NE PROPERTY COÖPERATIEF U.A.

(incorporated as a cooperative with exclusion of liability (coöperatie met uitgesloten aansprakelijkheid) under the laws of the Netherlands, registration number 34285470)

EUR1,000,000,000

Guaranteed Euro Medium Term Note Programme

guaranteed by

NEPI ROCKCASTLE PLC

(incorporated with limited liability under the laws of the Isle of Man, registration number 014178V)

Under the Guaranteed Euro Medium Term Note Programme described in this Base Prospectus (the "**Programme**"), NE Property Coöperatief U.A. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes guaranteed by NEPI Rockcastle plc (the "**Guarantee**" and the "**Guarantor**", respectively) (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR1,000,000,000 (or the equivalent in other currencies).

This Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange Plc (the "**Irish Stock Exchange**") for Notes (other than Exempt Notes (as defined below)) issued under the Programme during the period of 12 months from the date of this base prospectus to be admitted to the official list (the "**Official List**") and trading on its main securities market (the "**Market**"). This base prospectus constitutes a "**Base Prospectus**" for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). References in this Base Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial institutions. The Programme also permits Notes to be issued on the basis that they may be admitted to listing, trading and/or quotation by the Bucharest Stock Exchange as may be agreed with the Issuer.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published for any purpose under the Prospectus Directive. Exempt Notes do not form part of this Base Prospectus for the purposes of the Prospectus Directive and the Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes. The information in relation to Exempt Notes contained herein may not include the type, level and detail of disclosure as required by the Prospectus Directive or other legislation and any investor who acquires Exempt Notes will not have any recourse to the Issuer pursuant to any Prospectus Directive related liability regime. Exempt Notes may be admitted to listing, trading or quotation by any relevant authority, stock exchange and/or quotation system or be admitted to listing, trading and/or quotation by such other or further relevant authorities, stock exchanges and/or quotation systems, as may be agreed with the Issuer. The Issuer may also issue unlisted Exempt Notes and/or Exempt Notes not admitted to trading on any market.

In the case of Exempt Notes, the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined below) will be set out in a pricing supplement (the "**Pricing Supplement**"). In the case of Exempt Notes, references herein to "Final Terms" shall be deemed to be references to a "Pricing Supplement", so far as the context admits.

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and each of the temporary Global Notes and permanent Global Notes, a "**Global Note**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Programme has been rated BBB by both Standard & Poor's Ratings Services ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**"). S&P and Fitch are each established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus.

IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Arranger for the Programme

J.P. MORGAN

Dealers

ING **J.P. MORGAN**

SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING

Base Prospectus dated 15 November 2017

*This document comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "***Prospectus Directive***"). For the purpose of giving information with regard to the Issuer, the Guarantor and its consolidated subsidiaries (which includes the Issuer) taken as a whole (the "***Group***") this base prospectus when read together with the relevant Notes shall contain all information which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor and the rights attaching to the relevant issue of the Notes.*

*The Issuer and the Guarantor (the "***Responsible Person(s)***") accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers, the Arranger or the Trustee (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or the equivalent in any other currencies as at the date of issue of any Notes). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, a Dealer or the Trustee or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger, each Dealer and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of

Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stablisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stablisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to a "member state" are references to a member state of the European Economic Area, references to "EUR", "€" and "euro" are to the lawful currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, and all references to "GBP" are to the lawful currency of the United Kingdom.

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer and the Guarantor are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's or the Guarantor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding the Issuer's and the Guarantor's present and future business strategies and the environment in which they expect to operate in the future. Important factors that could cause their actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Base Prospectus:

- **their ability to integrate their newly-acquired operations and any future expansion of their business;**
- **their ability to realise the benefits they expect from existing and future investments in their existing operations and pending expansion and development projects;**
- **their ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;**
- **their ability to obtain external financing or maintain sufficient capital to fund their existing and future operations;**
- **changes in political, social, legal or economic conditions in the markets in which they and their customers operate;**
- **changes in the competitive environment in which they and their customers operate;**
- **failure to comply with regulations applicable to their business; or**
- **fluctuations in the currency exchange rates in the markets in which they operate.**

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of the Issuer or the Guarantor speak only as at the date they are made. Neither the Issuer nor the Guarantor undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference in, and forming part of, this Base Prospectus) and reach their own views prior to making any investment decision.

FACTORS RELATING TO THE GROUP

An investment in the Notes involves a high degree of risk. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained elsewhere in this Prospectus. Any of the risks described below could have a material adverse impact on the Group's business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and the Issuer's ability to pay all or part of the interest or principal on the Notes.

Additional risks not currently known to the Issuer or that the Issuer deems immaterial at the date of this Prospectus may also harm the Group. Prospective investors should be aware that the value of the Notes and any income from them (if any) may decrease as well as increase and that investors may not be able to realise their initial investment.

Risks relating to the Group's business and industry

The Group's capital expenditure and other construction, development and maintenance costs may be higher than expected

The Group's investment and development programme entails significant planned expenditures. In addition, the Group will continue to undertake construction and development work on an on-going basis with respect to its real estate assets to meet legal and market requirements and not all of such operating expenses may be passed on to the tenants. The Group is subject to a number of construction, operating and other risks relating to the completion of its investment and development of real estate programmes that are beyond its control. These include shortages of, increases in and/or price inflation in respect of (as applicable) the following: materials, equipment and labour, contractors' insolvency or bankruptcy, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than initially estimated by the Group. Furthermore, the inability to complete the construction and leasing of a property on schedule may result in increased construction or renovation costs which may result in the termination of an existing investment agreement and further result in claims by third parties for damages and termination of respective leases.

For large refurbishment or development projects, costs related to securing property, obtaining planning, demolition and/or construction or other required consents, dealing with counterparties and obtaining approvals and consents (both from third parties and regulators) can be significant and time consuming. There is also a risk that planning or permitted use consents are not obtained, are delayed, are subject to uneconomic or unfavourable conditions or, once received, may be challenged. The Group may abandon refurbishment or development opportunities that it has started to pursue and consequently fail to recover costs already incurred. In some cases, the refurbishment or development of properties may be subject to revaluation losses due to, for example, the Group's determination that a given refurbishment or development property is not likely to yield a desired level of net rental income or occupancy. Other write-offs relating to abandoned refurbishment or development opportunities, or revaluation losses resulting from changes in the value of a refurbishment or development properties, may occur in the future. Moreover, construction defects on completed or ongoing developments may lead to property and personal damages which affect the Group and the developments themselves.

Laws in relevant jurisdictions impacting the Group may be introduced that may be applied retrospectively and affect existing building consents which would restrict development in the Group's target geographies. This could negatively affect the Group's ability to complete a development and refurbishment programme on schedule or within the estimated budget. Even if the Group is successful in implementing a project, the Group may not see a return on its investments due to unforeseen costs. Any failure by the Group to complete an investment and development programme or to otherwise undertake appropriate construction or refurbishment work could adversely affect the rental revenue earned from the affected real estate, impacting the Group's business, financial condition, prospects and results of operations.

The Group is exposed to certain risks relating to real estate investments

Investing in real estate is generally subject to various risks, including the following:

- adverse changes in national or international economic conditions;
- adverse local market conditions;
- the financial conditions of the retail sector (including tenants, buyers and sellers of real estate);
- the availability of debt financing;
- changes in interest rates, real estate tax rates and other operating expenses;
- environmental and operational laws and regulations, planning laws and other governmental rules and fiscal policies;
- environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established;
- energy and utilities prices;
- ownership restitution risks, property ownership uncertainty and related litigation;
- changes in the relative popularity of real estate types and locations leading to an oversupply of space or a reduction in demand for a particular type of real estate in a given market; and
- risks and operating problems arising out of the possible lack of availability of certain construction materials.

These factors could cause fluctuations in rental income or operating expenses, which in turn would have a negative effect on the operating returns derived from, and the value of, properties. The value of properties may also be significantly diminished in the event of a downturn in real estate prices or the occurrence of any of the other factors mentioned above. Such a decrease in value or decrease in rental income or the increase in operating expenses would have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may not successfully integrate recent or future acquisitions or realise synergies from such acquisitions and may not be able to manage growth successfully

The Group has a history of making strategic acquisitions. The Group has grown partly through the acquisition of other businesses in new markets, including the acquisition of Forum Usti nad Labem (Czech Republic) and Arena Centar (Croatia) in 2016 and the acquisition of Serdika Center (Bulgaria) and Arena Plaza (Hungary) in the third quarter of 2017. An important element in the growth of the Group was the successful completion of the merger between New Europe Property Investments Plc and Rockcastle Global Real Estate Company plc, with effect from 11 July 2017 (the "**Merger**"). As part of its strategy, the Group may continue to pursue acquisitions, investments, divestitures or strategic alliances, which may not be completed or, if completed, may not ultimately benefit the Group. A number of risks arise from such acquisitions, including:

- failure to complete a transaction that has been announced;
- failure to manage existing businesses while integrating acquired operations due to significant demands

on its management and other resources;

- failure to achieve anticipated cost savings and synergies as a result of acquisitions; and
- management of acquisitions will require continued development of financial controls and information systems, which may prove to be expensive, time-consuming and difficult to maintain. Moreover the acquired assets may not perform as anticipated in the acquisition process.

Moreover, the Group structure has become more complex, comprising entities in an increased number of different jurisdictions, a variety of properties and a wide range of financing instruments to maintain and expand the Group's operations, all of which potentially can give rise to risk of management and controlling errors which in turn could have a material adverse effect on the business, financial condition, prospects and results of operations of the Group. There can be no assurance that the Group will not experience issues such as capital constraints, delays relating to regulatory and contractual compliance obligations, operational difficulties at new or existing locations, difficulties in integrating new acquisitions into the Group's existing business and operations and managing the training of an increasing number of personnel to manage and operate the expanded business. If the Group is unable to successfully manage the impact of its growth on its operational and managerial resources and control systems, its reputation could suffer, which may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Challenges it may face in future growth include continuing to improve its managerial, technical and operational knowledge, implementing an effective management information system, continuing to recruit and train managerial and other professional staff to satisfy its business requirements, obtaining sufficient financial resources to fund its on-going operations and its future growth, managing relationships with a greater number of tenants, suppliers, contractors, lenders and other third parties, and strengthening its internal control and compliance functions to ensure that the Group is able to comply with its regulatory and contractual obligations.

For example, the Group is currently in the process of integrating the operations of New Europe Property Investments Plc and Rockcastle Global Real Estate Company plc, following their Merger. The Group may not successfully complete this integration process, may not realise any of the expected benefits from the Merger or from any other future investment or acquisition or may realise them to a lesser extent than anticipated. Accordingly, recent or future acquisitions might not improve the Group's competitive position and business prospects as anticipated.

The real estate sector is susceptible to fraud

Certain activities in the real estate sector have, from time to time, been subject to allegations of embezzlement of cash in connection with arranging large scale real estate transactions. Although the Group is currently not aware of any such fraud taking place within its business and has taken precautionary measures to reduce the risk as much as possible, it may become the target of fraud or other illicit behaviour in any of the markets in which it operates. This may have a material adverse effect on the Group's reputation which in turn may affect the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks related to the safety of consumers and tenants in shopping centres and other properties, including acts of terrorism and violence

The Group promotes the security and safety of consumers and tenants in its properties. However, due to high visibility and the presence of large numbers of people, the Group's properties may be targets for terrorism and other forms of violence. Any terror or violent attack on a property of the Group or a similar property owned by someone else may harm the operations and general condition of its tenants and, in addition to causing financial and operational losses, may directly or indirectly affect the value of its properties and its development land. Terrorist activities and threats can stop business operations temporarily or permanently, can cause declining visitor numbers to the affected properties and may substantially impede a tenant's business.

The occurrence of any such event, could lower consumer confidence and spending in the Group's retail centres or increase volatility and uncertainty in the worldwide financial markets and economy, particularly in the event that there are further terrorist attacks across the globe. Adverse economic conditions resulting from these types of events could reduce demand for space in the Group's properties and thereby reduce the value of these properties and rental income and as a result could have a material adverse effect on its business, financial condition, prospects and results of operations.

The Group is exposed to risks related to the modernisation and maintenance of its properties

In order to sustain demand for its properties and to generate adequate revenue in the long term, the Group must maintain and/or improve the condition of its properties to a standard that meets market and regulatory demand. The Group has the primary responsibility for ensuring the maintenance of its properties. It bears the responsibility of meeting the contractual deadlines agreed upon with its suppliers and is liable for the payment of services, regardless of whether it is able to recover these charges from the tenants.

Although the Group constantly reviews the condition of its properties and has established a reporting system to monitor and budget for necessary maintenance and modernisation measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernisation. For example, the Group could underestimate the amount required to be invested for the targeted modernisation and maintenance of its properties. Modernisation costs may increase due to various factors, such as increased costs of materials, labour costs, energy, bad weather conditions, unexpected safety requirements or unforeseen complexities emerging on building sites.

The Group could also be exposed to risks due to delays in the implementation of maintenance or modernisation works in connection with its properties, including: delays in obtaining necessary permits and consents for planned modernisation works, lack of qualified employees, bad weather conditions or delays in the works performed by a contractor or subcontractor or the contractor becoming insolvent during the maintenance or modernisation project.

Higher expenditures than planned or unforeseen additional expenses for modernisation and maintenance that cannot be passed on to tenants and/or delays in any of the matters mentioned above could negatively affect the Group's business, financial condition, prospects and results of operations.

There can be no assurance that the Group will be successful in implementing its strategy or achieving its financial targets or investment objectives

The Group is focused on expanding its portfolio of regionally dominant assets in the Central and Eastern Europe ("**CEE**") region through the acquisition, as well as development of, retail assets that meet its investment criteria. No assurances can be given that the implementation of the Group's strategy, and achieving its financial targets and investment objectives, will be successful under current or future market conditions. The Group's approach may be modified and revised from time to time. It is therefore possible that the approach adopted to implement its strategy and to achieve its investment objectives and financial targets in the future may be different from that presently expected to be used and disclosed in this Base Prospectus.

The availability of potential investments that meet the Group's investment criteria will depend on the state of the economy and financial markets in the CEE region. The supply of real estate assets might be limited for example due to fewer sales of real estate assets by sellers. Constriction of supply could further increase competition for acquisitions of properties that would be suitable for the Group and could also motivate potential sellers to sell properties in an auction process. All this may result in an increase in the price of properties. Competition from larger real estate companies, which may have access to cheaper funding in the markets in which the Group intends to expand its business, combined with the potential entry of new international investors in the markets where the Group is already present, may make it more challenging for the Group to acquire new properties and expand its portfolio and could weaken its market share and growth possibilities.

As a result, it could be more difficult for the Group to compete and successfully acquire properties, which could limit its ability to grow its business effectively and could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

A decreased demand for, or an increased supply of, or a contraction of the market for, properties in the CEE region, could adversely affect the business and financial condition of the Group

Changes in supply and demand for real estate assets, or a contraction of the property market in any of the countries in which the Group has its operations or assets may negatively influence the occupancy rates of the Group's properties, rental rates, the level of demand and ultimately the value of such properties. Similarly, the demand for rental space at the Group's existing properties may decrease as a result of poor economic conditions, an increase in available space and heightened competition for stronger and better performing tenants. This could result in lower occupancy rates, higher capital expenditure required to contract or retain tenants, lower rental income owing to lower rental rates, as well as, shorter lease periods. All of these risks, if realised, could have a negative impact on the business, financial condition, prospects and results of operations of the Group.

The Group's focus on shopping centres increases its exposure to trends in consumer behaviour

The Group's focus is on shopping centres that meet the everyday needs of consumers. A downturn in consumer preference for shopping centres may have a more pronounced negative effect on the Group's revenues and profitability than if it had further diversified its investments into other property sectors. This strategy makes the Group vulnerable to changes in trends in the behaviour of consumers.

Lower consumer confidence due to economic downturns, and a shift in consumer preference towards alternative shopping channels, such as mail order companies, discount stores and internet-based retailers may have an effect on consumer spending levels at shopping centres which could, among other things, result in lower consumer footfall which in turn results in lower tenant turnovers and occupancy rates, with a direct negative impact on the Group's business, financial condition, prospects and results of operations.

Increasing use of online retail providers may have an adverse effect on shopping centre sales and decrease demand for commercial retail premises

The retail industry is undergoing a transformation as e-commerce grows and consumers become increasingly comfortable with internet and mobile shopping. Shopping centres will need to adapt their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers in the future. A significant increase in internet shopping could decrease shopping centre sales, demand for commercial retail premises and the value of properties, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The success of the Group's retail properties is dependent on its ability to attract and retain anchor tenants

The Group relies on the presence of anchor tenants in its retail centres. Anchor tenants play an important part in generating consumer traffic and making a retail centre a desirable location for other tenants. The failure to renew the lease of an anchor tenant, the termination of an anchor tenant's lease, or the insolvency or economic decline of an anchor tenant can have a material adverse effect on the economic performance of the retail centres. There can be no assurance that, if the anchor tenants were to close or fail to renew their leases, the Group would be able to replace such anchor tenants in a timely manner or that it could do so without incurring material additional costs which would have adverse economic effects. The expiration of an anchor tenant's lease without it being replaced in a timely manner may make the refinancing of such a retail centre, if required, difficult. Furthermore, the deterioration of the Group's relationships with any of its anchor tenants may negatively impact on the Group's ability to secure anchor tenants for its future projects. Any of the above risks, if realised, could have an adverse effect on the Group's business, financial condition, prospects and results of operations.

The financial performance of the Group relies on its ability to attract and retain tenants

The Group also faces competition from other owners, operators and developers of retail real estate. One of the primary areas of focus for the Group is the active management of its portfolio by diversifying its tenant mix and by striking a balance between retaining existing tenants and re-letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Some of the Group's competitors may have properties that are newer, better located or in superior condition to its properties or could have a better cost structure, portfolio management or conclude acquisitions of real estate assets at more attractive pricing and, therefore, achieve higher profit margins than the Group.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. If the Group misjudges the desirability of a property's location or its intended use, it may not be able to fully rent properties or rent them at the levels it had planned. If there are several centres in the same area, competition is more intense and thus the Group may experience increased competition for tenants. The competition for tenants may negatively affect the Group's ability to optimise its tenant mix, by attracting new tenants and retaining existing tenants, and may also negatively influence the terms of its lease agreements, including the amount of rent that the Group charges and the incentives that it provides to tenants, thereby adversely affecting the Group's business, financial condition, prospects and results of operations.

Retail and office developments are susceptible to the risk of competition and fluctuations in the economy

Retail and office developments are susceptible to competition from newer developments, which may offer lower rents, better facilities or layouts, and lower initial maintenance costs. Such competition could reduce rents in, or reduce the attractiveness of, the existing retail centres and/or offices managed by the Group.

The demand for retail and office space in the CEE region is in part driven by governments' interest in foreign direct investment, including the availability of favourable government policies and/or subsidies. Changes in government policies or subsidies may therefore lead to a reduction in foreign direct investment and/or retail and/or office demand. The demand for retail and office space is also driven by economic conditions both locally and globally (as a result of a large mix of international tenants), and therefore any unfavourable developments in the macroeconomic climate, or any other causes that may lead to a reduction in economic activity, including the withdrawal of international companies from any of the CEE countries where the Group operates, could have a material adverse impact on the Group's operations.

The Group is subject to the counterparty risk of its tenants

The Group is subject to the counterparty risk of its tenants as the net revenue generated from the Group's properties depends on the financial stability of its tenants and the commercial relationships with them. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. Although the Group receives and holds advance deposits, such deposits may be insufficient and the amounts payable to the Group under its lease agreements with tenants that are not secured (by deposits, bank guarantees or corporate guarantees) could mean that such tenants may be unable to pay such amounts when due. While the Group has a diversified tenant base, it may suffer from a decline in revenues and profitability in the event that a number of its strategically important tenants are unable to pay rent owed when due or seek bankruptcy protection. The Group is not insured against this credit risk. If a tenant seeks insolvency protection, the Group may be subject to delays in receipt of rental and other contractual payments, if it is able to collect such payments at all. The Group may not be able to secure vacant possession of the property without the consent of the relevant insolvency officials and/or body, thus preventing the Group from re-letting the affected property to a new tenant. The Group may not be able to limit its potential loss of revenues from tenants who are unable to make their lease payments. The tenants may have the right to terminate their lease agreements in certain circumstances which are not covered by the Group's business interruption insurance. In some cases, large tenants also have the right to terminate the lease agreements in case their sales decrease under a certain level or in case the occupancy rate of the relevant shopping centre decreases under certain agreed ratios. If a lease is terminated, the Group may be unable to re-let the property at the same commercial rate, or at all. If any of these risks are realised, this could affect the Group's business, financial condition, prospects and results of operations.

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and its ability to manage lease expirations

The financial performance of the Group is subject to the Group's ability to secure initial tenants, rent renewals or re-lettings and manage lease expirations which impact the occupancy rates of the Group's properties. The ability to manage occupancy of the Group's properties depends in large part on the condition of the markets in countries in which the Group has its operations or assets. A negative change in any of the factors affecting the property market and its occupancy rates, including the economic situation, may adversely affect the business, financial condition, prospects and results of operations of the Group. The ability of the Group to manage occupancy rates is also dependent upon the remaining terms of the current lease agreements, the financial position of current tenants and the attractiveness of its properties to current and prospective tenants. As of 30 June 2017, the Group's weighted average remaining lease term (on a combined basis for NEPI and Rockcastle) was 4.3 years (the weighted average remaining lease term was 4.6 years for NEPI and 3.5 years for Rockcastle). In order to retain current tenants or attract new tenants the Group may be required to offer lease incentives such as reductions in rent, capital expenditure programmes and other terms in its lease agreements that make such leases less favourable to the Group. Some of the Group's lease agreements with anchor tenants, which typically have a duration of up to thirty years, provide for break clauses after an initial tenancy period of ten years. It is possible that some of the tenants may choose to exercise their rights under their respective break clauses and terminate their leases early. The Group may also not be successful in maintaining or increasing occupancy rates or successfully negotiating favourable terms and conditions in relation to its lease agreements. A failure to do so could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The ability of the Group to increase rents in line with market fluctuations may be restricted by terms of the Group's lease agreements

The Group may be restricted in its ability to raise rents in line with market fluctuations owing to certain terms in its lease agreements. Rental levels and market value for properties are generally affected by overall conditions in the economy. Both rental income and property values may also be affected by factors specific to the real estate market, including: (i) rent reviews with anchor tenants may not be agreed at the estimated rental values; (ii) rents are tied, at least in part, to their turnover - thus, as the turnover of such tenant fluctuates, the rent is also subject to fluctuations; and (iii) most lease agreements to which the Group is a party include clauses which provide for partial or full indexation of rent, which, in most cases, is indexed in line with a consumer price index. Consequently, the increase in the rental proceeds from such leases is dependent not only on general economic developments or market conditions, but also on future rates of inflation. Each of these factors may restrict the Group's ability to increase rents in line with market fluctuations and could therefore have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be unable to be reimbursed by tenants for increases in operating and administrative expenses

The Group's operating and administrative expenses, as well as increasing repair and maintenance costs related to the gradual ageing of the Group's properties, could increase without a corresponding increase in turnover or tenant reimbursements, mainly owing to reimbursement caps which may be included in various lease agreements or as a result of other legal restrictions. Further, there may be expenses which are not recoverable from tenants. Factors which could increase operating and administrative expenses include, amongst other things, increases relating to the rate of inflation, payroll expenses, legal expenses, property taxes and other statutory charges, energy and utility costs and the costs of services provided by third party providers, movements in foreign exchange rates, increases in insurance premiums, increase in maintenance costs and increases in capital expenditure which arise as a result of defects relating to the properties needing to be rectified. Such increases, if not recovered from tenants, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The risk of litigation is inherent in the Group's operations

Legal actions, claims against the Group and arbitrations involving the Group may arise in the ordinary course of business. The Group may be subject to litigation from contractors, suppliers, tenants or third parties, including visitors to properties owned by the Group.

In addition, in some jurisdictions, the contractor of a construction benefits from a statutory lien over the construction, as security for payment of the outstanding amounts owed by the beneficiary under the construction contract up to the added value of the property as a result of the respective construction works. Similarly, under some other countries' legal framework the contractor has a right of retention on goods if such goods are in the contractor's possession. To the extent the Group fails to pay contractors on time, such contractors may enforce the statutory lien or retain goods, as applicable, which may trigger significant costs and losses to the Group.

The potential publicity associated with, and the outcome of, such claims, arbitrations and legal proceedings could have a material adverse effect on the Group's business, financial condition and results of operations.

There is a risk of delays in evicting tenants that are in default

Evicting a tenant that defaults on a lease can be costly and time consuming. Under certain legal regimes in the CEE region, the time it takes to evict a defaulting tenant is not prescribed by law and varies on a case by case basis. Additionally, obtaining a date for a court hearing can take approximately four to eight months, or longer. The loss of rental revenues from any of the tenants that are in default and the inability to replace such tenants may have a material adverse effect on the Group's business, financial condition and results of operations.

There is a general risk of restitution in CEE, with an emphasis on Romania and Croatia and the Group may become involved in other disputes in relation to its property rights

Under Romanian law, former owners of land and/or buildings that were dispossessed by the Romanian state during the communist regime may recover their ownership rights under certain conditions. If claims of former owners are successful, such claims may result in the loss of property from the Group's portfolio. In view of this, the practice in Romania is to investigate the title historically, going back, if possible, to the initial owner or even prior to any coercive takeover by the Romanian State. A complete set of ownership documentation dating back to the initial owner may not always be available due to inadequate administrative systems. Therefore, the majority of real estate transactions in Romania face issues relating to missing documentation. As a result, the legal analysis of title and ownership is typically focused on issues surrounding missing documentation and historic ownership of a particular property which can be protracted and expensive to defend against. Similar risks exist in other jurisdictions in CEE. Any successful restitution claims may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may become involved in disputes in relation to its property rights and permits may have been

obtained in breach of applicable laws

Certain acquisitions or sales of property may be rendered void under applicable local law provisions as a result of insolvency, fraud, lack of consideration, gross undervaluation, avoidance of creditors, defrauding of creditors or as a result of other technical requirements in the conveyance of property (for example, flaws in the transacting parties' contractual intentions, lack of proper authentication by a notary public, lack of corporate capacity, corporate authority or improper representation of the parties for the transfer, etc). Further, there may be a risk of legal disputes with neighbouring land owners, architects, project managers and suppliers, with respect to the Group's refurbishment/construction projects.

The Group may acquire assets where the Group has only a leasehold interest in the land or a usufruct right (but ownership of any building on it). The land lease may be terminated early in various circumstances; ordinarily this would be in the event of breach of the land lease provisions, but there may be other circumstances provided for in the relevant lease. In addition, the land lease may not contain renewal rights. Even if ultimately settled or decided in the Group's favour, the Group may not be able to recover its costs incurred in relation to the dispute. Any termination of a lease, challenges to ownership, delays to or cancellations of the development of projects or any other dispute could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance that all permits necessary to legally own, develop or operate the properties have been obtained in compliance with all applicable laws. While the Group conducts detailed due diligence to identify any issues related to such permits and takes all steps necessary to remedy any defects, there can be no assurance that this can be achieved on time and that regulators will not impose the suspension of the relevant properties' operation.

If the Group's ownership interests over its property or permits are successfully challenged, this could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be exposed to potential claims relating to its leasing, selling, refurbishment or development of real estate

The Group may be subject to claims arising from defects relating to the leasing, selling, quality of refurbishment or repositioning of its properties. This liability may apply to defects that arise from the actions or omissions of third parties, and are unknown to the Group but could have, or should have, been discovered. Although the Group may have rights against the building contractor/professional team in connection with such defects and/or recourse to insurances in place for the project in question, there can be no assurance that the Group will be able to enforce its rights and fully recover the costs arising from any claim against the Group. In addition, the Group may be exposed to substantial undisclosed or unascertained liabilities embedded in real estate assets that were incurred or which arose prior to the completion of the acquisition of such real estate assets. Such claims will also likely have a reputational impact on the Group.

These liabilities could include, but are not limited to:

- where the Group has acquired the entity which owned the real estate assets, liabilities (including tax liabilities and other liabilities) owed to state entities, to existing tenants, to creditors or to other persons involved with the real estate assets prior to the acquisition;

- indemnity claims by parties claiming to be entitled to be indemnified by the former owners of the real estate assets; and

- an obligation to pay deferred consideration for the real estate assets if certain events occur (for example, the grant of planning permission or completion of the construction works).

Although the Group may have obtained contractual protection against such claims and liabilities from the seller or insurers, there can be no assurance that such contractual protection will always be successfully realised or that it would be enforceable or effective.

Such potential liabilities, if realised, could have a material adverse effect on the returns realised on the real estate assets.

Furthermore, any claims for recourse which the Group may have against parties from which the Group has purchased such real estate assets may fail due to the expiry of warranty periods, the statute of limitation, lack of proof that the previous seller knew or should have known of the defect, the insolvency of the previous seller, or for other reasons. The Group may also be subject to claims by purchasers of its real estate assets as a result of representations and warranties about those real estate assets provided by the Group at the time of disposal. The Group's representations and warranties could pertain to, among other things, title to the real estate assets, environmental liabilities, and liabilities for the payment of tax. The Group may become party to claims, disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result. In addition, following the disposal of any real estate assets, the Group is obliged by law, and may be obliged by contract, to retain certain liabilities or potential liabilities that exist in respect of such assets. The costs of any such claims, disputes or litigation (to the extent that they materialise) would reduce the Group's available cash flow and could have an adverse effect on the Group's returns on investments.

With respect to refurbishment or development of real estate assets by the Group, claims may be brought against the Group by (among others) tenants or buyers as a result of delays, construction defects or other factors. The Group may not perform the refurbishment or development itself but rather may use the services of design and construction companies. Any claim for recourse against such design and construction companies could fail due to the expiry of the statute of limitation, the claim being uncollectible, or for other reasons.

The Group may incur significant costs complying with property laws and regulations

The Group and its real estate assets will be required to comply with a variety of laws and regulations of local, regional, national and European Union authorities, including planning, zoning, environmental, fire protection, health and safety, tax and other laws and regulations. If the Group or any of its real estate assets fails to comply with these laws and regulations, the Group may have to pay penalties or private damages awards. In addition, changes in existing laws or regulations, or their interpretation or enforcement, could require the Group to incur additional costs in complying with those laws or regulations, altering the investing strategy, operations or accounting and reporting systems, leading to additional costs or loss of revenue.

The Group's properties must have the requisite planning consent and permits for commercial activities of the type intended for their development. In instances where the existing planning is not suitable or in which the planning is yet to be determined, the Group will need to apply for the required classifications. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient. The Group cannot be certain that the process of obtaining proper planning will be completed with sufficient speed and at a cost to enable the property to be developed ahead of competing businesses without delays, or at all. Opposition by local residents and/or non-governmental organisations to building planning applications and permits may also cause considerable delays. In addition, arbitrary changes to applicable planning may jeopardise projects which have already commenced. Therefore, if the Group does not receive planning approvals or if the procedures for the receipt of such planning approvals and/or building consents are delayed, the Group's costs will increase which may have an adverse effect on its business, financial condition and results of operations.

The Group is dependent on its IT systems and runs cyber security risks including leakage of customer data or other personal data security breach

The Group is dependent on the proper functioning of its information technology systems and processes. The Group's systems and the services of external system providers on which it relies are vulnerable to damage or interruption from various factors, including but not limited to, power loss, telecommunication failures, data corruption, network failure, computer viruses, security breaches, natural disasters, theft, vandalism or other acts or events. A disruption in the infrastructure that supports the Group's businesses could have a material adverse effect on its ability to continue to operate the Group's business which in turn could lead to loss of business and the incurrence of significant costs related to information retrieval and verification and the restoration of normal service.

The Group also accumulates stores and uses in its operations data for marketing purposes, in particular, and such data may be protected by data protection laws. Although the Group takes precautions to protect customer data in accordance with the applicable laws, the Group cannot discount the possibility of future data leakages. The Group works with third-party service providers, such as certain software companies, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to the Group's network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of the Group's services, compromise the confidentiality of its customer data or cause service interruptions, and may result in the imposition of fines, claims for damages, prosecution of relevant employees and managers, reputational damage and customer churn and may have a material adverse effect on our business, prospects, results of operation and financial condition.

The Group may incur environmental liabilities or costs

The environmental laws of certain countries in which the Group has its operations or assets impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such hazardous or toxic substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to let or sell such property or to borrow funds using such property as collateral, which could have an effect on its generation of rental income or return on investment. Furthermore, the Group may be required to comply with stricter environmental, health and safety laws or enforcement policies or become involved in claims and lawsuits relating to environmental matters. Meeting stricter compliance standards or defending potential actions may have a significant negative impact on its results of operations. If the relevant authorities in a country where the Group has its operations or assets discover violations of applicable environmental laws, the Group may be subject to fines and other penalties. Any of these matters could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Earthquakes, other seismic events in Romania or other events of catastrophic nature may adversely affect the Group's assets and disrupt the Group's business

Romania is situated in an area of seismic activity and has in the past experienced devastating and deadly earthquakes. While Romania has specific regulations covering seismic risks in respect of the design and execution of construction works, the consequences of an earthquake will vary greatly depending upon the circumstances surrounding the quake. While no one can predict with any certainty what the impact might be, a seismic or other catastrophic event may adversely affect the Group's assets, disrupt its operations and adversely affect its business, results of operations and financial position (please see also "*The Group's insurance coverage may be inadequate*" below).

Changes in laws could adversely affect the Group's properties

Various laws and regulations, including fire and safety requirements, environmental regulations, land disposal, rental laws, urban planning, construction codes, use restrictions and taxes affect the Group's properties. The implementation of laws or regulations in the countries in which the Group currently operates, or may operate in the future, and in particular any laws or regulations promulgated by the European Union, or the interpretation or enforcement of, or change in, existing laws or regulations, may require the Group to incur additional costs or otherwise adversely affect the management of its real estate portfolio, which could have a material adverse effect on the Group's business, financial condition and results of operations. Even if the Group's business is conducted in accordance with its interpretation of the current laws and regulations, there can be no assurance that the Group's interpretation of such laws and regulations is correct, or that that interpretation will not change in the future.

