Estimated rental value	€1.5 million
Opening date (targeted)	Q4 2015

RENDER

RENDER

Analysis of shareholders and share trading

	Number of shareholders 31 Dec 2014	Percentage of shareholders 31 Dec 2014	Number of shares held 31 Dec 2014	Percentage of issued shares 31 Dec 2014
Shareholder spread in terms of the JSE Listings Requirements				
Public	8,581	99.34	257,789,649	92.68
Non-public	57	0.66	20,348,591	7.32
Out of which Directors and employees	57	0.66	20,348,591	7.32
TOTAL	**8,638**	**100.00**	**278,138,240**	**100.00**
Size of holding (shares)				
Up to 2,500	6,084	70.43	4,961,611	1.78
2,501–10,000	1,504	17.41	7,337,420	2.64
10,001–100,000	784	9.08	24,839,465	8.93
100,001–1,000,000	219	2.54	69,547,124	25.00
1,000,001–3,500,000	35	0.41	61,903,133	22.96
Over 3,500,000	12	0.13	109,549,487	39.39
TOTAL	**8,638**	**100.00**	**278,138,240**	**100.00**

Registered shareholders owning 5% or more of issued shares	Number of shares held	Percentage of issued shares
31 Dec 2014		
Resilient Property Income Fund Ltd	25,820,000	9.28
Fortress Income Fund Ltd	24,525,000	8.82
Capital Property Fund Ltd	24,190,000	8.70
Gepf Equity	18,119,035	6.51
TOTAL	**92,654,035**	**33.31**
31 Dec 2013		
Resilient Property Income Fund Ltd	24,750,000	12.10
Fortress Income Fund Ltd	20,410,000	9.98
Capital Property Fund Ltd	16,024,304	7.83
TOTAL	**61,184,304**	**29.91**

Beneficial shareholding of 5% or more of issued shares	Number of shares held	Percentage of issued shares
31 Dec 2014		
Resilient Property Income Fund Ltd	25,820,000	9.28
Fortress Income Fund Ltd	24,525,000	8.82
Capital Property Fund Ltd	24,190,000	8.70
Gepf Equity	18,119,035	6.51
TOTAL	**92,654,035**	**33.31**
31 Dec 2013		
Resilient Property Income Fund Ltd	24,750,000	12.10
Fortress Income Fund Ltd	20,410,000	9.98
Capital Property Fund Ltd	16,024,304	7.83
TOTAL	**61,184,304**	**29.91**

Beneficial shareholding of Directors

At 31 Dec 2014	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	9,027,912	9,027,912	3.25
Martin Slabbert	–	5,022,596	5,022,596	1.81
Jeffrey Zidel	293,676	1,904,697	2,198,373	0.79
Victor Semionov	–	1,429,194	1,429,194	0.52
Alexandru Morar	–	1,353,894	1,353,894	0.49
Tiberiu Smaranda	–	972,537	972,537	0.35
Dan Pascariu	–	164,813	164,813	0.06
TOTAL	**293,676**	**19,875,643**	**20,169,319**	**7.25**

At 31 Dec 2013	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	8,527,651	8,527,651	4.17
Martin Slabbert	–	5,808,454	5,808,454	2.84
Jeffrey Zidel	281,085	1,933,117	2,214,202	1.08
Victor Semionov	–	1,365,485	1,365,485	0.66
Alexandru Morar	–	1,266,631	1,266,631	0.62
Tiberiu Smaranda	–	898,774	898,774	0.44
Dan Pascariu	–	156,759	156,759	0.08
TOTAL	**281,085**	**19,956,871**	**20,237,956**	**9.89**

Changes to beneficial shareholding for Directors after year-end were publicly announced.

PHOTO: KRAGUJEVAC PLAZA, KRAGUJEVAC, SERBIA

Corporate governance

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

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

Board of Directors

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

- adopting strategic plans and ensuring they are carried out by Management;
- considering and approving major issues, including acquisitions, disposals and reporting;
- monitoring NEPI's operational performance, and
- overseeing the effectiveness of the internal controls designed to ensure that assets are safeguarded, proper accounting records are maintained and that the financial information on which business decisions are made and which is issued for publication is reliable.

The Directors' varied backgrounds and experience provide NEPI with an appropriate mix of knowledge and expertise that is necessary to manage the business effectively. Furthermore, a clear division of responsibilities at Board level ensures a balance of power and authority, so that no individual can take unilateral decisions. The Board aims to meet formally at least quarterly. There are no external advisors who regularly attend, or are invited to, attend Board committee meetings. Company policies and procedures are adopted by all subsidiaries.

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

Appointment of Directors

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

INVESTMENT COMMITTEE

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

The Investment Committee considers all acquisitions, developments and investment sales. Appropriate investments or disposals are subsequently presented to the Board for consideration.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

RISK COMMITTEE

Members: Nevenka Pergar (Chair), Michael Mills and Victor Semionov

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

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

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

Significant risks identified by systems are communicated to the Board with the recommended actions.

AUDIT COMMITTEE

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

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

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

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

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

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

Corporate governance

Attendance at Board and Committee meetings

	Board	Investment Committee	Audit and Risk Committee**	Remuneration Committee	Nomination Committee
Alexandru Morar	7/7				
Dan Pascariu	7/7			2/2	1/1
Desmond de Beer	7/7	5/5		2/2	
Dewald Joubert	7/7		5/5	2/2	
Jeffrey Zidel	7/7	5/5	5/5		1/1
Martin Slabbert	7/7	5/5			
Michael Mills	7/7		5/5		1/1
Mirela Covasa*	0/7				
Nevenka Pergar*	0/7				
Tiberiu Smaranda	7/7				
Victor Semionov	7/7				

* Appointment as Board member effective February 2015.
** The Audit and Risk Committee was separated into two committees during February 2015.

External audit

In 2014 the Board approved the replacement of Ernst&Young as external auditor with PricewaterhouseCoopers. The external auditor confirmed to the Audit Committee its independence from the Group during the year. The Committee considered the information pertaining to the external auditor's relationships with the Group that might reasonably have a bearing on the external auditor's independence and the audit engagement partner and employees' objectivity, as well as related safeguards and procedures, and concluded that the external auditor's independence was not impaired. The Committee approved the external auditor's terms of engagement and scope of work. Currently, this includes the audit of the annual consolidated and separate financial statements of the Group and its subsidiaries. Based on the submitted reports, the Committee reviewed, in conjuction with the external auditor, their findings and confirmed that all significant matters had been satisfactorily resolved.

Governance of stakeholders' relationships

The main stakeholders are considered to be shareholders, employees, tenants, suppliers, fiscal administrations of the locations where the Group carries out its activities and the banks they have entered into contractual agreements. NEPI has a transparent information communication policy, to enable stakeholders to assess the Group's economic value and prospects. The Group did not refuse any requests for information in accordance with the Promotion of Access to Information Act (2000).

Internal audit

During 2011, the Group implemented an internal audit performed by an independent, professional firm which reports directly to the Chief Executive Officer and the Chair of the Audit Committee. The Internal auditor carries out risk-oriented audits of operational and functional activities, based on the guidance of the Audit Committee.

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

Company Secretary

All Directors have access to the advice of the Company Secretary, who provides guidance to the Board and to individual members regarding how to properly discharge their responsibilities.

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

PHOTO: PROMENADA MALL, BUCHAREST, ROMANIA

Directors' remuneration

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

Directors receive base pay only, as bonuses are not Company policy. Executive salaries are competitive and increases are determined by reference to individual performance, inflation and market-related factors.

Non-executive directors are restricted from participating in the share purchase scheme. Share purchase scheme awards are determined and allocated annually by the Remuneration Committee based on performance. The Group provides loans to participants for the purpose of acquiring shares. There are no share purchase schemes encouraging retention, apart from those rewarding performance. Directors' remuneration in 2014 is disclosed in Note 36 to the financial statements.

Governance of information technology

The Board confirms that processes exist ensuring timely, relevant, accurate and accessible IT reporting from management.

Communication

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

Directors' dealings

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

Corporate governance

Ethics

NEPI is committed to ethical behaviour throughout its business. Its ethical standards are the principles of honesty, integrity, fairness and transparency and are applicable to the Group's shareholders, employees, customers, partners, service providers, government, society and the community.

EMPLOYEES

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

CUSTOMERS

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

GOVERNMENT

The Group seeks to build and manage a sound relationship with governmental authorities on an arm's length basis. No attempts to improperly influence governmental decisions by offering, paying, soliciting, or accepting bribes, in any shape or form are permissible.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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

CONFLICT OF INTEREST

A conflict of interest arises whenever an employee's position or responsibilities present an opportunity for personal gain inconsistent with the Group's best interest. Individuals are responsible for their own ethical behaviour, and are expected to act, at all times and in all ways, in the best interests of the Company. If and when they think a conflict of interest exists, management should be notified immediately.

INSIDER TRADING

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

EQUAL EMPLOYMENT AND NON-DISCRIMINATION

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

Key risk factors

The Group's main risks relate to property and finance. The overall philosophy of the Group is conservative, whilst tolerating the inherent property risks, including fluctuations in asset value, vacancies and volatility in rents. Key risks are assessed by ranking exposure on the basis of probability and magnitude, while sensitivity analysis is conducted at Group level. Other risks, notably those related to interest and exchange rates, are closely managed and actively hedged. Re-financing risks are limited. Potential breaches of loan covenants are minimised through a conservative financing policy and a close review of compliance indicators.

Risk description	Impact areas	Key mitigants
STRATEGY		
– Failure to execute appropriate property investment and development strategies	– Net asset value – Total property return (income and capital) – Shareholder earnings (distribution)	– Defined investment strategy – Defined asset appraisal process – Review of all opportunities against predetermined criteria – Monitoring of macroeconomic and property market trends
DEVELOPMENT		
– Development and construction risk including contractor solvency and availability	– Reduced development returns – Cost overruns – Programme delays leading to potential loss of occupier revenue – Failure to secure planning permission	– Close supply chain relationships facilitate assessment and monitoring – Assessment of contractors prior to appointment
INVESTOR DEMAND		
– Decrease in demand by investors for real estate	– Net asset value – Potential pressure on banking covenants	– Strong occupier financial covenants – Active asset management
OFFICE OCCUPIER MARKET		
– Weakened occupier demand for office developments, oversupply and potential vacancies due to financial market rationalisation and economic uncertainty	– Rental income and cash flow – Reduced strength of occupier covenant and increased arrears/bad debts – Cost of occupier incentives for new lettings – Empty unit (void) costs – Net asset value	– Focus on long-lease profiles – High occupancy – Quality assets easier to re-let
RETAIL OCCUPIER MARKET		
– Reduced retail occupier demand for space, increased supply and occupier defaults	– Rental income and cash flow – Empty unit (void) costs – Net asset value	– Diversified occupier base – Long leases and strong financial covenants – Quality assets easier to re-let – Close occupier relationships assist in understanding changing requirements – Review of consumer trends – Retail occupiers at risk monitored regularly
FINANCING AVAILABILITY		
– Shortage of financing or re-financing at acceptable cost	– 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 systems are: a management structure to enable effective decision making; monthly review of important indicators, including turnovers, rent collection, vacancies, arrears and doubtful debtors, and weekly meetings reviewing performance against budgets. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures based on policies. The internal management reporting system identifies developments in the value of investments, income and expenses. Electronic data processing is used within automated information systems, including a back-up and recovery plan to restore data.

The Internal auditor provides detailed reports with suggested improvements for management. The Board reviews the external auditor's conclusions on the internal control environment, supervise the internal control framework and procedures and take appropriate action.

Sustainability report

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

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

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

Group's investments and developments have a positive direct and indirect impact on local economies. They generate new jobs and services, create product demand, facilitate the initiation and growth of new businesses, and encourage the development of local infrastructure. NEPI is determined to increase the value its developments bring to stakeholders.

The Group's targets are:

- reducing building operating costs, for both tenants and NEPI;
- maintaining a healthy and secure work and social environment;
- increasing BREEAM certified properties;
- increasing the use of renewable energy;
- improving relations with stakeholders and communities by creating new jobs and improving residents' lives;
- increasing control of portfolio through enhanced data management practices;
- reducing CO_2 emissions, water and energy consumption, and increasing the efficiency of waste management systems;
- increasing the use of environmentally friendly materials, and
- developing its properties in a responsible and resource efficient manner, and minimizing the portfolio's environmental impact by implementing ecologically sustainable practices at all stages of building, design, operation and renovation.

Measures undertaken include:

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

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

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

NEPI's initial sustainability strategy involves several key elements, arranged into four main strategic components.

BUSINESS INTEGRITY

This involves the continuous awareness of the economic, social and environmental impact of investments, transparency of business operations and the integration of investment and procurement practices with social and environmental factors where relevant during the decision making process. The Company's commitment to integrity involves:

- a Code of Ethics communicated to, and discussed with, staff regularly and updated annually;
- compliance with relevant legislation, including meticulous corporate governance, and compliance with The King Report on Corporate Governance and the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies;
- no historic legal, tax or regulatory infringements, and
- regular, consistent and transparent shareholder communication, including announcements, annual investor property tours, annual meetings, investor presentations and the Company website.

Sustainability report

SUSTAINABLE OPERATIONS

These are achieved through an environmentally, socially and economically sound portfolio management.

BREEAM is the world's leading environmental assessment method and rating system. Buildings that obtain BREEAM recognition have achieved the highest corporate, organisational and environmental objectives, and set the standard for sustainable design, construction and operation.

The Group obtained BREEAM certification for several of its largest assets:

- in 2009 The Lakeview, Bucharest, was the first Romanian building awarded 'Very Good' design certification and in 2014 the Company applied for In Use certification, the documentation submited is curently analysed;
- in August 2013, Floreasca Business Park, Bucharest, became the first, and only Romanian building, awarded 'Very Good' In Use certificate for a green development, while the property management team were awarded 'Excellent' certification. The In Use certification was renewed in 2014;
- during 2014, City Business Centre, Timisoara, received 'Very Good' building management and asset certifications;
- in November 2014 Cluj Business Centre was awarded 'Excellent' interim design certification;
- Braila Mall applied for In Use Certification and received a Very Good rating shortly after year end, and
- in 2014 the Group applied for this certification for Victoriei Office project, currently under development in Bucharest, and is aiming for 'Excellent' interim design certification.

By the end of 2014, NEPI had completed the development of nine Romanian properties with several others currently under development, which are expected to be completed before the end of 2015. All new properties over the past few years have received all relevant environmental, safety and operating authorisations on time.

NEPI is aware that its properties' design significantly impacts occupants' health. A range of factors, including air quality, heating, lighting, acoustics, interior layout and views, can affect office workers' health, satisfaction and performance. This is why all NEPI's offices utilise design features with a proven positive impact on its occupiers wellbeing.

For instance, the Group's Victoriei Office is planned to have an internal vertical greenhouse, while The Office, a joint-venture located in Cluj employs state-of-the-art technology and incorporates numerous ecological features.

The impact of a building's location is also considered when analysing the portfolio's carbon footprint and proximity to major public transport lines is a priority when selecting a location for a development or an acquisition. Seeking to further reduce the carbon footprint, bike racks are available throughout the portfolio, including The Lakeview, Floreasca Business Centre, City Business Centre, The Office, Braila Mall, etc. Furthermore, The Office has joined a car pooling program, a more environmentally friendly and sustainable way to travel, that also reduces expenditures and carbon emissions.

Electricity

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

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

The Group has continued to extend energy-efficient LED lighting throughout the portfolio, and this system is currently being installed in Floreasca Business Park, The Lakeview, Promenada Mall and Braila Mall.

Water

Company policy regarding water usage is concerned with not only ensuring the supply is of the highest quality, but also that consumption is minimised. Purity is of paramount importance, so, although supplied by the municipal network, it is cleansed further using mechanical filters. In 2014, the water treatment plant at Pitesti Retail Park was modernised. Throughout the portfolio new water faucets are being installed, along with equipment that detects leaks, enabling them to be remedied immediately. Where possible, waste water is collected, treated and recycled in closed-circuit systems for non-potable use, basically other than drinking, such as lavatories and irrigation.

Waste

Tenants are regularly informed about on-site waste management processes and policy, while supplier purchasing contracts and green leases establish minimal requirements for the sorting and recycling of refuse. NEPI is curently designing an integrated waste management system to serve the entire core portfolio, increasing selective waste collection rate and minimising landfill.

COMMUNITY ENGAGEMENT

This involves active collaboration with local communities, supporting local relevant initiatives, addressing community needs and supporting improvements in social conditions and living standards. A few examples are listed below.

Kragujevac Plaza

The centre hosted events organised by local NGO's raising awareness about ecological issues, the environment protecting by recycling, or raising awareness about life-threatening afflictions like AIDS or diabetes and staying healthy through exercise by hosting basketball events.

As part of an international initiative, and in conjunction with the University of Kragujevac, the centre hosted 'Night of Little Explorers', which enabled children to observe and participate in science experiments.

Shopping City Galati

Various events took place in the mall, promoting education and healthy living through sports like karate demostrations, junior biking, basketball championship, chess competition, Galati City Cross; promoting social responsibility in events organised with local authorities like the police, fire and other emergency services. A Christmas decorations fair was hosted where handmade decorations were sold to raise funds for disadvantaged children.

Aupark Zilina

The centre was involved in events with the Red Cross, raising awareness about the importance of correct and timely provided first aid. Scientist's Night was also held here, which was aimed at raising awareness about the importance of a scientific education for children and teenagers.

Severin Shopping Center

Together with the Red Cross the mall volunteered to promote the collection and distribution of gifts for disadvantaged children.

Braila Mall

A press conference was held at the centre to introduce a responsible recycling program, developed with a specialised company. Other events were organised with the local police department aimed to teach road safety regulations to children and the importance of defensive driving to adults. The centre helped collect funds for a retirement home located in the county.

PEOPLE AND ETHICAL VALUES

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

NEXT STEPS

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

PHOTO: PROMENADA MALL, BUCHAREST, ROMANIA

Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2014

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Directors' responsibility for the annual financial statements

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

The consolidated and parent Company 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 Group and 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 Group's assets and to prevent and detect fraud and other irregularities.

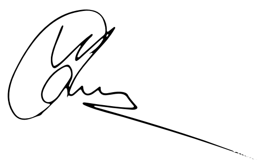
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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 10 March 2015 and signed on its behalf by:

Martin Slabbert
Chief Executive Officer

Mirela Covasa
Finance Director



DECLARATION BY COMPANY SECRETARY

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

Cornelius Eduard Cassell
Company Secretary
10 March 2015

Independent Auditor’s report

to the members of New Europe Property Investments plc

Report on the Financial Statements

We have audited the accompanying consolidated and parent company financial statements (‘the financial statements’) of New Europe Property Investments plc and its subsidiaries (‘the Group’) which comprise the consolidated and parent company statements of financial position as at 31 December 2014 and the consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with our engagement letter dated 21 January 2015 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards
- the parent company financial statements give a true and fair view of the financial position of the parent company as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Peter Craig
For and on behalf of
PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
10 March 2015

STATEMENT OF FINANCIAL POSITION

	Note	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
ASSETS					
Non-current assets		**1,368,193**	**898,040**	**1,460,030**	**941,218**
Investment property		1,269,299	807,465	–	–
— Investment property at fair value	9	978,980	703,811	–	–
— Investment property under development	10	208,246	103,654	–	–
— Advances for investment property	37	82,073	–	–	–
Goodwill	12	17,639	16,218	–	–
Investments in subsidiaries	5	–	–	140,220	121,659
Loans granted to subsidiaries	5	–	–	1,291,783	796,775
Investments in joint-ventures	33	13,241	5,055	–	–
Loans granted to joint-ventures	33	30,395	37,064	–	–
Other long-term assets	11	37,444	29,828	27,953	21,354
Financial assets at fair value through profit or loss	20	175	2,410	74	1,430
Current assets		**148,705**	**141,607**	**19,704**	**78,919**
Trade and other receivables	14	40,469	28,036	7,166	10,630
Loans granted to subsidiaries	5	–	–	11,175	6,352
Financial investments at fair value through profit or loss	13	–	61,079	–	61,079
Cash and cash equivalents	15	108,236	52,492	1,363	858
Investment property held for sale	16	**27,360**	**1,561**	–	–
TOTAL ASSETS		**1,544,258**	**1,041,208**	**1,479,734**	**1,020,137**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**1,241,289**	**712,236**	**1,475,579**	**1,005,756**
Share capital	17	2,746	1,999	2,746	1,999
Share premium	17	1,074,310	632,296	1,074,310	632,296
Share-based payment reserve	18	4,127	3,453	4,127	3,453
Currency translation reserve		(1,229)	(1,229)	–	–
Accumulated profit		167,133	76,595	394,396	368,008
Non-controlling interest	5	(5,798)	(878)	–	–
Total liabilities		**302,969**	**328,972**	**4,155**	**14,381**
Non-current liabilities		**241,345**	**232,260**	**3,496**	**3,547**
Loans and borrowings	19	171,071	173,568	–	–
Deferred tax liabilities	23	57,517	50,678	–	–
Other long-term liabilities	22	9,171	4,059	–	–
Financial liabilities at fair value through profit or loss	20	3,586	3,955	3,496	3,547
Current liabilities		**61,624**	**96,712**	**659**	**10,834**
Trade and other payables	21	38,365	32,246	333	269
Loans and borrowings	19	23,259	64,466	326	10,565
TOTAL EQUITY AND LIABILITIES		**1,544,258**	**1,041,208**	**1,479,734**	**1,020,137**
Net asset value per share (euro)	24	**4.52**	**3.56**		
Adjusted net asset value per share (euro)	24	**4.63**	**3.70**		

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Contractual rental income and expense recoveries		87,017	55,322	–	–
Property operating expenses		(25,268)	(13,902)	–	–
Net rental and related income	25	**61,749**	**41,420**	–	–
Administrative expenses	26	(2,839)	(2,180)	(1,576)	(817)
Acquisition fees	27	(2,357)	(4,986)	(49)	–
Fair value adjustments of investment property	28	27,980	19,787	–	–
Fair value gains of financial investments at fair value through profit or loss	13	1,299	970	1,965	970
Net result on sale of financial investments	13	–	586	–	586
Dividends received from financial investments	13	2,417	2,906	2,417	2,906
Share-based payment expense	18	(675)	(955)	(675)	(955)
Foreign exchange loss		(241)	(238)	–	–
Gain on acquisition of subsidiaries	32	1,400	5,547	–	–
Gain on disposal of subsidiaries	5	–	–	–	297,906
Gain on disposal of investment property		619	527	–	–
Other operating income		–	–	856	–
Impairment of goodwill	12	–	(816)	–	–
Profit before net finance income		**89,352**	**62,568**	**2,938**	**300,596**
Net finance income	29	**1,412**	**1,784**	**32,107**	**33,216**
— Finance income		7,315	7,514	35,219	35,012
— Finance expense		(5,903)	(5,730)	(3,112)	(1,796)
Share of profit of joint-ventures	33	4,148	1,241	–	–
Profit before tax		**94,912**	**65,593**	**35,045**	**333,812**
Deferred tax expense	23	(637)	(9,007)	–	–
Profit after tax		**94,275**	**56,586**	**35,045**	**333,812**
Total comprehensive income for the year		**94,275**	**56,586**	**35,045**	**333,812**
Non-controlling interest loss	5	4,920	878	–	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**99,195**	**57,464**	**35,045**	**333,812**
Weighted average number of shares in issue	30	225,426,685	163,836,991		
Diluted weighted average number of shares in issue	30	229,775,959	168,827,400		
Basic weighted average earnings per share (euro cents)	30	**44.00**	**35.07**		
Diluted weighted average earnings per share (euro cents)	30	**43.17**	**34.04**		
Distributable earnings per share (euro cents)	30	29.69	25.79		

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2013	**1,353**	**355,027**	**15,492**	**(1,229)**	**22,980**	**–**	**393,623**
Transactions with owners	646	277,269	(12,039)	–	(3,849)	–	262,027
— Issue of shares	579	251,691	–	–	–	–	252,270
— Share-based payment reserve	–	–	11,387	–	–	–	11,387
— Sale of shares issued under the Initial Share Scheme	4	1,260	–	–	–	–	1,264
— Sale of shares issued under the Current Share Scheme	1	489	(490)	–	–	–	–
— Vesting of shares issued under the Initial Share Scheme	–	–	955	–	–	–	955
— Vesting of shares issued under the Current Share Scheme	10	3,482	(3,492)	–	–	–	–
— Earnings distribution	–	–	–	–	(3,849)	–	(3,849)
— Reclassification of the Current Share Scheme reserve	52	20,347	(20,399)	–	–	–	–
Total comprehensive income	–	–	–	–	57,464	(878)	56,586
— Profit for the year	–	–	–	–	57,464	(878)	56,586
BALANCE AT 31 DECEMBER 2013	**1,999**	**632,296**	**3,453**	**(1,229)**	**76,595**	**(878)**	**712,236**
Balance at 1 January 2014	**1,999**	**632,296**	**3,453**	**(1,229)**	**76,595**	**(878)**	**712,236**
Transactions with owners	747	442,014	674	–	(8,657)	–	434,778
— Issue of shares	715	427,289	–	–	–	–	428,004
— Share-based payment reserve	–	–	11,882	–	–	–	11,882
— Sale of shares issued under the Current Share Scheme	12	3,293	(431)	–	–	–	2,874
— Vesting of shares issued under the Initial Share Scheme	–	–	675	–	–	–	675
— Vesting of shares issued under the Current Share Scheme	13	4,791	(4,804)	–	–	–	–
— Earnings distribution	–	–	–	–	(8,657)	–	(8,657)
— Reclassification of the Current Share Scheme	7	6,641	(6,648)	–	–	–	–
Total comprehensive income	–	–	–	–	99,195	(4,920)	94,275
— Profit for the year	–	–	–	–	99,195	(4,920)	94,275
BALANCE AT 31 DECEMBER 2014	**2,746**	**1,074,310**	**4,127**	**(1,229)**	**167,133**	**(5,798)**	**1,241,289**

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF CHANGES IN EQUITY ›continued

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
Balance at 1 January 2013	**1,353**	**355,027**	**15,492**	**38,045**	**409,917**
Transactions with owners	646	277,269	(12,039)	(3,849)	262,027
— Issue of shares	579	251,691	–	–	252,270
— Share-based payment reserve	–	–	11,387	–	11,387
— Sale of shares issued under the Initial Share Scheme	4	1,260	–	–	1,264
— Sale of shares issued under the Current Share Scheme	1	489	(490)	–	–
— Vesting of shares issued under the Initial Share Scheme	–	–	955	–	955
— Vesting of shares issued under the Current Share Scheme	10	3,482	(3,492)	–	–
— Earnings distribution	–	–	–	(3,849)	(3,849)
— Reclassification of the Current Share Scheme reserve	52	20,347	(20,399)	–	–
Total comprehensive income	–	–	–	333,812	333,812
— Profit for the year	–	–	–	333,812	333,812
BALANCE AT 31 DECEMBER 2013	**1,999**	**632,296**	**3,453**	**368,008**	**1,005,756**
Balance at 1 January 2014	**1,999**	**632,296**	**3,453**	**368,008**	**1,005,756**
Transactions with owners	747	442,014	674	(8,657)	434,778
— Issue of shares	715	427,289	–	–	428,004
— Share-based payment reserve	–	–	11,882	–	11,882
— Sale of shares issued under the Current Share Scheme	12	3,293	(431)	–	2,874
— Vesting of shares issued under the Initial Share Scheme	–	–	675	–	675
— Vesting of shares issued under the Current Share Scheme	13	4,791	(4,804)	–	–
— Earnings distribution	–	–	–	(8,657)	(8,657)
— Reclassification of the Current Share Scheme reserve	7	6,641	(6,648)	–	–
Total comprehensive income	–	–	–	35,045	35,044
— Profit for the year	–	–	–	35,045	35,044
BALANCE AT 31 DECEMBER 2014	**2,746**	**1,074,310**	**4,127**	**394,396**	**1,475,579**