Moreover, changes in legislation and regulations are often proposed and/or enacted as a result of events taking place in various jurisdictions. For example, significant changes in Romanian legislation and authorities' practice have been implemented in relation to fire and safety requirements after certain fire-related events. Some changes have already been implemented by the Government through governmental decisions and emergency ordinances in the aftermath of certain incidents, requiring stringent property operation requirements and broader powers for the Emergency Situations Inspectorate (the "**ESI**") to impose sanctions where breaches of fire and safety rules are identified, including suspension of operations and, in severe cases, closing down of premises. The Group is at various stages in the process to obtain and/or to confirm all relevant fire authorisation certificates for newly or existing completed properties. Fire authorisation certificates require renewal and/or updates from time to time in the ordinary course of business, including when tenants are replaced. Furthermore, the Group has implemented additional preventive fire and safety measures over and above those required by Romanian legislation. However, there is uncertainty as to how the ESI will apply and interpret the newly enacted regulations.

The Group's future activities may not be in full compliance with all applicable rules and regulations at all times, with new rules and regulations that may be enacted or with existing rules that may be amended or more stringently applied, and any of these risks could limit or curtail the Group's future development. In particular, the Group may be subject to EU standards regarding property specifications in its portfolio that would potentially require it to upgrade certain of the buildings in its real estate portfolio, and the Group may not be able to meet these standards.

If the Group's properties do not comply with any of these requirements, the Group may incur governmental fines, private damage awards towards third parties or may even face suspension or the closing of certain properties, which in turn could lead to loss of revenue. New or amended laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose restrictions on the development, construction or sale of properties. Such laws, rules, regulations or ordinances may also adversely affect the Group's ability to operate or resell properties.

The valuation of investment property for which market quotations may not be readily available will require the Group and/or independent appraisers to make assumptions which may prove to be inaccurate

The Group anticipates that substantially all of the investments that the Group will make will be in the form of investments for which market quotations are not readily available. The valuation of investment property is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and, in the case of development land, the expectations as to the cost and timing of that development and its ability to attract tenants. As a result, the valuations of investment property, which account for the vast majority of the Group's assets, will be subject to a degree of uncertainty and will be made on the basis of assumptions, which may not prove to be accurate, particularly in periods of volatility or low transaction volume in the real estate property market. The Group and/or an independent appraiser may be required to make good faith determinations as to the fair value of this investment property on an annual basis in connection with the preparation of its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") and net asset value determinations.

There is no single valuation standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. Fair values may be established using various approaches, such as discounted cash flow, a market comparable approach that is based on a specific financial measure (such as rental income, net operating income, value per square metre or other metrics) or, in some cases, a cost basis or liquidation analysis. Valuations, and in particular valuations of real estate opportunistic investments for which market quotations are not readily available, are inherently uncertain. Valuations may therefore fluctuate over short periods of time and may be based on estimates and determinations of fair value which may differ materially from the values that would have resulted if a liquid market had existed. Even if market quotations are available for the Group's investments, such quotations may not reflect the value that the Group would actually be able to realise because of various factors, including the illiquidity of the underlying assets, the speculative nature of investment property, future market price volatility or the potential for a future loss in market value based on poor real estate market conditions. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

The Group's consolidated statement of financial position and statement of comprehensive income may be significantly affected by fluctuations in the fair value of the Group's investment property

In accordance with IFRS, the Group's investment property is measured at fair value. Valuations are performed semi-annually by external independent appraisers and any increase or decrease in the fair value of a particular property is recorded as a fair value adjustment in the consolidated statement of comprehensive income for the period during which the revaluation occurs. As a result, the Group may have significant non-cash gains or losses from period to period depending on the change in fair value of the Group's investment property, whether or not such property is sold. For example, if market conditions and the rent for comparable commercial investment property in the same condition and place continue to be unfavourable, fair value decreases from the revaluation of the investment property may occur and continue in the future. If the Group has incurred debt, in the longer term, such fair value decreases could lead to non-compliance with covenants under the debt obligations of the Group. A substantial decrease in the fair value of the investment property, over the longer term, could have a material adverse effect on the Group's business, financial condition and results of operations.

Moreover, the Group's use of borrowings or other leverage may increase the volatility of such financial performance, and amplify the effect of any change in the valuation of the real estate assets on the Group's financial position and results of operations.

Changes in accounting standards may impact the financial situation and results presented in the financial statements of the Group

The Group's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From time to time amendments are adopted to the applicable financial accounting and reporting standards that govern the preparation of the Group's financial statements The new standards and interpretations which are already endorsed or waiting for adoption by the European Union and which will apply to the Group's financial reporting consist of, in particular: the new standard IFRS 9: Financial Instruments (effective for annual periods beginning on 1 January 2018 or after that date), IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018) and IFRS 16: Leases (effective for annual periods beginning on 1 January 2019 or after that date). IFRS 15 sets out principles for the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. While the Group expects that IFRS 15 and IFRS 16 will not have any material impact on its financial statements, the impact of IFRS 9 is still under assessment. IFRS 9 requires financial assets to be classified into three measurement categories: (i) those measured subsequently at amortised cost, (ii) those to be measured subsequently at fair value through other comprehensive income and (iii) those to be measured subsequently at fair value through profit or loss. 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. Most 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 the 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 model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. At the date of the Base Prospectus, although the Group estimates that the new standard will have an immaterial impact on its financial statements and its current accounting practices, the Group is in the process of assessing its full impact.

Any amendment to the IFRS which, in future, is adopted by the European Union and which concerns the valuation of the balance sheet, off-balance sheet items, disclosures or creating write-downs and provisions, may have a negative impact on the presentation of the financial and economic situation of the Group and consequently on its ability to perform its obligations under the Notes.

The Group is exposed to risks arising from the illiquidity of its portfolio

The market for the types of properties the Group owns or may acquire in the future is generally illiquid. Were the Group required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property. In planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale. Any such shortfall could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, the Group may be subject to restrictions on its ability to sell certain properties pursuant to covenants and pledges limiting asset disposals in the Group's loan agreements.

The Group is exposed to foreign exchange risk

The rents payable to the Group under the various lease agreements with tenants are denominated in euro. However, tenants mostly have their income denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of their turnover, can be severely affected by fluctuations of the euro, the currency in which the rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in such rent becoming unsustainable with respect to the concerned tenant leading to a demand for discounts or even default by the respective tenants. If realised, these risks could adversely affect the Group's business, financial condition, prospects and results of operations.

The Group is exposed to risks regarding development projects

The Group is active in property development and is exposed to numerous development risks relating to the construction, project design, project management, use of external professionals and other matters associated with development projects. The main development risks are commercial (such as letting risks, for example, the availability of tenants for new developments), financial (such as foreign exchange rate fluctuations), technical (such as design, construction and environmental risks), procedural (such as project management) and legal (such as permitting). The Group's property development projects are subject to the risks usually attributable to construction projects, such as delays in construction work, in obtaining the necessary permits or other unforeseen delays, changes to planning laws, increases in the cost of construction and construction materials, cost overruns, disputes with third parties (including third party contractors and local authorities), fluctuating prices and shortages in the supply of raw materials as well as shortages of qualified employees. In particular, given that in the CEE region the process of obtaining permits can be a lengthy process, there can be significant delays between the time when the land is acquired and the time when all necessary permits and authorisations for developing a project are obtained which can have a material adverse effect on the Group's cash flow. Also, delays can result from the inability to obtain sufficient amounts of raw materials and to retain qualified employees on terms acceptable to the Group.

When considering development project investments and development risks, the Group needs to make an estimate of the economic and market conditions that will prevail in the market where the project is located at the time the project is completed and becomes operational, and there is uncertainty at the beginning of a development project about the economic and market conditions at the time of completion of the project. Such estimates are difficult to make since it takes a considerable period of time before development projects are completed and become operational. During this period, economic conditions can change unfavourably and lower the Group's expected return on the investment. For example, a given market may experience an oversupply of retail properties at the time of a project's completion, leading to lower occupancy rates. As a result, the Group may inadequately plan its development project investments and adopt an inappropriate business strategy. The realisation of any of these development risks could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group depends on contractors and subcontractors to refurbish or construct its projects

The Group relies on contractors and subcontractors for all its refurbishment and construction activities. If the Group cannot enter into construction agreements and/or subcontracting arrangements on acceptable terms (or at all) the Group will incur additional costs which may have an adverse effect on its business.

The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Group to a loss of competitive advantage. Contracting and/or subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on contractors and/or subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability (including potential insolvency) of the subcontractors. A shortage of workers would also have a detrimental effect on the Group's contractors and/or subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget.

The Group may face claims for defective construction, which could have an adverse effect on its generation of rental income

The construction of properties is subject to the risk of claims for defective construction or other related works and associated adverse publicity. Any claim brought against the Group, and the surrounding negative publicity concerning the quality of its properties or projects, irrespective of whether the claim is successful, or an inability to complete the construction of a project on schedule or on budget, could also have a material adverse effect on how its business, properties and projects are perceived by target tenants.

Where a construction company or subcontractor used on a development becomes insolvent it may prove impossible to recover compensation for defective work or materials. In addition, the Group may incur losses as a result of repairing defective work or paying damages to persons who have suffered losses as a result of such defective work. Potential damage related to construction and consequent liabilities may affect the profitability of the Group's business and lower the fair value of affected properties owned by the Group. Furthermore, these losses and costs may not be recovered by the Group's professional liability insurance, the construction company or the subcontractor.

This could negatively affect the Group's ability to market and lease its properties in the future, which could have a material adverse effect on its generation of rental income and, thereby, its business, financial condition, prospects and results of operations.

The Group is exposed to the counter-party risk of its partners

Some of the Group's properties are held and operated or may be proposed to be developed through co-ownership or co-operation arrangements (including, among others, joint venture arrangements) with third parties who operate units within premises in which the Group is present. In addition, to a limited extent, title to certain of the Group's properties is shared. The Group has co-ownership agreements with certain of the Group's largest tenants. Such arrangements may result in the Group sharing control of such assets with third parties. As a result, certain decisions relating to those assets within such arrangements may depend upon the consent or notification of the Group's relevant partners. Disputes may arise between the Group and the relevant partners in respect of an arrangement, which could mean that the Group is not able to manage or deal with a particular asset or property as it sees fit. These risks are higher where the Group shares title to properties as part of a joint venture. Specific risks arising from such co-ownership/co-operation arrangements and title sharing which are not present in relation to projects that are wholly-owned include risks that, (i) the Group's relevant partners may have different objectives from the Group, including with respect to the appropriate timing and pricing of any sale or refinancing of a development held as part of a co-ownership arrangement; (ii) the Group's relevant partners may take action contrary to the Group's instructions or requests, policies or objectives, or frustrate its actions; (iii) the Group's relevant partners might become bankrupt or insolvent; and (iv) with respect to co-title and development projects the Group may be required to provide additional financing to make up for any shortfall due to the Group's relevant partner(s) failing to provide such finance or to furnish any required collateral to the financing banks.

Disputes or disagreements with any of the Group's partners may result in significant delays and increased costs associated with the development or redevelopment of the Group's properties. Even where the Group has a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the partner's or other third party's approval. Failure to reach or maintain agreement with the Group's partners or other third parties on the matters relating to the financing, disposals, development and operation of the relevant properties could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may not be able to realise its expected rates of return on its projects if the real estate market in the CEE region becomes saturated

Prior to the onset of the global financial crisis, the real estate market in the CEE region was characterised by a continued increase in investment activity from both domestic and international investors and in the number of projects that were planned. The real estate market in the CEE region has largely recovered from the economic downturn and the level of investment activity has increased and in the future it may reach saturation if the supply of commercial properties exceeds demand. Saturation or perceived over-supply of lettable commercial space in the real estate market would result in a decrease in occupancy rates and/or a decrease in market rental rates and sale prices. If occupancy rates fall and/or market rental rates decrease, the Group may not be able to realise its expected rates of return on its properties and development projects or may be unable to let its properties at all, which could have a material adverse effect on its business, financial condition, prospects and results of operations.

The Group's insurance coverage may be inadequate

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets and third party liability. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business or liability for losses or damage towards third parties for which it may not be compensated fully or at all. In addition, its insurance policies may not cover the current aggregate market value of its portfolio, particularly where the market value of its portfolio increases. As a result, it may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, it could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligation related to that damaged property.

Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group relies on certain qualified personnel the loss of whom could have an adverse impact on its business

The Group competes with other real estate companies specifically, and other employers generally, for qualified personnel. The success of the Group's property development and operating activities depends, among other things, on the expertise of the Board and the Group's executive management and other qualified personnel in identifying appropriate opportunities and managing such activities, as well as on the local level management teams of the Group companies. The loss of some or all of these individuals or an inability to attract, retain and maintain additional personnel could prevent the Group from implementing its business strategy and could adversely affect the Group's business and future financial condition or results of operations. There can be no assurance that the Group will be able to retain all of its existing senior personnel or to attract additional qualified personnel when needed which, in turn, could adversely affect the Group's business, financial condition, prospects and results of operations.

Changes in effective tax rates or tax legislation in the countries where the Group operates or changes in the interpretation of such legislation may have an adverse effect on the Group's results

The Group's future effective tax rates may be adversely affected by a number of factors, including changes in the valuation of the Group's deferred tax assets and liabilities, increases in expenses not deductible for tax purposes, changes in share based compensation expenses, the outcome of any potential discussions with relevant tax authorities, changes in relation to taxation laws or tax rates or the interpretation of such taxation laws and changes in generally accepted accounting principles. Any significant increase in the Group's future effective tax rates, including following the ongoing initiatives in relation to changes in the fiscal legislation at international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organisation for Economic Co-operation and Development, could adversely impact the net results for such future periods and, as a result, could adversely affect the Group's business, financial condition, prospects and results of operations.

The Group's operations are affected by the tax rules in force from time to time in the jurisdictions where the Group conducts operations or owns and controls assets. These rules include corporate tax, real estate tax, value added tax, rules regarding tax-free disposals of shares, other governmental or municipal taxes and interest deductions and subsidies. The Group's tax situation is also affected by transactions conducted intra-Group and by transactions between the Group and residential co-operatives that are considered to be priced on market terms. Although the Group's business is conducted in accordance with its interpretation of applicable tax laws and regulations, and in accordance with advice the Group has received from its tax advisors, the possibility that the Group's interpretation is incorrect, or that such laws and regulations change, possibly with retroactive effect, cannot be excluded. Furthermore, future changes in applicable laws and regulations, such as any significant increase in the Group's future effective tax rates, including following the ongoing initiatives in relation to changes in the fiscal legislation at international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organisation for Economic Co-operation and Development, could adversely impact the net results for such future periods and, as a result, could adversely affect the Group's business, financial condition, prospects and results of operations.

The taxation system in some of the jurisdictions where the Group conducts operations or owns and controls assets is not as well-established as those in more developed economies and is continually changing. In particular, an emphasis in some countries on initiatives to maximise taxation income which are being pursued at both national and local level, may cause significant changes in the tax provisions in those countries. In Poland it is envisaged that an income tax on revenues derived from ownership of retail and office buildings will be introduced from 1 January 2018, while the Romanian Government has recently published draft legislation amending the current Fiscal Code starting 2018, including *inter-alia* more restrictive and complex rules for tax deductibility of interest expenses. Such measures, if and when enacted, may cause considerable uncertainty and increase tax costs. The lack of established jurisprudence and case law may result in unclear or non-existent regulations, decrees and explanations of the taxation laws and/or views on interpretations thereof. Taxation laws (including case law) as a result, are more likely to be subject to changes, which can result in unusual complexities and more significant tax risks for the relevant Group companies and the business of the Group generally and these could adversely affect the Group's business, financial condition, prospects and results of operations.

Operational risk

Despite the Group's internal control (including risk management control) systems, the Group faces the risk of reputational damage due to human error, fraud or inadequate processes across its operations, including treasury operations. Depending on the nature and scale of such error, fraud or inadequate processes, the losses to the Group may be significant.

Risks related to the financial condition of the Group

The Group may not be able to finance its future investments or may fail to meet the obligations and

requirements under its loan agreements

The Group may finance its future investments with either equity, debt or a combination of both. There can be no assurance that the Group will be able to generate or raise sufficient funds to meet future capital expenditure requirements in the longer term, or be able to do so at a reasonable cost. The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. Moreover, if debt is raised in the longer term, the Group may become more leveraged and subject to additional restrictive financial covenants and ratios. The Group's inability to procure, in the long term, sufficient financing for these purposes could adversely affect its ability to expand its businesses and meet its performance targets which in turn may result in the Group facing unexpected costs and delays in implementing project developments.

In addition, there can be no assurance that, in the event of unforeseen changes, the Group's cash flows will be sufficient for repayment of the Group's future indebtedness. A failure to make principal and/or interest payments due under the Group's future loan agreements or breach of any of the covenants contained in the Group's loan agreements could result in the forfeiture of its mortgaged assets or the acceleration of its payment obligations or could make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its debt obligations. Any of the events described above could have a material adverse effect on the Group's business, financial condition, prospects and results of operations. See "*The Group's consolidated statement of financial position and statement of comprehensive income may be significantly affected by fluctuations in the fair value of the Group's investment property*".

The Group must observe financial ratios and covenants under the terms of its indebtedness

All the Group's major credit facilities and bond issues contain restrictive covenants that require compliance with certain financial ratios and covenants. Whilst the Group believes that the financial ratios and covenants contained in the Group's credit facilities and bond issues allow sufficient flexibility for the Group to continue to conduct its business in the normal course and to meet its debt servicing obligations, the need to observe these financial ratios and covenants nevertheless could hinder the Group's ability to incur additional debt and grow its business.

Any deterioration in the Group's operating performance, including due to any worsening of prevailing economic conditions, or any financial, business or other factors, many of which are beyond its control, may materially adversely affect its cash flow and hinder its ability to service its indebtedness and result in covenant breaches under the Group's credit facilities or bond issues. While the Group is currently in compliance with all its credit facilities and bond issues, if, in the future, the Group does not generate sufficient cash flow from operations in order to meet its debt service obligations or if it breaches covenants which are not waived by its creditors, the Group may have to refinance or restructure its debt, reduce or delay its planned development activities or sell some of its properties in order to avoid default and acceleration of its debt by creditors. Waivers by the Group's creditors may trigger higher interest rates or waiver fees. Some of the ratios and financial covenants in the Group's borrowings are calculated on the basis of the fair value of its properties. Therefore, fluctuations in the fair value of the Group's properties could have an adverse impact on its compliance with relevant financial ratios and covenants. The Group cannot guarantee that any refinancing or additional financing would be available at all or on acceptable terms in such a situation. If the Group defaults under any of its existing indebtedness and its creditors accelerate the debt, the Group may forfeit the property securing the indebtedness and its income may be substantially reduced. Any failure to meet its debt service obligations, to obtain waivers of covenant breaches or to refinance its debt on commercially acceptable terms in such a situation could lead to serious consequences for the Group, including the sale of properties to repay lenders and substantial retrenchment of its business.

The Group may be unable to raise the financing that it requires or refinance existing debt at maturity

The Group primarily uses, and has used in the past, debt and equity issuances, together with cash flows from operations and sale of listed securities, to finance the Group's acquisition of property.

Any delay in obtaining, or a failure to obtain, suitable or adequate debt financing from time to time (including suitable terms on which the banks or other lenders may agree to lend) may impair the Group's ability to invest in suitable property investments (including developments). Any delay in refinancing, or the inability to refinance on commercially acceptable terms, debt falling due in accordance with the maturity schedule of the Group's indebtedness may result in an acceleration of such debt, and enforcement of any pledged assets in support of such debt, against the relevant Group entity. The factors that affect the availability of financing and financing costs, including the maintenance of the Guarantor's investment grade credit ratings, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The main shareholders of the Group are and have been based in South Africa and the Group's equity issuances are, and have in the past been, primarily focused on South African investors (with respect to each of NEPI and Rockcastle). All transfers of money out of South Africa require the approval of the South African Reserve Bank (the "**SARB**"). Failure to obtain the SARB's approval for, or an increase in the restrictions imposed by the SARB on, the repatriation of funds out of South Africa may impair the Group's ability to raise adequate equity financing and to invest directly in suitable property (including developments). In addition, South African market conditions and economic cycles may differ from time to time from those in the countries where the Group operates, which may also affect the availability of equity financing and could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group is exposed to interest rate risks, the risk of loss and counterparty risk when investing in listed securities as well as during hedging transactions

Changes in interest rates can affect the Group's profitability by affecting the spread between, among other things, the income on its assets and the expense of its interest-bearing liabilities, the value of any interest-earning assets, its ability to make acquisitions and its ability to realise gains from the sale of its assets. In the event of a rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Group's liquidity and operating results adversely. Interest rates are highly sensitive to many factors, including the expected inflation rate, governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the Group's control. In addition, the Group has fluctuating levels of liquid assets that are invested in accordance with its operational and strategic requirements and objectives. As at 30 June 2017, the Group recorded a gross investment of USD 1.33 billion in listed securities. Such investments are prone to an increased risk of loss and high volatility in value as stock markets may experience major fluctuations which may or may not be related to the results of the companies whose shares are traded on regulated markets.

The Group may finance its investments with both fixed and floating rate debt. The performance of an investment may be affected adversely if the Group fails to limit the effects of changes in interest rates on its operations. While the Group enters into hedging transactions on an ongoing basis, in particular to hedge against changes in interest rates and the related fluctuations in its financial costs, such hedging transactions may prove to be inefficient or unsuitable for attaining the objectives sought, and may result in losses recognised in the profit and loss. This may have material adverse effects on the Group’s business, financial condition, prospects and results of operations.

The Group will also be exposed to the credit risk of the relevant counterparty with respect to relevant payments in connection with such arrangements.

A substantial increase in interest rates may increase the Group's interest expense and ability to refinance at the same rates. In addition, an increase in interest rates may also affect private consumption or the ability of the Group's tenants to pay rents or may lead to a decrease in occupancy rates and/or tenants’ turnovers.

Tightening regulation of the banking and insurance sector may contribute to higher costs of financing for the banks, which may again result in an increase in the price of the Group's new debt financing and the Group's average interest rate level. Furthermore, over the next few years, the Group will have to refinance loan agreements and bonds. The cost of refinancing such loans and bonds, or the cost of related derivatives, may increase. Such a rise in loan margins is likely to push the Group's average interest rate upwards in the future, even if market interest rates remained largely unchanged.

Any increase in interest rates, the Group's interest expense or credit margins could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group may be exposed to risks relating to changes in applicable tax laws including those relating to the tax residency of the Issuer and other Group companies

The Issuer and the Group have been structured with a view to being tax efficient. There can be no assurance that the Issuer or the Group has been or will continue to be successful in conducting its business or in structuring itself or the management of its affairs in the most tax efficient manner, and that the structure or management of the affairs of the Issuer or any other Group company will not result in other adverse tax consequences for the Issuer or any other Group company.

The Issuer is incorporated in the Netherlands and aims to manage its affairs in such a manner that it does not become resident for tax purposes or create other adverse tax consequences for itself in any jurisdiction other than the Netherlands. There is a risk that the Issuer may become resident for tax purposes in one or more other jurisdictions. The same risk applies to the tax residency of any other Group company. Any such residency of the Issuer or a Group company, if unintended, may have an adverse effect on the Group's business, financial condition, prospects and results of operations.

Risks related to the markets in which the Group operates

Financial volatility and default risk can lead to severe negative consequences in the markets in which the Group operates as well as to the Group's business, financial condition, prospects and results of operations

Large sovereign debt and/or fiscal deficits of a number of Eurozone countries as well as high levels of unemployment in many Eurozone countries have raised concerns regarding the financial condition of financial institutions, insurers and other corporates that are located in these countries and that have direct or indirect exposure to these countries (i) as a result of having operations in such countries and/or (ii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to such countries. The default, or a significant decline in the credit rating of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Issuer and the Guarantor operate and the businesses and economic condition and prospects of the Issuer and the Guarantor and their respective counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict.

Further, economically challenging times can lead to deterioration in the credit worthiness of tenants, increased rent arrears or service charge shortfall, rising vacancy rates and loss of rent. At the same time, it is very difficult or impossible for the Issuer to hedge against risks resulting from the financial crisis and sovereign debt crisis.

Such unfavourable developments could have a material adverse effect on the Issuer's and the Guarantor's business, results of operations and/or financial condition.

Possible break-up of the European Union could have a material adverse effect on the operations of the Group

It is uncertain whether the political landscape in certain Eurozone countries will move towards a direction in which certain countries decide to exit the Eurozone and reintroduce national currencies. An exit of one or more countries from the European Monetary Union will likely have adverse consequences which are potentially severe and hard to predict both for the economies of exiting members of the Eurozone as well as for the economies of remaining members of the Eurozone and the European Union and could potentially lead to significant changes in the financial markets and further uncertainty in the financial markets. This would directly impact the Group which has significant exposure to Euros arising from its Euro-denominated lease agreements and its business activities more generally.

The impact of any such development could be detrimental to the Issuer and/or the Guarantor and could adversely affect their businesses, operations and profitability, solvency and the solvency of their counterparties, customers and service providers, credit rating, share price, the value and liquidity of their assets, the value and liquidity of the Notes and/or the ability of the Issuer to meet its obligations under the Notes (and the Guarantors' obligations under the guarantee) and their respective debt obligations more generally.

The Group is dependent on economic, demographic and market developments in Romania, Poland, Slovakia, Hungary, Croatia, Bulgaria, Czech Republic, Serbia, and the CEE region more generally

As at 30 September 2017, the Group's estimated property portfolio in use is as follows: 47 per cent. is located in Romania, 23 per cent. in Poland, 9 per cent. in Slovakia, 6 per cent. in Hungary, 5 per cent. in Croatia, 5 per cent. in Bulgaria, 4 per cent. in the Czech Republic and 1 per cent. in Serbia (based on the contractual annual rent of the portfolio as at 30 September 2017 (including joint ventures)). Accordingly, due to the concentration of its portfolio in the wider CEE region, the Group is dependent on the trends in the real estate markets in Romania, Poland, Slovakia, Hungary, Croatia, Bulgaria, Czech Republic and Serbia, as well as on the general economic and demographic conditions and developments in these countries.

Although unemployment has remained low in Romania, Czech Republic, Hungary, Poland and Bulgaria in general compared to the European average, the Group cannot guarantee that unemployment will not rise to high levels in the future. Wider issues concerning the European Union including, immigration generally as well as the United Kingdom's exit from the European Union and the recent constitutional crisis in Spain concerning the Catalonia region, where many CEE citizens are currently employed, may trigger an increase in unemployment rates in the CEE region. In addition, declining demographic trends in the CEE countries may trigger an increase in the age dependency ratio in these countries. The deterioration of economic conditions in the countries where the Group operates or globally resulting in an increase in unemployment or a decline in real income, could adversely affect the financial condition of the Group's tenants and other counterparties and their ability to meet their contractual obligations towards the Group. Furthermore, a global economic downturn could lead to loss of confidence by international investors and hence adversely affect the real estate markets, where the Group's investment policy is focused. These developments in turn could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The markets in the CEE region are subject to greater risks than more developed markets, including legal, economic, fiscal and political risks that could have a material adverse effect on the Group's business

Investors in emerging and developing markets such as the countries in which the Group has its operations or assets should be aware that these markets are subject to greater legal, economic, fiscal and political risks than mature markets and are subject to rapid and sometimes unpredictable change. In general, investing in the securities of issuers with substantial operations in emerging or developing markets such as the CEE region, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions. Changes in economic and political situations in one emerging or developing market country may have a negative or unrelated consequential impact on the economic and political situation in other emerging or developing market countries.

The Group's operations in the CEE region are exposed to risks which are common to all regions that have recently undergone, or are undergoing political, economic and social change, including currency fluctuations, an evolving regulatory environment, inflation, economic downturns, local market disruptions, labour unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies and other similar factors. Political or economic instability resulting from the occurrence of any of these risks may adversely affect the real estate market in the CEE region.

As a result, the Group's performance could be significantly affected by events in the CEE region which are beyond its control, such as a general downturn in the economy, political instability, changes in regulatory requirements and applicable laws (including in relation to taxation), the condition of financial markets and interest and inflation rate fluctuations. Such events could reduce the Group's rental income and/or the market value of its properties, which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group faces business risks stemming from central banks' monetary policy decisions. Any rise in interest rates could have material adverse effects on real estate markets and on the Group

In recent years, central banks around the world have engaged in an unprecedented set of monetary policy measures generally referred to as quantitative easing. Such measures generally consist of central bank purchases of government and other securities held by commercial banks and other private sector entities to stimulate the economy by increasing the amount of liquidity available to banks for onward lending to businesses. By engaging in quantitative easing and pegging interest rates at historically low levels, central banks have created an environment that has affected real estate companies in a variety of ways. Among other things, this has made it easier and cheaper for the Group to raise new financing and to refinance its existing liabilities. Moreover, by contributing to a rise in asset prices, including real estate, this has supported the valuation of the Group's property portfolio. Some central banks have already reversed course and begun to gradually tighten monetary policy and others are expected to follow. Any such action is likely to eventually raise interest rates to levels that are more in line with historical averages. When that happens, the Group's business is likely to be affected in a number of ways. The cost at which the Group is able to raise new financing and refinance its existing liabilities will increase. Moreover, asset prices may decline from their current high levels, which could lead to a reduction in the value of the Group's property portfolio. Moreover, because of the dampening effect that a tighter monetary policy typically has on the general economy, private households on average are likely to have less disposable income, which may impact the performance of the Group's tenants. Therefore, if central banks begin to tighten monetary policy, the Group's business activities, results of operations, net assets, financial condition or cash flow could be materially adversely affected in a variety of ways.

Hostilities with neighbouring countries and civil unrest in the CEE region may adversely affect the economies of countries in the CEE region, disrupt the Group's operations and cause its business to suffer

CEE region countries have from time to time experienced instances of hostilities with neighbouring countries (such as the increased unrest in Ukraine in recent years). Military activity or terrorist attacks in the future could influence the economies of CEE countries by disrupting communications, making travel more difficult and deterring inwards investment. Such political tensions could create a greater perception that investments in companies in the CEE region involve a higher degree of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Europe, could influence the economies of CEE region countries and could have a material adverse effect on the Group's business and results of operation.

Legal regimes in the CEE region differ from those in Western Europe and legal systems and legislation in the CEE region continue to develop, which may create an uncertain environment for investments and for business activity in general

The legal systems of most of the countries in the CEE region have undergone dramatic changes in recent years as a result of EU membership and generally in alignment with countries with more developed legal jurisdictions.

In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in the promulgation of new laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations.

Generally, in civil law jurisdictions such as Romania and other countries where the Group operates, judicial decisions have no precedential effect and therefore courts may not be bound by earlier court decisions taken in the same or similar circumstances, which can result in the inconsistent application of such countries' legislation to resolve the same or similar disputes.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. A lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The insolvency laws of The Netherlands may not be as favourable to Noteholders as insolvency laws of jurisdictions with which Noteholders may be familiar and may preclude Noteholders from recovering payments due on the Notes

The Issuer is incorporated and has its centre of main interest, for the purposes of EU insolvency regulations, in The Netherlands. Accordingly, insolvency proceedings with respect to the Issuer would proceed under, and be governed by, Dutch insolvency laws, subject to certain exceptions provided for in Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast). The insolvency laws of The Netherlands may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar and may limit the ability of Noteholders to enforce the terms of the Notes.

The Group's assets may be subject to expropriation and confiscation

Subject to certain specific requirements under local law (such as the necessity for properties in certain circumstances to be used in local national interest) and subject to prior fair compensation having been paid to the Group's relevant subsidiary, certain Governments may enforce policies of expropriating part or all of a property owned by the Group's subsidiaries. However, there can be no certainty that such fair compensation shall equal the respective property's full market value.

Expropriation or confiscation of the companies in which the Group invests, their assets or portions thereof, potentially with inadequate compensation, could have a material adverse effect on the Group's business, financial condition, prospects and results of operations depending on the relevant property involved.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by economic and market conditions. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. The liquidity of the Notes may also be impacted by any exercise of a put option by Noteholders or the exercise of a call option of part only of the Notes by the Issuer. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Inflation risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced by rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes.

Dutch tax risks related to the new government's coalition agreement

On 10 October 2017, the new Dutch coalition government released their coalition agreement (Regeerakkoord) for 2017 - 2021. The coalition agreement does not include draft legislative proposals, but instead announces a number of policy intentions of the new Dutch government. Two policy intentions in particular may become relevant in the context of the Dutch tax treatment of the Issuer and/or (payments under) the Notes.

The first relates to the introduction of a "thin capitalisation rule" that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. Although the heading in the coalition agreement suggests that this thin capitalisation rule will only apply to banks and insurers, it cannot be ruled out that it will have a much wider and generic application and, as such, it could potentially be applicable to other taxpayers (including the Issuer). Many aspects of the policy intention remain unclear. However, should this policy intention come into effect and be applied to companies such as the Issuer, it may have a material adverse effect on the Issuer and its financial condition.