All amounts in Thousand Euro unless otherwise stated

STATEMENT OF CASH FLOWS

	Note	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
OPERATING ACTIVITIES					
Profit after tax		94,275	56,586	35,045	333,812
Adjustments for:					
— Fair value adjustments of investment property	28	(27,980)	(19,787)	–	–
— Net result on sale of financial investments		–	(586)	–	(586)
— Fair value gains on financial investments at fair value through profit or loss	13	(1,299)	(970)	(1,965)	(970)
— Dividends received from financial investments	13	(2,417)	(2,906)	(2,417)	(2,906)
— Share-based payment expense	18	675	955	675	955
— Unrealised foreign exchange loss		241	238	–	–
— Gain on disposal of investment property		(619)	(527)	–	–
— Gain on acquisition of subsidiaries	32	(1,400)	(5,547)	–	–
— Impairment of goodwill	12	–	816	–	–
— Other operating income		–	–	(856)	–
— Net finance (income)/expense	29	(1,412)	(1,784)	(32,107)	(33,216)
— Deferred tax	23	637	9,007	–	–
Operating profit before changes in working capital		**60,701**	**35,495**	**(1,625)**	**297,089**
(Increase)/decrease in trade and other receivables		(6,313)	(9,254)	5,550	(116,916)
Increase/(decrease) in trade and other payables		2,158	6,738	(60)	325
Interest paid		(9,720)	(8,659)	(1,863)	(1,871)
Interest received		3,469	2,503	16,238	17,841
CASH FLOWS FROM OPERATING ACTIVITIES		**50,295**	**26,823**	**18,240**	**196,468**
INVESTING ACTIVITIES					
Acquisition of investment property		(226,136)	(109,295)	–	–
Gain on acquisition of subsidiaries	32	1,400	–	–	–
Gain on disposal of subsidiaries		619	–	–	–
Payments for acquisition of subsidiaries less cash acquired		(220,371)	(285,574)	–	–
Sale of investment property (net of selling cost)	16	(44)	29,192	–	–
Purchase of financial investments at fair value through profit or loss	13	–	(24,309)	–	(24,309)
Dividends from financial investments at fair value through profit or loss	13	2,417	2,906	2,417	2,906
Proceeds from sale of financial investments at fair value through profit or loss	13	62,378	46,652	63,044	46,652
Loans granted to third parties	11	–	(8,000)	–	–
Loans to joint-ventures – amounts (granted)/repaid	33	6,669	(4,860)	–	–
Loans granted to subsidiaries	5	–	–	(495,009)	(458,567)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(373,068)**	**(353,288)**	**(429,548)**	**(433,318)**
FINANCING ACTIVITIES					
Proceeds from share issuance		430,878	253,533	430,878	253,533
Proceeds from bank borrowings		25,500	84,283	–	–
Repayment of borrowings		(69,204)	(36,965)	(10,408)	(11,695)
Premiums paid on acquisition of derivatives		–	(3,325)	–	(1,826)
Earnings distribution		(8,657)	(3,849)	(8,657)	(3,849)
CASH FLOWS FROM FINANCING ACTIVITIES		**378,517**	**293,677**	**411,813**	**236,163**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**55,744**	**(32,788)**	**505**	**(687)**
Cash and cash equivalents brought forward	15	52,492	85,280	858	1,545
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**108,236**	**52,492**	**1,363**	**858**

All amounts in Thousand Euro unless otherwise stated

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 at Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man. The Company is listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE). The Group includes the Company and its subsidiaries, as detailed in 'Basis of consolidation' in Note 3.4.

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

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

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with the Directors' resolution on 10 March 2015.

2 COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2013.

3 ACCOUNTING POLICIES

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

3.1 Functional and presentation currency

The consolidated financial statements are presented in Euro (€, EUR) thousands unless otherwise stated.

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

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

3.2 Basis of preparation

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

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

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

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

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

3.3 Statement of compliance

The financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of relevant Isle of Man company law.

3.4 Basis of consolidation

Subsidiaries

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

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

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

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

Transactions eliminated on consolidation

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

Jointly controlled entities

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

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

3.5 Investment property at fair value

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

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

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

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

3.6 Investment property under development

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

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

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

3.7 Investment property held for sale

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

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

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

3.8 Goodwill

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

Subsequent measurement

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

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

Goodwill is usually generated exclusively by the recognition of deferred tax liabilities. The carrying amount of the cash generating unit includes the values of the investment property, goodwill and the related deferred tax liability. Impairment testing is performed using the fair value less costs to sell approach where the fair value is the property value as determined in the external valuation reports.

If the deferred tax liability is subsequently reduced or eliminated, the goodwill arising from the initial recognition of the deferred tax provision may be impaired. Goodwill is tested for impairment simultaneously with the corresponding investment property.

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

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

3.10 Property, plant and equipment and intangible assets

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

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

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

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

3.11 Borrowings

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

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

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

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

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

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

3.12 Tenant security deposits

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

3.13 Financial instruments

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

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

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

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

3.13.1 Initial recognition and subsequent measurement

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

FINANCIAL INSTRUMENT	RECOGNITION METHOD
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method, net of impairment losses
Loans granted to joint-ventures	Carried at amortised cost using the effective interest rate method, 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
Cash and cash equivalents	Carried at cost
Loans granted to participants in the Current Share Scheme	Carried at amortised cost using the effective interest rate method, net of impairment losses
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 comprehensive income, hedge accounting is not applied
Financial investments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of comprehensive income

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

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

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

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

3.13.2 Derecognition

Financial assets

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

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

Financial liabilities

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

3.13.3 Offset

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

3.14 Impairment of financial assets

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

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

All receivables are individually assessed for impairment.

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

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

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

3.15 Cash and cash equivalents

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

3.16 Share capital and share premium

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

3.17 Share-based payment reserve

The Group has accounted for the Initial Share Scheme (Note 18) as a share option scheme. The fair value of share option granted to key individuals and their nominated entities is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the Statement of comprehensive income but added for calculation of distributable earnings purposes only (Note 30).

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

The Current Share Scheme (Note 18) was previously accounted for by recognising in the share-based payment reserve the value of the loans given to employees. The share-based payment reserve was converted to share capital and share premium at each vesting date. During 2014, the Group reassessed its accounting policy in relation to the Current Share Scheme and given that it is a non-recourse scheme (i.e. recourse in relation to loans issued is not limited to shares issued), the Company changed its accounting treatment and recognised loans given into share capital and share premium directly, instead of recognising via the share based payment reserve. The effect of this reassessment is presented in Note 17.

3.18 Other reserves

3.18.1 Currency translation reserves

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

Starting from 1 January 2013, the Group adopted Euro as functional currency for all its operations. The Group did not recognise any subsequent movements to the currency translation reserves.

3.18.2 Accumulated profit

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

3.19 Provisions

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

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

3.20 Revenue

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

Rental income

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

Service charges and expenses recoverable from tenants

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

As specified in the lease agreements, the Group has the primary responsibility for providing services to tenants (electricity, water and gas utilities, interior and exterior cleaning, security, maintenance, repairs, etc). The Group negotiates directly with the suppliers all contracts for services provided to tenants. These contracts are concluded between the Group subsidiaries which own the properties and the direct supplier. As the Group sometimes uses the same providers for services across most of its portfolio, it can negotiate better prices through the economies of scale. The Group bears the responsibility of meeting the contractual deadlines agreed in the contracts with its suppliers and is liable for payment of the services, regardless of whether they are able to recover these charges from the tenants. The Group also bears the inventory risk for the necessary spare parts purchased for the maintenance and repairs required by the tenants. The Group bears the credit risk for the amounts receivable from tenants. The Group negotiates and pays all expenses incurred by the tenants and then re-invoices these costs to them as defined in the contractual clauses included in the lease agreements. A flat fee is charged monthly during the year. This fee is estimated based on the previous year's actual costs.

After the year-end, the annual service charge reconciliation is performed based on actual costs. For contracts terminated during the year, the Group estimates the service charge to be collected based on the current budget and last year's actual costs. The Group therefore bears the risk of not collecting the service charge differences for non-performing tenants. The Group is considered principal in these transactions, in terms of the IAS 18 requirements.

3.21 Property operating and administrative expenses

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

3.22 Operating leases

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

3.23 Dividend received

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

3.24 Dividend distributed

Distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 30.

3.25 Taxation

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

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

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

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

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

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

3.26 Segment reporting

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

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

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

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

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

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

The Group also reports by geographic segments, currently Romania, Serbia and Slovakia.

3.27 Earnings per share

The Group presents basic and diluted earnings per share.

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

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

3.28 Distributable earnings per share

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

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

3.29 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

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

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

3.30 Business combinations

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the date of acquisition. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the Statement of comprehensive income. Acquisition accounting is finalised when the Group has gathered all the necessary information, which must occur within 12 months of the acquisition date. There are no exemptions from the 12-month rule for deferred tax assets or changes in the contingent consideration.

3.31 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 2014. None of these standards has had a material impact on the Group's operations.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014)

The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

IFRIC interpretation 21: Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014)

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

IAS 36 Impairment of assets (amended) – recoverable amount disclosures for non-financial assets

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognised or reversed during the period.

IAS 39 Financial instruments (amended): recognition and measurement - novation of derivatives and continuation of hedge accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014)

The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

3.32 Standards issued but not yet effective and not early adopted

IFRS 9 Financial instruments: classification and measurement and subsequent amendments to IFRS 9 and IFRS 7 mandatory effective date and transition disclosures; hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)

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

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

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

The following standards and interpretations are not yet effective, not early adopted and are not expected to have an impact on the Group's financial position or performance:

- IAS 19 Defined benefit plans (amended): employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014);
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);
- IFRS 11 Amendments – Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016);
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016);
- IAS 27 Amendments – Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016), and
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint-venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below)

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

- IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014;
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014;
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported;
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial;
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model, and
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014)

The improvements consist of changes to four standards.

- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented;
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself;
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9, and
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016)

The amendments impact 4 standards.

- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from 'held for sale' to 'held for distribution' or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such;
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34;
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise, and
- IAS 34 will require a cross reference from the interim financial statements to the location of information disclosed elsewhere in the interim financial report.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

Valuation of investment properties

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

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

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

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

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

Business combinations or asset acquisitions

The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition. The basis for this assessment is described in Note 3.30.

5 INVESTMENT IN SUBSIDIARIES AND JOINT-VENTURES

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

Subsidiary/ joint-venture	Incorporation/date became subsidiary or joint-venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2014	Immediate parent investment 31 Dec 2013
AUPARK Zilina SC as	Oct 2008/Aug 2013	Slovakia	Services	indirect	100	*	25
AUPARK Zilina spol sro	Dec 2003/Aug 2013	Slovakia	Property-owning	indirect	100	15,463	15,438
Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	indirect	100	8,300	8,300
Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	indirect	100	2	*
Cluj Business Centre SRL**	Jul 2012	Romania	Property-owning	indirect	50	*	*
ELJ Vatra SRL	Feb 2007/Aug 2013	Romania	Property-owning	indirect	70	1	*
Everest Investitii si Consultanta SRL	Feb 2005/Nov 2013	Romania	Property-owning	indirect	100	28,431	28,431
FDC Braila BV	Sep 2009	Netherlands	Holding	indirect	100	7,875	8,300
Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	indirect	100	*	*
Floreasca Center SA	Apr 2011/Nov 2014	Romania	Property-owning	indirect	100	27,323	–
Floreasca City Center SRL	Oct 2005/Oct 2014	Romania	Property-owning	indirect	100	38,973	–
Galati Shopping City SRL	Jun 2012	Romania	Property-owning	indirect	100	2	2
General Building Management SRL	Aug 2004/Jan 2008	Romania	Property-owning	indirect	100	1,402	1,230
General Investment SRL	Mar 2003/Jan 2008	Romania	Property-owning	indirect	100	19,708	19,579
Ingen Europe BV	Dec 2010	Netherlands	Holding	indirect	100	17,579	17,579
Lakeview Office Building SA	Jul 2004/Jan 2013	Romania	Property-owning	indirect	100	13,529	13,529
Marketing Advisors SRL	Apr 2014	Romania	Services	indirect	100	2	–
Mercureal SA	Jul 2005/Aug 2013	Romania	Property-owning	indirect	100	21,010	21,010
NE Property Cooperatief UA	Oct 2007	Netherlands	Holding	indirect	100	336,000	336,000
Nepi Bucharest One SRL	Sep 2007	Romania	Property-owning	indirect	100	3,845	3,845
Nepi Bucharest Two SRL	Dec 2007	Romania	Property-owning	indirect	100	2,756	2,756
Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	indirect	100	2	2
Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	indirect	100	2	2
Nepi Five Property Development SRL	Mar 2013	Romania	Property-owning	indirect	100	2	2
Nepi Six Development SRL	May 2012	Romania	Property-owning	indirect	100	2	2
Nepi Seven Business Management SRL	Jun 2012	Romania	Property-owning	indirect	100	2	2
Nepi Eight Development & Management SRL	Jun 2012	Romania	Property-owning	indirect	100	2	2
Nepi Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	indirect	100	2	2
Nepi Eleven Real Estate Development SRL	Oct 2012	Romania	Property-owning	indirect	100	2	2
Nepi Fourteen Management Solutions SRL	Jan 2014	Romania	Property-owning	indirect	100	2	–
Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	indirect	100	2	–
Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	indirect	100	2	–
Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	indirect	100	2	–

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

Subsidiary/ joint-venture	Incorporation/date became subsidiary or joint-venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2014	Immediate parent investment 31 Dec 2013
Nepi Investment Management Ltd (BVI)	Jul 2007/Jun 2010	British Virgin Islands	Holding	direct	100	6,826	6,826
Nepi Investment Management Ltd	Aug 2007/Jun 2010	Cyprus	Holding	indirect	100	2	2
Nepi Investment Management SA	Jun 2010	Romania	Services	indirect	100	7,280	7,280
Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	direct	100	*	*
Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	direct	100	54,841	36,280
Nepi Real Estate Development d.o.o	Nov 2014	Serbia	Services	indirect	100	10	–
Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	indirect	100	25	–
NEPIOM Ltd	Sep 2012	Isle of Man	Services	direct	100	78,553	78,553
New Energy Management SRL	Jan 2014	Romania	Services	indirect	100	2	–
New Europe Property (BVI) Ltd	Jul 2007	British Virgin Islands	Holding	direct	100	*	*
New Europe Property NV	Sep 2007	Netherlands Antilles	Holding	indirect	100	2	2
Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	indirect	100	1,807	1,807
Ploiesti Shopping City SRL**	Dec 2010/Feb 2012	Romania	Property-owning	indirect	50	2,927	2,927
Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	indirect	100	4,010	6,816
Real Estate Asset Management SRL	Jul 2014	Romania	Services	indirect	100	2	–
Satu Mare Real Estate Investment SA	Aug 2014	Romania	Property-owning	indirect	100	14	–
SEK d.o.o	July 2007/Oct 2014	Serbia	Property-owning	indirect	100	2,000	–
Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	indirect	100	2	2
Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Property-owning	indirect	100	*	*
Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	indirect	100	2	2
Timisoara City Business Centre One SA	Jan 2012	Romania	Property-owning	indirect	100	1,346	10,573
Timisoara Office Building SA	Jan 2012	Romania	Property-owning	indirect	100	3,679	7,843
Vienna Project 2013 SA	May 2013/Apr 2014	Romania	Property-owning	indirect	100	4,065	–
Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	indirect	100	4,795	4,795
Vulcan Value Centre SRL	Apr 2012/Sep 2013	Romania	Property-owning	indirect	100	5,002	5,000
Zilina Shopping City sro	Jun 2013/Aug 2013	Slovakia	Services	indirect	100	5	5

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

The Company has given loans of €1,291,783 thousand to NEPIOM Limited (31 December 2013: €796,775 thousand). Accrued interest on the loans amounted to €11,175 thousand (31 December 2013: €6,352 thousand).

The total non-controlling interest for the period is €4,920 thousand (2013: €878 thousand), which represents loss attributable to the owners of the remaining 30% of ordinary shares held by non-controlling interests in ELJ Vatra SRL. The proportion of voting rights in the subsidiary undertakings held directly by the Group does not differ from the proportion of the ordinary shares held.

An amount of €18,561 thousand has been allocated at 31 December 2014 as capital contribution of the Company's direct investment in Nepi Holdings Ltd.

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

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

The Group's policies are established to identify and analyse the risks it may encounter by performing its activities, to set appropriate limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and Group activities. The fair value of all financial instruments is the same as the carrying amounts reflected on the Statement of financial position.

Below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments carried in the financial statements.

	Note	Level	Group 31 Dec 2014	Group 31 Dec 2013	Group 31 Dec 2014	Group 31 Dec 2013
			Carrying amount		Fair value	
Financial assets						
Loans to participants in the Current Share Scheme (including accrued interest)	11	3	27,953	21,354	27,953	21,354
Financial assets at fair value through profit or loss	20	2	175	2,410	175	2,410
Trade and other receivables less VAT	14	3	12,896	9,798	12,896	9,798
Loans granted to joint-ventures	33	3	30,395	37,064	30,395	37,064
Loans granted to third parties	11	3	8,000	8,000	8,000	8,000
Financial investments at fair value through profit or loss	13	1	–	61,079	–	61,079
Cash and cash equivalents	15	3	108,236	52,492	108,236	52,492
TOTAL			**187,655**	**192,197**	**187,655**	**192,197**
Financial liabilities						
Loans and borrowings	19	3	194,330	238,034	194,330	238,034
— Rate capped			90,966	129,867	90,966	129,867
— Rate swapped			103,364	108,167	103,364	108,167
Financial liabilities at fair value through profit or loss	20	2	3,586	3,955	3,586	3,955
Trade and other payables	21	3	38,365	32,246	38,365	32,246
TOTAL			**236,281**	**274,235**	**236,281**	**274,235**

	Note	Level	Company 31 Dec 2014	Company 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
			Carrying amount		Fair value	
Financial assets						
Loans to participants in the Current Share Scheme (including accrued interest)	11	3	27,953	21,354	27,953	21,354
Loans granted to subsidiaries	5	3	1,302,958	803,127	1,302,958	803,127
Financial assets at fair value through profit or loss	20	2	74	1,430	74	1,430
Trade and other receivables	14	3	7,166	10,630	7,166	10,630
Financial investments at fair value through profit or loss	13	1	–	61,079	–	61,079
Cash and cash equivalents	15	3	1,363	858	1,363	858
TOTAL			**1,339,514**	**898,478**	**1,339,514**	**898,478**
Financial liabilities						
Loans and borrowings	19	3	326	10,565	326	10,565
— Rate capped			326	10,565	326	10,565
Financial liabilities at fair value through profit or loss	20	2	3,496	3,547	3,496	3,546
Trade and other payables	21	3	333	269	333	269
TOTAL			**4,155**	**14,381**	**4,155**	**14,381**

6.1 Credit risk

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

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

Credit exposure on financial instruments	**Note**	**Group 31 Dec 2014**	**Group 31 Dec 2013**	**Company 31 Dec 2014**	**Company 31 Dec 2013**
Loans to participants in the Current Share Scheme (including accrued interest)	11	27,953	21,354	27,953	21,354
Loans granted to subsidiaries	5	–	–	1,302,958	803,127
Loans granted to joint-ventures	33	30,395	37,064	–	–
Non-current receivables	11	8,777	8,060	–	–
Financial assets at fair value through profit or loss	20	175	2,410	74	1,430
Trade and other receivables	14	40,469	28,036	7,166	10,630
Cash and cash equivalents	15	108,236	52,492	1,363	858
TOTAL		**216,005**	**149,416**	**1,339,514**	**837,399**

As at 31 December 2014 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.

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

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

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

Management has established a credit policy where new customers are analysed individually for credit worthiness before standard payment terms and conditions are offered. When available the evaluation includes external ratings.

The Group establishes an allowance for impairment based on its estimate of incurred losses in respect of trade and other receivables and investments. The allowance's main element is a specific loss component that relates to individually significant exposures. The carrying value of financial assets approximates their fair value.

Ageing of trade receivables/past due but not impaired	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Under 30 days	1,188	2,658
30–60 days	146	203
60–90 days	65	42
Over 90 days	83	313
TOTAL	**1,482**	**3,216**

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

Tenant receivables not due amount to €6,297 thousand (31 December 2013: €2,129 thousand).

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

The Group assessed its receivables for impairment and concluded that an amount of €159 thousand (31 December 2013: €37 thousand) is unlikely to be recovered in respect of current period revenues: therefore an allowance for doubtful debts was charged to the Statement of comprehensive 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 exposure per each bank are constantly monitored.

6.2 Liquidity risk

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

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

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

Group 31 Dec 2014	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Loans and borrowings	19	3,123	20,136	153,717	17,354	194,330
Tenant deposits	21	314	1,781	–	–	2,095
Financial liabilities at fair value through profit or loss	20	–	–	3,586	–	3,586
Trade and other payables	21	6,983	29,287	–	–	36,270
Other long-term liabilities	22	–	–	–	9,171	9,171
TOTAL		**10,420**	**51,204**	**157,303**	**26,525**	**245,452**

Group 31 Dec 2013	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Loans and borrowings	19	4,743	59,723	153,516	20,052	238,034
Tenant deposits	21	515	2,923	–	–	3,438
Financial liabilities at fair value through profit or loss	20	–	–	3,955	–	3,955
Trade and other payables	21	6,442	22,366	–	–	28,808
Other long-term liabilities	22	–	–	–	4,059	4,059
TOTAL		**11,700**	**85,012**	**157,471**	**24,111**	**278,294**

6.3 Market risk

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

6.3.1 Currency risk

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

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

6.3.2 Interest rate risk

The Group is exposed to interest rate risk on loans and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 31 December 2014 and 31 December 2013, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

Sensitivity analysis for interest bearing financial instruments

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

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

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Loans to participants in Current Share Scheme (including accrued interest)	27,953	21,354	27,953	21,354
Loans and borrowings (variable or capped rate)	(90,966)	(129,867)	–	(10,409)
TOTAL	**(63,013)**	**(108,513)**	**27,953**	**10,945**

Group 31 Dec 2014	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme	280	(280)	280	(280)
Loans and borrowings (variable or capped rate)	(910)	910	(910)	910
TOTAL	**(630)**	**630**	**(630)**	**630**

Group 31 Dec 2013	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme	214	(214)	214	(214)
Loans and borrowings (variable or capped rate)	(1,299)	1,299	(1,299)	1,299
TOTAL	**(1,085)**	**1,085**	**(1,085)**	**1,085**

Company 31 Dec 2014	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme	280	(280)	280	(280)
Loans and borrowings (variable or capped rate)	–	–	–	–
TOTAL	**280**	**(280)**	**280**	**(280)**

Company 31 Dec 2013	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in Current Share Scheme	214	(214)	214	(214)
Loans and borrowings (variable or capped rate)	(104)	104	(104)	104
TOTAL	**110**	**(110)**	**110**	**(110)**

6.3.3 Market risk for listed property shares

During 2014 all financial investments were disposed of (for further details on financial investments at fair value through profit or loss see Note 13).

Sensitivity analysis for Financial investments (Note 13)

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

31 Dec 2013	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Financial investments	611	(611)	611	(611)
TOTAL	**611**	**(611)**	**611**	**(611)**

7 INTERNAL CONTROLS TO MANAGE RISKS

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

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

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

8 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure it complies with its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

Capital is primarily monitored using the gearing ratio, computed as interest bearing debt less cash divided by investment property and listed property shares, which decreased to 6.8% (31 December 2013: 21.4%).

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

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

9 INVESTMENT PROPERTY AT FAIR VALUE

Movement in investment property at fair value	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Carrying value at beginning of year	703,811	339,851
Additions from business combinations (Note 32)	197,940	293,709
Transferred from Investment property under development	76,532	46,925
Fair value adjustments (Note 28)	34,198	23,371
Investment property reclassified as held for sale	(33,501)	(45)
CARRYING VALUE AT 31 DECEMBER 2014	**978,980**	**703,811**

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

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

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

For the year ended 31 December 2014, the Group commissioned independent year-end appraisal reports on its investment property from DTZ Echinox Consulting and Jones Lang LaSalle, both members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these. The Group's investment property is classified Level Three on the fair value hierarchy as defined in IFRS 7.

As at 31 December 2014, the investment property at fair value portfolio had a vacancy rate of 1.81% (31 December 2013: 2.33%).

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

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

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

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

The residual value is the market value of the property at the end of the calculation period, which is based on the forecast net operating income for the first year after the calculation period. The required yield at the end of the calculation period is between 6.69% and 10.78%. The Group's resulting weighted average net yield was 7.82% for the entire property portfolio (retail: 7.81%; office: 7.67%; industrial: 10.43%).

Based on the year-end valuation net yield of 7.82%, an increase of 25bps would result in a €30,321 thousand decrease in the Group's property portfolio (2013: net yield of 8.30%, increase of 25bps would have resulted in a €20,572 thousand decrease).

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

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

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Carrying value at beginning of year	89,985	4,914
Additions from business combinations (Note 32)	–	42,653
Additions from asset deals and construction in progress	176,381	74,643
Fair value adjustments (Note 28)	2,791	14,218
Assets which became operational and were transferred to Investment property at fair value	(75,983)	(46,443)
CARRYING VALUE AT 31 DECEMBER 2014	**193,174**	**89,985**

Movement in Investment property under development Office	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Carrying value at beginning of year	13,669	12,961
Additions from asset deals and construction in progress	1,862	1,312
Fair value adjustments (Note 28)	218	(122)
Assets which became operational and were transferred to Investment property at fair value	(549)	(482)
Investment property under development reclassified as held for sale	(128)	–
CARRYING VALUE AT 31 DECEMBER 2014	**15,072**	**13,669**

Land included in Investment property under development is carried at fair value and is assessed on an annual basis. For the year ended 31 December 2014, the Group commissioned independent year-end reports from DTZ Echinox Consulting, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level Three on the fair value hierarchy as defined in IFRS 7.

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

Borrowing costs capitalised in 2014 amount to €7,035 thousand (2013: €3,147 thousand) and were calculated using an average annual interest rate of 5.03% (2013: 4.6%).

Balance of investment property under development	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Retail	193,174	89,985
Office	15,072	13,669
TOTAL	**208,246**	**103,654**

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Loans to participants in the Current Share Scheme (Note 18)	27,953	21,354	27,953	21,354
Non-current receivables	8,777	8,060	–	–
Property, plant and equipment and intangible assets	714	414	–	–
TOTAL	**37,444**	**29,828**	**27,953**	**21,354**

Non-current receivables include secured loans given to third parties that carry an interest rate of 8.9% per annum.

Property, plant and equipment and intangible assets are detailed below:

Group 31 Dec 2014	Cost	Accumulated depreciation/ amortisation	Net book value
Computer licences	237	(60)	177
Office improvements and equipment	544	(132)	412
Equipment used in owner managed activities	132	(7)	125
TOTAL	**913**	**(199)**	**714**

Group 31 Dec 2013	Cost	Accumulated depreciation/ amortisation	Net book value
Computer licences	112	(101)	11
Office improvements and equipment	349	(71)	278
Equipment used in owner managed activities	132	(7)	125
TOTAL	**593**	**(179)**	**414**

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Balance at 1 Jan 2013	Net additions	Adjustments/ impairment	Balance at 31 Dec 2013	Net additions	Adjustments/ impairment	Balance at 31 Dec 2014
Regional offices portfolio	**1,888**	–	(816)	**1,072**	–	(1,072)	–
Pitesti Retail Park	**1,671**	–	–	**1,671**	–	–	**1,671**
Floreasca Business Park	**1,664**	–	–	**1,664**	–	–	**1,664**
Internalisation of NEPI Investment Management	**5,882**	–	–	**5,882**	–	–	**5,882**
City Business Centre	**2,030**	–	–	**2,030**	–	–	**2,030**
The Lakeview	–	3,899	–	**3,899**	–	–	**3,899**
Promenada Mall	–	–	–	–	3,934	(1,441)	**2,493**
TOTAL	**13,135**	**3,899**	**(816)**	**16,218**	**3,934**	**(2,513)**	**17,639**

The following movements in goodwill occurred during the year ended 31 December 2014:
- the acquisition of Promenada Mall generated goodwill resulted from the deferred taxation liability as at the acquisition date, and this goodwill was written-off against the increase in the fair value of the property (as shown in the year-end revaluation report, compared to the acquisition price), and
- the Raiffeisen portfolio goodwill was written-off against the decrease in the related deferred taxation liability (which generated the initial goodwill).

The following movements in goodwill occurred during the year ended 31 December 2013:
- the acquisitions of The Lakeview, City Park, Aupark Zilina and Deva Shopping Centre generated goodwill that results from the deferred taxation liability at acquisition date, and this goodwill was written-off against the increase in the fair value of the property (as shown in the year-end revaluation report, compared to the acquisition price), and
- an impairment was recognised against the Raiffeisen portfolio goodwill corresponding to the decrease in the related deferred taxation liability (which generated the initial goodwill recognition).