The second relates to the introduction of an "interest withholding tax" on interest paid to creditors in countries with very low taxes (low tax jurisdictions). Although the coalition agreement suggests that this interest withholding tax is intended to combat "letterbox" structures in the Netherlands, it cannot be ruled out that it will have wider application including interest payments under the Notes. If this particular policy intention is implemented, it may have a material adverse effect on the Issuer and its financial condition and could result in the Issuer exercising its rights pursuant to the Conditions, set out herein, to redeem the Notes.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws of the country where the Notes are transferred or other jurisdictions. Payments of interest on the Notes, or gains realised by the Noteholders upon sale or redemption of the Notes, may be subject to taxation in their home jurisdictions or in other jurisdictions in which they are required to pay taxes. Potential investors are advised not to rely upon the tax summary included in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. This investment consideration should be read in connection with the taxation sections included in this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

With respect to the Clean-Up Call Option by the Issuer (Condition 7(h)), there is no obligation on the Issuer to inform investors if and when the 80 per cent. threshold of the nominal amount of Notes of a particular Series of Notes has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-Up Call Option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Certain base rates described herein refer to "benchmarks," including LIBOR and EURIBOR, that may be discontinued or reformed, which may adversely affect the value of and return on floating rate debt securities.

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**benchmarks**") are the subject of ongoing national and international regulatory scrutiny. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated. These reforms and changes may affect the manner of administration of benchmarks, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced its intention to no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR in its current form cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences.

To the extent interest payments on a floating rate debt security are linked to a specific benchmark that is discontinued or no longer quoted, the applicable base rate will be determined using the alternative methods described in Condition 6(b) (*Interest on Floating Rate Notes*). Any of these alternative methods may result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on those debt securities if the relevant benchmark was available in its current form. Further, the same factors that may lead to the discontinuation or unavailability of a benchmark may make one or more of the alternative methods impossible or impracticable to determine. If a Screen Rate Determination is used, the final alternative method sets the interest rate for an interest period at the same rate as the immediately preceding interest period. Any of the foregoing could have a material adverse effect on the value of and return on any such Notes.

RISKS RELATED TO NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally.

The Issuer is a holding, financing, licensing and an advisory and support company and its ability to pay interest and/or principal depends upon the ability of its subsidiaries to advance funds

The Issuer is a holding, financing, licensing and an advisory and support company and its ability to pay interest and/or principal depends upon the ability of its subsidiaries to pay dividends, interest, royalties and advisory and support fees and advance funds to it.

All real estate assets are owned by and the large majority of revenues are generated by the Issuer's subsidiaries. Because the Issuer conducts its business through the Group's subsidiaries, its ability to pay interest and/or principal under the Notes, and on any other of its borrowings, depends on the earnings and cash flow of the Group's subsidiaries and their ability to pay the Issuer dividends, interest, royalties and advisory and support fees and to advance funds to it. The Group's subsidiaries are legally separated from the Issuer and have no obligation to make payments to the Issuer of any surpluses generated from their business. Other contractual and legal restrictions applicable to the Group's subsidiaries could also limit the Issuer's ability to obtain cash from them. Furthermore, the Issuer's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors, to contractual provisions under its loan agreements limiting its ability to recover claims in favour of its creditors and to obligations that may be preferred by provisions of law that are mandatory and of general application.

Thus, the Notes are structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries and structurally and/or effectively subordinated to the extent of the value of collateral provided to the Issuer's and the Issuer's subsidiaries' secured creditors. There can be no assurance that the Group and its assets would be protected from any actions by the creditors of any subsidiary, whether under bankruptcy law, by contract or otherwise. In addition, defaults by, or the insolvency of, certain subsidiaries could result in proceedings against the Issuer to enforce the obligation of the Issuer to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group. However, under Romanian law (in which the majority of the Issuer’s subsidiaries are located), the Issuer would be obliged to make such payments only in cases of wilful misconduct which could lead to the inability of the subsidiary to perform its obligations. This in turn could materially affect the Group's operations.

The Notes will be effectively subordinated to any of the Issuer's or the Guarantor's existing secured and future secured indebtedness

The Notes and the Guarantee are (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and the Guarantor, respectively. The Notes are effectively subordinated to the Issuer's or the Guarantor's existing secured indebtedness and future secured indebtedness. Accordingly, holders of the Issuer's or the Guarantor's secured indebtedness will have claims that are superior to the claims of Noteholders to the extent of the value of the assets securing such other indebtedness. In the event of a bankruptcy, liquidation or dissolution of the Issuer or the Guarantor, the assets that serve as collateral for any secured indebtedness of the Issuer or the Guarantor would be available to satisfy the obligations under the secured indebtedness before any payments are made on the Notes. Other than as set out in Condition 4 (*Negative Pledge*) and Condition 5 (*Financial Covenants*), the Conditions do not prohibit the Issuer or the Guarantor from incurring and securing future indebtedness.

The Notes will constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will be unsecured. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and its ability and that of the Group's subsidiaries to generate cash flows, which could be affected by, *inter alia*, the circumstances described in these risk factors. Any such factors could affect the Issuer's ability to make payment of interest and principal under the Notes.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Trust Deed) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer, the Guarantor and the Trustee (as the case may be) will be entitled to rely upon:

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer, the Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries).

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including

Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. In addition, the Trust Deed contains provisions which allow, without the consent of the Noteholders or Couponholders, a legal entity to assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, in the circumstances described in Condition 10 of the Notes.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Eligibility of the Notes for Eurosystem Monetary Policy

The New Global Note form has been introduced to allow for the possibility of debt instruments to be held in a manner which will allow Eurosystem eligibility. This means that any such Notes are upon issue deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer and Guarantor do not give any representation, warranty, confirmation or guarantee to any investor that such Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in any such Notes should make their own conclusions and seek their own advice with respect to whether or not any such Notes constitute Eurosystem Eligible Collateral.

FINANCIAL INFORMATION

This Base Prospectus should be read and construed in conjunction with the following documents set forth herein:

1. the audited financial statements of the Guarantor, prepared in accordance with IFRS and applicable Isle of Man law, in respect of the one month period from the date of its incorporation on 1 December 2016 to 31 December 2016 (the "**Guarantor Audited Financial Statements**");

2. the unaudited condensed consolidated financial results for New Europe Property Investments plc ("**NEPI**") and its subsidiaries and Rockcastle Global Real Estate Company Limited ("**Rockcastle**") and its subsidiaries as at and for the six months ended 30 June 2017 (the "**NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results**");

3. the audited consolidated financial statements of NEPI, prepared in accordance with IFRS and applicable Isle of Man law, as at and for the year ended 31 December 2016 (the "**NEPI 2016 Audited Consolidated Financial Statements**");

4. the audited consolidated financial statements of NEPI, prepared in accordance with IFRS and applicable Isle of Man law, as at and for the year ended 31 December 2015 (the "**NEPI 2015 Audited Consolidated Financial Statements**" and, together with the NEPI 2016 Audited Consolidated Financial Statements, the "**NEPI Audited Consolidated Financial Statements**"); and

5. the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of Rockcastle, prepared in accordance with IFRS, in respect of the eighteen months ended 31 December 2016* and in respect of the financial year ended 30 June 2015 (the "**Rockcastle Audited Consolidated Financial Statements**"),

(together the "**Financial Statements**").

* During this period, Rockcastle changed its financial year end from 30 June to 31 December.

The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results included in this Base Prospectus have been prepared in accordance with the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board ("**IASB**"), the Johannesburg Stock Exchange ("**JSE**") listing requirements, specifically, International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**"). However, the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results do not fully comply with IAS 34 as they omit certain disclosures required by IAS 34. The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results have not been audited or reviewed by independent auditors.

Certain information in this Base Prospectus represents aggregated figures created by the Guarantor on the basis of the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results, the NEPI Audited Consolidated Financial Statements and the Rockcastle Audited Consolidated Financial Statements. Such information has been derived from mathematical calculations aggregating the relevant line items for NEPI and Rockcastle. Such figures are not to be construed as pro formas (nor have any pro forma adjustments been made) or consolidated numbers. While the Guarantor believes that such information would not be materially different if such information was prepared on a consolidated or pro forma basis, no assurance to this effect can be given. No representation is made that such information represents the results of operations or financial position that would have been achieved by the Guarantor if the Merger had been consummated earlier than its actual date of completion. Such aggregate financial information is provided herein for illustrative and convenience purposes only and prospective investors are cautioned against undue reliance on it.

For further information, see section titled "*Selected Financial Information*" on page 32 below.

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures (as defined in the ESMA Guidelines on Alternative Performance Measures) ("**Alternative Performance Measures**" or "**APMs**") are included in this Base Prospectus. See below for more information. The Group's management uses the APMs to assess the Group's operating performance because it believes that the APMs are important supplemental measures of the Group's performance. In addition, the Group's management believes that the APMs are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in its industry. The APMs are not presentations specifically defined by IFRS and the Group's use of the terms that comprise the APMs may vary from others in its industry due to differences in accounting policies or differences in the calculation methodology of these terms by others in the Group's industry. The APMs have limitations as analytical tools, and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. The APMs should not be considered as alternatives to profit before tax or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of the Group's liquidity. Such measures as presented in this Base Prospectus may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for the information contained in the Financial Statements, which are included in this Base Prospectus (see "**Financial Information**").

1. **EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation)** represents operating profit, defined as Net rental and related income less Administrative expenses/Operating expenses.

2. **EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) (as modified)** represents the Net rental and related income and Income from derivative and listed securities less Administrative expenses/Operating expenses. In respect of NEPI, the EBITDA figure has been adjusted to account for Dividends and other income received from financial investments.

3. **EBITDA (as modified) margin** is calculated as EBITDA (as modified) divided by the Revenues from rent and expense recoveries.

4. **Interest coverage** is calculated as EBITDA (as modified) divided by the Finance (interest) expense.

5. **Net debt/EBITDA (as modified)** is calculated as Bank borrowings and bonds (Debt) less Cash and cash equivalents divided by the annualised EBITDA (as modified). Annualised EBITDA represents the EBITDA for the six months ended 30 June 2017, multiplied by two.

6. In respect of the 12 month period ended on 31 December 2016, **Net debt/EBITDA (as modified)** is calculated as Bank borrowings and bonds (Debt) less Cash and cash equivalents divided by EBITDA (as modified).

7. **Adjusted net asset value** is calculated by adjusting the Equity with the non-monetary items, (i.e. adding back the net deferred tax and subtracting goodwill).

8. **Consolidated total indebtedness** is calculated as Total liabilities less deferred tax liabilities.

9. **Loan-to-value ratio** is calculated as current and non-current Bank borrowings and bonds (Debt) less Cash and cash equivalents divided by Investment property and Financial investments at fair value through profit or loss.

10. **Debt/gross assets** is calculated as Bank borrowings and bonds (Debt) divided by Total assets.

11. **WAULT (weighted average unexpired lease term)** represents the sum of the remaining contractual fixed lease payments of the property portfolio divided by the contractual annual rent of the portfolio at a specific moment in time.

12. **Portfolio yield** represents the contractual annual rent of the property portfolio over the next 12 months as a percentage of the total value of the property portfolio.

SUPPLEMENTARY PROSPECTUS

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Trustee such number of copies of such supplement hereto as such Dealer and the Trustee may reasonably request.

SELECTED FINANCIAL INFORMATION

The following tables contain selected historical consolidated financial information for NEPI and Rockcastle as of the dates and the periods indicated.

With respect to NEPI, the selected consolidated statement of comprehensive income data, the selected consolidated statement of cash flows and reconciliation of profit for the period to distributable earnings for the years ended 31 December 2016 and 2015, and the selected consolidated statement of financial position data as of 31 December 2016 and 2015 have been derived from the NEPI Audited Consolidated Financial Statements, each prepared in accordance with IFRS.

With respect to Rockcastle, selected consolidated statement of comprehensive income data, the selected consolidated statement of cash flows and reconciliation of profit for the period to distributable earnings for the period between 1 July 2015 to 31 December 2016 and, respectively, for the period between 1 July 2014 to 30 June 2015 have been derived from the Rockcastle Audited Consolidated Financial Statements, each prepared in accordance with IFRS.

With respect to NEPI, the selected consolidated statement of comprehensive income data, the selected consolidated statement of cash flows data and reconciliation of profit for the period to distributable earnings for the six months ended 30 June 2017 and 30 June 2016, and the selected consolidated statement of financial position data as of 30 June 2017 have been derived from unaudited management data and the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results. The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results have not been reviewed by independent auditors. Prospective investors should not rely on interim results as being indicative of results that the Group may expect for the full year.

With respect to Rockcastle, the selected consolidated statement of comprehensive income data, the selected consolidated statement of cash flows data and reconciliation of profit for the period to distributable earnings for the six months ended 30 June 2017 and 30 June 2016, and the selected consolidated statement of financial position data as of 30 June 2017 have been derived from the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results. The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results have not been reviewed by independent auditors. Prospective investors should not rely on interim results as being indicative of results that the Group may expect for the full year.

The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results included in this Base Prospectus have been prepared in accordance with the recognition and measurement criteria of IFRS and its interpretations adopted by the International Accounting Standards Board ("**IASB**"), the Johannesburg Stock Exchange ("**JSE**") listing requirements, specifically, International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**"). However, the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results do not fully comply with IAS 34 as they omit certain disclosures required by IAS 34. The NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results have not been audited or reviewed by independent auditors.

With respect to the Guarantor, the selected statement of comprehensive income data, the selected statement of cash flows and statement of changes in equity for the period from 1 December 2016 to 31 December 2016, and the selected statement of financial position data as of 31 December 2016 have been derived from Guarantor Audited Financial Statements.

Prospective investors should read the following selected consolidated financial information in conjunction with the rest of the information contained herein including, but not limited to, the information contained in the sections titled "*Risk Factors*" and "*Presentation of Certain Aggregated Information*" as well as the Financial Statements (including the auditor's report) set forth herein.

The Guarantor intends to prepare consolidated financial statements in respect of the year ending 31 December 2017 in accordance with IFRS, given the Guarantor’s shares are listed on the Main Board of the Johannesburg Stock Exchange and Euronext Amsterdam.

The Issuer has prepared its annual consolidated financial statements in accordance with IFRS, as adopted by the European Union for the financial years ended 31 December 2015 and 31 December 2016. These financial statements have been incorporated by reference in this Base Prospectus.

NEPI CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June	As at 31 December	
	2017	2016	2015
	(unaudited)	*(audited)*	
	All amounts are in €'000		
ASSETS			
Non–current assets	**2,847,257**	**2,674,176**	**1,829,440**
Investment property	2,708,396	2,546,772	1,732,760
Investment property in use	2,501,001	2,370,760	1,576,019
Investment property under development	181,395	176,012	156,741
Advances for investment property	26,000	-	-
Goodwill	58,390	58,390	23,986
Investments in joint ventures	38,475	22,023	15,640
Long–term loans granted to joint ventures	30,556	31,015	36,674
Other long–term assets	10,844	15,299	18,098
Financial assets at fair value through profit or loss	596	677	2,282
Current assets	**81,814**	**107,538**	**381,097**
Trade and other receivables	34,871	40,539	54,487
Financial investments at fair value through profit or loss	6,721	18,979	-
Cash and cash equivalents	40,222	48,020	326,610
Investment property held for sale	**11,780**	**15,525**	**25,255**
Total assets	**2,940,851**	**2,797,239**	**2,235,792**
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	**2,025,675**	**1,814,552**	**1,496,550**
Share capital	3,340	3,215	2,986
Share premium	1,439,703	1,368,171	1,213,325
Share–based payment reserve	4,797	4,797	4,797
Currency translation reserve	(1,229)	(1,229)	(1,229)
Accumulated profit	579,064	439,598	275,042
Non–controlling interest	-	-	1,629
Total liabilities	**915,176**	**982,687**	**739,242**
Non–current liabilities	**768,773**	**831,995**	**661,717**
Bank loans	171,165	260,593	162,788
Bonds	395,628	394,819	392,140
Deferred tax liabilities	184,072	158,864	89,652
Other long–term liabilities	17,908	17,403	14,988
Financial liabilities at fair value through profit or loss	-	316	2,149
Current liabilities	**146,403**	**150,692**	**77,525**
Bank loans	82,738	17,999	13,424
Bonds	3,393	61,157	1,274
Trade and other payables	60,272	71,536	62,827
Total equity and liabilities	**2,940,851**	**2,797,239**	**2,235,792**

ROCKCASTLE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June	As at	
	2017	31 Dec 2016	30 Jun 2015
	(unaudited)	*(audited)*	
		All amounts are in $'000	
ASSETS			
Non–current assets	**1,791,527**	**1,739,084**	**2,295,139**
Investment property	1,376,864	1,258,786	58,708
Straight-lining of rental revenue adjustment	847	199	415
Investment property under development	12,360	5,611	7,436
Intangible assets	7,968	7,341	-
Goodwill	17,820	17,433	-
Listed security investments	345,924	383,994	2,161,724
Property, plant and equipment	1,447	499	-
Investment in and loans to joint ventures	-	37,000	41,727
Rockcastle management incentive loans	25,859	26,968	25,129
Deferred tax assets	2,438	1,253	-
Current assets	**506,312**	**340,218**	**31,366**
Investment income receivable	3,507	2,810	7,589
Cash and cash equivalents	26,756	24,090	3,035
Trade and other receivables	30,040	50,376	561
Equity derivative collateral	438,242	244,524	-
Financial assets at fair value through profit or loss	6,050	18,004	14,849
Income tax receivable	1,717	414	-
Loans to development partners	-	-	5,332
Total assets	**2,297,839**	**2,079,302**	**2,326,505**
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	**1,668,184**	**1,556,106**	**1,241,128**
Stated capital	1,423,989	1,383,676	1,180,670
Retained income	409,983	371,467	183,601
Non-distributable reserves	(202,961)	(168,723)	(123,947)
Currency translation reserve	37,173	(30,314)	804
Non–controlling interest	228	532	-
Total equity	**1,668,412**	**1,556,638**	**1,241,128**
Total liabilities	**629,427**	**522,664**	**1,085,377**
Non–current liabilities	**603,325**	**450,552**	**16,614**
Interest-bearing borrowings	570,308	425,230	16,614
Other long-term liabilities	2,484	-	-
Financial liabilities at fair value through profit or loss	420	-	-
Deferred tax liabilities	30,113	25,322	-
Current liabilities	**26,102**	**72,112**	**1,068,763**
Interest-bearing borrowings	1,601	1,538	1,063,777
Trade and other payables	16,765	63,872	2,991
Financial liabilities at fair value through profit or loss	4,891	6,633	1,975
Income tax payable	2,845	69	20
Total equity and liabilities	**2,297,839**	**2,079,302**	**2,326,505**

GUARANTOR'S STATEMENT OF FINANCIAL POSITION

	As at 31 December 2016
	(audited)
	All amounts are in €
ASSETS	
Non–current assets	**9,591**
Financial investments at fair value through profit or loss	9,591
Current assets	**824**
Cash and cash equivalents	824
Total assets	**10,415**
EQUITY AND LIABILITIES	
Equity attributable to equity holders	**(13,647)**
Share capital	11
Retained earnings	(13,763)
Functional currency translation reserve	105
Total liabilities	**24,062**
Current liabilities	**24,062**
Loan payable	10,475
Accrued expenses	13,587
Total equity and liabilities	**10,415**

NEPI CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December	
	2017	**2016**	**2016**	**2015**
	(unaudited)		*(audited)*	
		All amounts are in €'000		
		(unless otherwise stated)		
Net rental and related income	**90,981**	**64,403**	**145,532**	**104,067**
Revenue from rent and expense recoveries	128,911	93,292	209,890	148,799
Property operating expenses	(37,930)	(28,889)	(64,358)	(44,732)
Administrative expenses	(7,300)	(4,676)	(8,186)	(6,695)
EBITDA*	**83,681**	**59,727**	**137,346**	**97,372**
Acquisition fees	(1,523)	(1,542)	(4,339)	(933)
Fair value adjustments of investment property	92,171	15,839	143,163	81,742
Fair value gains/ (losses) on financial investments at fair value through profit or loss	(104)	484	(369)	-
Net result on sale of financial investments	193	(630)	(355)	-
Dividends received from financial investments	363	393	738	-
Share-based payment expense	-	-	-	(670)
Foreign exchange loss	(13)	(51)	(127)	(339)
Gain/ (loss) on disposal of investment property	695	(235)	(485)	-
Profit before net finance (expense)/income	**175,463**	**73,985**	**275,572**	**177,172**
Net finance (expense)/income	**(8,179)**	**(5,805)**	**(13,059)**	**(916)**
Finance income	1,411	2,802	4,784	7,613
Finance expense	(9,590)	(8,607)	(17,843)	(8,529)
Changes in fair value of financial instruments	236	(724)	228	1,149
Share of profit of joint ventures	13,686	2,916	6,383	2,399
Profit before tax	**181,206**	**70,372**	**269,124**	**179,804**
Income tax	**(26,315)**	**(5,792)**	**(36,472)**	**(13,979)**
Current tax expense	(1,107)	(351)	(1,664)	-
Deferred tax expense	(25,208)	(5,441)	(34,808)	(13,979)
Profit after tax	**154,891**	**64,580**	**232,652**	**165,825**
Total comprehensive income for the year	**154,891**	**64,580**	**232,652**	**165,825**
Non–controlling interest	-	2,316	2,316	(7,427)
Profit for the period attributable to equity holders	**154,891**	**66,896**	**234,968**	**158,398**
Weighted average number of shares in issue	328,304,103	300,845,492	309,760,628	284,461,222
Diluted weighted average number of shares in issue	328,309,197	300,868,790	309,778,913	285,813,260
Basic earnings per share (euro cents)	47.18	22.24	75.85	55.68
Diluted earnings per share (euro cents)	47.18	22.23	75.85	55.42

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

ROCKCASTLE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June		Period	
	2017	2016	01 Jul 2015 – 31 Dec 2016	1 Jul 2014 – 30 Jun 2015
	(unaudited)		*(audited)*	
	All amounts are in $'000			
	(unless otherwise stated)			
Net rental and related income	**38,806**	**11,973**	**36,942**	**1,992**
Rental revenue	50,762	15,612	49,616	2,655
Recoveries and contractual rental revenue	50,226	16,198	49,417	2,240
Straight-lining of rental revenue adjustment	536	(586)	199	415
Property operating expenses	(11,956)	(3,639)	(12,674)	(663)
Income from derivatives and listed security investments	22,839	47,519	90,254	77,931
Income from joint ventures	1,493	755	8,263	5,892
Fair value adjustment on sale of interest in joint ventures	(27)	-	-	-
Gain on acquisition of subsidiary	-	-	1,731	-
Fair value (loss)/gain on investment property, listed security investments and derivatives	**(10,177)**	**125,559**	**134,200**	**14,637**
Adjustment resulting from straight-lining of rental revenue	(536)	586	(199)	(415)
Fair value gain on investment property	6,823	4,822	43,228	-
Fair value gain on financial instruments at fair value through profit or loss	181	-	(19,407)	(6,090)
Fair value (loss)/gain on listed security investments	(16,645)	120,151	110,578	21,142
Foreign exchange gain/ (loss)	7,833	11,744	12,169	(77,935)
Operating expenses	(1,613)	(1,407)	(5,974)	(2,994)
Profit before net finance (expense)/income	**59,154**	**196,143**	**277,585**	**19,523**
Net finance (expense)/income	**(2,875)**	**(32,947)**	**(2,656)**	**(9,371)**
Finance income	1,122	1,022	3,359	2,363
Finance expense	(3,997)	(33,969)	(6,015)	(11,734)
Profit before income tax expense	**56,279**	**163,196**	**274,929**	**10,152**
Income tax expense	(3,214)	(97)	(6,838)	(20)
Profit for the period	**53,065**	**163,099**	**268,091**	**10,132**
OTHER COMPREHENSIVE INCOME NET OF TAX				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations – subsidiaries	67,487	(1,401)	(32,775)	804
Exchange differences on translation of foreign operations – minorities	(28)	-	(121)	-
Exchange differences on joint ventures on sale of investments	-	-	1,657	-
Total comprehensive income for the period	**120,524**	**161,698**	**236,852**	**10,936**
Profit for the period attributable to:	**53,065**	**163,099**	**268,091**	**10,132**
Equity holders of the company	53,341	163,278	267,449	10,132
Non-controlling interest	(276)	(179)	642	-
Total comprehensive income for the period attributable to:	**120,524**	**161,698**	**236,852**	**10,936**
Equity holders of the company	120,828	161,999	236,331	10,936
Non-controlling interest	(304)	(301)	521	-
Weighted average number of shares in issue	955,211,659	924,099,338	916,429,393	772,800,853
Basic earnings per share (USD cents)	5.58	17.67	29.18	1.31

GUARANTOR'S STATEMENT OF COMPREHENSIVE INCOME

	Period from 1 December 2016 to 31 December 2016
	(audited)
	All amounts are in €
Revenue	**-**
Administrative expenses	(13,587)
Fair value losses of financial investments at fair value through profit or loss	(176)
Loss before tax	**(13,763)**
Income tax expense	**-**
Loss after tax	**(13,763)**
Other comprehensive income	105
Total comprehensive income for the period	**(13,658)**

NEPI RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
	(unaudited)		*(unaudited)*	
	All amounts are in €'000			
Profit for the period attributable to equity holders	**154,891**	**66,896**	**234,968**	**158,398**
Reverse indirect result	**(78,498)**	**(10,795)**	**(108,683)**	**(69,889)**
Foreign exchange loss	13	51	127	344
Acquisition fees	1,523	1,542	4,339	933
Share-based payment expense				670
Fair value adjustments of investment property for controlled subsidiaries	(92,171)	(15,839)	(143,163)	(81,742)
(Profit)/Loss on disposal of investment property	(695)	235	485	-
Fair value loss of financial investments	104	(484)	369	-
Net result on sale of financial investments	(193)	630	355	-
Dividends and other income received from financial investments	(363)	(393)	(738)	-
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(236)	724	(228)	(1,149)
Deferred tax expense for controlled subsidiaries	25,208	5,441	34,808	13,979
Adjustments related to joint ventures				
Fair value adjustments of investment property for joint ventures	(13,875)	(4,369)	(7,252)	(8,204)
Fair value adjustment of financial assets and liabilities for joint ventures	(310)	614	227	(249)
Deferred tax expense for joint ventures	2,424	1,053	2,034	5,529
Foreign exchange loss/(gain) for joint ventures	73	-	(46)	-
Company specific adjustments	**(778)**	**111**	**(558)**	**12,096**
Amortisation of financial assets	(881)	(2,873)	(3,730)	(3,554)
Realised foreign exchange loss for controlled subsidiaries	(79)	30	(101)	4
Realised foreign exchange (loss)/gain for joint ventures	1	11	7	-
Accrued dividend for financial investments	181	880	1,202	-
Accrued interest on share–based payments	-	1	2	89
Fair value adjustment of investment property for non-controlling interest	-	2,514	2,514	18,598
Deferred tax expense for non-controlling interest	-	(452)	(452)	(3,041)
Antecedent dividend	**1,277**	**341**	**3,974**	**1,954**
Distributable earnings for the period	**76,892**	**56,553**	**129,701**	**102,559**
Less: Distribution declared	(76,892)	(56,553)	(126,688)	(102,559)
Antecedent dividend for equity issues prior to ex div date	-	-	(3,013)	-
Interim distribution	(76,892)	(56,553)	(59,566)	(51,304)
Final distribution	-	-	(70,135)	(51,255)
Earnings not distributed	-	-	-	-
Number of shares entitled to distribution	334,027,068	302,714,153	321,486,204	298,590,564
Distributable earnings per share for the period (euro cents)	**23.02**	**18.68**	**40.50**	**35.34**
Less: Distribution declared per share (euro cents)	(23.02)	(18.68)	(40.50)	(35.34)
Interim distribution per share (euro cents)	(23.02)	(18.68)	(18.68)	(18.17)
Final distribution per share (euro cents)	-	-	(21.82)	(17.17)
Earnings not distributed (euro cents)	-	-	-	-

ROCKCASTLE RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

	Six months ended 30 June		Period	
	2017	2016	01 Jul 2015 – 31 Dec 2016	1 Jul 2014 – 30 Jun 2015
	(unaudited)		*(unaudited)*	
	All amounts are in $'000			
Profit for the period	**53,065**	**163,099**	**267,449***	**10,132**
Reverse indirect result	**(20,524)**	**(158,826)**	**(235,702)**	**57,185**
Foreign exchange loss/(gain)	(7,833)	(11,744)	(12,169)	77,935
Fair value adjustments of investment property for controlled subsidiaries	(6,823)	(4,822)	(43,228)	-
Fair value loss of financial investments	16,645	(120,151)	(89,609)	(15,052)
Dividends and other income received from financial investments	(22,839)	(47,519)	(90,254)	(77,931)
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(181)	25,492	-	-
Deferred tax expense for controlled subsidiaries	480	28	6,649	-
Gain on acquisition of subsidiaries	-	-	(1,731)	-
Adjustments related to joint ventures				
Fair value adjustment on sale of interest in joint ventures	27	(110)	706	-
Fair value adjustments of investment property for joint ventures	-	-	(6,066)	-
Accrued income from listed securities	-	-	-	76,962
Income from joint ventures	-	-	-	(5,892)
Distributable income from joint ventures	-	-	-	1,163
Company specific adjustment	**22,612**	**39,917**	**102,118**	**-**
Accrued dividend for financial investments	22,711	39,738	102,118	-
Non-controlling interest	(99)	179	-	-
Antecedent dividend	**466**	**330**	**1,977**	**3,102**
Distributable earnings for the period	**55,619**	**44,520**	**135,842**	**70,419**
Less: distribution declared	(55,619)	(44,520)	(135,842)	(70,419)
Interim distribution	(55,619)	(44,520)	(86,780)	(32,943)
Final distribution	-	-	(49,062)	(37,476)
Earnings not distributed	-	-	-	-
Number of shares entitled to distribution	963,155,909	930,994,319	945,502,019	847,862,018
Distributable earnings per share for the period (USD cents)	**5.775**	**4.78**	**14.60**	**8.70**
Less: Distribution declared per share (USD cents)	(5.775)	(4.78)	(14.60)	(8.70)
Interim distribution per share (USD cents)	(5.775)	(4.78)	(4.63)	(4.28)
Interim distribution per share (USD cents)	-	-	(4.78)	-
Final distribution per share (USD cents)	-	-	(5.19)	(4.42)
Earnings not distributed (USD cents)	-	-	-	-

* Profit for the period relates to profit attributable to equity holders.

NEPI CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December	
	2017	**2016**	**2016**	**2015**
	(unaudited)		*(audited)*	
	All amounts are in €'000			
Profit after tax	154,891	64,580	232,652	165,825
Adjustments	(59,047)	(3,479)	(93,262)	(66,987)
Interest and coupon paid	(18,202)	(4,066)	-	-
Changes in working capital*	(10,422)	1,103	5,066	1,378
Cash flows from operating activities	**67,220**	**58,138**	**144,456**	**100,216**
Proceeds from issue of shares	71,657	9	155,075	139,255
Earnings distribution	(15,425)	(12,584)	(48,288)	(50,489)
Net movements in bank loans and bonds	(70,650)	(28,141)	134,890	297,522
Other payments	-	-	(24,500)	(2,395)
Cash flows from financing activities	**(14,418)**	**(40,716)**	**217,177**	**383,893**
Investments in acquisitions and developments	(69,778)	(273,959)	(621,262)	(265,735)
Net cash flow from/(used in) investments in financial assets	9,178	(19,310)	(18,961)	-
Cash flows used in investing activities	**(60,600)**	**(293,269)**	**(640,223)**	**(265,735)**
Net (decrease)/ increase in cash and cash equivalents	**(7,798)**	**(275,847)**	**(278,590)**	**218,374**
Cash and cash equivalents brought forward	48,020	326,610	326,610	108,236
Cash and cash equivalents carried forward	**40,222**	**50,763**	**48,020**	**326,610**

* From 1 January 2017, NEPI changed the presentation of the changes in working capital, which for the amounts published at 31 December 2016 and 31 December 2015, included interest and coupon paid. If presented the same, interest and coupon paid for 31 December 2016 would be (€10,164) thousand and for 31 December 2015 would be (€11,938) thousand respectively, while changes in working capital would be €15,230 thousand for 31 December 2016 and €13,316 thousand for 31 December 2015 respectively

ROCKCASTLE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Period	
	2017	**2016**	**01 Jul 2015 – 31 Dec 2016**	**1 Jul 2014 – 30 Jun 2015**
	(unaudited)		*(audited)*	
	All amounts are in $'000			
Profit after income tax	53,065	163,099	268,091**	10,132**
Adjustments	3,267	(130,949)	(147,692)**	64,061**
Distributions received from joint ventures	1,408	729	3,907	-
Interest received	3,058	-	4,274	-
Interest and coupon paid	(5,607)	(7,440)	(10,907)	(7,836)
Changes in working capital	(17,314)	93,972	9,469	(12,598)
Cash flows from operating activities	**37,877**	**119,411**	**127,142**	**53,759**
Earnings distribution	(8,636)	(2,835)	(15,715)	(30,234)
Net movements in bank loans	158,330	(135,656)	165,867	453,017
Other proceeds/payments	(528)	-	90,892	277,242
Cash flows from financing activities	**149,166**	**(138,491)**	**241,044**	**700,025**
Investments in acquisitions and developments	(31,926)	(140,296)	(920,063)	(84,516)
Net cash flow (used in)/ from investments in financial assets	(152,451)	169,621	572,932	(666,719)
Cash flows (used in)/ from investing activities	**(184,377)**	**29,325**	**(347,131)**	**(751,235)**
Net (decrease)/ increase in cash and cash equivalents	**2,666**	**10,245**	**21,055**	**2,549**
Cash and cash equivalents brought forward	24,090	6,110	3,035	486
Cash and cash equivalents carried forward	**26,756**	**16,355**	**24,090**	**3,035**

** Cash flow statement as per audited accounts for 31 December 2016 and 30 June 2015 starts with Profit before income tax. The tax expense and tax paid has been included in Adjustments.

GUARANTOR'S STATEMENT OF CASH FLOWS

	1 December 2016 – 31 December 2016
	(audited)
	All amounts are in €
Operating activities	
Loss after tax	(13,763)
Adjustments for:	
Accrued expenses	13,587
Fair value losses on financial investments at fair value through profit or loss	176
Operating result before changes in working capital	-
Cash flows from operating activities	**-**
Investing activities	
Payments for financial investments at fair value through profit or loss	(9,888)
Cash flows used in investing activities	**(9,888)**
Financing activities	
Proceeds from loans taken	10,730
Cash flows from financing activities	**10,730**
Net (decrease)/increase in cash and cash equivalents	**842**
Cash and cash equivalents brought forward	-
Effects of exchange rates on cash and cash equivalents	(18)
Cash and cash equivalents carried forward	**824**

GUARANTOR'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Functional Currency Transaction Reserve	Total
		(audited)		
		All amounts are in €		
Balance at 1 December 2016	**-**	**-**	**-**	**-**
Transactions with owners	**11**	**-**	**-**	**11**
Issue of shares	11	-	-	11
Total comprehensive income	**-**	**(13,763)**	**-**	**(13,763)**
Profit for the period	-	(13,763)	-	(13,763)
Other comprehensive income	**-**	**-**	**105**	**105**
Functional currency translation	-	-	105	105
Balance at 31 December 2016	**11**	**(13,763)**	**105**	**(13,647)**

PRESENTATION OF CERTAIN AGGREGATED INFORMATION

Summary of key financial and operational information as at and for the six months ended 30 June 2017

While the information in the following table has been created by the Guarantor on the basis of the NEPI and Rockcastle Interim Unaudited Condensed Consolidated Financial Results, such information has been derived from mathematical calculations aggregating the line items set out below for NEPI and Rockcastle. The figures below are not to be construed as pro formas (nor have any pro forma adjustments been made) or consolidated numbers. While the Guarantor believes that the information would not be materially different if such information was prepared on a consolidated or pro forma basis, no assurance to this effect can be given. No representation is made that the aggregated information set out below and included in this Base Prospectus represents the results of operations and financial position that would have been achieved by the Guarantor as at and for the six months ended 30 June 2017 assuming that the Merger transaction had been implemented on 30 June 2017 for statement of financial position purposes and on 1 January 2017 for statement of comprehensive income purposes. Such aggregate information is provided herein for illustrative and convenience purposes only and prospective investors are cautioned against undue reliance on it.

PricewaterhouseCoopers LLC has not performed any procedures with respect to the aggregated information contained herein and, accordingly, PricewaterhouseCoopers LLC does not express an opinion or any other form of assurance on such information or its appropriateness. PricewaterhouseCoopers LLC assumes no responsibility for and denies any association with the aggregated information and any other information derived therefrom included elsewhere in this Prospectus.

		NEPI (EUR '000)	Rockcastle (USD '000)	Rockcastle (EUR '000)*	Total (EUR '000)
			(unaudited)		
1.	Revenues from rent and expense recoveries	128,911	50,762	45,206	174,117
2.	Net rental and related income	90,981	38,806	34,559	125,540
3.	Finance expense	9,590	3,997	3,560	13,150
4.	EBITDA (as modified) [1]	84,044	60,032	53,462	137,506
5.	Total assets	2,940,851	2,297,839	2,011,432	4,952,283
6.	Investment property	2,708,396	1,390,071	1,216,809	3,925,205
	(a) Investment property in use[2]	2,501,001	1,377,711	1,205,990	3,706,991
	(b) Investment property under development	181,395	12,360	10,819	192,214
	(c) Advances for investment property	26,000	-	-	26,000
7.	Financial investments at fair value through profit or loss[3]	6,721	789,341	690,956	697,677
8.	Cash and cash equivalents	40,222	26,756	23,421	63,643
9.	Adjusted Net Asset Value[4]	2,159,733	1,678,267	1,469,084	3,628,817
10.	Total liabilities	915,176	629,427	550,974	1,466,150
11.	Bank borrowings and bonds (Debt)	652,924	571,909	500,625	1,153,549
12.	Consolidated Total indebtedness[5]	731,104	599,314	524,614	1,255,718
13.	Equity	2,025,675	1,668,412	1,460,458	3,486,133

Rockcastle financial information for the 12 months period ended 31 December 2016 was derived from the audited financial statements for the eighteen months ended 31 December 2016 adjusted with unaudited financial statements for six months ended 31 December 2015.

* (EUR) equivalent calculated based on the foreign exchange rate of EUR 1.00 = USD 1.1229 for income statement and EUR 1.00 = USD 1.1424 for statement of financial position.

1. EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) (as modified) represents the Net rental and related income and Income from derivative and listed securities less Administrative expenses/Operating expenses. In respect of NEPI, the EBITDA figure has been adjusted to account for Dividends and other income received from financial investments.
2. Investment property in use for Rockcastle is presented on the statement of financial position in lines “Investment property” and “Straight-lining of rental revenue adjustment”.
3. Financial investments at fair value through profit or loss showing the net position of listed securities held is presented on the statement of financial position of Rockcastle in lines "Listed security investments" (US$345,924 thousand), "Equity derivative collateral" (US$438,242 thousand) and part of "Financial assets at fair value through profit or loss" (US$5,175 thousand corresponds to fair value of listed securities; the remaining amount included in the "Financial assets at fair value through profit or loss" of US$875 thousand corresponds to the fair value of the derivative instruments to hedge variable interest rate).
4. Adjusted net asset value is calculated by adjusting the Equity with the non-monetary items (i.e. adding back the net deferred tax and subtracting goodwill).
5. Consolidated Total indebtedness is calculated as Total liabilities less deferred tax liabilities.

	Key Performance Indicators		
	NEPI	**Rockcastle**	**Total**
		(unaudited)	
EBITDA (as modified) margin[1]	65%	118%	79%
Interest coverage[2]	8.8x	15.0x	10.5x
Net Debt/EBITDA (as modified)[3]	3.6x	4.5x	4.0x
Loan-to-value ratio [4]	22.6%	25.0%	23.6%
Debt/gross assets[5]	22.2%	24.9%	23.3%
Number of income producing properties	38	12	50
Gross Leasable Area (weighted by ownership in sqm) of income producing properties	1,064,000	419,100	1,483,100
Occupancy level	98%	91%	96%
WAULT (by rental income) [6]	4.6 years	3.5 years	4.3 years
Portfolio yield for income producing properties[7]	7.22%	5.98%	6.83%
Vacancy rate	2%	9%	4%

1. EBITDA (as modified) margin is calculated as EBITDA (as modified) (line 4 on page 44 above) *divided* by the Revenues from rent and expense recoveries (line 1 on page 44 above).
2. Interest coverage is calculated as EBITDA (as modified) (line 4 on page 44 above) *divided* by Finance expense (line 3 on page 44 above).
3. Net debt/EBITDA (as modified) is calculated as Bank borrowings and bonds (Debt) (line 11 on page 44 above) *less* Cash and cash equivalents (line 8 on page 44 above) *divided* by the annualised EBITDA (as modified) (line 4 on page 44 above). Annualised EBITDA (as modified) represents the EBITDA (as modified) for the six months ended 30 June 2017, multiplied by two.
4. Loan-to-value ratio is calculated as current and non-current Bank borrowings and bonds (Debt) (line 11 on page 44 above) *less* Cash and cash equivalents (line 8 on page 44 above) *divided* by Investment property (line 6 on page 44 above) *plus* Financial investments at fair value through profit or loss (line 7 on page 44 above).
5. Debt/gross assets is calculated as Bank borrowings and bonds (Debt) (line 11 on page 44 above) *divided* by Total assets (line 5 on page 44 above).
6. WAULT (weighted average unexpired lease term) represents the sum of the remaining contractual fixed lease payments of the property portfolio divided by the contractual annual rent of the portfolio at a specific moment in time.
7. Portfolio yield represents the contractual annual rent of the property portfolio over the next 12 months as a percentage of the total value of the property portfolio.

Summary of key financial and operational information as at and for the 12 months ended 31 December 2016

While the information in the following table has been created by the Guarantor on the basis of the NEPI 2016 Audited Consolidated Financial Statements and the Rockcastle 2016 Audited Consolidated Financial Statements, such information has been derived from mathematical calculations aggregating the line items set out below for NEPI and Rockcastle. The figures below are not to be construed as pro formas (nor have any pro forma adjustments been made) or consolidated numbers. While the Guarantor believes that the information would not be materially different if such information was prepared on a consolidated or pro forma basis, no assurance to this effect can be given. No representation is made that the aggregated information set out below and included in this Base Prospectus represents the results of operations and financial position that would have been achieved by the Guarantor as at and for the 12 months ended 31 December 2016 assuming that the Merger transaction had been implemented on 31 December 2016 for statement of financial position purposes and on 1 January 2016 for statement of comprehensive income purposes. Such aggregate information is provided herein for illustrative and convenience purposes only and prospective investors are cautioned against undue reliance on it.

PricewaterhouseCoopers LLC has not performed any procedures with respect to the aggregated information contained herein and, accordingly, PricewaterhouseCoopers LLC does not express an opinion or any other form of assurance on such information or its appropriateness. PricewaterhouseCoopers LLC assumes no responsibility for and denies any association with the aggregated information and any other information derived therefrom included elsewhere in this Prospectus.

		NEPI (EUR '000)	**Rockcastle (USD '000)**	**Rockcastle (EUR '000)***	**Total (EUR '000)**
			(unaudited)		
1.	Revenues from rent and expense recoveries..................	209,890	43,587	39,409	249,299
2.	Net rental and related income	145,532	32,323	29,225	174,757
3.	Finance expense	17,843	3,553	3,212	21,055
4.	EBITDA (as modified)[1]..	138,084	92,486	83,620	221,704
5.	Total assets	2,797,239	2,079,302	1,972,586	4,769,825
6.	Investment property..	2,546,772	1,264,596	1,199,693	3,746,465
	(a) Investment property in use[2]	2,370,760	1,258,985	1,194,370	3,565,130
	(b) Investment property under development	176,012	5,611	5,323	181,335
7.	Financial investments at fair value through profit or loss[3]...	18,979	644,398	611,325	630,304
8.	Cash and cash equivalents..	48,020	24,090	22,854	70,874
9.	Adjusted Net Asset Value[4]...	1,920,996	1,563,274	1,483,042	3,404,038
10.	Total liabilities..	982,687	522,664	495,839	1,478,526
11.	Bank borrowings and bonds (Debt)	734,568	426,768	404,865	1,139,433
12.	Consolidated Total indebtedness[5]..................................	823,823	497,342	471,817	1,295,640
13.	Equity	1,814,552	1,556,638	1,476,747	3,291,299

Rockcastle financial information for the 12 months period ended 31 December 2016 was derived from the audited financial statements for eighteen months ended 31 December 2016 adjusted with unaudited financial statements for six months ended 31 December 2015.

* (EUR) equivalent calculated based on the foreign exchange rate of EUR 1.00 = USD 1.1060 for income statement and EUR 1.00 = USD 1.0541 for statement of financial position

1. EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) (as modified) represents the Net rental and related income and Income from derivative and listed securities less Administrative expenses/Operating expenses. In respect of NEPI, the EBITDA figure has been adjusted to account for Dividends and other income received from financial investments.
2. Investment property in use for Rockcastle is presented on the statement of financial position in lines "Investment property" and "Straight-lining of rental revenue adjustment".
3. Financial investments at fair value through profit or loss showing the net position of listed securities held is presented on the statement of financial position of Rockcastle in lines "Listed security investments" (US$383,994 thousand), "Equity derivative collateral" (US$244,524 thousand) and part of "Financial assets at fair value through profit or loss" (US$15,880 thousand corresponds to fair value of listed securities; the remaining amount included in the "Financial assets at fair value through profit or loss" of US$2,124 thousand corresponds to the fair value of the derivative instruments to hedge variable interest rate).
4. Adjusted net asset value is calculated by adjusting the Equity with the non-monetary items (i.e. adding back the net deferred tax and subtracting goodwill).
5. Consolidated Total indebtedness is calculated as Total liabilities less deferred tax liabilities.

	Key Performance Indicators		
	NEPI	**Rockcastle**	**Total**
		(unaudited)	
EBITDA (as modified) margin[1]	66%	212%	89%
Interest coverage[2]	7.7x	26x	10.5x
Net Debt/EBITDA (as modified)[3]	5.0x	4.4x	4.8x
Loan-to-value ratio[4]	26.8%	21.1%	24.4%
Debt/gross assets[5]	26.3%	20.5%	23.9%
Number of income producing properties	37	13	50
Gross Leasable Area (weighted by ownership in sqm) of income producing properties	1,043,400	432,400	1,475,800
Occupancy level	98%	92%	96%
WAULT[6]	5.0 years	3.8 years	4.7 years
Portfolio yield for income producing properties[7]	7.34%	6.12%	6.93%
Vacancy rate	2%	8%	4%

1. EBITDA (as modified) margin is calculated as EBITDA (as modified) (line 4 on page 46 above) *divided* by the Revenues from rent and expense recoveries (line 1 on page 46 above).
2. Interest coverage is calculated as EBITDA (as modified) (line 4 on page 46 above) *divided* by the Finance (interest) expense (line 3 on page 46 above).
3. Net debt/EBITDA (as modified) is calculated as Bank borrowings and bonds (Debt) (line 11 on page 46 above) *less* Cash and cash equivalents (line 8 on page 46 above) *divided* by EBITDA (as modified) (line 4 on page 46 above).
4. Loan-to-value ratio is calculated as current and non-current Bank borrowings and bonds (Debt) (line 11 on page 46 above) *less* Cash and cash equivalents (line 8 on page 46 above) divided by Investment property (line 6 on page 46 above) *plus* Financial investments at fair value through profit or loss (line 7 on page 46 above).
5. Debt/gross assets is calculated as Bank borrowings and bonds (Debt) (line 11 on page 46 above) *divided* by Total assets (line 5 on page 46 above).
6. WAULT (weighted average unexpired lease term) represents the sum of the remaining contractual fixed lease payments of the property portfolio divided by the contractual annual rent of the portfolio at a specific moment in time.
7. Portfolio yield represents the contractual annual rent of the property portfolio over the next 12 months as a percentage of the total value of the property portfolio.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	NE Property Coöperatief U.A.
Guarantor:	NEPI Rockcastle plc
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to EUR 1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	J.P. Morgan Securities plc
Dealers:	ING Bank N.V., London Branch J.P. Morgan Securities plc Société Générale The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Paying Agent:	The Bank of New York Mellon, London Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire

holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "*Global Certificates*".

Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Terms and Conditions	The Notes of each Series (other than Exempt Notes) are subject to the "*Terms and Conditions of the Notes*", as completed by the applicable Final Terms. In the case of Exempt Notes only, the Notes of each Series are subject to the "*Terms and Conditions of the Notes*" as supplemented, replaced or modified by the terms of the applicable Pricing Supplement.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) no Notes may be issued with a minimum denomination of less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency

	governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for certain obligations preferred by law and subject to the "*Terms and Conditions of the Notes – Negative Pledge"*.
Status of Guarantee	The guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law and subject to the "*Terms and Conditions of the Notes – Negative Pledge"*.
Negative Pledge:	See "*Terms and Conditions of the Notes – Negative Pledge*".
Cross Default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary:	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings:	The Programme has been rated BBB by both S&P and Fitch. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.

	A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Netherlands or the Isle of Man, as the case may be, unless the withholding is required by law. In such event, the Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder and Couponholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme (other than Exempt Notes) on the Official List and to admit them to trading on the Market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets (including the Bucharest Stock Exchange) agreed between the Issuer and the relevant Dealer in relation to the Series of Notes. Exempt Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Redenomination, Renominalisation and/or Consolidation	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	The United States, the Prohibition of Sales to EEA Retail Investors, the United Kingdom, the Netherlands, the Isle of Man, Japan and the Republic of Italy. See "*Subscription and Sale*". The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act, as amended. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

INFORMATION INCORPORATED BY REFERENCE

The documents set out below shall be deemed to be incorporated in, and to form part of, this Base Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such statement. Such documents have been filed with the Central Bank of Ireland and physical copies will be made available, free of charge, during usual business hours at the specified offices of the Issuing and Paying Agent.

(a) the audited consolidated financial statements of NE Property Coöperatief U.A., which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the auditor's reports as at and for the year ended 31 December 2016 ("**2016 Consolidated Annual Financial Statement**s") and the directors' report in respect thereof ("**2016 Directors' Report**") (which are available on http://nepirockcastle.com/pdf/corporate-reports/coop_audited_signed_FS_2016.pdf); and

(b) the audited consolidated financial statements of NE Property Coöperatief U.A., which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the auditor's reports as at and for the year ended 31 December 2015 ("**2015 Consolidated Annual Financial Statements**" and together with the 2016 Consolidated Annual Financial Statements, the "**Consolidated Annual Financial Statements**") and the directors' report in respect thereof ("**2015 Directors' Report**") (which are available on http://nepirockcastle.com/pdf/corporate-reports/coop_audited_signed_FS_2015.pdf),

together, the "**Issuer's Financial Statements**".

For ease of reference, the tables below set out the relevant page references for the Issuer's Financial Statements, the notes to the Issuer's Financial Statements and the related Auditors' reports for the years ended 31 December 2016 and 2015.

NE PROPERTY COÖPERATIEF U.A.

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Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant to investors or are covered elsewhere in this Base Prospectus.

Any documents which are themselves incorporated by reference in the information incorporated by reference in this Base Prospectus will not form part of this Base Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the applicable Final Terms (as defined below) and, in the case of Exempt Notes (as defined below) only, as replaced, modified and/or varied in accordance with the provisions of the applicable Pricing Supplement (as defined below), shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s), representing each Series. The final terms for this Note are set out in the applicable Final Terms or Pricing Supplement attached to or endorsed on this Note (or on the Certificate relating to this Note in the case of a Registered Note) which completes these terms and conditions (the "Conditions") and, in the case of an Exempt Note only, the applicable Pricing Supplement which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace, modify and/or vary these Conditions for the purposes of this Note. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to "Notes" are to, unless the context otherwise requires, the Notes of one Series only, not to all Notes that may be issued under the programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 15 November 2017 between the Issuer, the Guarantor, and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 15 November 2017 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The applicable Pricing Supplement in relation to any Tranche of Notes for which no prospectus is required to be published under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**", which term includes any relevant implementing measure in a relevant Member State of the European Economic Area) ("**Exempt Notes**") may specify terms and conditions other than those set out herein which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace, modify and/or vary these Conditions for the purpose of such Notes. For the avoidance of doubt, the Final Terms in relation to each Tranche of Notes (which are not Exempt Notes) shall not modify or replace these Conditions set out herein.

References herein to the "applicable Final Terms" are to Part A of the final terms (the "**Final Terms**") (or, in the case of Exempt Notes, Part A of the pricing supplement (the "**Pricing Supplement**")) attached hereto or endorsed hereon and expressions defined or used in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) shall have the same meanings in these Conditions, unless the context otherwise requires or unless otherwise stated.

The Noteholders and the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. **Form, Denomination and Title**

   The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

(a) ***No Exchange of Notes***: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes***: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor provided, however, that part of a Registered Note may not be transferred unless the nominal amount of the part transferred, and the nominal amount of the balance not transferred, are Specified Denominations. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***: In the case of an exercise of the Issuer's or Noteholders' options in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) ***Transfers Free of Charge***: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) ***Closed Periods***: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 7(e), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status and Guarantee

(a) ***Status of the Notes***: The Notes and the Coupons constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations which may be preferred by provisions of law that are both mandatory and of general application (and subject to Condition 4).

(b) ***Guarantee of the Notes***: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Notes and the Coupons. The guarantee (the "**Guarantee of the Notes and the Coupons**") constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application (and subject to Condition 4).

4. Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), none of the Issuer or the Guarantor shall and each of the Issuer and the Guarantor shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure: (a) any Relevant Indebtedness of the Issuer or the Guarantor or a Subsidiary of the Issuer or the Guarantor; (b) or any guarantee (as defined below) given by the Issuer or the Guarantor or a Subsidiary of the Issuer or the Guarantor in respect of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes and the Coupons and all amounts payable by it under the Guarantee of the Notes and the Coupons equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes and the Coupons as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

In these Conditions:

"**Calculation Amount**" means the amount so specified in the relevant Final Terms;

"**Group**" means NEPI Rockcastle plc as Guarantor and its Subsidiaries (including the Issuer) taken as a whole;

"**guarantee**" means, in relation to any Relevant Indebtedness of any Person, any obligation of another Person to pay such Relevant Indebtedness including (without limitation):

(a) any obligation to purchase such Relevant Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services for the express purpose of providing funds for the payment of such Relevant Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and

(d) any other agreement to be responsible for such Relevant Indebtedness;

"**IAS 34**" means the International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board, as amended, supplemented, or re-issued from time to time;

"**IFRS**" means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time);

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication) any debt of such Person, including:

(a) all indebtedness of such Person for borrowed money in whatever form;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto, except to the extent any such reimbursement obligations relate to trade payables);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services which purchase price is due more than 90 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services excluding:

    (i) any trade payables or other liability to trade creditors; and

    (ii) any post-closing payment adjustments in connection with the purchase by the Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor of any business to which the seller may become entitled, to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing and **provided that** (x) the amount of any such payment is not determinable at the time of closing and, (y) to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter;

(e) all capitalised lease obligations of such Person, to the extent treated as indebtedness in the financial statements of such Person under IFRS;

(f) all obligations of the type referred to in paragraphs (a) to (e) of other Persons guaranteed by such Person to the extent such obligation is guaranteed by such Person; and

(g) any obligations of the type referred to in paragraphs (a) to (f), where a Security Interest has been granted over any asset of such Person (including where the underlying obligation has been assumed by a third party).

For the purpose of determining the euro-equivalent of Indebtedness denominated in a foreign currency, the euro-equivalent principal amount of such Indebtedness pursuant thereto shall be calculated based on the relevant official central bank currency exchange rate in effect on the date of determination thereof.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above **provided that** (i) with respect to contingent obligations as described above, the amount of Indebtedness will be the value of the contingency, if any, giving rise to the obligation as reported in that Person's financial statements and (ii) in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, for the time being, or is ordinarily capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. **Financial Covenants**

5.1 So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

(a) the Guarantor undertakes that in relation to the Group taken as a whole, the Solvency Ratio shall not exceed 0.60;

(b) the Guarantor undertakes that in relation to the Group taken as a whole, the Consolidated Coverage Ratio will be at least 2:1; and

(c) the Guarantor undertakes that, as at any Measurement Date, the Group will own Unsecured Consolidated Total Assets equal to 150 per cent. or more of the aggregate outstanding principal amount of Unsecured Consolidated Total Indebtedness.

The Guarantor shall engage external independent international valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of real estate assets being valued, to value at least 90 per cent. (by market valuation) of the Group's standing investments and land at least once per calendar year.

The Guarantor will promptly notify the Trustee in accordance with the Trust Deed in the event that any of the ratios or levels in this Condition 5.1(a) to (c) are breached at any time.

For so long as any Note or Coupon remains outstanding, the Guarantor will deliver a certificate to the Trustee on each Reporting Date signed by two duly authorised signatories of the Guarantor, certifying that the Guarantor is and has been in compliance with the covenants set out in this Condition 5 at all times during the relevant period. Such certificate may be relied on without liability by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

In these Conditions:

"**Adjusted EBITDA**" means the consolidated profit/(loss) of the Group before taxes, depreciation, amortisation and impairments, non-controlling interest and share of profit/(loss) of joint ventures, excluding any fair value differences, the net result on sale of financial investments, financial expenses, share-based payment expenses, acquisition fees, net result on acquisitions and disposals and any other exceptional or non-recurring item, as determined by reference to the most recent consolidated statement of comprehensive income of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Coverage Ratio**" means, in respect of any Measurement Date, (i) the aggregate amount of Adjusted EBITDA for the period of the most recent two consecutive semi-annual periods ending on such Measurement Date divided by (ii) the Consolidated Interest Expense for such two semi-annual periods;

"**Consolidated Interest Expense**" means, for any period, all charges, interest, commission, fees, discounts, premiums and other finance costs in respect of Indebtedness incurred by the Group as shown in the most recent consolidated statement of comprehensive income of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Total Assets**" means the total assets (excluding intangible assets) of the Group as shown in the most recent consolidated statement of financial position of the audited annual or unaudited semi-annual condensed (as the case may be) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Consolidated Total Indebtedness**" means the total Indebtedness of the Group (excluding deferred tax liabilities) as determined by reference to the most recent consolidated statement of financial position of the audited annual or unaudited semi-annual condensed (as the case maybe) financial statements of the Group, prepared in accordance with IFRS and applicable Isle of Man law or IAS 34, as applicable;

"**Measurement Date**" means each day which is (i) the last day of the Group's financial year in any year (the "**Annual Measurement Date**") or (ii) the last day of the first half of the Group's financial year in any year (the "**Semi-Annual Measurement Date**");

"**Reporting Date**" means a date falling no later than 30 days after (i) the publication of the Group's audited annual consolidated financial statements, prepared in accordance with IFRS, with respect to an Annual Measurement Date, or (ii) the publication of the Group's unaudited condensed semi-annual consolidated financial statements, prepared in accordance with IAS 34, with respect to a Semi-Annual Measurement Date;

"**Solvency Ratio**" means, in relation to the Group and in respect of any Measurement Date, the Consolidated Total Indebtedness divided by Consolidated Total Assets;

"**Unsecured Consolidated Total Assets**" means such amount of the Consolidated Total Assets not secured by a Security Interest for Indebtedness; and

"**Unsecured Consolidated Total Indebtedness**" means such amount of Consolidated Total Indebtedness in respect of which the Group or a Subsidiary of the Group has not granted a Security Interest over its property or assets.

5.2 ***Consolidated financial statements***

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Guarantor shall deliver to the Trustee:

(a) not later than six months after the end of the Guarantor's financial year, copies or the electronic versions of the audited consolidated financial statements of the Group for such financial year, prepared in accordance with IFRS and applicable Isle of Man law, consistently applied, and accompanied by the report of the independent auditors thereon;

(b) not later than 120 days after the end of the semi-annual period, copies or the electronic versions of the unaudited condensed consolidated financial statements of the Group for such semi-annual period, prepared in accordance with IAS 34 consistently applied; and

(c) in the case of every other item referred to below, not later than 20 days after their initial distribution to any of the persons referred to below, three copies in English of every statement of financial position, statement of income and, to the extent permitted by applicable law, every report or other notice, statement or circular issued, or which legally should be issued, to the members or holders of securities (generally) of the Guarantor or any holding company thereof generally in their capacity as such.

6. **Interest and other Calculations**

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(b) ***Interest on Floating Rate Notes***:

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Bucharest time in the case of ROBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is ROBOR, the principal Bucharest office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is ROBOR, the Bucharest inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is ROBOR, at approximately 11.00 a.m. (Bucharest time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer (acting in good faith) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is ROBOR, the Bucharest inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period **provided however that** if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) ***Zero Coupon Notes***: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i)).

(d) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 9).

(e) ***Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding***:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(f) ***Calculations***: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts***: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 12, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) ***Definitions*:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365** (**Fixed**)" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Bucharest inter-bank market, in each case selected by the Issuer.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) ***Calculation Agent***: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7. **Redemption, Purchase and Options**

(a) ***Final Redemption***: Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) ***Early Redemption***:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c), Condition 7(e) or Condition 7(f) or upon it becoming due and payable as provided in Condition 12, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if immediately before giving such notice, the Issuer or the Guarantor satisfies the Trustee that:

(i) as a result of any change in, or amendment to, the laws or regulations of the Netherlands or the Isle of Man, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes either (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or (b) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee:

(A) a certificate signed by two authorised signatories of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and without liability rely on such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 7(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(c).

(d) ***Make-whole call:*** If Make-Whole Call is specified hereon, the Notes will be redeemable, as a whole or in part, at the option of the Issuer, on at least 30 days', but not more than 60 days', prior notice (or such other notice period as may be specified hereon) to Noteholders given in accordance with Condition 17, at a redemption price equal to the greater of:

(i) 100 per cent. of the nominal amount of the Notes to be redeemed; and

(ii) the Make-Whole Optional Redemption Price,

plus, in each case, accrued and unpaid interest on the Notes to, but excluding, the redemption date.

Notwithstanding the foregoing, amounts of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the redemption date will be payable on such Interest Payment Date(s) to the Noteholders.

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Make-Whole Optional Redemption Price**" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the yield (as calculated by the Determination Agent) on the Notes to be redeemed, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the yield on such dealing day of the Reference Bond, plus any applicable Make-Whole Margin specified hereon, on the basis of the average of four quotations of the average midmarket annual yield to maturity of the Reference Bond prevailing at the Make-Whole Time specified hereon on such dealing day as determined by the Determination Agent.

"**Reference Bond**" means, in relation to any Make-Whole Optional Redemption Price calculation, the Reference Bond specified hereon, or if such bond is no longer in issue, such other government bond as the Determination Agent may, with the advice of three brokers of, and/or market makers in, government bonds selected by the Determination Agent, determine to be appropriate for determining the Make-Whole Optional Redemption Price.

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place and in such manner as may be appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate nominal amount of the Notes to be redeemed and (in the case of a partial redemption) the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, and the aggregate nominal amount of the Notes which will be outstanding after the partial redemption.

(e) ***Redemption at the Option of the Issuer***: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as the Issuer deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) ***Redemption at the Option of Noteholders***: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) ***Redemption at the Option of Noteholders upon a Change of Control***: If Change of Control is specified hereon and a Change of Control Put Event occurs, Noteholders will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Notice the Issuer has given notice of redemption under Condition 7(c), 7(d) or 7(e) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date at the Change of Control Optional Redemption Price specified hereon together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if in the case of the Guarantor, any person or any persons acting in concert shall acquire a controlling interest in (A) more than 50 per cent. of the issued or allotted ordinary stated capital of the Guarantor or (B) shares in the stated capital of the Guarantor carrying more than 50 per cent., of the voting rights normally exercisable at a general meeting of the Guarantor or, in the case of the Issuer, the Guarantor ceases to hold directly or indirectly a 100 per cent. interest in the Issuer (each such event being, a "**Change of Control**").

Promptly upon but in any case no later than five Business Days after the Issuer or, as the case may be, the Guarantor becoming aware that a Change of Control Put Event has occurred the Issuer or, as the case may be, the Guarantor shall give notice (a "**Change of Control Put Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Bearer Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), be in any form acceptable to Euroclear and Clearstream, Luxembourg delivered in a manner acceptable to Euroclear and Clearstream, Luxembourg) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"). The Note should be delivered together with all Coupons appertaining thereto which mature after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 15) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Exercise Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Exercise Notice, once given, shall be irrevocable.

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Exercise Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank (as defined in Condition 8(a)) and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

The Trustee shall be entitled to assume that no Change of Control Put Event has occurred until it has received from the Issuer or Guarantor written notice of the same, and shall incur no liability to any person for so doing.

(h) ***Clean-Up Call Option***: If Clean-Up Call Option is specified hereon and 80 per cent. or more in nominal amount of the Notes originally issued (which shall for this purpose include any further Notes issued pursuant to Condition 16) have been redeemed or purchased and cancelled, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders to the Noteholders in accordance with Condition 17, redeem or, at the Issuer's option, purchase (or procure the purchase of) on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), all but not some only of the Notes then outstanding at the Clean-Up Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption.

(i) ***Purchases***: Each of the Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (**provided that** all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(j) ***Cancellation***: All Notes redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

8. Payments and Talons

(a) ***Bearer Notes***: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 8(f)(v)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) ***Registered Notes***:

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) ***Payments in the United States***: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments subject to Laws***: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***: The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and unexchanged Talons***:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Make-Whole Optional Redemption Price, Change of Control Optional Redemption Price or Clean-Up Redemption Amount as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 11).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

(h) ***Non-Business Days***: If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

9. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Netherlands or the Isle of Man or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

(a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of having some connection with the Netherlands or the Isle of Man respectively, by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(b) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days assuming that day to have been a business day as (defined in Condition 8(h)).