13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

During 2014, the financial investments portfolio was disposed of (balance as at 31 December 2013: €61,079 thousand).

In 2014, the financial investments generated €2,417 thousand in dividends (2013: €2,906 thousand) and €1,299 thousand in capital gains (2013: €970 thousand).

Financial investments were designated as financial assets at fair value through profit or loss and classified as current assets.

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

14 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
VAT receivable	27,573	18,238	–	–
Tenant receivables	7,779	5,345	–	–
Prepaid property expenses	2,532	989	–	–
Other receivables	2,473	3,416	7,117*	10,590*
Other prepaid fees	112	48	49	40
TOTAL	**40,469**	**28,036**	**7,166**	**10,630**

*includes intercompany receivable balances from other Group companies

15 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
EUR	98,062	44,778	1,238	800
RON	9,181	7,655	–	–
RSD	868	–	–	–
ZAR	122	40	122	18
GBP	3	19	3	40
TOTAL	**108,236**	**52,492**	**1,363**	**858**

16 INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	Group 31 Dec 2014	Group 31 Dec 2013
Carrying value at beginning of year	1,561	28,665
Additions from investment property at fair value	33,501	–
Additions from investment property under development	128	–
Disposals	(44)	(28,665)
Fair value adjustments (Note 28)	(7,786)	441
Additions from business combinations (Note 32)	–	734
Additions from asset deals	–	386
CARRYING VALUE AT 31 DECEMBER 2014	**27,360**	**1,561**

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Authorised on 23 Aug 2007: 150,000,000 ordinary shares of €0.01 each		
Issued as of 1 January 2013	**1,353**	**355,027**
— Issued 3,625,314 ordinary shares at €4.3400/share*	36	(36)
— Issued 11,290,323 ordinary shares at €5.2266/share**	113	58,897
— Issued 20,833,328 ordinary shares at €4.7687/share***	209	99,140
— Issued 8,498,671 ordinary shares at €5.2595/share**	85	44,614
— Issued 4,584,704 ordinary shares at €4.8000/share*	46	(46)
— Issued 9,020,844 ordinary shares at €5.5087/share**	90	49,603
— Sale of shares issued under the Initial Share Scheme	4	1,260
— Vesting of shares issued under the Current Share Scheme	10	3,482
— Sale of shares issued under the Current Share Scheme	1	490
— Issue cost recognised to equity	–	(482)
CARRIED FORWARD AS AT 31 DECEMBER 2013	**1,947**	**611,949**

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

— Reclassification of the Current Share Scheme reserve	52	20,347
Issued as of 1 January 2014	**1,999**	**632,296**
— Issued 4,656,679 ordinary shares at €5.0500/share[1]	47	(47)
— Issued 4,988,467 ordinary shares at €6.3800/share[1]	50	(50)
— Issued 15,041,885 ordinary shares at €6.65000/share[2]	150	99,844
— Issued 13,640,777 ordinary shares at €7.33000/share[2]	136	99,864
— Issued 19,347,453 ordinary shares at €7.75000/share[2]	194	149,769
— Issued 13,848,743 ordinary shares at €5.78000/share[3]	138	79,829
— Sale of shares issued under the Current Share Scheme	12	3,677
— Vesting of shares issued under the Current Share Scheme reserve	13	4,791
— Reclassification of the Current Share Scheme	7	6,641
— Issue cost recognised to equity	–	(2,304)
CARRIED FORWARD AS AT 31 DECEMBER 2014	**2,746**	**1,074,310**

[1] The shares were issued in respect of the return of capital: 14 April and 6 October 2014.
[2] The shares were issued as part of the book build: 11 August, 29 October and 1 December 2014.
[3] The shares were issued on 17 April 2014 as part of the private placement.

[1]Option to receive capital return

Given the Group's ongoing development and acquisition programme, and following requests from shareholders, the Board explored alternatives to cash distributions to shareholders. As a result, shareholders now have the option to receive:

- 13.86 euro cents per share distribution for the six months ended 31 December 2013 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 2.742 new shares for every 100 shares, and
- 14.87 euro cents per share distribution for the six months ended 30 June 2014 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 2.332 new shares for every 100 shares.

Shares were issued from the share premium account.

[2]Book build 11 August, 29 October and 1 December 2014

In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 48,030,115 ordinary shares through accelerated book build processes that generated over €349 million in 2014.

[3]Private Placement 17 April 2014

Shareholders registered in South Africa were offered 13,848,743 new shares at a price of R83.50 per share pursuant to a placement for cash, raising gross proceeds of R1,156 million (€80 million).

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

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

Ordinary shares carry pre-emption and transfer rights as indicated in the Company's Admission Document published at the time of admission to the AIM.

18 SHARE-BASED PAYMENTS

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

The first share purchase scheme was in place before the internalisation of NEPI's Investment Advisor (the Initial Share Scheme). The second share purchase scheme was approved by shareholders on 3 May 2011, 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).

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

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

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

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

The maximum number of shares that can be issued under the share purchase schemes is 15,000,000. As at 31 December 2014, 3,612,052 shares remained issued under the Initial Share Scheme (31 December 2013: 4,707,354) and loans in amount of €9,132 thousand (31 December 2013: €11,574 thousand) remained outstanding under the Initial Share Scheme.

During 2014, 2,070,000 shares were issued under the Current Share Scheme (2013: 2,329,000 shares) and loans in amount of €27,953 thousand remained outstanding under the Current Share Scheme (2013: €21,354 thousand). Refer to Note 11.

Number of shares	**Group 31 Dec 2014**	**Group 31 Dec 2013**
Maximum number of share purchase schemes shares which can be offered for subscription	**15,000,000**	**15,000,000**
Share purchase schemes shares outstanding at the end of the period	9,631,204	10,181,518
Share purchase schemes shares available but unissued	1,095,210	3,165,210

Accounting treatment

The Initial Share Scheme is accounted for as a share option scheme. Therefore, the fair value of share-based payment, determined at grant date, is expensed over the vesting period (2014: €675 thousand, 2013: €955 thousand) with a corresponding increase in the share-based payment reserve. The interest charged by the Company on the Initial Share Scheme loans is not recognised in the Statement of comprehensive income, but added for the calculation of distributable earnings purposes only (2014: €542 thousand; 2013: €563 thousand).

Prior to 2014, the Current Share Scheme was accounted for by recognising the value of the shares issued as an asset, classified as 'loan to participants in the Current Share Scheme' (Note 11) and respectively as equity, classified as 'share-based payment reserve'. At each vesting date, the vested value of the Current Share Scheme shares was reclassified from 'share-based payment reserve' to 'share capital'. The accrued interest is recognised as finance income in the Statement of comprehensive income.

During 2014, the Company changed its accounting policy with respect to the equity classification of the Current Share Scheme, as described in Note 3.17. As a result, amounts related to shares issued under this scheme and not vested were reclassified from the share based payment reserve to share capital and share premium. The impact of this reclassification is presented in the Statement of Changes in Equity (for 2013 and 2014).

19 LOANS AND BORROWINGS

During the financial year 2014, the Group extended €26 million of secured debt facilities (out of which €15 million in respect of joint-ventures), obtained new secured debt facilities of €38 million (out of which €12.3 million in respect of joint-ventures) and repaid €51 million of secured debt facilities when they expired.

Following Moody's credit rating, Raiffeisen Bank International underwrote an €80 million, unsecured revolving credit facility which remained undrawn at year-end. As at 31 December 2014, the Group had additional, undrawn, secured revolving facilities of €9.7 million (31 December 2013: €9.5 million).

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

The debt's average interest rate, including hedging costs, was approximately 5%, while 44% of the base interest rate (Euribor) was hedged with interest rate caps and 56% with interest rate swaps.

Interest bearing borrowings Group, 31 Dec 2014	Payable in less than 1 year	Payable in 1–5 years	Payable over 5 years	Total
Floreasca Business Park	3,920	47,787	–	51,707
Aupark Zilina	1,954	47,416	–	49,370
The Lakeview	2,110	25,603	–	27,713
City Business Centre	1,314	5,786	17,354	24,454
Shopping City Galati	1,355	17,518	-	18,873
Pitesti Retail Park	11,131	–	–	11,131
Regional value centres	623	10,390	–	11,013
Accrued interest	1,092	–	–	1,092
Deferred loan costs	(240)	(783)	–	(1,023)
TOTAL	**23,259**	**153,717**	**17,354**	**194,330**

Interest bearing borrowings Group, 31 Dec 2013	Payable in less than 1 year	Payable in 2–5 years	Payable over 5 years	Total
Floreasca Business Park	3,920	52,657	–	56,577
Aupark Zilina	2,974	50,853	–	53,827
Braila Mall	35,689	–	–	35,689
The Lakeview	2,110	27,714	–	29,824
City Business Centre	1,265	5,570	20,052	26,887
Pitesti Retail Park	1,042	11,237	–	12,279
New Europe Property Investments plc	10,409	–	–	10,409
Regional offices portfolio	6,299	–	–	6,299
Regional value centres	250	5,888	–	6,138
Accrued interest	508	–	–	508
Deferred loan costs	–	(403)	–	(403)
TOTAL	**64,466**	**153,516**	**20,052**	**238,034**

Floreasca Business Park – Raiffeisen Bank International loan

In 2013, the Group successfully refinanced the loan facility from Raiffeisen Bank International for Floreasca Business Park. The new facility matures during October 2018 and is repayable in quarterly instalments.

Security

- General security over the property (fair value as at 31 December 2014 of €101,080 thousand), current assets, cash inflows from operating activities, accounts and receivables of Floreasca Business Park, and
- Corporate Guarantee issued by the Company for a maximum amount of €7,000 thousand.

Covenants

- Loan to value ratio of maximum 65%;
- Debt service cover ratio of minimum 110% for 2014 and 120% thereafter, and
- Yield on debt on minimum 10% per annum (based on Earnings Before Interest, Taxes, Depreciation and Amortisation).

Aupark Zilina – VUB Banka loan

In 2013, the Group acquired Aupark Zilina and took over two investment loans from Vseobecna Uverova Banka (VUB Banka). The loans mature in June 2016 and September 2016.

Security

— General security over the land and building (fair value as at 31 December 2014 of €99,500 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Zilina.

Covenants

— Loan to value ratio of maximum 60%;
— Loan to cost ratio of maximum 80%, and
— Debt service cover ratio of minimum 120%.

The Lakeview – UniCredit Tiriac Bank loan

In 2013, the Group acquired The Lakeview office building and contracted a loan facility from UniCredit Tiriac Bank of €30,000 thousand. The loan facility matures in October 2018 and is repayable in monthly instalments.

Security

— General security over the land and building (fair value as at 31 December 2014 of €67,520 thousand), current assets, cash inflows from operating activities, accounts and receivables of Lakeview Office Building.

Covenants

— Loan to value ratio of maximum 60%, and
— Debt service cover ratio of minimum 125%.

City Business Centre – Investkredit Bank loan

During 2012, the Group acquired City Business Centre, and took over two loan facilities from Investkredit Bank AG. The loans mature in 2024 and are repayable in monthly instalments.

Security

— General security over the property (fair value as at 31 December 2014 of €35,290 thousand), current assets, cash inflows from operating activities, accounts and receivables of Timisoara City Business Centre One.

Covenants

— Loan to value ratio of maximum 75%, and
— 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 which matures in 2021 and is repayable in monthly instalments.

Security

— General security over the property (fair value as at 31 December 2014 of €21,780 thousand), current assets, cash inflows from operating activities, accounts and receivables of Timisoara Office Building.

Covenants

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

Shopping City Galati – Garanti Bank loan

In February 2014, the Group concluded an agreement with Garanti Bank for €20,000 thousand to finance Shopping City Galati. The loan matures in 2019 and is repayable in monthly instalments.

Security
- General security over the property (fair value as at 31 December 2014 of €48,070 thousand), current assets, cash inflows from operating activities, accounts and receivables of Galati Shopping City, and
- Corporate Guarantee issued by the Company for a maximum amount of €20,000 thousand.

Covenants
- Loan to value ratio of maximum 60%, and
- Debt service cover ratio of minimum 120%.

Pitesti Retail Park – Unicredit Tiriac Bank loan

During 2014, the Group refinanced the loan facility from UniCredit Tiriac Bank (outstanding amount of €11,131 thousand as at 31 December 2014) and extended its maturity until June 2015.

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

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

Regional value centres – Alpha Bank loan

The Group contracted a €6,200 thousand loan facility with Alpha Bank Romania for the acquisition of properties owned by NEPI Bucharest One, which will mature in 2016.

Security
- General security over the land and properties (fair value as at 31 December 2014 of €14,270 thousand), current assets, cash inflows from operating activities and shares of NEPI Bucharest One, and
- Corporate guarantee issued by the Company for the outstanding balance due to the bank.

Covenants
- Loan to value ratio of maximum 65%.

Regional value centres – Garanti Bank loan

In May 2014, the Group reached an agreement with Garanti Bank for €5,500 thousand to finance the regional value centres owned by Nepi Ten Development Solutions, except for Alba Iulia Value Centre. The loan matures in 2019 and is repayable in monthly instalments.

Security
- General security over the properties being financed (fair value as at 31 December 2014 of €10,800 thousand), current assets, cash inflows from operating activities, accounts and receivables of Nepi Ten Development Solutions (except for Alba Iulia Value Centre), and
- Corporate Guarantee issued by the Company for a maximum amount of €5,500 thousand.

Covenants
- Loan to value ratio of maximum 60%, and
- Debt service cover ratio of minimum 120%.

The Group was in compliance with all loan covenants as at 31 December 2014.

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

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

	Group 31 Dec 2014	Group 31 Dec 2013
Financial assets		
— Company	74	1,430
— Subsidiaries	101	980
TOTAL FINANCIAL ASSETS	**175**	**2,410**
Financial liabilities		
— Company	3,496	3,547
— Subsidiaries	90	408
TOTAL FINANCIAL LIABILITIES	**3,586**	**3,955**

These interest rate caps and fixed interest rate swaps are not designated as cash flow hedges, and are classified as Level Two of the fair value hierarchy as defined by IFRS 7.