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify any Noteholder or Couponholder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Make-Whole Optional Redemption Price, Change of Control Optional Redemption Price, Clean Up Redemption Amount, Amortised Face Amount and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) "**principal**" and/or "**interes**t" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10. Reorganisation and Substitution

The Trust Deed contains provisions under which a legal entity:

(a) formed by any consolidation or merger of the Issuer with or into any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers into which the Issuer or its successor or successors shall have been merged or consolidated; or

(b) to which the Issuer has sold, conveyed or leased all or substantially all of the property of the Issuer (whether or not affiliated with the Issuer),

(any such legal entity, a "**Substituted Obligor**") may, without the consent of the Noteholders or Couponholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that**:

(i) the Substituted Obligor takes direct or indirect ownership of at least 80 per cent. of Consolidated Total Assets and that the Substituted Obligor is a legal entity incorporated in a Member State of the European Economic Area or the Isle of Man;

(ii) that (except where the Substituted Obligor is the Guarantor) the Guarantor unconditionally and irrevocably guarantees all amounts payable under these Conditions to the satisfaction of the Trustee; and

(iii) certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 9 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

11. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12. Events of Default

If any of the following events occurs and is continuing then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate nominal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in each case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*) below and, in relation only to a Material Subsidiary, paragraphs (c) (*Cross-default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary*), (d) (*Enforcement Proceedings*), (e) (*Security Enforced*), (f) (*Insolvency*), (g) (*Winding-up*) or (l) (*Analogous Events*) to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount together (if applicable) with accrued interest without further action or formality:

(a) ***Non-payment***: the Issuer or, as the case may be, the Guarantor, fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) is a default which is, in the opinion of the Trustee, capable of remedy and remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or

(c) ***Cross-default/Cross-acceleration of Issuer, Guarantor or Material Subsidiary***: a default under any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary, if that default (i) is caused by a failure to make any payment in respect of such Indebtedness and any originally applicable grace period has expired or (ii) results in the acceleration of such Indebtedness prior to its stated maturity; **provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds EUR 40,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Enforcement Proceedings***: a distress, attachment, execution or other legal process, the award or decision in respect of which, in each case, is final and not subject to further appeal, is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or their respective Material Subsidiaries in an amount which exceeds 10 per cent. of the Consolidated Total Assets and is not discharged or stayed within 90 days; or

(e) ***Security Enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Material Subsidiaries in respect of an amount which exceeds 15 per cent. of the Consolidated Total Assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or

(f) ***Insolvency***: (i) the Issuer, the Guarantor or any of their respective Material Subsidiaries is insolvent or (ii) any of the Issuer, the Guarantor or any of their respective Material Subsidiaries is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Material Subsidiaries except for the purposes of and pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation (x) pursuant to Condition 10, (y) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (z) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Material Subsidiary (or a Subsidiary of the Issuer or a Subsidiary of the Guarantor which, upon such transfer or vesting, will become a Material Subsidiary); or

(g) ***Winding-up***: (A) an administrator, liquidator, receiver or any other similar officer is appointed through an irrevocable resolution for the opening of insolvency proceedings; (B) an irrevocable resolution is passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of their respective Material Subsidiaries; or (C) the Issuer, the Guarantor or any of their respective Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself, in each of the cases (A), (B) or (C) above except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) pursuant to Condition 10, (ii) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (iii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Material Subsidiary (or a Subsidiary of the Issuer or a Subsidiary of the Guarantor which, upon such transfer or vesting, will become a Material Subsidiary); or

(h) ***Guarantee not in force***: the Guarantee of the Notes and the Coupons is not (or is claimed by the Guarantor not to be) in full force and effect; or

(i) ***Nationalisation***: the assets of the Group in an amount which exceeds 15 per cent., of the Consolidated Total Assets of the Group are expropriated, seized or nationalised by any person; or

(j) ***Authorisation and Consents***: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to make the Notes, the Trust Deed and the Agency Agreement admissible in evidence in the courts of the Netherlands or (as the case may be) of the Isle of Man is not taken, fulfilled or done; or

(k) ***Illegality***: it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Agency Agreement; or

(l) ***Analogous Events***: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For the purposes of this Condition 12:

"**Gross Revenues**" is calculated as the sum of: contractual rental income, expense recoveries and other operating income; and

"**Material Subsidiary**" means any Subsidiary of the Guarantor whose total assets (excluding intangible assets) or Gross Revenues ((i) each as determined by reference to the relevant Subsidiary's most recent audited annual, or unaudited semi-annual (as the case may be) financial statements prepared in accordance with IFRS or IAS 34, as applicable, and (ii) excluding any intra-Group Indebtedness and related receivables eliminated in the consolidated financial statements of the Guarantor) exceed 7.5 per cent., of the Consolidated Total Assets or Gross Revenues of the Group, as the case may be (each as determined by reference to the Guarantor's most recent audited annual, or unaudited semi-annual (as the case may be) consolidated financial statements). The Guarantor will deliver on each Reporting Date a certificate addressed to the Trustee and signed by two authorised signatories confirming, in their opinion, which Subsidiaries of the Guarantor are Material Subsidiaries of the Guarantor as at each Measurement Date and such certificate may be relied on without liability by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

13. **Meetings of Noteholders, Modification and Waiver**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee (subject to its being indemnified and/or prefunded and/or secured to its satisfaction) upon request by Noteholders holding not less than one-tenth of the nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing more than half of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount, the Make-Whole Optional Redemption Price, the Change of Control Optional Redemption Price or the Clean-Up Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter of the nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification of the Trust Deed***: The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) ***Entitlement of the Trustee***: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

14. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take such actions, steps and/or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such actions, steps and/or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter of the nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or provided with security and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction applicable to it. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series (for the avoidance of doubt, references in these Conditions to the "Issue Date" shall be to the first Issue Date of the relevant Series of Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

17. **Notices**

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading. If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law and Jurisdiction**

(a) ***Governing Law***: The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons or the Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) ***Service of Process***: Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. INITIAL ISSUE OF NOTES

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. EXCHANGE

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 **Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 **Permanent Global Certificates**

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 **Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4. AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus.

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 8(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

For the purposes of any quorum requirements at a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Global Note or a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, (except that any notice while any Notes are represented by a Global Note or a Global Certificate shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required). In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note by giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 **NGN nominal amount**

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 **Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.10 **Exercise of Put Option**

In order to exercise the option contained in Condition 7(g) (*Redemption at the option of Noteholders upon a Change of Control*) the (i) holder of a Bearer Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to any Paying Agent in the current and acceptable form and (ii) holder of the Registered Note must, within the period specified in the Conditions for the deposit of the relevant Certificate evidencing such Note(s) and put notice, give written notice of such exercise to the Registrar or any Transfer Agent. Any such notices will be irrevocable and may not be withdrawn.

4.11 **Notices**

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

5. **ELECTRONIC CONSENT AND WRITTEN RESOLUTION**

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the Group's general corporate purposes, including but not limited to, property acquisitions and developments, refinancing and working capital management. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

INTRODUCTION TO THE GUARANTOR AND THE GROUP

The Guarantor is a commercial property investor. The Group owns and operates a property portfolio consisting of retail assets and office buildings mainly in Romania, Poland, Slovakia, Czech Republic, Croatia, Bulgaria, Hungary and Serbia which generates earnings from long-term, triple-net leases (i.e. in addition to rent, tenants pay property taxes, insurance, property management, utilities and other common area costs).

The Guarantor's business strategy entails:

- investing in retail assets in Central and Eastern Europe that are assessed to occupy, or with the potential to occupy, a dominant position within the catchment area, via a combination of acquisitions and developments;
- active management of its portfolio, focusing on asset growth and constant improvement of the retail assets;
- active re-positioning of its portfolio by disposing of non-core and lower growth assets when opportune;
- disposing of the listed securities portfolio to fund direct property acquisitions and reduce gearing;
- benefitting from reduced funding costs due to continued increase in scale; and
- following a conservative financial policy, based on low gearing and strong liquidity.

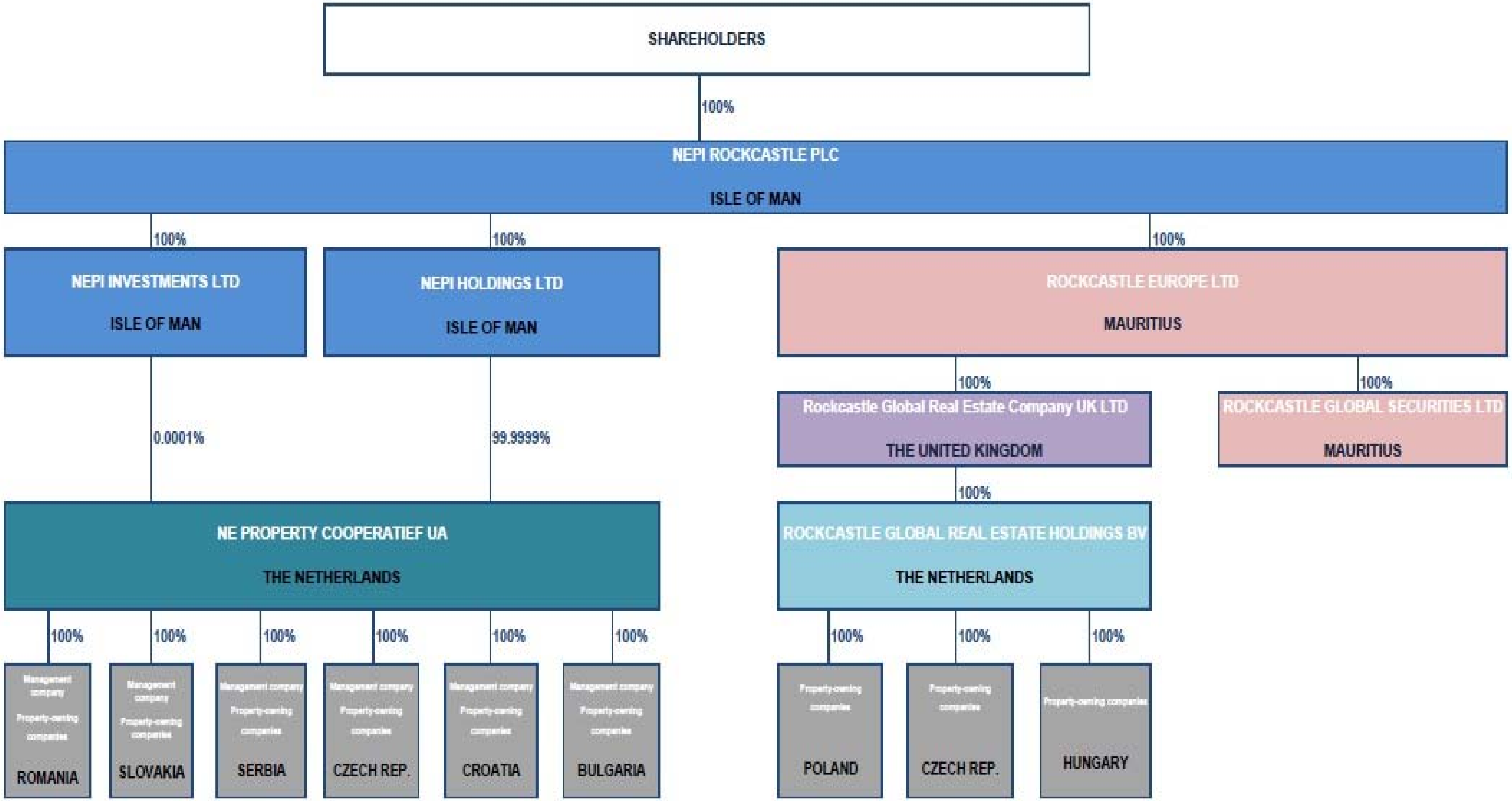
The Group is internally managed by a team of professionals combining investment, development, asset management, leasing and financial expertise. The property management function of the Group is partly undertaken internally and partly outsourced on market-related terms to external property managers (see "*Description of the Group's operational activities*" – "*Property Management"*)

Executive management is overseen by the Board of Directors, comprising a majority of independent non-executive directors (see "*Directors of the Guarantor and Group Executive Management*").

The Guarantor's shares are listed on the Main Board of the JSE (share code NRP) and on Euronext Amsterdam (share code NRP). The shares are transferable among the two registers. As at the date of this Base Prospectus, the issued share capital of the Guarantor comprises 577,800,734 ordinary shares of EUR 0.01 each (while the authorised share capital of the Guarantor comprises 2,000,000,000 ordinary shares of EUR 0.01 each) (see "*Major Shareholders*").

The Group companies comprise real estate holding companies, energy companies and management companies in Romania, Slovakia, Croatia, Poland, Czech Republic, Serbia, Bulgaria and Hungary and intermediate holding companies established in other jurisdictions. The Guarantor and the Issuer are holding and service companies and do not own properties directly.

The Group's summarised holding structure is presented below.



DESCRIPTION OF THE GUARANTOR

The Guarantor is a company with liability limited by shares incorporated in, and governed by the laws of, the Isle of Man under the Isle of Man Companies Act 2006. The Guarantor was incorporated on 1 December 2016. Between the period of 1 January 2017 and the six months ended as at 30 June 2017, the Guarantor was in existence but had no active trading operations. The Guarantor acquired no additional assets nor were there any external borrowings and/or debt incurred by the Guarantor during this interim period. Moreover, there was no change to the equity position of the Guarantor, save for the accumulated profit or loss for the period which is immaterial and, the subdivision of the Guarantor's issued share capital into 1,100 ordinary shares of €0.01 each on 27 March 2017, and the issue on 15 May 2017 of two additional Guarantor shares to the sole shareholder, at €0.01 each. This was done in preparation for the Merger. Its registration number is 014178V. The Guarantor's registered office address is 2nd Floor, 30 Athol Street, Douglas, Isle of Man, IM1 1JB, and its telephone number is +44 2031 801 547. The latest version of the articles of association of the Guarantor was adopted on 16 May 2017. The Guarantor was incorporated for an indefinite duration.

The Guarantor is the holding company of the Group and its main functions include the determination of the Group strategy, the review and adoption of business plans within the context of the Group strategy, the overall coordination of the activities of the Group companies, the allocation of resources amongst Group companies and accounting for and monitoring of the Group's activities.

The Guarantor has in the Trust Deed irrevocably and unconditionally guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed, the Notes and the Coupons.

DESCRIPTION OF THE ISSUER

The Issuer is a Dutch cooperative with exclusion of liability (*coöperatie met uitgesloten aansprakelijkheid*) incorporated and operating under the laws of The Netherlands and registered with the Trade Register of the Dutch Chamber of Commerce under number 34285470. The Issuer was incorporated on 22 October 2007. The Issuer's registered office address is Paulus Potterstraat 32-2, 1071 DB Amsterdam, the Netherlands and its telephone number is +31 202 33 91 72. The articles of association (*statuten*) of the Issuer were adopted on 22 October 2007 and amended and restated on 10 September 2014. The Issuer was incorporated for an indefinite duration.

The Issuer is a holding company that performs the treasury, financing, management, advisory and group support activities for its subsidiaries. The Issuer is indirectly wholly owned by the Guarantor as set out in the Group's summarised holding structure presented in the section "*Introduction to the Guarantor and the Group*". The Issuer is the direct or indirect parent of all property-owning companies of the Group in Romania, Slovakia, Croatia, Bulgaria, Serbia, and of one of the two property-owning companies in Czech Republic.

The rights of the Guarantor as a shareholder in the Issuer are contained in the articles of association (*statuten*) of the Issuer and the Issuer will be managed in accordance with those articles and with the provisions of Dutch law.

Board of Managing Directors

The Issuer's Board of Managing Directors (the "**Managing Board**") consists of the following three managing directors (the "**Managing Directors**"):

Name	Function	Position held since
Eugeniu Barba	Managing Director	9 September 2014
Jan van Vollenhoven	Managing Director	9 March 2016
Mirela Covasa	Managing Director	4 November 2015

The Managing Directors have their business addresses at the Issuer's registered office at Paulus Potterstraat 32-2, 1071 DB Amsterdam, the Netherlands. The Issuer currently has four full-time employees in the Netherlands, two of whom are Managing Directors.

Potential Conflicts of Interests

There are no potential conflicts of interest between the duties of the Managing Directors towards the Issuer and their private interests or other duties.

DESCRIPTION OF THE GROUP'S OPERATIONAL ACTIVITIES

Business model

NEPI Rockcastle plc (the "**Guarantor**") is an internally managed commercial property investor and developer that owns and manages retail assets and A-grade offices in high-growth Central and Eastern European ("**CEE**") markets. The Group has built portfolios in Romania, Poland and Slovakia and has a strong presence in Croatia, Bulgaria, Hungary, Czech Republic and Serbia. The Group has a strategy of pursuing additional expansion gradually in other CEE countries together with the consolidation of the Group's position in existing markets. The Group is currently progressing with developments under construction or under permit and pre-lease in Romania, Poland and Serbia.

The Group also holds a significant portfolio of highly liquid listed securities of large real estate companies and infrastructure that have, according to the assessment of management, historically outperformed their competitors, operating primarily in the U.S., the U.K., and Continental Europe. Going forward, to facilitate the strategy of migrating from listed investments to direct property, this portfolio is envisaged to be divested to finance new strategic direct property acquisitions in due course.

The Group is managed with a focus on sustainable cash flow and aims to maintain its financial position by lowering its overall cost of finance and improving its balance sheet efficiency through a combination of corporate Eurobond issues and unsecured revolving bank facilities. The Group's liquidity is closely monitored in conjunction with profitability targets and acquisition plans. Most cash is held in euro and can be accessed immediately.

Merger of New Europe Property Investments Plc and Rockcastle Global Real Estate Company plc (the "Merger")

The Merger of New Europe Property Investments Plc ("**NEPI**") and Rockcastle Global Real Estate Company Limited ("**Rockcastle**") became effective on 11 July 2017. The new holding company of the group, the Guarantor, acquired the businesses of NEPI and Rockcastle (including 100 per cent. of their ownership interests in all of NEPI's and Rockcastle's respective underlying subsidiaries, but excluding any shares held by NEPI and Rockcastle, respectively in the Guarantor)), thereby becoming the largest listed real estate player in the CEE and one of the top ten listed real estate companies in Continental Europe, in each case according to market capitalisation[1]. In exchange for the acquired businesses, the Guarantor has issued ordinary shares to NEPI and Rockcastle, in line with the agreed share swap ratio of 4.7 Rockcastle shares for every one NEPI share.

The Merger was approved by both NEPI and Rockcastle's shareholders who recognised the value of the combined businesses and the acceleration opportunity of the strategic objectives for growth and diversification. The Merger was viewed as a strategic step by developing key informational, financial, operational and execution efficiencies to strengthen its position in the context of the current CEE property market competitiveness. It also gained exposure to significant portfolios in a combined number of countries in the CEE, which now comprise Romania, Poland, Slovakia, Croatia, Bulgaria, Hungary, Czech Republic and Serbia. In addition to the expanded property portfolio as a result of the Merger, NEPI Rockcastle also holds a complementary portfolio of global real estate listed securities.

Following the Merger, NEPI and Rockcastle ceased trading on their respective stock markets (the Johannesburg Stock Exchange ("**JSE**") and Bucharest Stock Exchange for NEPI, and the JSE and Stock Exchange of Mauritius for Rockcastle). Since 12 July 2017, the Guarantor's shares have been listed on the Main Board of the JSE and Euronext Amsterdam.

Asset management

The asset management function of the Group is undertaken internally by its executive management (see "*Directors of the Guarantor and Group Executive Management*"), who implement the Group's investment and growth strategy together with appropriately skilled and experienced staff that are familiar with the Group's portfolio of properties. The asset management role of the executive management is primarily: to seek new investment opportunities for the Group; to consider ways of optimising performance of existing assets; and, where necessary, to work towards the disposal of assets which no longer contribute to the Group's income growth strategy.

[1] Source: Thomson Reuters DataStream as at 20 October 2017

Following the implementation of the Merger, the Group has brought together the asset management platforms developed by NEPI in Romania, Slovakia, Croatia, Czech Republic and Serbia, and Rockcastle's asset management team in Poland. The Merger also increased the opportunity for cross-selling, wide-scale marketing and active asset management across a larger base of retailers and service providers. The integrated platform is led by a multi-national group of senior asset managers with extensive commercial real estate experience.

Property management

Property management is an important strategic component for the Group and thus for all properties, while leasing and marketing is coordinated internally, the actual property management function of the Group is partly undertaken internally and partly outsourced on market-related terms to external property managers, including Apsys Polska S.A. (in Poland, in respect of the Platan Shopping Centre, Focus Mall Piotrkow Trybunalski and Focus Park Zilona Gora), Balmain Property Management Sp. z o.o. (in Poland, in respect of the Solaris Shopping Centre, Karolinka Shopping Centre and Pogoria Shopping Centre), CBRE Sp. z o.o. (in Poland, in respect of the Galeria Wolomin, Galeria Tomaszow and Galeria Warminska), Cushman & Wakefield, s.r.o. (in respect of the Forum Liberec Shopping Centre, Czech Republic and Arena Plaza, Hungary (acquired with an effective date of 15 September 2017)) and Trigranit Management Polska Ps. z o.o. (in Poland, in respect of the Bonarka City Center). External property managers are paid a market related property management fee determined as a percentage of collected annual rent in respect of the relevant property and payable monthly in advance.

Where performed internally, the property management function is undertaken by an in-country management team with a proven real estate track record in the relevant region and a strong understanding of the property portfolio, benefitting from long-term relationships with tenants.

Investment strategy and the acquisition process

The Group is focused on expanding its portfolio of retail assets in Romania, Poland, Slovakia, Croatia, Bulgaria, Hungary, Czech Republic and Serbia, and plans to gradually enter other existing or potential EU member countries in the CEE, through acquisition or development of retail assets that meet its investment criteria. NEPI Rockcastle is well positioned for growth, driven by expansion of a best-in-class operating platform, as well as a reduction in exposure to listed securities in favour of increasing direct property investments. Possessing geographically diverse management skills allows NEPI Rockcastle to pursue CEE property opportunities more efficiently, benefitting from a strategic advantage in the acquisition, development and management of properties. NEPI Rockcastle continues the active investment policy that fuelled the growth of NEPI and Rockcastle over recent periods, with a strong pipeline of acquisitions and developments currently being pursued in all the countries where the Guarantor is present, as well as in other CEE markets.

Acquisitions of properties are initiated by the Group's acquisition team, which identifies, reviews and analyses investment opportunities by leveraging on the Group's wide contact network in the retail and real estate industries. The due diligence process commences if an opportunity meets the Group's investment criteria and Investment Committee (as defined in "*Directors of the Guarantor and Group Executive Management*") approval is obtained. Assuming a favourable due diligence outcome (such due diligence may be outsourced to qualified third party providers) and that the commercial terms are agreed, the Investment Committee recommends the acquisition to the Board for approval. Once Board approval has been obtained, the acquisition is executed primarily by the acquisition team in collaboration with the asset management team which takes over the management of the asset post acquisition based on the underlying assumptions relied upon during the commercial part of the due diligence.

To meet the Group's investment criteria, a retail asset must occupy or have the potential to occupy a dominant retail location within the relevant catchment area or region and, in the opinion of Management, such dominant position is sustainable in the long term. In assessing this, the Group considers a number of factors and their interplay, including catchment, macroeconomic specifics of the relevant region or city, size, tenant mix (product and service offering), potential for extension, growth potential, design, technical specifications, location, access and visibility. For example, adequate size is critical within the relevant region by enabling the most comprehensive tenant mix in the region, whereas the potential for future extension reduces the threat of significant future competition. The optimal tenant mix usually comprises a large proportion of food and fashion anchor tenants with a substantial leisure offering although there is some movement in the industry suggesting that having a stronger leisure component provides protection against the online retail trends.

Subsequent to the Merger, the Group has entered into or finalised four sizeable acquisitions (of an aggregated value of approximately €985 million) in Bulgaria, Hungary and Poland. These have been funded through existing cash resources and debt facilities, combined with the sale of listed securities held and an equity issue.

Development process

The Group invests in developments which significantly contribute to growth in distributable earnings per share. Development, re-development and expansion opportunities are identified in regions with commercial potential and low levels of retail stock. Careful consideration is given to achieving a dominant competitive location within the relevant region. The Group commits to development costs in a phased manner to limit risk. Land is acquired after a due diligence process, the completion of feasibility studies and assessing retailers' interest. Construction costs are committed to on a gradual basis (after obtaining the required permits and the agreed pre-leasing targets being met) and are limited to the availability of internal sources of financing.

The Group currently limits its retail development exposure to Romania, Poland and Serbia. The Group's experience in the above mentioned retail markets and its strong relationship with anchor tenants across the CEE ensures that interest in a particular project can be assessed at a very early phase, before land is acquired, thus minimising development risk. All existing developments and extensions previously undertaken by NEPI and Rockcastle were finalised within budget, on time and were substantially leased on opening. The ongoing developments also benefit from high pre-leasing percentages.

The Group's in-house expertise and the development team's ability to supervise and undertake project management responsibilities with respect to the initiation of a project, vetting and appointment of contractors and monitoring the progress of a project, ensures greater control over such developments. The Group enters into construction agreements with contractors who have proven financial and professional capabilities in addition to a track record of completing projects of a similar scope on time and within budget.

The development cash-flows are closely monitored on an on-going basis to ensure that finance is available in a timely manner for all developments.

The Group will continue to commit to limited low-risk development, redevelopment and extension opportunities in a non-speculative phased manner, in Romania, Poland and in other markets where it has established an operating presence and where there are opportunities that meet the Group's investment criteria.

Description of the portfolio

As at 30 June 2017, NEPI and Rockcastle, on a combined basis, owned and operated 50 income-producing properties and had five developments under construction (of which three were extensions of existing properties), ten developments under permitting and pre-leasing commitments (of which six were extensions of existing properties) and land held for future extensions and developments. NEPI owned 38 income-producing properties and had three developments under construction of which one was an extension of an existing property, and eight developments under permitting and pre-leasing commitments (of which four were extensions of existing properties). Rockcastle owned 12 income-producing properties and had two developments under construction, both being extensions of existing properties, and had two developments under permitting and pre-leasing commitments (both being extensions of existing properties). In addition, as at the same date, NEPI and Rockcastle, on a combined basis, had a street retail portfolio, and a portfolio of regional office buildings, held for sale.

The fair value of the Group's investment property is determined semi-annually by external, independent appraisers, who are members of the Royal Institute of Chartered Surveyors (and with respect to valuers of properties in Romania, of the National Association of Authorised Valuers in Romania), with appropriate and recognised qualifications. The valuation of the property portfolio, on a combined basis for NEPI and Rockcastle, as at 30 June 2017 was performed by:

- in respect of properties in Romania:
  - Echinox Evaluari S.R.L of 40-44 Banu Antonache Street, 3rd Floor, 1st District, Bucharest, Romania; and
  - S.C. COLLIERS VALUATION AND ADVISORY S.R.L. of Floreasca Business Park, Calea Floreasca 169 A, Building A, 7th floor, Office no.2, 1st District, Bucharest, Romania;
- in respect of properties in Poland:

  - Cushman & Wakefield Polska SP. Z O.O of Złote Tarasy – Lumen Office Building, 59 Złota Street, 00-120, Warsaw, Poland; and
  - CBRE Sp. Z O.O Poland of Rondo ONZ 1, 00-124 Warszawa;

- in respect of properties in Czech Republic:

  - Cushman & Wakefield Polska SP. Z O.O of Złote Tarasy – Lumen Office Building, 59 Złota Street, 00-120, Warsaw, Poland; and
  - Cushman & Wakefield, s.r.o. (Czech Republic) of Quadrio Offices, Purkyňova 2121/3, Praha 1, 11000 Prague, Czechia;

- in respect of properties in Croatia, Cushman & Wakefield International Real Estate Advisor Ltd. (Hungary) of Budapest, Deák Ferenc utca 15., 1052 Hungary;

- in respect of properties in Slovakia, Cushman & Wakefield Property Services Slovakia, s.r.o. of Pribinova 10, SK - 811 09, Bratislava, Slovakia; and

- in respect of properties in Serbia, Cushman & Wakefield International Real Estate Advisor Ltd. (Hungary) of Budapest, Deák Ferenc utca 15., 1052 Hungary.

The combined market value of the property portfolio for the Group mentioned above calculated on a weighted by ownership basis and including (i) investment properties in use at fair value, (ii) investment properties under and held for development and (iii) investment properties held for sale, in each case including any such property held through joint ventures (where a pro rata basis calculation was applied) as at 30 June 2017, is approximately €4 billion (the market value of the property portfolio as at 30 June 2017 of NEPI was €2.8 billion and of Rockcastle was €1.2 billion).

As at 30 June 2017, (i) retail properties comprised 87 per cent. of the property portfolio on a combined basis by both, gross leasable area ("**GLA**") and rental income and (ii) the office sector (representing the only other material component of the property portfolio) accounted for 11 per cent. of the property portfolio on a combined basis by GLA and 12 per cent. by rental income. As at the same date, retail properties represented 82 per cent. of NEPI's property portfolio by GLA, and 83 per cent. by rental income, while the office sector accounted for 15 per cent. by GLA and 16 per cent. by rental income. Retail properties comprised 100 per cent. of Rockcastle's property portfolio, by both GLA and rental income, as at the same date.

As at 30 September 2017, the Group's estimated property portfolio in use is as follows: 47 per cent. is located in Romania, 23 per cent. in Poland, 9 per cent. in Slovakia, 6 per cent. in Hungary, 5 per cent. in Croatia, 5 per cent. in Bulgaria, 4 per cent. in the Czech Republic and 1 per cent. in Serbia (based on the contractual annual rent of the portfolio as at 30 September 2017 (including joint ventures)).

The following tables set out certain information on the combined schedule of properties for NEPI and Rockcastle as at 30 June 2017:

COMBINED SCHEDULE OF INCOME-PRODUCING PROPERTIES AS AT 30 JUNE 2017

		Weighted by ownership			
Country	**Gross Leasable Area**	**Gross Leasable Area**	**Valuation/Cost to date**	**Passing rent**	**Occupancy**
	m^2	*m^2*	*€m*	*€m*	
	1,537,800	**1,483,100**	**3,819**	**261**	**96.2%**
RETAIL	**1,315,400**	**1,292,500**	**3,400**	**228**	**95.9%**
Romania*	699,500	676,600	1,489	109	98.5%
Poland**	371,400	371,400	1,121	67	92.0%
Slovakia	85,300	85,300	356	23	97.4%
Croatia	62,100	62,100	223	15	95.2%
Czech Republic	74,900	74,900	169	11	89.3%
Serbia	22,200	22,200	42	3	96.0%
OFFICE	**194,600**	**162,800**	**403**	**31**	**98.6%**
Romania	181,100	149,300	380	29	98.5%
Slovakia	12,900	12,900	21	2	100.0%
United Kingdom	600	600	2	<1	69.3%
INDUSTRIAL	**27,800**	**27,800**	**16**	**2**	**98.0%**
Romania	27,800	27,800	16	2	98.0%

* The Group holds 50% interest in Ploiesti Shopping City and The Office, Cluj-Napoca which are included in the above schedule of properties, on a weighted by ownership basis, and are not recognised in the financial statements, prepared using the equity method under IFRS. The valuation weighted by ownership corresponding to the above mentioned properties amounts to €112 million.

** The Group holds 90% interest in Galeria Wolomin and 85% in Galeria Tomaszow (Poland). Galeria Wolomin and Galeria Tomaszow are accounted for at 100% as per IFRS and a corresponding 10% and 15% non-controlling interest is included in Equity as per IFRS.

The combined schedule of properties excludes the non-core properties held for sale which have a market value of €12 million as at 30 June 2017.

Source: *NEPI and Rockcastle internal data (http://nepirockcastle.com/pdf/corporate-reports/nepi-rockcastle-property-schedule-jun-2017.pdf)*

COMBINED SCHEDULE OF DEVELOPMENTS AND LAND HELD FOR DEVELOPMENT AS AT 30 JUNE 2017

					Weighted by ownership			
Property name	**Type**	**Location**	**Ownership**	**Gross Leasable Area**	**Gross Leasable Area**	**Valuation/Cost to date**	**Estimated total cost**	**Estimated Passing rent**
				m²	*m²*	*€m*	*€m*	*€m*
				305,300	**301,950**	**193**	**698**	**19**
DEVELOPMENTS UNDER CONSTRUCTION				**120,800**	**120,800**	**83**	**237**	**19**
Promenada Novi Sad – Phase I	Development	Serbia	100%	48,400	48,400	43	118	9
Ramnicu Valcea Mall..........	Development	Romania	100%	27,900	27,900	12	38	3
Shopping City Galati...........	Extension	Romania	100%	21,000	21,000	18	27	3
Platan Shopping Centre.......	Extension	Poland	100%	16,900	16,900	6	47	3
Galeria Wolomin*	Extension	Poland	90%	6,600	6,600	4	7	1
DEVELOPMENTS UNDER PERMITTING AND PRE-LEASING^				**184,500**	**181,150**	**65**	**416**	
Promenada Mall	Extension	Romania	100%	60,000	60,000	34	166	
Shopping City Targu Mures – Phase I	Development	Romania	100%	32,600	32,600	13	50	
Shopping City Satu Mare	Development	Romania	100%	28,700	28,700	11	38	
Retail parks Krusevac and Sabac	Development	Serbia	100%	18,000	18,000	5	21	
Focus Mall Zielona Gora......	Extension	Poland	100%	15,900	15,900	-	74	
Shopping City Sibiu	Extension	Romania	100%	10,600	10,600	-	21	
Solaris Shopping Centre.......	Extension	Poland	100%	9,200	9,200	1	36	
Ploiesti Shopping City**......	Extension	Romania	50%	6,700	3,350	1	8	
Vaslui strip centre................	Extension	Romania	100%	2,800	2,800	-	2	
LAND HELD FOR DEVELOPMENTS						**45**	**45**	

* The Group holds 90% interest in Galeria Wolomin. Galeria Wolomin is accounted for at 100% as per IFRS and a corresponding 10% non-controlling interest is included in Equity as per IFRS.

** The Group holds 50% interest in Ploiesti Shopping City extension which is included in the above schedule on a weighted by ownership basis, and is not recognised in the financial statements, prepared using the equity method under IFRS. The corresponding valuation/cost to date weighted by ownership amounts to €1 million.

^ The developments under permitting and pre-leasing's Gross Leasable Area depend on permitting.

Source: *NEPI and Rockcastle internal data (http://nepirockcastle.com/pdf/corporate-reports/nepi-rockcastle-property-schedule-jun-2017.pdf)*

Recent developments

In 2017, the Group progressed with or completed the development of several projects, as follows:

- the 20,200m^2 Gross Leasable Area third phase of The Office, Cluj–Napoca, was completed, bringing the total of the office complex to 63,600m^2. Tenants include international corporations, such as Betfair, Digital Velocity, Magneti Marelli, Telenav, Thomsons and Tranistics;

- the outstanding permits for the internal fit-out of the 7,800m^2 GLA landmark office located in central Bucharest - Victoriei Office Bucharest- were obtained and the development was completed. As at 30 June 2017, the building was 98 per cent. let, with tenants gradually taking possession of their premises by October 2017. Tenants include companies such as Fitbit, General Electric and Philip Morris;

- the building permit for the first phase of a 56,000m^2 GLA mall, of approximately 48,400m^2 GLA, in Novi Sad, Serbia's second largest city, has been obtained and construction commenced. The development is scheduled to be completed by the end of 2018;

- extension and refurbishment works increasing the Platan Shopping Centre's (Poland) GLA to 40,300m^2, and including construction of a multi-level car park, commenced in June 2017. The extension is scheduled to open in November 2018;

- construction of the 21,000m^2 GLA extension to Shopping City Galati, currently a 27,500m^2 GLA regional mall, is carried out according to the plan and is scheduled to be completed during the fourth quarter of 2017;

- the building permit for Ramnicu Valcea Mall has been received and construction commenced for the 27,900m^2 GLA regional mall, which is scheduled to open by the end of 2017. As at 30 June 2017, 89 per cent. of the Ramnicu Valcea Mall was leased or subject to advanced negotiations. Tenants include Carrefour, Cinema City, Hervis, Jysk, NewYorker, Orsay and Textil Market;

- the building permit for the extension of the Solaris Shopping Centre (Poland) by approximately 9,200m^2 has been received and construction started. The project includes the development of multi-level basement parking and a new town square in front of the centre's main entrance, and the extension area is scheduled to be completed in October 2018; and

NEPI and Rockcastle and, after the Merger, NEPI Rockcastle, have been actively pursuing numerous investment opportunities which resulted in maintaining a significant investment pipeline, which crystallised in four sizeable acquisitions during 2017:

- Serdika Center and Office (Sofia, Bulgaria) was acquired with an effective date of 22 August 2017, in a €207.4 million transaction. Serdika Center is a 51,500m^2 GLA modern shopping centre with a strong tenant mix, benefitting from an excellent location close to Sofia's city centre. Serdika Office is a Class A office situated on top of the shopping centre, with 28,500m^2 GLA, hosting international tenants such as Citibank, Coca Cola, Merck and Sutherland;

- Arena Plaza (Budapest, Hungary) was acquired with an effective date of 15 September 2017, for a purchase price of €275 million. Centrally located, with a gross leasable area of 66,000m^2, Arena Plaza is the second largest retail centre in Budapest, enjoying a modern layout over two floors, convenient parking and attractive tenant mix. In addition, the Group acquired for a net sum of €2.5 million the use rights over a circa 21,788m2 land plot adjoining Arena Plaza that can be used for further expansion;

- The Paradise Centre (Sofia, Bulgaria) acquisition, with a purchase price of €252.9 million, will be effective upon obtaining approval of the Bulgarian Competition Authority. Located in the wealthy southern part of the city, with a gross lettable area of 82,000m^2, Paradise Center is the largest retail centre in Sofia. Several asset management initiatives, including major improvements to the basement and the terrace level together with enhancements to the tenant mix, are planned to further strengthen its market position;

- The Serenada and Krokus Shopping Centres (Krakow, Poland) acquisition, with an aggregate purchase consideration of €249.4 million, will be effective subject to satisfaction or waiver of several conditions precedent, such as opening of the Serenada Shopping Centre, receipt of the regulatory approvals, etc. The acquired shopping centres have a GLA of 68,900m2 and an envisaged extension leading to a total GLA of over 100,000m2 is planned to be finalised by 2020, for future payments of approximately €212 million. This acquisition consolidates the Group's position as one of the largest retail owners in Poland, by GLA.

All the above acquisitions have been or will be financed with a combination of some or all of internal cash resources, debt facilities, the sale of listed securities held and the issue of equity or debt.

In 2017, NEPI and Rockcastle and after the Merger, the Guarantor, benefitted from their shareholders base, in terms of equity raisings, as follows:

- an accelerated book build was announced in March 2017 by NEPI, which resulted in a capital increase of approximately €72.5 million;
- a return of capital (by way of an issue of fully paid shares) of €56.2 million was elected for the settlement of NEPI's dividend for the six months ended 31 December 2016 and a return of capital of US$40.4 million was elected for the settlement of Rockcastle's dividend for the six months ended 31 December 2016;
- an accelerated book build was announced in October 2017 by NEPI Rockcastle, which resulted in a capital increase of approximately €325 million, 70 per cent. above the initial target; and
- a return of capital (by way of an issue of fully paid shares) of approximately €102.4 million was elected for the settlement of NEPI Rockcastle's dividend for the six months ended 30 June 2017, representing 81 per cent. of the dividends declared.

Leasing and tenant profile

The leasing professionals of the Group's merging entities have a track record of keeping occupancy levels of all properties generally close to 100 per cent. (the weighted occupancy rate as at 30 June 2017 of NEPI and Rockcastle, on a combined basis, was 96.2 per cent.). Concentration risk is limited and the tenants' credit risk profiles are actively monitored and managed.

The Group employs a range of strategies to improve the attractiveness of each retail asset and increase footfall, trading densities and occupancy. The retail offering is constantly monitored and adjusted to consumer needs in each specific location with an emphasis on the fashion, leisure and food segments. The Group maintains strong relationships with anchor tenants and has significant insight in relation to their trading performances and expansion plans. The leasing team determines sustainable retail rents as a function of trading densities; the tenants' expected sales are accurately estimated based on consultations, market studies and the Group's retail portfolio database.

The Group aims to maintain the attractiveness of office space for existing and potential tenants through high standards of maintenance and services. The negotiations for lease extensions and re-lettings start in advance of contract expiry. The Group targets multinational tenants with strong track records. The creditworthiness of potential tenants is reviewed and parent company guarantees are obtained from those multinationals whose local subsidiaries are perceived to be insufficiently established.

The top ten retail tenants, on a combined basis for NEPI and Rockcastle, accounted for 24 per cent. of the total passing rent for the six months ended 30 June 2017 (25% per cent. for NEPI and 27% per cent. for Rockcastle) and include multinational retail anchor tenants such as Auchan, Carrefour, Inditex, LPP, H&M, NewYorker, C&A, Deichmann, Cinema City and Altex.

Lease terms

The investment strategy is biased towards long-term leases in euro with strong corporate covenants. As at 30 June 2017, the weighted average remaining lease duration, on a combined basis for NEPI and Rockcastle, was 4.3 years (4.6 years for NEPI and 3.5 years for Rockcastle).

The main lease terms include a minimum term of ten years for hypermarkets, do it yourself stores ("**DIYs**") and cinemas. Different lease duration terms are provided in the lease agreements entered into by the Group with regular tenants (between 3 to 7 years). The group maintains a weighted average unexpired lease term of over 3.5 years for the purpose of a higher adaptability to the market to accommodate new retail concepts and a low risk profile (as the lease renewal profile for a particular property is 'flattened' over time, as opposed to having the majority of tenants expiring in a particular year). All leases are negotiated in Euro and the large majority are triple-net leases (i.e. in addition to rent, tenants pay property taxes, insurance, property management, utilities and other common area costs). The majority of retail leases include turnover related clauses whereby the tenant pays the higher of the turnover or the base rent. Rent and marketing charges are adjusted annually in line with EU inflation and cash or parent company guarantees are received from tenants. Limited incentives (fit-out contributions and rent free periods) are provided to retail anchor tenants and large office tenants.

Lease expiry schedule, on a combined basis for NEPI and Rockcastle, as at 30 June 2017

	Percentage of total rental income - NEPI	Percentage of total rental income - Rockcastle	Percentage of total rental income - combined
2017	1.5	3.0	1.9
2018	10.0	16.0	11.7
2019	13.2	38.0	20.1
2020	16.6	9.0	14.5
2021	17.7	13.0	16.4
2022	13.7	5.0	11.3
2023	6.4	3.0	5.5
2024	4.2	5.0	4.4
2025	2.6	1.0	2.1
>=2026	14.1	7.0	12.1
Total	**100.0**	**100.0**	**100.0**

Typically, the Group has lease agreements with longer durations of up to 30 years with some of its anchor tenants. Given these longer lease periods, the relevant lease agreements are typically subject to break clauses which usually come into effect ten years after the commencement of the lease period under such lease agreements. The above lease expiry schedule takes into consideration such break options that may be contained in the respective lease terms.

Weighted occupancy rates

The following table sets out the occupancy rate on a combined basis for NEPI and Rockcastle (non-core properties are excluded):

	As at 30 June 2017 (on a combined basis)	As at 31 December 2016 (on a combined basis)
Weighted occupancy rate (%)	96.2	96.2

Note: The weighted occupancy rate as at 30 June 2017 was 98% for NEPI and 91% for Rockcastle, and as at 31 December 2016 was 98% for NEPI and 92% for Rockcastle.

Finance

NEPI and Rockcastle (as separate pre-Merger entities) and the current Group favour private placements over rights issues and, historically, all placements via book building have been significantly oversubscribed. The Group monitors the market and, if opportunities are identified, it may raise further equity from time to time.

The Group maintains a conservative and balanced business and financial risk approach in terms of its capital structure, liquidity and investment policies, and conservative use of derivative instruments and track record of covenant compliance as well as compliance with stock exchange requirements in two different jurisdictions.

The Group's strategy is to maintain a strong financial position, lower its overall cost of finance and improve its balance sheet efficiency via a combination of corporate bond issues and unsecured revolving bank facilities. The Group retains high levels of liquidity, to cover at least 12 months of committed cash outflows. The Group has a target debt ratio of 35 per cent.

The table below provides a description of the outstanding principal amount of the loans and borrowings of the Group's subsidiaries and joint ventures as of 30 June 2017:

	As of 30 June 2017	
Borrower	**Outstanding principal amount of loans and borrowings**	**Available for drawdown**
	All amounts are in €'000	
Bonarka City Center – term loan (Rockcastle)	189,381	-
Aupark Kosice Mall & Tower- term loan (NEPI)	96,711	-
Karolinka Shopping Centre – term loan (Rockcastle)	87,200	-
Focus Mall Zielona Gora – term loan (Rockcastle)	67,145	-
Aupark Zilina Mall - term loan (NEPI)	64,028	-
Pogoria Shopping Centre – term loan (Rockcastle)	44,900	-
Forum Liberec Shopping Centre – term loan (Rockcastle)	41,000	-
Solaris Shopping Centre – term loan (Rockcastle)	34,800	-
Platan Shopping Centre – term loan (Rockcastle)	31,500	-
The Office Cluj-Napoca*- term loan (NEPI)	20,368	-
Aupark Shopping Center Piestany – term loan (NEPI)	19,305	-
Ploiesti Shopping City*- term loan (NEPI)	14,691	-
NE Property Cooperatief - fixed coupon bonds (NEPI)	400,000	
NE Property Cooperatief - revolving facility (NEPI)	-	130,000
NE Property Cooperatief - revolving facility (NEPI)	75,000	25,000
NE Property Cooperatief - revolving facility (NEPI)	-	150,000
Total	**1,186,029**	**305,000**

* Joint venture companies

As of 30 June 2017, NEPI and Rockcastle had an aggregate €63.6 million in cash (representing the aggregate of €40.2 million in respect of NEPI and €23.4 million in respect of Rockcastle) and undrawn unsecured revolving facilities of €305 million.

The average interest rate for NEPI, including hedging costs was 3.3 per cent. As of 30 June 2017, fixed-coupon bonds represented 61.1 per cent. of NEPI's outstanding debt, and out of the remaining debt exposed to EURIBOR, 92 per cent. was hedged with interest rate caps and 8 per cent. with interest rate swaps (including joint ventures).

The average interest rate for Rockcastle, including hedging costs was 1.8 per cent. As of 30 June 2017, the outstanding debt exposed to EURIBOR was 93.1 per cent. hedged.

Risk Management

Management considers that the main risks of the Group relate to property, listed securities and finance and that the Group's overall approach to risk can be described as conservative. There are inherent risks determined by the nature of the business, such as fluctuations in the value of property or listed securities, vacancies, volatility in market rents or risks associated with development activities, underperformance of listed securities or counterparty risk associated with investment in listed securities. Key risks are assessed by ranking exposure on the basis of probability and magnitude. Analysis of sensitivity to these key risks is conducted at Group level. Other risks, notably those relating to interest rate and exchange rate, are closely managed and actively hedged. Re-financing risks are considered to be limited. Risks of potential breaches of loan covenants are managed through a conservative financing policy and a close review of compliance indicators.

Management considers the internal risk management and control systems of the Group to be appropriate. Key elements of the internal control systems are: a management structure designed to enable effective decision making; monthly review of key performance indicators, such as retail tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets; internal audit and cost control functions. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures on the basis of the adopted policies. There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.

The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses. Capital projects, major contracts, business property acquisitions or investment/divestment in listed securities are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.

The Group makes use of electronic data processing within automated information systems. Offsite data back-up and recovery measures are in place.

Listed security portfolio

The Guarantor invests in listed securities whose portfolios consist predominantly of quality assets, which outperform competitors and reduce the impact of negative market fluctuations. The Group's listed security portfolio is a blended portfolio of diversified holdings which can be liquidated in a short period of time, concentrating on global, high quality REITs in developed markets with sustainable growth such as the US, UK and Continental Europe. The listed securities portfolio is biased towards the retail sector, but includes diverse holdings in industrial, logistics, hospitality, healthcare and residential sectors.

There is an increasing focus on positioning the portfolio to facilitate the efficient deployment of capital into direct property assets. Various changes have been implemented in this respect, such as:

- focus on Continental Europe's listed securities, as economic prospects in the region are improving;
- the portfolio has been diversified further, and exposure increased to highly liquid assets; and
- exposure to USD has been reduced since the third quarter of 2016.

The listed security portfolio is an efficient cash warehousing strategy with cash collateral yielding interest income above market rates as well as the generation of stable dividend income.

Insurance

The Group insures all income-producing properties with all-risk property insurance at reconstruction cost, business interruption (revenues for at least 24 months) and third party liability insurance. Some properties are also insured against terrorist acts. Properties under development have construction all-risk insurance.

Insurance is contracted from reputable international third party providers.

Subsidiaries and joint ventures comprising the Group

A list of subsidiaries and joint ventures comprising the Group as at 30 September 2017, including the Guarantor's percentage ownership (direct or indirect) in each such subsidiary and joint venture is shown below:

Subsidiary/joint venture	**Incorporation/date became subsidiary or joint venture**	**Country of incorporation**	**Principal activity**	**Effective interest (%)**
ACE3 sp.z.o.o	Jun 2013/Dec2014	Poland	Property-owning	85%
Arena Center Zagreb d.o.o	2006/Nov016	Croatia	Property-owning	100
Arena Property Kft	August 2017/ September 2017	Hungary	Holding	100
AUPARK Kosice SC s.r.o	Nov 2008/Dec 2014	Slovakia	Services	100
AUPARK Kosice spol. s.r.o	Jan 2004/Dec 2014	Slovakia	Property-owning	100
Aupark Piestany SC, s.r.o.	Nov 2008/Oct2016	Slovakia	Property-owning	100
Aupark Piestany spol, s.r.o	Apr 2004/Oct2016	Slovakia	Property-owning	100
AUPARK Tower Kosice s.r.o	Nov 2008/Dec 2014	Slovakia	Property-owning	100
AUPARK Žilina SC as	Oct 2008/ Aug 2013	Slovakia	Services	100
AUPARK Žilina spol sro	Dec 2003/ Aug 2013	Slovakia	Property-owning	100
Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	100
BEL ROM TREI SRL	Aug2008/Mar 2016	Romania	Property-owning	100
Bister sp zoo	April 2015/July 2017	Poland	Property-owning	100
Bonarka City Center sp. z o.o.	May 2014/Sep2016	Poland	Property-owning	100
Bonarka Property sp. z o.o.	Dec 2011/Aug 2016	Poland	Property-owning	100
Braila Promenada Mall SRL	Sep 2009	Romania	Property-owning	100
Brasov Shopping City SRL	Jun 2011	Romania	Property-owning	100
City Park Constanta SRL	Feb 2005/ Nov 2013	Romania	Property-owning	100
CEE Property Bulgaria EOOD	Feb 2004/Aug 2017	Bulgaria	Property-owning	100
Cluj Business Centre SRL	Jul 2012	Romania	Property-owning	50
Degi Titan SRL	Apr 2005/Jul 2015	Romania	Property-owning	100
ECP Security Holdings Limited	Feb 2015	Isle of Man	Services	100
Energit sp. z o.o.	Dec 2007/Sep 2016	Poland	Services	100
E-power Supply doo Beograd	Aug 2017	Serbia	Services	100
E-power Supply LLC	Sep 2017	Croatia	Services	100
E-power Supply s.r.o	Nov 2015	Slovakia	Services	100
E-power Supply sro	Aug 2017	Czech	Services	100
FDC Braila BV	Sep 2009	Netherlands	Holding	100
Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	100
Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	100
Floreasca City Center SRL	Oct 2005/Oct 2014	Romania	Property-owning	100
FORUM Usti s.r.o	Jan 2005/Feb 2016	Czech	Property-owning	100
Galati Shopping City SRL	Jun 2012	Romania	Property-owning	100
General Building Management SRL	Aug 2004/ Jan 2008	Romania	Property-owning	100
General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	100
Gontar sp.zo.o	Mar 2013/Dec2014	Poland	Property-owning	100
Hansa Immobilien EOOD	March 2005/Aug 2017	Bulgaria	Property - owning	100
IGI Exclusive sp.z.o.o	Oct 2007/Mar2015	Poland	Property-owning	100
Ingen Europe BV	Dec 2010	Netherlands	Holding	100
INLOGIS VI s.r.o	Jun 2011/Dec 2014	Slovakia	Property-owning	100
Karolinka Property sp.zo.o	Jul 2014/Apr 2015	Poland	Property-owning	100
Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	100
Liberec Property s.r.o.	Jan2007/Jun 2016	Czech Republic	Property-owning	100
Marapi sp zoo	April 2017/May 2017	Poland	Property-owning	100
Marketing Advisers SRL	Apr 2014	Romania	Services	100
Mega Mall Bucuresti SRL	Feb 2007/ Aug 2013	Romania	Property-owning	100
Mercureal SRL	Jul 2005/ Aug 2013	Romania	Property-owning	100
Modatim Business Facility SA	Nov 2015	Romania	Property-owning	100
Monarda sp.zo.o	Jul 2015/Aug 2015	Poland	Property-owning	90
NE Property Cooperatief UA (the Issuer)	Oct 2007	Netherlands	Holding	100
NEPI Bucharest One SRL	Sep 2007	Romania	Property-owning	100
NEPI Bucharest Two SRL	Dec 2007	Romania	Property-owning	100
NEPI Croatia Management doo	Jan 2017	Croatia	Services	100
NEPI Czech Management s.ro	Sep 2016	Czech Republic	Services	100
NEPI Eighteen Property Services SRL	Feb 2016	Romania	Services	100
Nepi Five Property Development SRL	Mar 2013	Romania	Property-owning	100
Nepi Four Real Estate Solutions SRL	Mar 2013	Romania	Property-owning	100
Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	100
NEPI Investment Management LTD	Jul 2007	BVI*	Holding	100
NEPI Investment Management LTD – in liquidation process	Apr 2012	Cyprus	Services	100
NEPI Investment Management SRL	Jun 2010	Romania	Services	100

Subsidiary/joint venture	Incorporation/date became subsidiary or joint venture	Country of incorporation	Principal activity	Effective interest (%)
Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	100
NEPI Project one EOOD....................	Mar 2017	Bulgaria	Property-owning	100
NEPI Project two EOOD....................	May 2017	Bulgaria	Property-owning	100
NEPI Real Estate Development d.o.o	Nov 2014	Serbia	Services	100
NEPI Real Estate Project One d.o.o...	Jan 2016	Serbia	Property-owning	100
NEPI Real Estate Project Three d.o.o	Oct 2016	Serbia	Property-owning	100
NEPI Real Estate Project Two d.o.o ..	Jan 2016	Serbia	Property-owning	100
Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	100
NEPI Six Development SRL.............	May 2012	Romania	Property-owning	100
Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	100
Nepi Slovak Centres One a.s.............	Jul 2014	Slovakia	Services	100
NEPI Slovakia Management s.r.o	Jun 2013/ Aug 2013	Slovakia	Services	100
NEPI Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	100
Nepi Three Building Management SRL	Mar 2013	Romania	Property-owning	100
NEPIOM Ltd	Sep 2012	Isle of Man	Services	100
New Energy Management SRL..........	Jan 2014	Romania	Services	100
New Europe Property (BVI) Limited.	Jul 2007	BVI*	Holding	100
Nobilia sp zoo....................................	July 2015/May 2017	Poland	Services	100
NRE Sibiu Shopping City	Jan 2007/Mar 2016	Romania	Property-owning	100
Olsztyn Property sp. z o.o.	Feb 2011/Sep2016	Poland	Property-owning	100
Otopeni Warehouse and Logistics SRL	Sep 2010	Romania	Property-owning	100
Piotrków Property sp. z o.o.	Feb 2011/Jul2016	Poland	Property-owning	100
Platan Property sp.zo.o.......................	Jul 2015/Aug 2015	Poland	Property-owning	100
Ploiesti Shopping City SRL	Dec 2010/Feb 2012	Romania	Property-owning	50
Pogoria Property sp.z.o.o.	Jun 2014/Apr 2015	Poland	Property-owning	100
Ramnicu Valcea Shopping City SRL.	Aug 2014	Romania	Property-owning	100
Real Estate Asset Management SRL..	Jul 2014	Romania	Services	100
Retail Park Pitesti SRL.......................	Jan 2010	Romania	Property-owning	100
Rockcastle Europe Limited (GBC2) ..	May 2014	Mauritius	Holding	100
Rockcastle Global Real Estate Company UK Limited	Sep 2014	United Kingdom	Holding	100
Rockcastle Global Real Estate Holdings BV	Oct 2013	Netherlands	Holding	100
Rockcastle Global Securities Limited (GBC1)..	Oct 2016	Mauritius	Listed securities	100
Rockcastle Poland sp. z o.o.	Jul 2015/Oct2015	Poland	Services	100
Rockcastle UK Property SPV Limited (GBC2)..	Oct 2014	Mauritius	Holding	100
Satu Mare Shopping City SRL...........	Jan 2014	Romania	Property-owning	100
SCP s.r.o.	April 2006/July 2016	Slovakia	Property-owning	100
SEK d.o.o..	Jul 2007/Oct 2014	Serbia	Property-owning	100
Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	100
Shopping City Piatra Neamt SRL	Jan 2014	Romania	Property-owning	100
Shopping City Timisoara SRL	Jun 2012	Romania	Property-owning	100
Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Services	100
Symmetry Arena Kft	April 2004/ September 2017	Hungary	Property-owning	100
Targu Jiu Development SRL..............	Oct 2012	Romania	Property-owning	100
Targu Mures Shopping City SRL.......	Feb 2016	Romania	Property-owning	100
Timisoara City Business Center One SRL	Jan 2012	Romania	Property-owning	100
Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	100
Tuvalu sp zoo......................................	April 2017/July 2017	Poland	Property-owning	100
Victoriei Office Building SRL	Aug 2011	Romania	Property-owning	100
Vulcan Value Centre SRL.................	Apr 2012/ Sep 2013	Romania	Property-owning	100
Zambia Consolidated Holding Company Limited – in liquidation process..	Apr 2017	Mauritius	Investment Holding	100
Zielona Góra Property sp. z o.o..........	Dec 2011/Jul 2016	Poland	Property-owning	100

* British Virgin Islands

DIRECTORS OF THE GUARANTOR AND GROUP EXECUTIVE MANAGEMENT

Corporate governance

The Group is fully compliant with the King IV Report on Corporate Governance in South Africa as is required for companies listed on the main board of the JSE.

The Guarantor has a balanced Board structure, with a majority of independent non-executive Directors, and Board committees comprising an investment committee (the "**Investment Committee**"), audit committee, risk committee, remuneration committee, nomination committee and a social and ethics committee. The Board provides oversight and acts as a final decision making body in certain areas.

The Guarantor applies best practices in terms of a code of ethics and compliance and has regular, consistent and transparent communication with shareholders and debt holders. The Group's strategic plan is developed in detail.

The Group maintains a conservative business and financial risk approach in terms of its capital structure, liquidity and investment policies. The Group uses derivative instruments conservatively, and maintains a track record of covenant compliance as well as compliance with the requirements of each stock exchange on which the Guarantor is listed.

Board of Directors

The Guarantor's Board of Directors (the "**Board**") comprises eleven directors of whom five are executive and six are non-executive (all of whom are independent), there is also currently one alternate director ("**Directors**").

At the date of this Base Prospectus, the Board consists of the following Directors, each of whom, prior to the Merger, were members of either NEPI's or Rockcastle's respective boards of directors:

Name	Function	Position held since
Alexandru Morar	Joint chief executive officer	15 May 2017
Spiros Noussis	Joint chief executive officer	15 May 2017
Mirela Covasa	Chief financial officer	15 May 2017
Nick Matulovich	Executive director	15 May 2017
Marek Pawel Noetzel	Executive director	15 May 2017
Dan Pascariu	Independent Non-Executive Chairman	15 May 2017
Antoine Dijkstra	Independent Non-Executive Director	15 May 2017
Desmond de Beer	Independent Non-Executive Director	15 May 2017
Michael Mills	Independent Non-Executive Director	15 May 2017
Robert Reinhardt Emslie	Independent Non-Executive Director	15 May 2017
Andre van der Veer	Independent Non-Executive Director	15 May 2017
Andries de Lange	Alternate Director for Desmond de Beer	10 August 2017

As joint chief executive officers, Mr. Morar and Mr. Noussis work together in the integrated management of the Group and implementation of the Group’s investment strategy, with Mr. Morar focusing primarily on Romania, Slovakia, Croatia, Bulgaria and Serbia and Mr. Noussis focusing primarily on Poland, Hungary and Czech Republic.

The positions of Independent Non-Executive Chairman and that of joint chief executive officers are separate, with the Independent Non-Executive Chairman being an independent non-executive director. The Independent Non-Executive Chairman oversees the Board’s functioning and the joint chief executive officers lead the executive team and attend to the day-to-day functions of the business.

The following are short profiles of the members of the Board:

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 large projects as well as on various M&A transactions. He joined NEPI upon its founding in 2007 and has since contributed to all aspects of the business. Until his appointment as CEO of NEPI in August 2015, Mr Morar had focused on the investments and acquisitions programme, with a view to expanding NEPI's portfolio throughout the CEE region. Mr Morar was appointed joint chief executive officer of the Guarantor on 15 May 2017.

Spiros Noussis has experience in both private equity and investment management. He has been involved in property since 2005 and was the founding shareholder and managing director of Lodestone Properties Limited, a property fund focusing on retail and industrial property. Mr. Noussis was appointed chief executive officer of Rockcastle in May 2014 and as joint chief executive officer of the Guarantor on 15 May 2017.

Mirela Covasa joined NEPI in February 2012 as Finance Manager and was appointed as chief financial officer of NEPI in February 2015. Ms Covasa graduated with a finance degree from the Bucharest Academy of Economic Studies and is a member of the Association of Chartered Certified Accountants (ACCA) and the Chamber of Financial Auditors of Romania (CAFR). She has worked in accounting and auditing for fifteen years. Prior to working for NEPI, she was senior manager at PricewaterhouseCoopers, where she spent eight years performing audit assignments in Romania, Slovenia and India. Ms Covasa was appointed as chief financial officer of the Guarantor on 15 May 2017.

Nick Matulovich has been actively involved in the management of Rockcastle from its initial listing with direct oversight over the financial function. He was appointed as chief financial officer of Rockcastle on 14 May 2014 and as an executive director of the Guarantor on 15 May 2017. Mr. Matulovich previously worked for Ernst & Young and spent time in both audit as well as the Transaction Tax division.

Marek Pawel Noetzel is responsible for retail portfolio asset management, marketing, commercialisation of shopping centres and acquisitions support in Poland. He started his real estate career in 2002 with Cushman & Wakefield in Warsaw as Retail Leasing Agent and was promoted within the company to Associate in 2007 and Partner in 2011. As head of the Retail Department at Cushman & Wakefield he was responsible for day to day supervision of the department, business development and key client account management. He was appointed as an executive director of Rockcastle on 1 August 2016 and as a director of the Guarantor on 15 May 2017.

Dan Pascariu is a prominent figure in the Romanian banking system. His career started at the Romanian Bank for Foreign Trade in 1973, where he held the position of Chairman and CEO. Mr Pascariu is a non-executive 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. Mr Pascariu served as independent non-executive chairman of NEPI and was appointed as independent non-executive chairman of the Guarantor on 15 May 2017.

Antoine Dijkstra started his career at Credit Agricole in Rotterdam, Paris and Frankfurt. He had various managing roles within NBC (Netherlands), Harcourt Investment Management (Zurich), JPMorgan/ Bear Stearns and Gulf International Bank (Bahrain). He is founder and partner of Implexus Capital (Netherlands). Part of his previous experience includes advising a variety of clients on debt and equity capital markets, M&A, capital and risk management, investment management, balance sheet reduction and refinancing. Mr. Dijkstra was an independent non-executive director of NEPI and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

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. Mr de Beer has been the Managing Director of Resilient REIT Limited ("**Resilient**"), since its listing on the JSE in 2002. Mr de Beer served as an independent non-executive director of NEPI and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

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. Mr. Mills was an independent non-executive director of NEPI and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

Robert Reinhardt Emslie is a Chartered Accountant, with more than 30 years' experience in the financial services sector and property management. He held various positions within the ABSA Group (currently part of Barclays) during a period of 21 years, latterly as Head of ABSA Corporate and Business Bank, Head of ABSA Africa and member of ABSA Group's Executive Committee. Mr Emslie retired in 2009 and currently holds chairmanship and non-executive directorship positions in various private and public companies. He was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

Andre van der Veer joined Merchant Bank, after completing a Masters degree in Banking and Economics during 1991, and later Rand Merchant Bank where he founded the agricultural commodities and derivatives trading group in 1995. He headed the trading, derivatives structuring and proprietary trading teams. Since 2003 he had been with the RMB Equity Global Markets team and gained experience in the UK, North America, Western European, Scandinavia as well as most markets in the Far East and Australia. He became Head of RMB Equity Proprietary trading desk in 2009 with a mandate to invest in debt and equity instruments globally. Mr. der Veer founded Foxhole Capital during 2012 as a family office specialising in global real estate securities in the listed and private equity markets. Mr. der Veer was an independent non-executive director of Rockcastle and was appointed as an independent non-executive director of the Guarantor on 15 May 2017.

Andries de Lange joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. He joined Resilient, in 2004 and acts as Chief Operating Officer. He was appointed as an alternate director for Desmond de Beer, independent non-executive director of the Guarantor, on 10 August 2017.

The business addresses of the Directors are as follows:

Name	Address
Alexandru Morar	301-311 Barbu Vacarescu, 3rd Floor, Bucharest 2, 020276, Romania; Anglo International House, 2nd floor, Lord Street, Douglas, IM1 4LN
Spiros Noussis	Rockcastle House, 1 Wheatfield Way, Kingston upon Thames, KT1 2TU, United Kingdom; Anglo International House, 2nd Floor, Lord Street, Douglas, IM1 4LN
Mirela Covasa...................................	301-311 Barbu Vacarescu, 3rd Floor, Bucharest 2, 020276, Romania; Anglo International House, 2nd floor, Lord Street, Douglas, IM1 4LN
Nick Matulovich	Rockcastle House, 1 Wheatfield Way, Kingston upon Thames, KT1 2TU, United Kingdom; Anglo International House, 2nd Floor, Lord Street, Douglas, IM1 4LN
Marek Pawel Noetzel	1st Floor Cosmopolitan Building, 4 Twarda Street, 00-105, Warsaw, Poland; Anglo International House, 2nd Floor, Lord Street, Douglas, IM1 4LN
Dan Pascariu	301-311 Barbu Vacarescu, 3rd Floor, Bucharest 2, 020276, Romania
Antoine Dijkstra	Parkzicht, Vossiusstraat 59, 1071AK Amsterdam, The Netherlands
Desmond de Beer	4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, Johannesburg, South Africa
Michael Mills.....................................	39 Rosewood Way, Farnham Common Bucks, SL2 3QD, United Kingdom
Andre van der Veer	20 Summit Place, Fifth Road, Halfway Gardens, Midrand 1685, South Africa
Robert Reinhardt Emslie	Beaulieu Farm, Annandale Road, Stellenbosch, South Africa
Andries de Lange..............................	4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, Johannesburg, South Africa

Potential Conflicts of Interests

There are no potential conflicts of interest between the duties owed by the Directors to the Guarantor and their private interests or other duties.

MAJOR SHAREHOLDERS

The Guarantor's share capital authorised for issue is of 2,000,000,000 ordinary shares. The shares are governed by the laws of the Isle of Man.

The following table sets forth the ownership of the Guarantor's shares, as at the latest practicable date prior to the publication of this Prospectus, in so far as it is known to the Guarantor. As at the date of this Prospectus, a total number of 577,800,734 ordinary shares are in issue, of which 264,659,341 ordinary shares (45.8 per cent. of the issued ordinary shares) are held by the three largest shareholders, and of which 19,147,542 ordinary shares (3.3 per cent. of the issued ordinary shares) are held by the Directors and the employees.

Major shareholders	**Ordinary shares owned at the latest practicable date (number of shares)**	**Share of total number of ordinary shares in issue (percentage)**
Fortress Income Fund Limited	139,847,678	24.2
Resilient REIT Limited	75,002,078	13.0
Public Investment Corporation	49,809,585	8.6
Directors and employees	19,147,542	3.3
More than 15,800 public shareholders	293,993,851	50.9
Total	**577,800,734**	**100.0**

Fortress Income Fund Ltd is a property fund established in 2009 and listed on the JSE that invests directly and indirectly in property, with earnings derived from rentals and the distributions from a portfolio of listed property securities. The direct property portfolio is predominantly focused on retail centres serving the commuter market.

Resilient REIT Limited is a South-African Real Estate Investment Trust, which has been listed on the JSE since December 2002. It owns a portfolio of dominant regional malls and shopping centres.

Established in 1911, the Public Investment Corporation Limited ("**PIC**") is an investment manager in Africa, which, according to its annual report for 2017, manages assets of approximately EUR 135 billion as of 31 March 2017 and is still growing. The PIC, a registered financial services provider, is wholly owned by the South African Government, with the Minister of Finance as shareholder representative. The PIC is the largest asset manager on the African continent and largest single institutional investor on the Johannesburg Stock Exchange (JSE). (Source: *Public Investment Corporation Integrated Annual Report 2017*).

All the Guarantor's shareholders hold equal voting rights for each held share.

The Guarantor is not directly or indirectly owned or controlled by another corporation. The Guarantor is not aware of any arrangement that may result in a change of control.