21 TRADE AND OTHER PAYABLES

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Payable for assets under construction	7,297	6,441	–	–
Property related payables	19,207	11,634	–	–
Advances from tenants	7,271	7,226	–	–
Administrative and secretarial accrued expenses	2,495	3,507	333	269
Tenant deposits	2,095	3,438	–	–
TOTAL	**38,365**	**32,246**	**333**	**269**

22 OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2014	Group 31 Dec 2013
Tenant deposits	5,039	–
Other long-term liabilities	2,450	2,450
Provisions	1,682	1,609
TOTAL	**9,171**	**4,059**

23 CORPORATE TAX CHARGE AND DEFERRED TAX

	Group 31 Dec 2014	Group 31 Dec 2013
Current tax expense	–	–
Deferred tax expense	637	9,007
TAX EXPENSE	**637**	**9,007**
Deferred tax brought forward	50,678	21,569
Deferred tax acquired in business combinations (Note 32)	5,254	20,102
Other adjustments	948	–
DEFERRED TAX LIABILITY CARRIED FORWARD	**57,517**	**50,678**

Deferred tax liability results from the following types of differences:

	Group 31 Dec 2014	Group 31 Dec 2013
Fiscal losses	83,141	32,934
Deferred tax asset	**13,517**	**5,480**
Temporary differences between accounting and fiscal value of investment property	(409,946)	(331,489)
Deferred tax liability	**(71,034)**	**(56,158)**
NET DEFERRED TAX LIABILITY	**(57,517)**	**(50,678)**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate prior year fiscal losses of €114,318 thousand (31 December 2013: €48,890 thousand) that are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine recognisable deferred tax assets, based on the likely timing and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €15,835 thousand (31 December 2013: €15,956 thousand) as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future.

The deferred tax balance, as at 31 December 2014 is the net effect of deferred tax assets resulted from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

Reconciliation of tax rate	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Profit before tax	94,912	65,593	35,045	333,812
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.

24 NET ASSET VALUE PER SHARE

Reconciliation of net asset value to adjusted net asset value	Group 31 Dec 2014	Group 31 Dec 2013
Adjusted net asset value	**1,288,689**	**757,752**
— Net asset value per the Statement of financial position	1,241,289	712,236
— Loans in respect of the Initial Share Scheme (Note 18)	9,132	11,574
— Deferred tax liabilities	57,517	50,678
— Goodwill	(17,639)	(16,218)
— Deferred tax liabilities for joint-ventures	(1,610)	(518)
Net asset value per share (euro)	4.52	3.56
Adjusted net asset value per share (euro)	4.63	3.70
Number of shares for net asset value per share purposes (Note 30)	274,526,188	199,836,882
Number of shares for adjusted net asset value per share purposes (Note 30)	278,138,240	204,544,236

25 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2014	Group 31 Dec 2013
Rent	63,100	42,196
Service charge recoveries	13,834	7,769
Other recoveries	10,083	5,357
Recoveries and contractual rental income	**87,017**	**55,322**
Property management, tax, insurance and utilities	(15,032)	(9,311)
Property maintenance cost	(9,905)	(4,429)
Provisions and allowances for doubtful debts	(331)	(162)
Property operating expenses	**(25,268)**	**(13,902)**
TOTAL	**61,749**	**41,420**

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

	Group 31 Dec 2014	Group 31 Dec 2013
No later than 1 year	79,474	53,657
Later than 1 year and not later than 5 years	219,569	131,303
Later than 5 years	137,582	75,003
TOTAL	**436,625**	**259,963**

26 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Audit and advisory services	(1,155)	(350)	(419)	(112)
Directors' remuneration (Note 36)	(800)	(666)	(670)	(518)
Stock exchange expenses	(270)	(126)	(270)	(126)
Staff costs*	(239)	(720)	–	–
Travel and accommodation	(196)	(156)	–	(4)
Companies administration	(102)	(94)	–	–
Support and maintenance services	(77)	(68)	(217)	(57)
TOTAL	**(2,839)**	**(2,180)**	**(1,576)**	**(817)**

* Staff costs capitalised as investment property under development in 2014 amount to €788 thousand (2013: €473 thousand).

27 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Fees for finalised acquisitions	(1,649)	(4,309)	(49)	–
Fees for ongoing acquisitions	(383)	(287)	–	–
Fees for terminated acquisitions	(325)	(390)	–	–
TOTAL	**(2,357)**	**(4,986)**	**(49)**	**–**

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2014	Group 31 Dec 2013
Fair value adjustments of investment property – gross increase from revaluations (Notes 9, 10 and 16)	29,421	37,908
Adjustment for goodwill recognised at acquisition date*	(1,441)	(17,233)
Estimated liability for further payments in respect of City Business Centre	–	(888)
TOTAL	**27,980**	**19,787**

* The adjustment refers to Promenada Mall, acquired in 2014, and the following properties acquired in 2013: City Park (€5,333 thousand); Aupark Zilina (€3,550 thousand); Deva Shopping Centre (€2,422 thousand); The Lakeview (€238 thousand) and 50% interest in Vulcan Value Centre (€5,690 thousand) (Note 32).

Goodwill recognised at acquisition date, arising mostly due to deferred tax liabilities (Note 12), was adjusted against the increase in value for investment property, determined as the difference between the fair value as per the valuation at 31 December 2014 and 31 December 2013, and the acquisition price.

29 NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Interest income on loans granted	4,736	3,726	–	–
Interest on Current Share Scheme loans	1,294	745	1,294	745
Interest income on bank deposits	1,273	1,854	88	7
Other interest income	12	33	–	–
Interest income from subsidiaries	–	–	19,329	27,157
Net changes of financial instruments at fair value through profit or loss	–	1,156	–	1,250
Other intercompany finance income	–	–	14,508	5,853
Finance income	**7,315**	**7,514**	**35,219**	**35,012**
Interest expense on financial liabilities measured at amortised cost	(3,781)	(5,510)	(211)	(1,747)
Net changes of financial instruments at fair value through profit or loss	(1,866)	–	(2,792)	–
Bank charges	(256)	(220)	(109)	(49)
Finance expense	**(5,903)**	**(5,730)**	**(3,112)**	**(1,796)**
TOTAL	**1,412**	**1,784**	**32,107**	**33,216**

30 EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary equity holders of €99,195 thousand (31 December 2013: €57,464 thousand) and the weighted average of 225,426,685 (31 December 2013: 163,836,991) ordinary shares in issue during the year, excluding shares issued under the Initial Share Scheme.

The calculation of diluted earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary equity holders of €99,195 thousand (31 December 2013: €57,464 thousand) and the weighted average of 229,775,959 (31 December 2013: 168,827,400) ordinary shares in issue during the year, including shares issued under the Initial Share Scheme. Distributable earnings per share was calculated based on profit after tax, adjusted as detailed below, to arrive at the distributable earnings and the number of shares in issue at 31 December 2014.

	Group 31 Dec 2014	Group 31 Dec 2013
Profit for the year attributable to equity holders	**99,195**	**57,464**
Unrealised foreign exchange loss	350	256
Acquisition fees	2,357	4,986
Share-based payment expense	675	955
Accrued interest on share-based payments	542	563
Fair value adjustments of investment property	(27,980)	(19,787)
Fair value gains of financial investments at fair value through profit or loss	(1,299)	(970)
Fair value adjustment of financial assets and liabilities	1,866	(1,157)
Amortisation of financial assets	(708)	(476)
Net result on sale of financial investments	–	(586)
Dividends received from financial investments	(2,417)	(2,906)
Accrued dividend from financial investments	2,304	4,364
Gain on disposal of investment property	(619)	(527)
Gain on acquisition of subsidiaries	(1,400)	(5,547)
Deferred tax expense	637	9,007
Impairment of goodwill	–	816
Shares issued *cum* distribution	6,870	3,577
Adjustments related to joint-ventures		
Fair value adjustments of investment property	(7,247)	(126)
Fair value adjustment of financial assets and liabilities	1 016	(883)
Deferred tax expense/(income)	930	(1,271)
Adjustments related to non-controlling interest		
Fair value adjustments of investment property	–	1
Deferred tax income	–	(108)
Acquisition fees	–	(275)
DISTRIBUTABLE EARNINGS FOR THE YEAR	**75,072**	**47,370**
Distribution from reserves	6,659	1,574
Less: distribution declared	(81,731)	(48,944)
Interim distribution	(33,475)	(20,594)
Final distribution	(48,256)	(28,350)
Earnings not distributed	–	–
Number of shares entitled to distribution	278,138,240	204,544,236
DISTRIBUTABLE EARNINGS PER SHARE (EURO CENTS)	**29.69**	**25.79**
Distribution from reserves per share (euro cents)	2.53	1.00
Less: distribution declared (euro cents)	**(32.22)**	**(26.79)**
Interim distribution per share (euro cents)	(14.87)	(12.93)
Final distribution per share (euro cents)	(17.35)	(13.86)
Earnings per share not distributed (euro cents)	–	–

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

2014	Event	Number of shares	% of period	Weighted average
01/01/2014	Period opening	199,836,882	29	56,547,250
14/04/2014	Return of capital	204,493,561	1	1,685,386
17/04/2014	Private placement	218,342,304	19	41,389,063
25/06/2014	Issue of shares under the Current Share Scheme	220,412,304	13	28,459,830
11/08/2014	Book build	235,454,189	6	14,877,600
03/09/2014	Sale of shares issued under the Initial Share Scheme	236,549,491	9	21,445,421
06/10/2014	Return of capital	241,537,958	6	15,262,014
29/10/2014	Book build	255,178,735	9	23,134,336
01/12/2014	Book build	274,526,188	8	22,625,785
31/12/2014	Year-end			225,426,685

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

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

2014	Event	Number of shares	% of period	Weighted average
01/01/2014	Period opening	204,544,236	29	57,879,276
14/04/2014	Return of capital	209,200,915	1	1,724,183
17/04/2014	Private placement	223,049,658	19	42,281,391
25/06/2014	Issue of shares under the Current Share Scheme	225,119,658	13	29,067,648
11/08/2014	Book build	240,161,543	15	36,947,930
06/10/2014	Return of capital	245,150,010	6	15,490,248
29/10/2014	Book build	258,790,787	9	23,461,802
01/12/2014	Book build	278,138,240	8	22,923,481
31/12/2014	Year-end			229,775,959

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

31 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2014 was based on headline earnings of €68,061 thousand (31 December 2013: €35,348 thousand) and the weighted average of 225,426,685 ordinary shares in issue during 2014 (2013: 163,836,991), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the year to headline earnings	Group 31 Dec 2014	Group 31 Dec 2013
Profit for the year attributable to equity holders	99,195	57,464
Fair value adjustments of investment property	(27,980)	(19,787)
Gain on sale of investment property	(619)	(527)
Gain on acquisition of subsidiaries	(1,400)	(5,547)
Impairment of goodwill	–	816
Total tax effects of adjustments	4,952	3,035
Fair value adjustment of investment property for joint-ventures	(7,247)	(126)
Total tax effects of adjustments for joint-ventures	1,160	20
HEADLINE EARNINGS	**68,061**	**35,348**

32 BUSINESS COMBINATIONS

During the reported period, the Group made several acquisitions in Romania and Serbia for a total consideration of €203,289 thousand, and resulting in €3,934 thousand goodwill due to deferred tax liability, as at the acquisition date. Part of the goodwill resulted was subsequently written-off against the increase in the acquired properties' fair value as at 31 December 2014 (Note 12).

In 2014, a gain from acquisition of subsidiaries of €1,400 thousand was realised in relation to the 2010 acquisition of Floreasca Business Park. This gain was due to a contractual amount retained from the purchase price, for the purpose of securing certain obligations undertaken by the sellers. The contractual obligations were not fulfilled within the agreed contractual term and consequently the amount was not released.

Aurora Shopping Mall and Alba Iulia Value Centre (13 August 2014)

In August 2014, the Group entered into a business transfer agreement to take over the operating activity and assets of Aurora Shopping Mall and Alba Iulia Value Centre for an aggregated purchase price of €10,000 thousand.

Since the effective date of business transfer, on 13 August 2014, the properties have contributed €1,767 thousand to profit after tax and €907 thousand to the Group's recoveries and contractual rental income.

	Alba Iulia Value Centre	Aurora Shopping Mall
Investment property	3,000	7,000
Total identifiable net assets at fair value/Total consideration paid in cash	**3,000**	**7,000**

Kragujevac Plaza (1 September 2014)

In September 2014 the Group acquired SEK from Plaza Centers Holding. The company owns Kragujevac Plaza, a 21,870m² GLA mall in Kragujevac, Serbia, that opened in March 2012.

The effective acquisition date was 1 September 2014, and the fair value of the company's identifiable assets and liabilities at the acquisition date are detailed below.

Investment property	39,940
Current assets	3,030
Current liabilities	(1,510)
Deferred tax liabilities	(1,320)
Total identifiable net assets at fair value/Total consideration paid in cash	**40,140**

From the effective acquisition date, SEK has contributed €786 thousand to profit after tax and €1,242 thousand to the Group's recoveries and contractual rental income.

Promenada Mall (31 October 2014)

In October 2014 the Group acquired Floreasca City Center from RE Project Development and Manierita Ltd. The company owns Promenada Mall, a 40,300m² GLA mall in Bucharest, Romania, that opened in October 2013.

The effective acquisition date was 31 October 2014, and of the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below.

Investment property	148,000
Current assets	11,464
Current liabilities	(6,315)
Deferred tax liabilities	(3,934)
Total identifiable net assets at fair value	**149,215**
Goodwill arising on acquisition	3,934
Total consideration paid in cash	**153,149**

From the effective date of acquisition, Floreasca City Center has contributed €1,249 thousand to profit after tax and €1,325 thousand to the Group's recoveries and contractual rental income. Goodwill arose from the deferred tax liability, and €1,441 thousand was subsequently written-off against the increase in the property fair value as at 31 December 2014 (Note 12).