TAXATION

The following summaries do not purport to be a comprehensive description of all tax considerations that could be relevant for Noteholders. These summaries are intended as general information only and each prospective Noteholders should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes. These summaries are based on tax legislation and published case law in force as of the date of this document. They do not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Taxation in the Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "*Taxes on Income and Capital Gains*" below it is assumed that a holder of Notes, being an individual or a non-resident entity, does not have a substantial interest (aanmerkelijk belang), or – in the case of such holder being an entity – a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. An entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of Notes, an individual holding Notes or an entity holding Notes, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Notes or otherwise being regarded as owning Notes for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes.

Withholding Tax

All payments made by the Issuer and Guarantor of interest and principal under the Notes can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

Resident Entities

An entity holding Notes which is, or is deemed to be, resident in the Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 25% in 2017).

Resident Individuals

An individual holding Notes who is, or is deemed to be, resident in the Netherlands for Dutch income tax purposes will be subject to income tax in the Netherlands in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 52% in 2017) if:

(a) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(b) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) applies, such individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Notes. For the year 2017 the deemed return ranges from 2.87% to 5.39% of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Notes). The applicable rates will be updated annually on the basis of historic market yields. Subject to application of certain allowances, the deemed return will be taxed at a rate of 30%.

Non-residents

A holder of Notes which is not, and is not deemed to be, resident in the Netherlands for the relevant tax purposes will not be subject to taxation in the Netherlands on income or a capital gain derived from the Notes unless:

(a) the income or capital gain derived from the Notes is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder of Notes derives profits from such enterprise (other than by way of the holding of securities); or

(b) the holder is an individual and the income or capital gain derived from the Notes qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Notes by way of gift by, or on the death of, a holder of Notes, unless:

(a) such holder is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

There is no Dutch value added tax payable by a holder of Notes in respect of payments in consideration for the acquisition of the Notes, payments of interest or principal under the Notes, or payments in consideration for a disposal of the Notes.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar Dutch tax or duty payable in the Netherlands by a holder of Notes in respect of, or in connection with, the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

Residence

A holder of Notes will not be, and will not be deemed to be, resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of the acquiring, holding or disposing of Notes, or the execution, performance, delivery and/or enforcement of Notes.

Taxation in the Isle of Man

Tax Residence in the Isle of Man

The Guarantor is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man. It is the intention of the Directors of the Guarantor to conduct the affairs of the Guarantor so that the Guarantor is not resident in the UK or elsewhere for taxation purposes.

Zero Rate of Corporate Income Tax in the Isle of Man

The standard rate of corporate income tax in the Isle of Man is zero per cent.

However, with effect from 6 April 2006 a ten per cent. rate of tax applies to income received by a company from banking business and to income received by a company from land and property in the Isle of Man.

With effect from 6 April 2015 the rate of tax applying to income from land and property in the Isle of Man was increased to twenty per cent.

A ten per cent. rate of tax also applies to companies which carry on retail business in the Isle of Man and have taxable income of more than GBP 500,000 from such business.

As it does not receive income from these sources, the Guarantor is liable to income tax at a rate of zero per cent. on its profits.

Withholding Tax in the Isle of Man

As the Guarantor is liable to income tax at a rate of zero per cent. in the Isle of Man, it is not required to withhold tax from the payment of any amount due from the Guarantor under the terms of the Guarantee of the Notes.

Capital, Stamp and Inheritance Taxes in the Isle of Man

The Isle of Man has a regime for the taxation of income, but there are no capital gains taxes, stamp taxes or inheritance taxes in the Isle of Man.

There are no Isle of Man registration taxes, stamp duty or similar taxes or duty (other than court fees) payable in the Isle of Man in respect of the payment of any amounts due from the Guarantor under the Guarantee of the Notes.]

The proposed financial transactions tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands and the Isle of Man) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither the Issuer nor the Guarantor will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 15 November 2017 (the "**Dealer Agreement**") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of any identifiable tranche of which such Notes are a part, as determined, and certified to the Issuer, by the relevant Dealer, or in the case of Notes issued on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes and the Guarantee, an offer or sale of Notes or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

An issuance of Exempt Notes may also be subject to such additional United States selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms or Pricing Supplement (as the case may be) in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or

Pricing Supplement (as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

The expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Isle of Man

Any offer for subscription, sale or exchange of the Notes within the Isle of Man must be made (i) by an Isle of Man financial services licence holder licensed under section 7 of the Isle of Man Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained in the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are outside the scope of the approval of this Base Prospectus, as completed by the Final Terms relating thereto, to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording and a logo are disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations (which include registration requirements). Such restrictions do not apply (a) to the initial issue of Zero Coupon Notes to the first holders thereof, (b) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (c) to a transfer and acceptance of Zero Coupon Notes in definitive form within, from or into The Netherlands if all Zero Coupon Notes of any particular Series or Tranche are issued outside The Netherlands and are not distributed within The Netherlands in the course of their initial distribution or immediately thereafter. For the purposes of this paragraph, "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this or any other document relating to the Notes in Italy except:

a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "Issuers Regulation"), all as amended from time to time; or

b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms in all cases at its own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

NE PROPERTY COÖPERATIEF U.A.
Guaranteed by
NEPI ROCKCASTLE PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €[1,000,000,000] Guaranteed Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended[, from 1 January 2018,] to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 15 November 2017 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/) and the website of the Irish Stock Exchange (www.ise.ie).

1.	(i)	Issuer:	NE Property Coöperatief U.A.
	(ii)	Guarantor:	NEPI Rockcastle plc
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [*insert date*]]].]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]

5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date	[*Specify/*Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR/ROBOR]] +/– • per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11.	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/Not Applicable]
12.	Put/Call Options:		[Make-whole call] [Call Option] [Put Option] [Change of Control] [Clean-Up Call Option] See paragraph [17/18/19/20/21] below)]
13.	[Date [Board] approval for issuance of Notes and Guarantee obtained:		[●] [and [●], respectively]] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year

	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
	(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iv)	First Interest Payment Date:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
	(vi)	Business Centre(s):	[●]

	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(ix)	Screen Rate Determination:	
		• Reference Rate:	[[●]month [LIBOR/EURIBOR/ROBOR]]
		• Interest Determination Date(s):	[●]
		• Relevant Screen Page:	[●]
	(x)	ISDA Determination:	
		• Floating Rate Option:	[●]
		• Designated Maturity:	[●]
		• Reset Date:	[●]
		• [ISDA Definitions	[2000/2006]]
	(xi)	[Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xii)	Margin(s):	[+/-][ ] per cent. per annum
	(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
	(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
	(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]
16.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●] days
18.	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	Notice period:	[●] days
19.	**Change of Control**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Change of Control Optional Redemption Price:	[●] per Calculation Amount
	(ii)	Change of Control Put Period:	[●]
	(iii)	Change of Control Put Date:	[●]
20.	**Make-Whole Call**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Notice Period:	[●] days
	(ii)	Reference Bond:	[●]
	(iii)	Make-Whole Margin:	[●]
	(iv)	Make-Whole Time:	[●]

21.	**Clean-Up Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Clean-Up Redemption Amount:	[●] per Calculation Amount
22.	**Final Redemption Amount of each Note**	[●][Par] per Calculation Amount
23.	**Early Redemption Amount**	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Global Certificate (US$/€[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
25.	New Global Note:	[Yes] [No]
26.	Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates*]
27.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of NE Property Coöperatief U.A.:

By:
Duly authorised

Signed on behalf of NEPI Rockcastle plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [regulated market of the Irish Stock Exchange and listed on the official list of the Irish Stock Exchange [and the Bucharest Stock Exchange] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [regulated market of the Irish Stock Exchange and listed on the official list of the Irish Stock Exchange] [and the Bucharest Stock Exchange] with effect from [●]. (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

(i)	Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. **[*Fixed Rate Notes only* – YIELD**

(i)	Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(vi)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]

(ii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
(iii)	If syndicated:	
(iv)	(A) Names of Managers:	[Not Applicable/*give names*]
(v)	(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(vi)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(vii)	US Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED FOR THE ISSUE OF THE NOTES DESCRIBED BELOW.

Pricing Supplement dated [●]

NE PROPERTY COÖPERATIEF U.A.
Guaranteed by
NEPI ROCKCASTLE PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €[1,000,000,000] Guaranteed Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended[, from 1 January 2018,] to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2017 [and the supplement(s) to it dated [●]] [together] (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the website of the Group (https://nepirockcastle.com/).

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.)

1.	(i)	Issuer:	NE Property Coöperatief U.A.
	(ii)	Guarantor:	NEPI Rockcastle plc
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]

	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below [which is expected to occur on or about [*insert date*]]].]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[*Specify/*Issue Date/Not Applicable]
8.	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR/ROBOR]] +/– • per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11.	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/Not Applicable]
12.	Put/Call Options:	[Make-whole call] [Call Option] [Put Option] [Change of Control] [Clean-Up Call Option]See paragraph [17/18/19/20/21] below)]

13.	[Date [Board] approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively]] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
	(vi)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]

(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[[●]month [LIBOR/EURIBOR/ROBOR]]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• [ISDA Definitions	[2000/2006]]
(xi)	[Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-][ ] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]

16.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) [Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**	[Applicable / Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●] days
18.	**Put Option**	[Applicable / Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●] days
19.	**Change of Control**	[Applicable / Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Change of Control Optional Redemption Price:	[●] per Calculation Amount
	(ii) Change of Control Put Period:	[●]
	(iii) Change of Control Put Date:	[●]

20.	**Make-Whole Call**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Notice Period:	[●] days
	(ii) Reference Bond:	[●]
	(iii) Make-Whole Margin:	[●]
	(iv) Make-Whole Time:	[●]
21.	**Clean-Up Call Option**	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Clean-Up Redemption Amount:	[●] per Calculation Amount
22.	**Final Redemption Amount of each Note**	[●][Par] per Calculation Amount
23.	**Early Redemption Amount**	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Global Certificate (US$/€[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
25.	New Global Note:	[Yes] [No]

26.	Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates*]
27.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of NE Property Coöperatief U.A.:

By:
Duly authorised

Signed on behalf of NEPI Rockcastle plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Admission to trading:	[●] / [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

(i)	Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

4. **[*Fixed Rate Notes only* – YIELD**

(i)	Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]

(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(vi)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
(iii)	If syndicated:	
(iv)	(A) Names of Managers:	[Not Applicable/*give names*]
(v)	(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]

(vi)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(vii)	US Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]
(viii)	Additional selling restrictions	[Not Applicable/*give details*]

GENERAL INFORMATION

1. This Base Prospectus has been approved by the Central Bank of Ireland as a prospectus. Application will also be made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Market. However, Notes may be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange or any other stock exchange (including the Bucharest Stock Exchange) or which will be listed on such stock exchange as the Issuer, the Guarantor and the relevant Dealer(s) agree.

2. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in the Netherlands and/or the Isle of Man in connection with the establishment of the Programme and the Guarantee. The establishment of the Programme was authorised by a written resolution of the management board of the Issuer and passed on 31 October 2017 and the giving of the Guarantee was authorised by a resolution in writing of the board of directors of the Guarantor and passed on 1 November 2017.

3. Except as disclosed in this Base Prospectus from page 3 onwards in relation to the Merger, there has been no significant change in the financial or trading position of the Issuer or the Guarantor or of the Group since 31 December 2016 and no material adverse change in the prospects of the Issuer or of the Guarantor or of the Group since 31 December 2016.

4. Neither the Issuer, the Guarantor nor any other member of the Group is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor are aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.

5. Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

7. There are no material contracts entered into other than in the ordinary course of the Issuer's or Guarantor's business, which could result in any Group company being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet its obligations to noteholders in respect of the Notes being issued.

8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

9. For so long as Notes may be issued pursuant to this Base Prospectus, physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered offices of each of the Issuer (at Paulus Potterstraat 32, 2nd Floor, 1071 DB Amsterdam, the Netherlands) and the Guarantor (at 2nd Floor, 30 Athol Street, Douglas, Isle of Man, IM1 1JB):

   (i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

   (ii) the Agency Agreement;

   (iii) the Memorandum and Articles of Association of the Issuer and the Guarantor;

(iv) each Final Terms (save that Final Terms relating to an Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Exempt Notes and identity);

(v) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Prospectus; and

(vi) the Financial Statements and the Issuer's Financial Statements.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Group (https://nepirockcastle.com/) and the website of the Irish Stock Exchange (www.ise.ie).

10. Copies of the Trust Deed (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

11. The Issuer's Financial Statements have been audited by PricewaterhouseCoopers Accountants N.V., independent auditors, as stated in their report, which is, together with the Issuer's Financial Statements, included by reference in this Base Prospectus. PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, The Netherlands is a member of The Netherlands Institute of Chartered Accountants (NBA), which is a member of International Federation of Accountants (IFAC).

12. The Guarantor Audited Financial Statements have been audited by PricewaterhouseCoopers LLC, independent auditors, as stated in their report, which is, together with the Guarantor Audited Financial Statements, included in this Base Prospectus. PricewaterhouseCoopers LLC, Sixty Circular Road, Douglas, IM1 1SA, Isle of Man is a member of the Institute of Chartered Accountants in England and Wales.

13. The NEPI Audited Consolidated Financial Statements have been audited by PricewaterhouseCoopers LLC, independent auditors, as stated in their report, which is, together with the NEPI Audited Consolidated Financial Statements, included in this Base Prospectus. PricewaterhouseCoopers LLC, Sixty Circular Road, Douglas, IM1 1SA, Isle of Man is a member of the Institute of Chartered Accountants in England and Wales.

14. The Rockcastle Audited Consolidated Financial Statements have been audited by BDO Mauritius, independent auditors at 10 Frère Félix de Valois, Port Louis, Mauritius, who have audited in accordance with International Standards on Auditing. BDO Mauritius is a firm of Chartered Accountants in Mauritius.

15. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market.

16. The Dealers and their respective affiliates may have engaged in transactions with the Issuer and the Guarantor in the ordinary course of their banking business and the Dealers may have performed various investment banking, financial advisory and other services for the Issuer and the Guarantor, for which they receive customary fees, and the Dealers and their respective affiliates may provide such services in the future.

INDEX OF DEFINED TERMS

INDEX TO FINANCIAL STATEMENTS

* During this period, Rockcastle changed its financial year end from 30 June to 31 December.

NEPI Rockcastle plc
Director's report and financial statements

FOR THE PERIOD FROM 1 DECEMBER 2016 (DATE OF INCORPORATION) TO 31 DECEMBER 2016

Director's report

The Director presents his report and financial statements for the period from 1 December 2016 (date of incorporation) to 31 December 2016.

Principal activity
The Company's intended business is to develop, acquire and hold commercial properties, either directly or indirectly through the acquisition of listed equities.

Financial review
The results for the period are shown in the attached financial statements, presented on pages 5 to 14.

Dividend
The Director does not propose the payment of a dividend for the period.

Sole director
Cornelius Eduard Cassell was appointed as sole director on 1 December 2016 and served to the date of this report.

Registered agent
The registered agent of the Company is Sabre Fiduciary Limited, Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man.

Statement of Director's responsibilities
The Director is responsible for preparing the Director's report and the financial statements in accordance with applicable laws and regulations.

The Director has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

In preparing these financial statements it is the Director's responsibility to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

Approved on 12 April 2017 by:

Cornelius Eduard Cassell
Sole director

Independent auditor's report

To the member of NEPI Rockcastle plc

Our opinion
In our opinion NEPI Rockcastle plc's financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the one month period (the "period") then ended in accordance with International Financial Reporting Standards.

What we have audited
NEPI Rockcastle plc's financial statements comprise:

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

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

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

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information
The director is responsible for the other information. The other information comprises the Director's report (but it does not include the financial statements and our auditor's report thereon).

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

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

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

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

The director is responsible for overseeing the Company's financial reporting process.

Independent auditor's report

To the member of NEPI Rockcastle plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

This report, including the opinion, has been prepared for and only for the Company's member in accordance with our engagement letter dated 6 March 2016 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.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
Date: 13 April 2017

STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2016
ASSETS		
Non-current assets		9,591
Financial investments at fair value through profit or loss	6	9,591
Current assets		824
Cash and cash equivalents		824
TOTAL ASSETS		10,415
EQUITY AND LIABILITIES		
Equity attributable to equity holders		(13,647)
Share capital	7	11
Retained earnings		(13,763)
Functional currency translation reserve		105
Total liabilities		24,062
Current liabilities		24,062
Loans payable	8, 9	10,475
Accrued expenses	9	13,587
TOTAL EQUITY AND LIABILITIES		10,415

All amounts in Euro unless otherwise stated

The notes on pages 9 to 14 are an integral part of these financial statements.

The financial statements on pages 5 to 14 were approved and authorised for issue on 12 April 2017 by:

Cornelius Eduard Cassell
Sole director

STATEMENT OF COMPREHENSIVE INCOME

	Note	1 Dec – 31 Dec 2016
Revenue		-
Administrative expenses	9	(13,587)
Fair value losses of financial investments at fair value through profit or loss	6	(176)
Loss before tax		(13,763)
Income tax expense		-
Loss after tax		(13,763)
Other comprehensive income		105
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(13,658)

All amounts in Euro unless otherwise stated

The notes on pages 9 to 14 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Functional Currency Translation Reserve	Total
Balance at 1 December 2016	-	-	-	-
Transactions with owners	11	-	-	11
Issue of shares	11	-	-	11
Total comprehensive income	-	(13,763)	-	(13,763)
Profit for the period	-	(13,763)	-	(13,763)
Other comprehensive income	-	-	105	105
Functional currency translation	-	-	105	105
BALANCE AT 31 DECEMBER 2016	11	(13,763)	105	(13,647)

All amounts in Euro unless otherwise stated

The notes on pages 9 to 14 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	1 Dec - 31 Dec 2016
OPERATING ACTIVITIES		
Loss after tax		(13,763)
Adjustments for:		
– Accrued expenses	9	13,587
– Fair value losses on financial investments at fair value through profit or loss	6	176
Operating result before changes in working capital		-
CASH FLOWS FROM OPERATING ACTIVITIES		-
INVESTING ACTIVITIES		
Payments for financial investments at fair value through profit or loss	6	(9,888)
CASH FLOWS USED IN INVESTING ACTIVITIES		(9,888)
FINANCING ACTIVITIES		
Proceeds from loans taken	8, 9	10,730
CASH FLOWS FROM FINANCING ACTIVITIES		10,730
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		842
Cash and cash equivalents brought forward		-
Effect of exchange rates on cash and cash equivalents		(18)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		824

All amounts in Euro unless otherwise stated

The notes on pages 9 to 14 are an integral part of these financial statements.

Notes to the financial statements

1 GENERAL

NEPI Rockcastle plc ("the Company") is a limited liability company incorporated in the Isle of Man on 1 December 2016 at Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man.

The Company's intended business is to develop, acquire and hold commercial properties, either directly or indirectly through the acquisition of listed equities.

These financial statements for the period ended 31 December 2016 were authorised for issue in accordance with the written resolution of the Sole Director of the Company on 12 March 2017.

2 ACCOUNTING PERIOD AND COMPARATIVE PERIOD

These are the Company's first financial statements for the period from 1 December 2016 (date of incorporation) to 31 December 2016 and there are no comparative periods to present.

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 financial statements are presented in Euro (€, EUR) unless otherwise stated. The Company's functional currency is Great British pound sterling (£, GBP).

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 use judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Any change in the functional currency must be made prospectively in accordance with IAS 21.

3.2 Basis of preparation

The financial statements are prepared on a historical cost basis, except for financial investments at fair value through profit or loss.

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 Company's ability to continue as a going concern. The Company has received a letter from the sole director, confirming they will provide ongoing financial support.

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

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

3.3 Statement of compliance

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

3.4 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 Company's owners, or in the Statement of comprehensive income, within finance activity.

Foreign currency translation differences are recognised in the Statement of comprehensive income within net unrealised foreign exchange gain/loss.

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

The Company 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 Company 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 Company 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.

3.5 Financial instruments

Financial instruments include cash and cash equivalents, loans payable, accrued expenses and investments in listed property shares.

The Company has investments in listed property shares which are initially recognised at cost and subsequently re-measured at fair value. The fair value of the shares is determined by referring to published price quotations in an active market.

These financial investments are classified as current or non-current assets, based on the estimated selling date.

3.5.1 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	MEASUREMENT METHOD
Cash and cash equivalents	Carried at amortised cost using the effective interest rate method, net of impairment losses
Borrowings and other financial liabilities	Measured at amortised cost using the effective interest rate method
Financial investments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of comprehensive income, Fair value losses of financial investments

The fair values of the financial assets and liabilities are estimates of the amount that the instrument could be exchanged for 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, accrued expenses and borrowings are estimated at their carrying amounts due to the short-term maturities of these instruments; and
- the fair values of financial investments are estimated based on quoted prices in active markets as at the 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.

3.5.2 Derecognition

Financial assets

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

- the contractual rights to receive cash flows from the asset have expired, or
- the 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.

3.5.3 Offset

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the 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.

3.6 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 Company considers evidence of impairment for receivables at a specific asset level.

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 period.

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 period.

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 period.

3.7 Cash and cash equivalents

Cash and cash equivalents include liquid funds held as client money by service providers with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Share capital

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

3.9 Accumulated profit

The balance on the Statement of comprehensive income is transferred to accumulated profit at the end of each financial period.

3.10 Administrative expenses

Administrative expenses are recognised on an accrual basis.

3.11 Standards issued but not yet effective and not early adopted

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

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has exposure to credit risk due to its use of financial instruments. This note presents information about the Company's exposure to each, as well as its objectives, policies and processes for measuring and managing risk.

The Sole director has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company'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 Company activities.

The fair value of all financial instruments is the same as the carrying amounts reflected on the Statement of financial position.

5.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial investments at fair value through profit or loss. The Company is also exposed to counterparty credit risk on its cash and cash equivalents.

The carrying amount of financial investments and cash and cash equivalents represents the maximum credit exposure.

The Company's manages credit risk through investment in the use of reputable service providers. The Company's financial investments are placed in custody with the Company's investment manager, Sabre Private Wealth.

The Company's liquid funds are held as client money on the Company's behalf by Sabre Fiduciary Limited and Sabre Private Wealth, which both have client money procedures and are licenced by the Isle of Man Financial Services Authority under the Isle of Man Financial Services Act and as such both are subject to the comprehensive rules in this regard in the Isle of Man Financial Services Rule Book.

5.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations when due. Wile the loan from the director is payable on demand and the accrued expenses are due in the short term, the Company's assets are highly liquid, thus the risk is mitigated. In addition the Company has received a letter from the sole director, confirming that they will provide ongoing financial support.

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Company's fair value or future cash flows of financial instruments. Changes in market prices can also affect the valuation of the Company's financial investments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. There is no material exposure to interest rate risk.

5.3.1 Currency risk

The Company's current assets and liabilities are exposed to foreign currency risk principally from the Company's financial investments at fair value through profit or loss and cash and cash equivalents denominated in United States dollar ($, USD). At 31 December 2016 the net exposure to USD was EUR 9,696.

A weakening/strengthening of 100 basis points in the USD exchange rate would have increased/(decreased) equity and profit or loss by EUR 97. The calculations are based on the balances as at 31 December 2016. These balances are subject to changes over the period, therefore the calculations are not representative of the period as a whole. This analysis assumes that all other variables remain constant.

Cash inflows received in currencies other 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 Company 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.

5.3.2 Market risk for listed property shares

The Company is susceptible to market price risk arising from uncertainties about future values of the listed property shares in Simon Property Company Inc. The investments are monitored by the Sole Director on a regular basis.

A change of 100 basis points in the market values of the listed property shares held by the Company would have increased/(decreased) equity and profit or loss by EUR 96. The calculations are based on the market values of the listed property shares' outstanding balances as at 31 December 2016. These balances are subject to changes over the period, therefore the calculations are not representative of the period as a whole. This analysis assumes that all other variables remain constant.

6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2016 the fair value of the Company's holding of Simon Property Company Inc shares was €9,591.

The financial investments have been designated as financial investments at fair value through profit or loss and classified as non-current assets.

The fair value of financial investments is 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.

7 SHARE CAPITAL AND CAPITAL MANAGEMENT

At a nominal value of €1, the Company issued one share upon incorporation and 10 shares on 12 December 2016. As at 31 December 2016 the Company's sole shareholder is Sabre Nominees Limited. The shares are unpaid and the nominal value has been netted off the loan from the sole director (note 8).

It is the Company's policy to maintain its capital base in order to:

- satisfy the requirements of its shareholder and creditors; and
- match the profile of its assets and liabilities, taking account of the risks inherent in the business.

8 LOANS PAYABLE

On 12 December 2016, the Company took a €9,000 loan from its sole director. The loan is taken on an interest free and repayable on demand basis.

9 RELATED PARTY TRANSACTIONS

Ultimate controlling party

The ultimate controlling party is considered to be Cornelius Eduard Cassell.

Identity of related parties with whom material transactions have occurred

Parties related to the Company are as follows:

- Cornelius Eduard Cassell - Sole director;
- Sabre Nominees Limited – based on common directorship; and
- Sabre Fiduciary Limited – based on common directorship.

Material related party transactions

The borrowing from the Sole director is disclosed in note 8.

The issue of share capital to Sabre Nominees Limited is disclosed in note 7.

On 1 December 2016 the Company entered into agreement with Sabre Fiduciary Limited related to formation of the Company, statutory and general administration, secretarial and other sundry services. As at 31 December 2016, EUR 1,887 of fees were payable to Sabre Fiduciary Limited under this contract and are included as accrued expenses in the statement of financial position.

10 SUBSEQUENT EVENTS

NEPI-Rockcastle transaction

During the fourth quarter of 2016, New Europe Property Investments plc (NEPI), a property investment and development group incorporated in the Isle of Man and listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and the regulated market of the Bucharest Stock Exchange (BVB) and Rockcastle Global Real Estate Company Limited (Rockcastle), a property investment company established in Mauritius and listed on the JSE and the Stock Exchange of Mauritius (SEM), issued joint cautionary announcements regarding a potential transaction.

On 14 December 2016, a framework agreement was announced (Framework Agreement), pursuant to which their respective businesses would be merged into the Company. This is expected to be implemented with reference to an effective share swap ratio of 4.5 Rockcastle shares for one NEPI share (the Swap Ratio). In accordance with the Framework Agreement, NEPI and Rockcastle will transfer all assets and liabilities, including ownership interests in their respective subsidiaries, effectively transferring their entire businesses to the Company. In exchange, the Company will issue ordinary shares (Company Shares) to NEPI and Rockcastle, in line with the Swap Ratio.

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

These transactions will be implemented following the fulfilment, or waiver, of several conditions precedent, including approval by boards of directors and shareholders, as well as all relevant authorities, on or before, 30 June 2017. Circulars detailing this transaction, accompanied by announcements on the relevant stock exchanges will be issued in due course.

Sub-division of shares in issue
On 27 March 2017, the Company's share capital was sub-divided into 1,100 shares of EUR 0.01 each. This change did not affect the value of the Company's share capital.

Change in ownership
As of 27 March 2017, the sole shareholder of the Company is Cornelius Eduard Cassell.

There are no other subsequent events from 31 December 2016 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on these financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR NEPI AND ROCKCASTLE FOR THE SIX MONTHS ENDED 30 JUNE 2017

NEPI ROCKCASTLE

NEPI Rockcastle plc is incorporated and registered in the Isle of Man with registered number 014178V
Registered office: 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man, IM1 4LN
JSE share code: NRP   Euronext share code: NRP   ISIN: IM00BDD7WV31   ('NEPI Rockcastle', 'the Group' or 'the Company')

DIRECTORS' COMMENTARY

All information below excludes joint ventures, unless otherwise stated

STRUCTURE AND LISTING

The merger of New Europe Property Investments plc (NEPI) and Rockcastle Global Real Estate Company Limited (Rockcastle) was successfully concluded with effect from 11 July 2017. The new holding company, NEPI Rockcastle plc, acquired the businesses of NEPI and Rockcastle (including all properties and listed shares portfolios) thereby becoming the largest listed real estate player in Central and Eastern Europe (CEE) and one of the top ten listed real estate companies in Continental Europe by market capitalisation.

Following the merger, NEPI Rockcastle shares were listed and started trading on the Johannesburg Stock Exchange (JSE) and Euronext Amsterdam, while the individual companies ceased trading on their respective stock markets. As the merger implementation date was after the reporting date, the condensed consolidated financial results for the six months ended 30 June 2017 are reported on a stand-alone basis for each of the two former groups, in accordance with International Financial Reporting Standards.

HALF-YEAR DISTRIBUTION AND OPTION TO RECEIVE CAPITAL RETURN

NEPI achieved 23.02 euro cents in distributable earnings per share for the six-months ended 30 June 2017, and Rockcastle achieved 5.775 USD cents in distributable earnings per share for the same period. The resulting combined distribution declared by NEPI Rockcastle is 23.46 euro cents per share. This distribution is calculated by dividing the aggregated NEPI and Rockcastle distributable earnings (€126.4 million, using an exchange rate of 1.1229 USD / 1 EUR) by the NEPI Rockcastle shares in issue (538,953,794).

This distribution will be paid by NEPI Rockcastle to shareholders on behalf of NEPI and Rockcastle. Shareholders can elect to receive this distribution in cash or as a return of capital by way of an issue of fully paid shares, the number of which will be determined based on a ratio between distribution declared and the reference price. The reference price will be calculated using a maximum 7% discount to the five–day volume weighted average traded price, less distribution, of NEPI Rockcastle shares on the JSE.

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

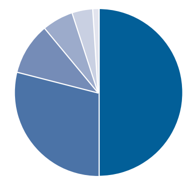
STRATEGY

NEPI Rockcastle focuses on investments in dominant retail real estate assets in high-growth CEE markets, with leading positions in Romania, Poland and Slovakia and a strong presence in Croatia, Czech Republic and Serbia. The Group owns, and manages, 50 income-producing assets mainly located in the previously mentioned countries with a total value (based on pro-forma accounts as at 30 June 2017) of approximately €3.8 billion, with six additional assets under development. The Group has just entered its seventh CEE market, Bulgaria, through the acquisition of Serdika Center and Office in Sofia.

NEPI Rockcastle holds a portfolio of highly liquid listed securities of large companies which dominate their markets and consistently outperform their competitors, operating primarily in the US, UK, and Continental Europe. Going forward, in line with Company strategy of migrating from listed investments to direct property, this portfolio is envisaged to be converted into new strategic direct property acquisitions. The listed security portfolio was valued at $1.33 billion (equivalent of €1.16 billion) at 30 June 2017, representing 23% of the combined Group's investment assets based on pro-forma accounts, and is expected to reduce as the strategy is implemented.

Company	Sector	Jurisdiction	Market value as at 30 June 2017 (USD Million)	% of total portfolio
Hammerson	Retail	UK	185	16%
Unibail-Rodamco	Retail	Europe	141	12%
Simon Property Group	Retail	USA	125	11%
Ventas	Healthcare	USA	62	5%
Prologis	Industrial	USA	61	5%
			574	49%

NEPI and Rockcastle's combined direct property geographic profile as at 30 June 2017 by asset value was:



ACQUISITIONS OF INVESTMENT PROPERTY

Acquisition pipeline
NEPI and Rockcastle have been actively pursuing numerous investment opportunities during the first half of the year. This resulted in maintaining a significant investment pipeline, which, in addition to Serdika Center and Office, includes acquisitions:

- for which the due diligence has been completed and legal agreements are progressing, in excess of €350 million;
- in exclusivity and under due diligence, in excess of €600 million.

In total, these acquisitions, if successfully concluded, will add over 280,000m² of Gross Lettable Area (GLA) to NEPI Rockcastle's direct property portfolio.

NEPI Rockcastle will announce details of acquisitions when appropriate. In addition to its existing pipeline, NEPI Rockcastle is evaluating further significant direct retail property opportunities in the CEE region.

Serdika Center and Office (Bulgaria)
NEPI, and, following the merger, NEPI Rockcastle, acquired Serdika Center, a 51,500m² GLA modern shopping centre, and Serdika Office, a Class A office situated atop the shopping centre with 28,500m² GLA. The acquisition received the approval of the Bulgarian Competition Authority in July 2017 and will become effective during August 2017.

DEVELOPMENTS AND EXTENSIONS

Development pipeline
The Group invests strategically in developments that significantly contribute to growth in distributable earnings per share. NEPI Rockcastle is pursuing a development pipeline which exceeds €1.3 billion (including redevelopments and extensions, estimated at cost), of which €175 million were spent in aggregate by NEPI and Rockcastle by 30 June 2017.

During the period, NEPI completed the development of Victoriei Office in Bucharest and the third phase of The Office, Cluj-Napoca. Additionally, NEPI and Rockcastle commenced construction on several projects in Romania, Serbia and Poland, including developments located in Galati, Novi Sad, Ramnicu Valcea, Wolomin and Zabrze, while zoning has been received for a shopping centre in Satu Mare, Romania. No substantial progress has been made with zoning and permitting for the Promenada Mall extension.

The Office Cluj-Napoca third phase (Romania, 30 June 2017)
NEPI completed the 20,200m² GLA third phase of The Office, Cluj–Napoca, bringing the total GLA of the office complex to 63,600m². The third phase is 96% leased with tenants gradually taking possession of their premises by October 2017. Tenants include international corporations, such as Betfair, Digital Velocity, Magneti Marelli, Telenav, Thomsons and Tranistics.

Victoriei Office Bucharest (Romania, 30 June 2017)
NEPI received the outstanding permits for internal fit-out of this 7,800m² GLA landmark office located in central Bucharest, and completed the development. The building is 98% let, with tenants gradually taking possession of their premises by October 2017. Tenants include renowned companies, such as Fitbit, General Electric and Philip Morris.

Shopping City Galati extension (Romania)
Construction of the 21,000m² GLA extension to Shopping City Galati, currently a 27,500m² GLA regional mall continues, and is scheduled to be completed during the fourth quarter of 2017.