33 JOINT-VENTURES

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

31 Dec 2014	Ploiesti Shopping City	German Portfolio	The Office	Total
Statement of financial position				
Non-current assets	81,244	–	49,186	130,430
Current assets	6,356	–	2,566	8,922
TOTAL ASSETS	**87,600**	–	**51,752**	**139,352**
Non-current liabilities	(69,424)	–	(24,442)	(93,866)
Current liabilities	(3,578)	–	(15,426)	(19,004)
Total liabilities	**(73,002)**	–	**(39,868)**	**(112,870)**
Equity attributable to equity holders	**(14,598)**	–	**(11,884)**	**(26,482)**
TOTAL EQUITY AND LIABILITIES	**(87,600)**	–	**(51,752)**	**(139,352)**
Statement of comprehensive income				
Contractual rental income and expense recoveries	8,434	3,048	640	12,122
Property operating expenses	(3,058)	(762)	(348)	(4,168)
Administrative expenses	(224)	(416)	238	(402)
Fair value adjustment investment property	(142)	–	14,636	14,494
Foreign exchange gain/loss	(26)	–	78	52
Profit before net finance expense	**4,984**	**1,870**	**15,244**	**22,098**
Net finance income/(expense)	**(9,496)**	**(340)**	**(2,106)**	**(11,942)**
Finance income	36	–	2	38
Finance expense	(9,532)	(340)	(2,108)	(11,980)
Profit/(loss) before income tax	**(4,512)**	**1,530**	**13,138**	**10,156**
Tax release/(charge)	142	–	(2,002)	(1,860)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**(4,370)**	**1,530**	**11,136**	**8,296**

Shareholder loans to Ploiesti Shopping City and The Office, Cluj-Napoca were granted by NE Property Cooperatief, while that to German Portfolio was granted by New Europe Property (BVI). All shareholder loans are subject to interest at 12% per annum. Interest income from joint-ventures in 2014 amounted to €3,843 thousand (2013: €3,129 thousand).

31 Dec 2014	Ploiesti Shopping City	The Office	Total
Long-term loans granted to joint-ventures	19,412	10,983	30,395
HEADLINE EARNINGS	**19,412**	**10,983**	**30,395**

Ploiesti Shopping City – BRD Groupe Societe Generale loan

Ploiesti Shopping City entered into a loan facility agreement for a total amount of €36,500 thousand from BRD Groupe Societe Generale. The credit facility matures in 2024 and is repayable in quarterly instalments.

Security

- General security over the property (weighted fair value as at 31 December 2014 of €39,625 thousand), current assets, cash inflows from operating activities, accounts and receivables of Ploiesti Shopping City.

Covenants

- Loan to value ratio of maximum 50%;
- Debt service cover ratio of minimum 120%, and
- Interest coverage ratio of minimum 170%.

The Office, Cluj-Napoca – Raiffeisen Bank loan

In 2014 The Office entered into a credit facility agreement with three sub-limits with a total value of €18,000 thousand with Raiffeisen Bank. As at 31 December 2014, in accordance with the contractual terms, a total amount of €13,750 thousand was disbursed (the 50% corresponding to the Group stands at €6,875 thousand). Subsequent to the year end, in February 2015, an amount of €2,000 thousand was disbursed (€1,000 thousand corresponding to the Group) and the remaining balance will be available for withdrawal prior to 30 June 2015. The credit facility matures during June 2020 and is repayable in monthly instalments.

Security

- General security over the property (weighted fair value as at 31 December 2014 of €19,940 thousand), current assets, cash inflows from operating activities, accounts and receivables of Cluj Business Centre.

Covenants

- Loan to value ratio of maximum 60%, and
- Debt service cover ratio of minimum 130%.

Disposal of German Portfolio

The Group sold its interest in the German properties acquired in 2008 to its co-investor for €18.2 million on a debt-free basis, which represents a premium of €619 thousand on the book value. This is consistent with Group strategy to invest in higher-growth eastern European markets. The transaction was finalised in December 2014.

34 SEGMENT REPORTING

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

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

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

Segment results 31 Dec 2014	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Contractual rental income and expense recoveries	59,496	25,541	1,980	–	87,017
Property operating expenses	(18,698)	(6,368)	(202)	–	(25,268)
Administrative expenses	(314)	(322)	9	(2,212)	(2,839)
Acquisition fees	(2,346)	(11)	-	–	(2,357)
Fair value adjustments of investment property	29,549	(1,514)	(55)	–	27,980
Fair value gains on financial investments	(666)	–	-	1,965	1,299
Dividends received from financial investments	–	–	–	2,417	2,417
Share-based payment expense	–	–	-	(675)	(675)
Foreign exchange gain/loss	(209)	(7)	(4)	(21)	(241)
Gain on acquisition of subsidiaries	–	1,400	–	–	1,400
Profit on disposal of investment property held for sale	619	–	–	–	619
Profit before net financing cost	**67,431**	**18,719**	**1,728**	**1,474**	**89,352**
Net finance expense/(income)	**5,740**	**(3,415)**	**(138)**	**(775)**	**1,412**
— Finance income	3,706	1,307	–	2,302	7,315
— Finance expense	2,034	(4,722)	(138)	(3,077)	(5,903)
Share of profit of joint-ventures	(1,573)	5,721	–	–	4,148
Profit before tax	**71,598**	**21,025**	**1,590**	**699**	**94,912**
Deferred tax expense	248	(854)	(2)	(29)	(637)
Profit after tax	**71,846**	**20,171**	**1,588**	**670**	**94,275**
Non-controlling interest (IS)	4,920	–	–	–	4,920
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**76,766**	**20,171**	**1,588**	**670**	**99,195**

Segment results 31 Dec 2013	Retail	Office	Industrial	Corporate	Total
Contractual rental income and expense recoveries	26,055	27,313	1,954	–	55,322
Property operating expenses	(7,442)	(6,284)	(176)	–	(13,902)
Administrative expenses	(77)	248	(88)	(2,263)	(2,180)
Acquisition fees	(4,548)	(438)	–	–	(4,986)
Fair value adjustments of investment property	23,609	(3,470)	(352)	–	19,787
Fair value gains of financial investments at fair value through profit or loss	–	–	–	970	970
Net result on sale of financial investments	–	–	–	586	586
Dividends received from financial investments	–	–	–	2,906	2,906
Share-based payment expense	–	–	–	(955)	(955)
Foreign exchange loss	63	(33)	–	(268)	(238)
Gain on acquisition of subsidiaries	5,547	–	–	–	5,547
Gain on disposal of investment property held for sale	527	–	–	–	527
Impairment of goodwill	–	(816)	–	–	(816)
Profit before net finance (expense)/income	**43,734**	**16,520**	**1,338**	**976**	**62,568**
Net finance (expense)/income	**(17,933)**	**(10,797)**	**(1,612)**	**32,126**	**1,784**
— Finance income	2,481	1,073	1	3,959	7,514
— Finance expense	(20,414)	(11,870)	(1,613)	28,167	(5,730)
Share of profit of joint-ventures	1,036	205	–	–	1,241
Profit before tax	**26,837**	**5,928**	**(274)**	**33,102**	**65,593**
Deferred tax expense	(3,253)	(5,741)	48	(61)	(9,007)
Profit after tax	**23,584**	**187**	**(226)**	**33,041**	**56,586**
Non-controlling interest	878	-	-	-	878
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**24,462**	**187**	**(226)**	**33,041**	**57,464**

Segment assets and liabilities 31 Dec 2014	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**1,044,641**	**264,335**	**16,876**	**42,341**	**1,368,193**
Investment property	1,011,680	240,743	16,876	–	1,269,299
— Investment property at fair value	736,434	225,670	16,876	–	978,980
— Investment property under development	193,173	15,073	–	–	208,246
— Advances for investment property	82,073	–	–	–	82,073
Goodwill	6,617	5,929	–	5,093	17,639
Investments in joint-ventures	**7,299**	**5,942**	–	–	**13,241**
Loans granted to joint-ventures	19,502	10,893	–	–	30,395
Other long-term assets	(497)	768	–	37,173	37,444
Financial assets at fair value through profit or loss	40	60	–	75	175
Current assets	**103,304**	**6,775**	**332**	**38,294**	**148,705**
Trade and other receivables	35,976	3,283	47	1,163	40,469
Cash and cash equivalents	67,328	3,492	285	37,131	108,236
Investment property held for sale	**5,823**	**21,537**	–	–	**27,360**
TOTAL ASSETS	**1,153,768**	**292,647**	**17,208**	**80,635**	**1,544,258**
SEGMENT LIABILITIES					
Non-current liabilities	**122,231**	**113,654**	**1,941**	**3,519**	**241,345**
Loans and borrowings long-term	75,109	95,962	–	–	171,071
Deferred tax liabilities	42,238	14,989	266	24	57,517
Other long-term liabilities	4,884	2,612	1,675	–	9,171
Financial liabilities at fair value through profit or loss	–	91	–	3,495	3,586
Current liabilities	**45,762**	**15,457**	**441**	**(36)**	**61,624**
Trade and other payables	30,504	7,782	441	(362)	38,365
Loans and borrowings short-term	15,258	7,675	–	326	23,259
TOTAL LIABILITIES	**167,993**	**129,111**	**2,382**	**3,483**	**302,969**

Segment assets and liabilities 31 Dec 2013	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**564,678**	**280,219**	**16,930**	**36,213**	**898,040**
Investment property	528,606	261,929	16,930	–	807,465
— Investment property at fair value	438,621	248,260	16,930	–	703,811
— Investment property under development	89,985	13,669	–	–	103,654
Goodwill	4,124	7,001	–	5,093	16,218
Investments in joint-ventures	5,127	(72)	–	–	5,055
Loans granted to joint-ventures	26,447	10,617	–	–	37,064
Other long-term assets	137	–	–	29,691	29,828
Financial assets at fair value through profit or loss	237	744	–	1,429	2,410
Current assets	**45,905**	**9,112**	**378**	**86,212**	**141,607**
Trade and other receivables	22,771	3,017	118	2,130	28,036
Financial investments at fair value through profit or loss	–	–	–	61,079	61,079
Cash and cash equivalents	23,134	6,095	260	23,003	52,492
Investment property held for sale	**1,561**	–	–	–	**1,561**
TOTAL ASSETS	**612,144**	**289,331**	**17,308**	**122,425**	**1,041,208**
SEGMENT LIABILITIES					
Non-current liabilities	**105,366**	**123,021**	**265**	**3,608**	**232,260**
Loans and borrowings	67,656	105,912	–	–	173,568
Deferred tax liabilities	35,260	15,092	265	61	50,678
Deferred tax liabilities	2,450	1,609	–	–	4,059
Financial liabilities at fair value through profit or loss	–	408	–	3,547	3,955
Current liabilities	**60,169**	**19,160**	**2,089**	**15,294**	**96,712**
Trade and other payables	19,902	5,566	2,049	4,729	32,246
Interest bearing borrowings	40,267	13,594	40	10,565	64,466
TOTAL LIABILITIES	**165,535**	**142,181**	**2,354**	**18,902**	**328,972**

Since August 2013 the Group has commenced operations in Slovakia through the acquisition of Aupark Zilina, and since September 2014 in Serbia through the acquisition of Kragujevac Plaza. The Group's segmental results are detailed below.

Geographical segments results	Romania 2014	Slovakia 2014	Serbia 2014	Romania 2013	Slovakia 2013	Serbia 2013	Total 2014	Total 2013
Net operating income	53,227	7,280	1,242	38,653	2,767	–	61,749	41,420
Profit before tax	91,568	1,598	1,746	58,242	7,351	–	94,912	65,593
Investment property	1,130,299	99,500	39,500	712,165	95,300	–	1,269,299	807,465

35 CONTINGENT ASSETS AND LIABILITIES

Guarantees

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

As at 31 December 2014, the Group had received letters of guarantee from tenants worth €10,601 thousand (31 December 2013: €9,230 thousand) and from suppliers worth €7,529 thousand (31 December 2013: €1,810 thousand) related to ongoing developments.

36 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

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

Material related party transactions

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

Directors' fees	Total Group 31 Dec 14	Company 31 Dec 14	Subsidiaries 31 Dec 14	Total Group 31 Dec 13	Company 31 Dec 13	Subsidiaries 31 Dec 13
Martin Slabbert	267	252	16	224	209	17
Victor Semionov	134	75	59	102	62	39
Alexandru Morar	125	116	9	96	89	7
Tiberiu Smaranda	125	78	47	96	10	86
Jeffrey Zidel	33	33	–	33	33	–
Desmond de Beer	32	32	–	31	31	–
Dan Pascariu	30	30	–	30	30	–
Dewald Joubert	28	28	–	28	28	–
Michael Mills	26	26	–	26	26	–
TOTAL	**800**	**670**	**131**	**666**	**518**	**149**

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

Name of Director	Number of shares held as at 31 Dec 2014
Martin Slabbert	2,266,012
Victor Semionov	1,405,985
Alexandru Morar	1,183,583
Tiberiu Smaranda	861,537
TOTAL	**5,717,117**

37 SUBSEQUENT EVENTS

Kosice Acquisition (18 December 2014)

As announced on 19 December 2014, the Group acquired Aupark Kosice with the effective acquisition date 18 December 2014. As the transfer of shares of the companies owning the properties was pending at year-end, the transaction is not reflected as complete in the 2014 accounts.

The amount paid in 2014 was recognised in the Group's financial statements as advances for investment property.

Aupark Kosice includes a 34,000m² GLA regional mall (Aupark Kosice Mall), and an adjoining 12,800m² GLA office building (Aupark Kosice Tower). The Group also purchased a 4.1ha development site (Malinovsky Barracks). The transaction was finalised in February 2015 and therefore will be recognised in the 2015 financial statements.

Investment property	165,000
Current assets	6,567
Current liabilities	(6,802)
Non-current liabilities	(82,874)
Deferred tax liabilities	(11,188)
Total identifiable net assets at fair value	**70,703**
Goodwill arising on acquisition	11,188
Total consideration payable	**81,891**
Hold back amount	(3,500)
Total consideration paid in cash	**78,391**

Change in management

Given the growth in operations, the Group extended the Board of Directors with the appointment of Victor Semionov (formerly Finance Director) as Chief Operating Officer, Mirela Covasa as Finance Director and Nevenka Pergar as a Non-Executive Director. Ms Covasa is a chartered accountant and auditor, and was a Senior Manager with PricewaterhouseCoopers before joining NEPI in 2012 as Finance Manager. Ms Pergar is a qualified attorney and investment professional with substantial transactional and investment experience in the former Yugoslavian market, where NEPI is considering expanding its business. She is also a former Junior Minister and Secretary General of the Government of the Republic of Slovenia.

Notice of 2015 AGM

Notice is hereby given that the seventh Annual General Meeting of New Europe Property Investments plc ('NEPI' or 'the Company') will be held at its registered office being 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 18 May 2015 at 10:00 AM British Summer Time ('BST'), to address the considering and, if deemed fit, adopting of the resolutions set out below.

Shareholders are advised that all matters related to the remuneration of the Board of Directors of the Company and the share incentive scheme will be discussed in an Extraordinary General Meeting of shareholders, details of which will be issued in due course

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 2014.
2. To re-elect those Directors of the Company who will retire by rotation at the Company's Annual General Meeting, in accordance with Article 86 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election.
   - 2.1 Desmond de Beer;
   - 2.2 Michael Mills, and
   - 2.3 Victor Semionov.
3. To re-elect those Directors of the Company who had been appointed by the Company's Board of Directors since the last Annual General Meeting of the Company, who will retire at the Company's Annual General Meeting, in accordance with article 81 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election:
   - 3.1 Mirela Covasa, and
   - 3.2 Nevenka Pergar.

In terms of the Company's Articles of Association, in order for each of resolutions 1 to 3 above to be adopted, such resolutions must be approved by a member or members holding a majority in excess of 50% of the voting rights exercisable by shareholders, present in person or by proxy.

SPECIAL BUSINESS

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

4. To appoint PricewaterhouseCoopers as Auditor of the Group and Company and to authorise the Company's Directors to fix their remuneration.
5. To increase the maximum amount of the share capital of the Company available for issue from €3,000,000 (three million) divided into 300,000,000 ordinary shares of €0.01 each to €6,000,000 (six million) divided into 600,000,000 ordinary shares of €0.01 each and to amend Article 4 of the Company's Articles of Association by deleting reference to €3,000,000 and 300,000,000 and replacing them with €6,000,000 and 600,000,000.
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 of the Company's Articles of Association, the Listings Requirements of the JSE Ltd, the AIM Rules for Companies issued by the London Stock Exchange plc and the rules of the Bucharest Stock Exchange, the Directors of the Company be and are hereby authorised until this authority lapses at the next Annual General Meeting of the Company, provided that this authority shall not extend beyond 15 months, to allot and issue shares of the Company (including the grant or issue of options or convertible securities that are convertible into an existing class of shares) for cash (or for the extinction or payment of any liability, obligation or commitment, restraint or settlement of expenses) on the following basis:

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

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

6.3 the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 27,813,824 shares, being 10% of the Company's issued shares as at the date of notice of this Annual General Meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 27,813,824 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;

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

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

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

6.6.1 the number of shares issued;

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

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

In terms of the Listings Requirements of the JSE Ltd, in order for resolutions 4 to 6 above to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

QUORUM

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

By order of the Board,
CE Cassell
COMPANY SECRETARY

Notes to Notice of Annual General Meeting, dated 18 May 2015

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

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

3. A form of proxy is included with this notice (on page 131) and instructions for its use are shown on the form.

4. A duly completed and signed form of proxy must be received by the Company's registrar, Sabre Fiduciary Limited, at the Company's registered office (which is detailed in this notice) no later than 48 (forty eight) hours before the time that the meeting is due to commence. Delivery by e-mail is acceptable, as detailed in the proxy form on page 131.

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

6. Pursuant to regulation 22 of the Uncertificated Securities Regulations 2006 (SD 743/06), the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 10:00 AM BST on 18 May 2015 ('the Register Time and Date'), being not more than two working days before the time fixed for the meeting to commence. Changes to entries on the register after the Register Time and Date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

Proxy Form

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

I/We ………………………………………………………………………………… of …………………………………………………………………………………

being a member/members of New Europe Property Investments plc hereby appoint the Chairman of the meeting, or failing him ……………………………………………………………………………… as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 18 May 2015 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 2014.		
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	Desmond de Beer;		
2.2	Michael Mills, and		
2.3	Victor Semionov.		
3	To re-elect those Directors of the Company who will retire at the Company's Annual General Meeting, in accordance with article 81 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election:		
3.1	Mirela Covasa, and		
3.2	Nevenka Pergar.		

SPECIAL BUSINESS

		YES	NO
4	To appoint PricewaterhouseCoopers as Auditor of the Group and to authorise the Company's Directors to fix their remuneration.		
5	To increase the maximum amount of share capital of the Company available for issue and to amend Article 4 of the Company's Articles of Association.		
6	General authority to issue shares for cash as proposed in the notice of the Annual General Meeting.		

SIGNATURE

DATE

Management accounts

As the Group is focusing on being consistent in those areas of reporting that are seen to be of most relevance to investors and on providing a meaningful basis of comparison for users of the financial information, it has prepared unaudited management accounts. The main difference between the management accounts and the financial statements is that the management accounts statements are prepared using the proportionate consolidation method for investments in joint-ventures, which is not in accordance with IFRS (but consistent with financial statements prepared in accordance with IFRS reported before 1 January 2013), while the IFRS financial statements use the equity method for accounting for these investments (following the adoption of IFRS 11 'Joint Arrangements' effective 1 January 2013). The management accounts have been prepared by and are the responsibility of the Directors of NEPI. Due to its nature, the management accounts may not fairly reflect the financial position and results of the Group.

Consolidated Statements of Income	**Group 31 Dec 2014**	**Group 31 Dec 2013**	**Group 31 Dec 2012**	**Group 31 Dec 2011**	**Group 31 Dec 2010**
Gross rental income	**67,459**	**45,990**	**31,261**	**25,975**	**17,822**
Net service charge and operating expenses	(1,733)	(802)	(828)	(2,248)	(1,598)
Service charge and other recoveries	25,619	14,937	8,915	6,094	3,447
Property operating expenses	(27,352)	(15,739)	(9,743)	(8,342)	(5,045)
Net operating Income	**65,726**	**45,188**	**30,433**	**23,727**	**16,224**
Corporate expenses	(4,667)	(2,875)	(2,680)	(2,023)	(1,863)
Property management net result	1,498	786	469	–	–
EBITDA	**62,557**	**43,099**	**28,222**	**21,704**	**14,361**
Net finance (expense)/income	**3,372**	**(3,341)**	**(6,246)**	**(663)**	**(5,071)**
Finance expenses	(7,502)	(9,975)	(9,324)	(7,941)	(5,653)
Finance income	6,374	3,260	1,854	6,254	582
Interest capitalised on development costs	4,500	3,374	1,224	1,024	–
Direct investment result	**65,929**	**39,758**	**21,976**	**21,041**	**9,290**
Indirect investment result	33,266	17,706	11,127	(2,269)	(2,379)
Profit for the year attributable to equity holders	**99,195**	**57,464**	**33,103**	**18,772**	**6,911**
Reverse indirect result	(33,266)	(17,706)	(11,127)	2,269	2,379
Company specific adjustments	2,273	4,035	10,209	(287)	50
Distributable earnings before issue *cum* distribution	**68,202**	**43,793**	**32,185**	**20,754**	**9,340**
Issue *cum* distribution adjustment	6,870	3,577	3,157	2,323	2,325
Distributable earnings	**75,072**	**47,370**	**35,342**	**23,077**	**11,665**
Distributable earnings per share (euro cents)	29.69	26.79	25.95	24.67	17.61
of which recurring distributable earnings per share (euro cents)	29.69	25.79	20.88	18.54	17.61
Distribution per share (euro cents)	32.22	26.79	23.29	20.25	17.61

Consolidated Statements of Financial Position	**Group 31 Dec 2014**	**Group 31 Dec 2013**	**Group 31 Dec 2012**	**Group 31 Dec 2011**	**Group 31 Dec 2010**
ASSETS					
Non-current assets	**1,389,772**	**920,924**	**444,667**	**362,403**	**328,992**
Investment property	1,334,512	872,465	416,674	341,802	313,755
Income producing properties at fair value	1,038,545	758,623	393,966	316,393	300,899
Developments at cost	213,894	113,842	22,708	25,409	12,856
Advances paid for investment property	82,073	–	–	–	–
Goodwill	17,639	16,218	13,189	13,351	13,850
Long-term loans granted	37,446	29,831	14,728	6,213	–
Financial assets at fair value through profit or loss	175	2,410	76	1,037	1,387
Current assets	**180,526**	**149,920**	**213,841**	**62,816**	**31,185**
Investment property held for sale	27,360	1,561	28,665	–	–
Trade and other receivables	41,199	31,443	15,799	7,751	7,338
Financial investments at fair value through profit or loss	–	61,079	81,865	–	–
Cash and cash equivalents	111,967	55,837	87,512	55,065	23,847
TOTAL ASSETS	**1,570,298**	**1,070,844**	**658,508**	**425,219**	**360,177**
LIABILITIES	**329,009**	**358,608**	**264,886**	**189,960**	**205,090**
Loans and borrowings	218,399	266,136	219,148	164,866	178,412
Deferred tax liabilities	55,907	50,160	22,321	15,086	15,586
Other long-term liabilities	9,446	4,059	–	–	–
Financial liabilities at fair value through profit and loss	5,104	4,699	7,730	2,380	1,223
Trade and other payables	40,153	33,554	15,687	7,628	9,869
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	**1,241,289**	**712,236**	**393,622**	**235,259**	**155,087**
TOTAL LIABILITIES AND EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	**1,570,298**	**1,070,844**	**658,508**	**425,219**	**360,177**
Adjusted NAV per share (euro)	4.63	3.70	2.88	2.43	2.22

Schedule of properties

INFORMATION AS AT 31 DECEMBER 2014

Property name	Acquisition/ Opening date	Type	Location	GLA	Weighted by ownership GLA	Valuation	Passing rent/Dev. ERV	Occupancy
				m²	m²	€m	€m	
TOTAL PROPERTIES				**860,664**	**741,082**	**1 279.8**	**116.9**	
INCOME PRODUCING PROPERTIES				**637,048**	**527,172**	**1 038.5**	**80.9**	**98.2%**
RETAIL				**498,978**	**399,739**	**776.0**	**60.3**	**98.3%**
Promenada Mall	2014	Mall	Romania	40,300	40,300	149.4	10.0	98.0%
City Park	2013	Mall	Romania	29,284	29,284	90.4	7.4	100.0%
Aupark Zilina	2013	Mall	Slovakia	25,127	25,127	99.5	7.1	99.8%
Braila Mall	2009	Mall	Romania	54,850	54,850	73.4	5.4	96.9%
Deva Shopping Centre	2013	Mall	Romania	42,180	42,180	49.6	4.5	99.1%
Vulcan Value Centre	2014	Value centre	Romania	24,700	24,700	50.7	3.9	94.8%
Shopping City Galati	2013	Mall	Romania	27,206	27,206	48.0	3.6	97.6%
Pitesti Retail Park	2010	Value centre	Romania	39,868	24,836	41.7	3.6	100.0%
Kragujevac Plaza	2014	Mall	Serbia	21,870	21,870	39.5	3.4	97.4%
Ploiesti Shopping City *	2012	Mall	Romania	46,436	23,218	39.6	3.0	97.4%
Shopping City Targu Jiu	2014	Mall	Romania	26,800	26,800	37.1	3.0	99.2%
Severin Shopping Center	2013	Mall	Romania	16,546	16,546	19.3	1.6	97.3%
Aurora Shopping Mall	2014	Mall	Romania	17,959	17,959	7.3	1.4	100.0%
Regional value centres **	2007–2014	Value centres	Romania	85,852	24,863	30.5	2.4	100.0%
OFFICE				**110,228**	**99,591**	**245.6**	**18.9**	**97.8%**
Floreasca Business Park	2010	Office	Romania	36,240	36,240	101.1	7.4	97.6%
The Lakeview	2013	Office	Romania	25,564	25,564	67.5	5.2	100.0%
City Business Centre	2012	Office	Romania	27,151	27,151	57.1	4.7	97.1%
The Office – Phase I *	2014	Office	Romania	21,273	10,636	19.9	1.6	92.5%
INDUSTRIAL				**27,842**	**27,842**	**16.9**	**1.7**	**98.6%**
Rasnov Industrial Facility	2007	Industrial	Romania	23,040	23,040	11.9	1.2	98.3%
Otopeni Warehouse	2010	Industrial	Romania	4,802	4,802	5.0	0.5	100.0%
DEVELOPMENTS UNDER CONSTRUCTION				**186,403**	**176,697**	**213.9**	**34.4**	
Mega Mall ***		Mall development	Romania	72,080	72,080	107.5	17.1	
Shopping City Timisoara		Mall development	Romania	55,692	55,692	26.0	7.6	
Victoriei Office		Office development	Romania	8,428	8,428	15.1	3.0	
City Park		Mall extension	Romania	20,192	20,192	0.4	3.9	
Deva Shopping Centre		Mall extension	Romania	10,599	10,599	1.5	1.3	
The Office – Phase II *		Office extension	Romania	19,412	9,706	3.3	1.5	
Land held for extensions and developments						60.1		
NON-CORE PROPERTIES				**37,213**	**37,213**	**27.4**	**1.6**	

The Group owns properties in Kosice, Slovakia, to the value of €171 million (of which €140.1 million retail, €20.1 million office and €10.8 million land held for development), acquired with an effective date of 18 December 2014. The transfer of shares was finalised on 10 February 2015 and as a result, the transaction is not reflected in the 2014 financial statements.

* The Group owns 50% of Ploiesti Shopping City (in partnership with Carrefour Property) and 50% of The Office, Cluj-Napoca (in partnership with Ovidiu Sandor, an experienced Romanian office developer). These joint-ventures are accounted for under the equity method in accordance with IFRS 11 'Joint Arrangements' in the IFRS financial statements.

** The Group owns value centres located in Alba-Iulia, Alexandria, Brasov, Petrosani, Sfantu Gheorghe, Sighisoara and Vaslui.

*** The Group owns 70% of Mega Mall, which is accounted for at 100% in the IFRS financial statements, with a corresponding 30% non-controlling interest included in Equity.

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Company	**New Europe Property Investments plc** Registration number 001211V JSE share code: NEP, AIM share code: NEPI, BVB share code: NEP 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN
Company Administrator and Registrar	**Sabre Fiduciary Ltd** 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN Phone +44 (0) 2031 801 547 Fax +44 1624 629 282
Auditors and Reporting Accountants	**PricewaterhouseCoopers LLC** 60 Circular Road, Douglas, IM1 1SA, 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