Ramnicu Valcea Mall (Romania)
The building permit has been received and construction commenced for the 27,900m² GLA regional mall , which is scheduled to open by the end of 2017. Currently, 89% of the centre is leased or subject to advanced negotiations. Tenants include Carrefour, Cinema City, Hervis, Jysk, NewYorker, Orsay and Textil Market.

Platan Shopping Centre extension (Poland)
Extension and refurbishment works increasing the shopping centre's GLA to 40,300m², and including construction of a multi-level car park, commenced in June 2017. The extension is scheduled to open in November 2018.

Solaris Shopping Centre extension (Poland)
The building permit for the extension of the shopping centre by approximately 9,200m² has been received and construction started. The project includes the development of multi-level basement parking and a new town square in front of the centre's main entrance. Tenant demand is strong and the extension area is scheduled to be completed in October 2018.

Galeria Wolomin extension (Poland)
The retail park adjoining Galeria Wolomin will open for trading on 31 August 2017, increasing the total GLA of the shopping centre to approximately 30,700m².

Promenada Novi Sad (Serbia)
Construction has commenced on the shopping mall's first phase of 48,400m² GLA. Tenant demand is strong and various international brands are interested.

LISTED SECURITY PORTFOLIO

NEPI Rockcastle invests in listed securities whose portfolios consist predominantly of quality assets, which outperform competitors and reduce the impact of negative market fluctuations. There is an increasing focus on positioning the portfolio to facilitate the efficient deployment of capital into direct property assets. Various changes have been implemented in this respect:

- during the first six months of 2017 the portfolio has been focused on Continental Europe, as economic prospects in the region are improving, and this bias will continue as long as applicable;
- the portfolio has been diversified further, and exposure increased to highly liquid assets;
- exposure to the USD has been reduced since third quarter of 2016; and
- following the merger of NEPI and Rockcastle, the functional currency of the listed portfolio was changed from USD to EUR.

As indicated, the Company's current pipeline of acquisitions and developments expected to be completed this year is substantial and will necessitate a reduction in the quantum of the listed portfolio.

CASH MANAGEMENT AND DEBT

As of 30 June 2017, NEPI and Rockcastle had in aggregate €63.6 million in cash and undrawn unsecured revolving facilities of €305 million. NEPI Rockcastle's pro-forma gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) was 24%.

The average interest rate for NEPI, including hedging costs was 3.3%. As of 30 June 2017, fixed-coupon bonds represented 61.1% of NEPI's outstanding debt, and out of the remaining debt exposed to Euribor, 92% was hedged with interest rate caps and 8% with interest rate swaps (including joint ventures).

The average interest rate for Rockcastle, including hedging costs was 1.8%. As of 30 June 2017, the outstanding debt exposed to Euribor was 93.1% hedged.

PROSPECTS AND EARNINGS GUIDANCE

Distributable earnings per share for the year 2017 are expected to be approximately 17% higher than the 2016 pro-forma distribution of 41.21 euro cents per share published in the *NEPI Rockcastle Prospectus*, in line with guidance previously announced by NEPI and Rockcastle. This guidance is based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur, planned developments remain on schedule, and is sensitive to the impact of acquisitions currently in the pipeline. This forecast has not been audited or reviewed by NEPI Rockcastle's auditors and is the responsibility of the Board.

By order of the Board of Directors,

Alex Morar
Co-Chief Executive Officer

Spiro Noussis
Co-Chief Executive Officer

Mirela Covasa
Chief Financial Officer

22 August 2017

All amounts in €'000 unless otherwise stated

NEPI CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS			
Non-current assets	**2 847 257**	**2 674 176**	**2 150 727**
Investment property	2 708 396	2 546 772	2 043 175
Investment property in use	2 501 001	2 370 760	1 845 324
Investment property under development	181 395	176 012	197 851
Advances for investment property	26 000	-	-
Goodwill	58 390	58 390	39 010
Investments in joint ventures	38 475	22 023	18 556
Long-term loans granted to joint ventures	30 556	31 015	31 955
Other long-term assets	10 844	15 299	17 315
Financial assets at fair value through profit or loss	596	677	716
Current assets	**81 814**	**107 538**	**123 358**
Trade and other receivables	34 871	40 539	53 039
Financial investments at fair value through profit or loss	6 721	18 979	19 556
Cash and cash equivalents	40 222	48 020	50 763
Investment property held for sale	**11 780**	**15 525**	**21 479**
Total assets	**2 940 851**	**2 797 239**	**2 295 564**
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	**2 025 675**	**1 814 552**	**1 548 555**
Share capital	3 340	3 215	3 027
Share premium	1 439 703	1 368 171	1 213 293
Share-based payment reserve	4 797	4 797	4 797
Currency translation reserve	(1 229)	(1 229)	(1 229)
Accumulated profit	579 064	439 598	329 354
Non-controlling interest	-	-	(687)
Total liabilities	**915 176**	**982 687**	**747 009**
Non-current liabilities	**768 773**	**831 995**	**661 667**
Bank loans	171 165	260 593	139 111
Bonds	395 628	394 819	394 042
Deferred tax liabilities	184 072	158 864	110 589
Other long-term liabilities	17 908	17 403	16 619
Financial liabilities at fair value through profit or loss	-	316	1 306
Current liabilities	**146 403**	**150 692**	**85 342**
Trade and other payables	60 272	71 536	7 829
Bank loans	82 738	17 999	3 476
Bonds	3 393	61 157	74 037
Total equity and liabilities	**2 940 851**	**2 797 239**	**2 295 564**

NEPI CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Jun 2017	30 Jun 2016
Net rental and related income	**90 981**	**64 403**
Revenues from rent and expense recoveries	128 911	93 292
Property operating expenses	(37 930)	(28 889)
Administrative expenses	(7 300)	(4 676)
EBITDA	**83 681**	**59 727**
Acquisition fees	(1 523)	(1 542)
Fair value adjustments of investment property	92 171	15 839
Fair value (loss)/gain on financial investments at fair value through profit or loss	(104)	484
Dividends received from financial investments	363	393
Net result on sale of financial investments	193	(630)
Foreign exchange loss	(13)	(51)
Gain/(Loss) on disposal of investment property	695	(235)
Profit before net finance expense	**175 463**	**73 985**
Net finance expense	**(8 179)**	**(5 805)**
Finance income	1 411	2 802
Finance expense	(9 590)	(8 607)
Changes in fair value of financial instruments	236	(724)
Share of profit of joint ventures	13 686	2 916
Profit before tax	**181 206**	**70 372**
Income tax	**(26 315)**	**(5 792)**
Current tax expense	(1 107)	(351)
Deferred tax expense	(25 208)	(5 441)
Profit after tax	**154 891**	**64 580**
Total comprehensive income for the period	**154 891**	**64 580**
Non-controlling interest	–	2 316
Profit for the period attributable to equity holders	**154 891**	**66 896**
Weighted average number of shares in issue	328 304 103	300 845 492
Diluted weighted average number of shares in issue	328 309 197	300 868 790
Basic earnings per share (euro cents)	47.18	22.24
Diluted earnings per share (euro cents)	47.18	22.23

All amounts in $'000 unless otherwise stated

ROCKCASTLE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS			
Non-current assets	**1 791 527**	**1 739 084**	**2 421 613**
Investment property	1 376 864	1 258 786	466 982
Straight-lining of rental revenue adjustment	847	199	39
Investment property under development	12 360	5 611	55 328
Intangible assets	7 968	7 341	-
Goodwill	17 820	17 433	-
Listed security investments	345 924	383 994	1 841 226
Property, plant and equipment	1 447	499	159
Investment in and loans to joint ventures	-	37 000	31 619
Rockcastle management incentive loans	25 859	26 968	26 260
Deferred tax assets	2 438	1 253	-
Current assets	**506 312**	**340 218**	**31 648**
Investment income receivable	3 507	2 810	5 847
Cash and cash equivalents	26 756	24 090	16 355
Trade and other receivables	30 040	50 376	9 446
Equity derivative collateral	438 242	244 524	-
Financial assets at fair value through profit or loss	6 050	18 004	-
Income tax receivable	1 717	414	-
Total assets	**2 297 839**	**2 079 302**	**2 453 261**
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	**1 668 184**	**1 556 106**	**1 578 817**
Stated capital	1 423 989	1 383 676	1 351 387
Retained income	409 983	371 467	411 383
Non-distributable reserves	(202 961)	(168 723)	(186 429)
Currency translation reserve	37 173	(30 314)	2 476
Non-controlling interest	228	532	116
Total equity	**1 668 412**	**1 556 638**	**1 578 933**
Total liabilities	**629 427**	**522 664**	**874 328**
Non-current liabilities	**603 325**	**450 552**	**55 266**
Interest-bearing borrowings	570 308	425 230	55 266
Other long-term liabilities	2 484	-	-
Financial liabilities at fair value through profit or loss	420	-	-
Deferred tax liabilities	30 113	25 322	-
Current liabilities	**26 102**	**72 112**	**819 062**
Trade and other payables	16 765	63 872	37 813
Interest-bearing borrowings	1 601	1 538	780 878
Financial liabilities at fair value through profit or loss	4 891	6 633	-
Income tax payable	2 845	69	371
Total equity and liabilities	**2 297 839**	**2 079 302**	**2 453 261**
Total number of shares in issue	963 155 909	945 502 019	930 994 319
Net asset value per share (USD)	1.73	1.65	1.70

ROCKCASTLE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Jun 2017	30 Jun 2016
Net rental and related revenue	**38 806**	**11 973**
Rental revenue	50 762	15 612
Recoveries and contractual rental revenue	50 226	16 198
Straight-lining of rental revenue adjustment	536	(586)
Property operating expenses	(11 956)	(3 639)
Income from derivatives and listed security investments	22 839	47 519
Income from joint ventures	1 493	755
Fair value adjustment on sale of interest in joint ventures	(27)	-
Fair value (loss)/gain on investment property listed security investments and derivatives	**(10 177)**	**125 559**
Adjustment resulting from straight-lining of rental revenue	(536)	586
Fair value gain on investment property	6 823	4 822
Fair value gain on financial instruments at fair value through profit or loss	181	-
Fair value (loss)/gain on listed security investments	(16 645)	120 151
Foreign exchange gain	7 833	11 744
Operating expenses	(1 613)	(1 407)
Profit before net finance costs	**59 154**	**196 143**
Net finance costs	**(2 875)**	**(32 947)**
Finance income	1 122	1 022
Finance costs	(3 997)	(33 969)
Profit before income tax expense	**56 279**	**163 196**
Income tax expense	(3 214)	(97)
Profit for the period	**53 065**	**163 099**
OTHER COMPREHENSIVE INCOME NET OF TAX		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations - subsidiaries	67 487	(1 401)
Exchange differences on translation of foreign operations - minorities	(28)	-
Total comprehensive income for the period	**120 524**	**161 698**
Profit for the period attributable to:	**53 065**	**163 099**
Equity holders of the company	53 341	163 278
Non-controlling interest	(276)	(179)
Total comprehensive income for the period attributable to:	**120 524**	**161 698**
Equity holders of the company	120 828	161 999
Non-controlling interest	(304)	(301)
Weighted average number of shares in issue	955 211 659	924 099 338
Basic earnings per share (USD cents)	5.58	17.67

Basic earnings per share and headline earnings per share are based on the weighted average of 955 211 659 shares in issue for the six months ended 30 June 2017 (six months ended 30 June 2016: 924 099 338 shares).

For further information please contact: NEPI Rockcastle Plc, Mirela Covasa: +40 21 232 1398
JSE sponsor: Java Capital: +27 11 722 3050
www.nepirockcastle.com

All amounts in €'000 unless otherwise stated
All amounts in $'000 unless otherwise stated

NEPI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2016	**2 986**	**1 213 325**	**4 797**	**(1 229)**	**275 042**	**1 629**	**1 496 550**
Transactions with owners	41	(32)	–	–	(12 584)	–	(12 575)
– Issue of shares	41	(60)	–	–	–	–	(19)
– Sale of shares issued under the Initial Share Scheme	–	28	–	–	–	–	28
– Earnings distribution	–	–	–	–	(12 584)	–	(12 584)
Total comprehensive income					66 896	(2 316)	64 580
– Profit for the period	–	–	–	–	66 896	(2 316)	64 580
Balance at 30 June 2016	**3 027**	**1 213 293**	**4 797**	**(1 229)**	**329 354**	**(687)**	**1 548 555**
Balance at 1 July 2016	**3 027**	**1 213 293**	**4 797**	**(1 229)**	**329 354**	**(687)**	**1 548 555**
Transactions with owners	188	154 878	–	–	(57 828)	687	97 925
– Issue of shares	188	154 860	–	–	–	–	155 048
– Sale of shares issued under the Initial Share Scheme	–	18	–	–	–	–	18
– Acquisition of non-controlling interest	–	–	–	–	(22 124)	687	(21 437)
– Earnings distribution	–	–	–	–	(35 704)	–	(35 704)
Total comprehensive income	–	–	–	–	168 072	–	168 072
– Profit for the period	–	–	–	–	168 072	–	168 072
Balance at 31 December 2016	**3 215**	**1 368 171**	**4 797**	**(1 229)**	**439 598**	**–**	**1 814 552**
Balance at 1 January 2017	**3 215**	**1 368 171**	**4 797**	**(1 229)**	**439 598**	**–**	**1 814 552**
Transactions with owners	125	71 532	–	–	(15 425)	–	56 232
– Issue of shares	125	71 514	–	–	–	–	71 639
– Sale of shares issued under the Initial Share Scheme	–	18	–	–	–	–	18
– Earnings distribution	–	–	–	–	(15 425)	–	(15 425)
Total comprehensive income	–	–	–	–	154 891	–	154 891
– Profit for the period	–	–	–	–	154 891	–	154 891
Balance at 30 June 2017	**3 340**	**1 439 703**	**4 797**	**(1 229)**	**579 064**	**–**	**2 025 675**

NEPI CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	30 Jun 2017	30 Jun 2016
Profit after tax	154 891	64 580
Adjustments	(59 047)	(3 479)
Interest and coupon paid	(18 202)	(4 066)
Changes in working capital	(10 422)	1 103
Cash flows from operating activities	**67 220**	**58 138**
Proceeds from issue of shares	71 657	9
Earnings distribution	(15 425)	(12 584)
Net movements in bank loans and bonds	(70 650)	(28 141)
Cash flows used in financing activities	**(14 418)**	**(40 716)**
Investments in acquisitions and developments	(69 778)	(273 959)
Net cash flow from/(used in) investments in financial assets	9 178	(19 310)
Cash flows used in investing activities	**(60 600)**	**(293 269)**
Net decrease in cash and cash equivalents	**(7 798)**	**(275 847)**
Cash and cash equivalents brought forward	48 020	326 610
Cash and cash equivalents carried forward	**40 222**	**50 763**

NEPI SEGMENTAL ANALYSIS	Retail	Office	Industrial	Corporate	Total
30 June 2017 (unaudited)					
Revenues from rent and expense recoveries	111 661	16 219	1 031	-	128 911
Profit before Net finance expense	157 897	17 955	739	(1 128)	175 463
Total Assets	2 486 407	404 506	15 944	33 994	2 940 851
Total Liabilities	378 854	56 650	2 476	477 196	915 176
30 June 2016 (unaudited)					
Revenues from rent and expense recoveries	77 855	14 405	1 032	–	93 292
Profit before Net finance expense	70 315	4 622	808	(1 760)	73 985
Total Assets	1 841 129	371 960	16 683	65 792	2 295 564
Total Liabilities	284 694	60 834	2 435	399 046	747 009

NEPI RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS	30 Jun 2017
Profit for the period	**154 891**
Reverse indirect result	**(78 498)**
Foreign exchange (gain)/loss	13
Acquisition fees	1 523
Fair value adjustments of investment property for controlled subsidiaries	(92 171)
(Profit)/Loss on disposal of investment property	(695)
Fair value loss of financial investments	104
Net result on sale of financial investments	(193)
Dividends and other income received from financial investments	(363)
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(236)
Deferred tax expense for controlled subsidiaries	25 208
Adjustments related to joint ventures	
Fair value adjustment on sale of interest in joint ventures	-
Fair value adjustments of investment property for joint ventures	(13 875)
Fair value adjustment of financial assets and liabilities for joint ventures	(310)
Deferred tax expense for joint ventures	2 424
Foreign exchange loss/(gain) for joint ventures	73
Company specific adjustments	**(778)**
Amortisation of financial assets	(881)
Realised foreign exchange loss for controlled subsidiaries	(79)
Realised foreign exchange (loss)/gain for joint ventures	1
Accrued dividend for financial investments	181
Non-controlling interest	-
Antecedent dividend	**1 277**
Distributable earnings for the period	**76 892**
Less: Distribution declared	(76 892)
Interim distribution	(76 892)
Earnings not distributed	**-**
Number of shares entitled to distribution	334 027 068
Distributable earnings per share for the period (euro cents)	**23.02**
Less: Distribution declared per share (euro cents)	(23.02)
Interim distribution per share (euro cents)	(23.02)
Earnings not distributed (euro cents)	**-**

NEPI RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS	30 Jun 2017	30 Jun 2016
Profit for the period attributable to equity holders	**154 891**	**66 896**
Fair value adjustments of investment property for controlled subsidiaries	(92 171)	(15 839)
Loss on sale of investment property held for sale	(695)	235
Tax effects of adjustments for controlled subsidiaries	15 417	2 965
Fair value adjustments of investment property for joint ventures	(13 875)	(4 369)
Tax effects of adjustments for joint ventures	2 220	699
Headline earnings	**65 787**	**50 587**
Weighted average number of shares in issue	328 304 103	300 845 492
Diluted weighted average number of shares in issue	328 309 197	300 868 790
Headline earnings per share (euro cents)	20.04	16.81
Diluted headline earnings per share (euro cents)	20.04	16.81

NEPI RECONCILIATION OF NET ASSET VALUE TO ADJUSTED NET ASSET VALUE	30 Jun 2017	30 Jun 2016
Net Asset Value per the Statement of financial position	2 025 675	1 548 555
Loans in respect of the Initial Share Scheme	-	36
Deferred tax liabilities for controlled subsidiaries	184 072	110 589
Goodwill	(58 390)	(39 010)
Deferred tax liabilities for joint ventures	8 376	4 972
Adjusted Net Asset Value	**2 159 733**	**1 625 142**
Net Asset Value per share (euro)	**6.06**	**5.12**
Adjusted Net Asset Value per share (euro)	**6.47**	**5.37**
Number of shares for Net Asset Value per share	334 027 068	302 700 153
Number of shares for adjusted Net Asset Value per share	334 027 068	302 714 153

NEPI BASIS OF PREPARATION

These unaudited condensed consolidated financial results for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and the JSE Listings Requirements. The accounting policies which have been applied are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016. These unaudited condensed consolidated financial results have not been reviewed or reported on by the NEPI's external auditors.

ROCKCASTLE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Stated capital	Retained income	Non-controlling interest	Non-distributable reserves	Currency translation reserve	Total
Balance at 31 December 2015	1 312 080	251 232	-	(147 414)	3 877	1 419 775
Profit for the period	-	163 278	(179)	-	-	163 099
Shares issued and dividend paid	39 307	(42 142)	-	-	-	(2 835)
Equity contribution	-	-	295	-	-	295
Transfer to non-distributable reserves	-	39 015	-	(39 015)	-	-
Exchange differences on translation of foreign operations	-	-	-	-	(1 401)	(1 401)
Balance at 30 June 2016	1 351 387	411 383	116	(186 429)	2 476	1 578 933
Profit for the period	-	22 140	537	-	-	22 677
Shares issued and dividend paid	32 289	(44 350)	-	-	-	(12 061)
Transfer to non-distributable reserves	-	(17 706)	-	17 706	-	-
Exchange differences on translation of foreign operations	-	-	(121)	-	(32 790)	(32 911)
Balance at 31 December 2016	1 383 676	371 467	532	(168 723)	(30 314)	1 556 638
Profit for the period	-	53 341	(276)	-	-	53 065
Shares issued and dividend paid	40 313	(49 063)	-	-	-	(8 750)
Transfer to non-distributable reserves	-	34 238	-	(34 238)	-	-
Exchange differences on translation of foreign operations	-	-	(28)	-	67 487	67 459
Balance at 30 June 2017	**1 423 989**	**409 983**	**228**	**(202 961)**	**37 173**	**1 668 412**

ROCKCASTLE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	30 Jun 2017	30 Jun 2016
Profit after income tax	53 065	163 099
Adjustments	3 267	(130 949)
Distributions received from joint ventures	1 408	729
Interest received	3 058	-
Interest and coupon paid	(5 607)	(7 440)
Changes in working capital	(17 314)	93 972
Cash flows from operating activities	**37 877**	**119 411**
Earnings distribution	(8 636)	(2 835)
Net movements in bank loans	158 330	(135 656)
Other proceeds/payments	(528)	-
Cash flows from financing activities	**149 166**	**(138 491)**
Investments in acquisitions and developments	(31 926)	(140 296)
Net cash flow (used in)/from investments in financial assets	(152 451)	169 621
Cash flows (used in)/from investing activities	**(184 377)**	**29 325**
Net increase in cash and cash equivalents	**2 666**	**10 245**
Cash and cash equivalents brought forward	24 090	6 110
Cash and cash equivalents carried forward	**26 756**	**16 355**

ROCKCASTLE SEGMENTAL ANALYSIS	Direct property	Listed securities	Corporate	Total
30 June 2017 (unaudited)				
Profit before income tax expense	42 482	18 626	(4 829)	**56 279**
Total Assets	1 481 424	794 332	22 083	**2 297 839**
30 June 2016 (unaudited)				
Profit before income tax expense	12 728	151 310	(842)	**163 196**
Total Assets	575 459	1 851 324	26 478	**2 453 261**

ROCKCASTLE RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS	30 Jun 2017
Profit for the period	**53 065**
Reverse indirect result	**(20 524)**
Foreign exchange (gain)/loss	(7 833)
Acquisition fees	-
Fair value adjustments of investment property for controlled subsidiaries	(6 823)
(Profit)/Loss on disposal of investment property	-
Fair value loss of financial investments	16 645
Net result on sale of financial investments	-
Dividends and other income received from financial investments	(22 839)
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(181)
Deferred tax expense for controlled subsidiaries	480
Adjustments related to joint ventures	
Fair value adjustment on sale of interest in joint ventures	27
Fair value adjustments of investment property for joint ventures	-
Fair value adjustment of financial assets and liabilities for joint ventures	-
Deferred tax expense for joint ventures	-
Foreign exchange loss/(gain) for joint ventures	-
Company specific adjustments	**22 612**
Amortisation of financial assets	-
Realised foreign exchange loss for controlled subsidiaries	-
Realised foreign exchange (loss)/gain for joint ventures	-
Accrued dividend for financial investments	22 711
Non-controlling interest	(99)
Antecedent dividend	**466**
Distributable earnings for the period	**55 619**
Less: Distribution declared	(55 619)
Interim distribution	(55 619)
Earnings not distributed	-
Number of shares entitled to distribution	963 155 909
Distributable earnings per share for the period (USD cents)	5.775
Less: Distribution declared per share (USD cents)	(5.775)
Interim distribution per share (USD cents)	(5.775)
Earnings not distributed (USD cents)	-

ROCKCASTLE RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS	30 Jun 2017	30 Jun 2016
Basic earnings - profit for the period attributable to equity holders	**53 341**	**163 278**
Adjusted for:		
fair value gain on investment property (net of tax effect)	(5 527)	(3 906)
fair value adjustment on sale of interest in joint ventures	27	706
Headline earnings	**47 841**	**160 078**
Headline earnings per share (USD cents)	5.01	17.32

Rockcastle has no dilutionary instruments in issue.

ROCKCASTLE PREPARATION, ACCOUNTING POLICIES AND AUDIT OPINION

Rockcastle is required to publish financial results for the six months ended 30 June 2017 in terms of Rule 8 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. Accordingly, this announcement presents the financial results of Rockcastle in respect of the six month period from 1 January 2017 to 30 June 2017 as well as the comparative results from the prior period.

The accounting policies which have been applied are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2016. Cash and cash equivalents exclude restricted cash held by the prime brokers serving as collateral for the listed security portfolio. The balance as at 30 June 2017 was USD 438 242 000 (30 June 2016: USD Nil).

The summarised unaudited consolidated interim financial statements for the six months ended 30 June 2017 ("financial statements") have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the requirements of IAS 34: Interim Financial Reporting, and the Securities Act of Mauritius 2005.

The financial statements have not been reviewed or reported on by Rockcastle's external auditors.

Copies of the financial statements and the statement of direct and indirect interests of each officer of the company, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available free of charge, upon request at Rockcastle's registered address.

Contact person: Mrs Smitha Algoo.

This communiqué is issued pursuant to section 88 of the Securities Act of Mauritius 2005. Rockcastle Board of Directors accepts full responsibility for the accuracy of the information contained in these financial statements.

The directors of Rockcastle are not aware of any matters or circumstances arising subsequent to the period ended 30 June 2017 that require any additional disclosure or adjustment to the financial statements. These financial statements were approved by Rockcastle Board of Directors.

Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Directors’ responsibilities

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

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

In preparing these financial statements it is the Directors’ responsibility to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare financial statements which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

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

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

DECLARATION BY COMPANY SECRETARY

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

Cornelius Eduard Cassell
Company Secretary
15 February 2017

Independent Auditor's report

to the members of New Europe Property Investments plc

Our opinion

In our opinion:

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

What we have audited

The Group's consolidated and company financial statements (the "financial statements") comprise:

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

Basis for opinion

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

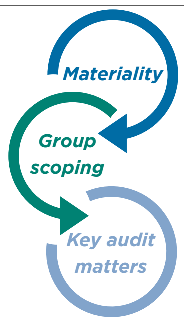
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Materiality

Overall materiality: €13.5 million which represents 5% of profit before tax of the Group.

Audit scope

A full scope audit has been performed on all components in the Group.

Key audit matters

Valuation of investment properties.

Independent Auditor's report

to the members of New Europe Property Investments plc » continued

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

Materiality

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

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

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

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

How we tailored our group audit scope

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

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

Key audit matters

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

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

Other information

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement of financial position

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

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

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

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Statement of comprehensive income

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

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

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

Statement of changes in equity

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

All amounts in Thousand Euro unless otherwise stated

Statement of changes in equity » continued

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
Balance at 1 January 2015	**2,746**	**1,074,310**	**4,127**	**394,396**	**1,475,579**
Transactions with owners	240	139,015	670	(50,489)	89,436
— Issue of shares	205	129,767	-	-	129,972
— Sale of shares issued under the Initial Share Scheme	35	9,248	-	-	9,283
— Vesting of shares issued under the Initial Share Scheme	-	-	670	-	670
— Earnings distribution	-	-	-	(50,489)	(50,489)
Total comprehensive income	-	-	-	70,007	70,007
— Profit for the year	-	-	-	70,007	70,007
BALANCE AT 31 DECEMBER 2015	**2,986**	**1,213,325**	**4,797**	**413,914**	**1,635,022**

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit	Total
Balance at 1 January 2016	**2,986**	**1,213,325**	**4,797**	**413,914**	**1,635,022**
Transactions with owners	229	154,846	-	(48,288)	106,787
— Issue of shares	229	154,800	-	-	155,029
— Sale of shares issued under the Initial Share Scheme	-	46	-	-	46
— Earnings distribution	-	-	-	(48,288)	(48,288)
Total comprehensive income	**-**	**-**	**-**	**79,851**	**79,851**
— Profit for the year	-	-	-	79,851	79,851
BALANCE AT 31 DECEMBER 2016	**3,215**	**1,368,171**	**4,797**	**445,477**	**1,821,660**

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

Statement of cash flows

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

All amounts in Thousand Euro unless otherwise stated

Notes to the financial statements

1. GENERAL

New Europe Property Investments plc ("the Company" or "Nepi") is a limited liability company incorporated in the Isle of Man on 23 July 2007 and domiciled at Anglo International House, 2nd floor, Lord Street, Douglas, Isle of Man. The Company is listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE) and the regulated market of the Bucharest Stock Exchange (BVB). In addition, one of the Company's subsidiaries issued in 2015 debt instruments listed on the Irish Stock Exchange (Note 19). The Group includes the Company and its subsidiaries, as detailed in 'Basis of consolidation' in Note 3.4.

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

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

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

2. COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2015.

3 ACCOUNTING POLICIES

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

3.1 Functional and presentation currency

The consolidated financial statements are presented in Euro (€, EUR) thousands unless otherwise stated. From 1 January 2013, all the companies of the Group have EUR as functional currency.

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

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

3.2 Basis of preparation

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

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

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

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

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

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

3.3 Statement of compliance

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

3.4 Basis of consolidation

Subsidiaries

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

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

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

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

Transactions eliminated on consolidation

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

Jointly controlled entities

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

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

3.5 Investment property in use

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

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

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

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

3.6 Investment property under development

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

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

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

3.7 Investment property held for sale

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

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

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

3.8 Goodwill

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

Subsequent measurement

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

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

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

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

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

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

3.10 Property, plant and equipment and intangible assets

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

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

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

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

3.11 Bonds and bank loans

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

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

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

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

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

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

3.12 Tenant security deposits

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

3.13 Financial instruments

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

Such derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

3.13.1 Initial recognition and subsequent measurement

Financial instruments are initially measured at fair value, which include directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as follows:

FINANCIAL INSTRUMENT	MEASUREMENT METHOD
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to subsidiaries line
Loans granted to joint-ventures	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Impairment of loans granted to joint-ventures line
Trade and other receivables	Carried at amortised cost using the effective interest rate method, net of impairment losses. Losses are charged to the Statement of Comprehensive Income: Property operating expenses
Trade and other payables	Carried at amortised cost using the effective interest rate method
Loans granted to participants in the Current Share Scheme	Carried at amortised cost using the effective interest rate method, net of impairment losses
Bonds, bank loans and other financial liabilities	Measured at amortised cost using the effective interest rate method
Financial instruments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of comprehensive income, Changes in fair value of financial instruments line; hedge accounting is not applied
Financial investments at fair value through profit or loss	Carried at fair value with changes therein recognised in the Statement of comprehensive income, Fair value losses of financial investments at fair value through profit or loss

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

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

3.13.2 Derecognition

Financial assets

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

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

Financial liabilities

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

3.13.3 Offset

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

3.14 Impairment of financial assets

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

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

All receivables are individually assessed for impairment.

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

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

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

3.15 Cash and cash equivalents

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

3.16 Share capital and share premium

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

3.17 Share-based payment reserve

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

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

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

3.18 Other reserves

3.18.1 Currency translation reserves

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

3.18.2 Accumulated profit

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

3.19 Provisions

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

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

3.20 Revenue

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

Rental income

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

Service charges and expenses recoverable from tenants

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

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

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

3.21 Property operating and administrative expenses

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

3.22 Operating leases

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

3.23 Dividend received

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

3.24 Dividend distributed

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

3.25 Taxation

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

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

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

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

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

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

3.26 Segment reporting

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

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

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

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

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

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

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

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

3.27 Earnings per share

The Group presents basic and diluted earnings per share.

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

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

3.28 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

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

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

3.29 Investment property acquisitions and business combinations

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

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

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

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

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

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

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

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

3.30 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards and amendments which have been applied by the Group for the first time for the reporting period commencing 1 January 2016.

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

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

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

3.31 Standards issued but not yet effective and not early adopted

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

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

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

Valuation of investment properties

Investment property is stated at its fair value based on reports prepared by international valuers as at 30 June and 31 December each year. Valuations are based principally on discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. These are supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition.

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

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

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

The discount rates used are nominal returns on total capital before tax and vary between 8% and 11.75% (2015: 7.5% and 12%). The required rates of return are based on assessments of the market's required returns for similar properties. The discount rate is set individually for each property and is based on the condition and location, the stability of the tenant and lease length.

Business combinations or asset acquisitions

The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition. The basis for this assessment is described in Note 3.29.

5. INVESTMENT IN SUBSIDIARIES AND JOINT-VENTURES

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

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

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

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

The Company's investments in subsidiaries, being the total of direct investments shown in the table above, amount to EUR 228,547 thousand (2015: EUR 140,230 thousand).
The Company has given loans of € 1,548,505 thousand to NEPIOM Limited (31 December 2015: € 1,422,891 thousand).
Accrued interest on the loans amounted to € 8,098 thousand (31 December 2015: € 5,622 thousand).

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

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

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

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

The Group's policies are established to identify and analyse the risks it may encounter by performing its activities, to set appropriate limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and Group activities.

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

Most bank loans have been renegociated close to year end.

6.1 Credit risk

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

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

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

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

As at 31 December 2016 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.
Trade and other receivables relate mainly to the Group's tenants. When monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, the industry they work in, business size and previous financial difficulties.

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

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

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

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

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

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

For purposes of cash management the Group has deposit accounts with a number of banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit ratings, as well as exposure per each bank are constantly monitored. Over 96% of the Group's cash is held with investment grade rated banks.

6.2 Liquidity risk

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

The Group receives rental income on a monthly basis. Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.
Further reference to bank loan maturity analysis is made in Note 19.

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

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

6.3 Market risk

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

6.3.1 Currency risk

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

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

6.3.2 Interest rate risk

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

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

Sensitivity analysis for interest bearing financial instruments

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

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

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

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

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

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

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

6.3.3 Market risk for listed property shares

A change of 100 basis points in the market values of the listed property shares held by the Group would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the market values of the listed property shares' outstanding balances as at 31 December 2016. These balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables remain constant.

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

7. INTERNAL CONTROLS TO MANAGE RISKS

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

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

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

8 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure it complies with its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

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

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

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

9 INVESTMENT PROPERTY IN USE

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

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

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

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

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

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

At each financial year end the finance department:

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

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

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

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

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

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

The residual value is the market value of the property at the end of the calculation period, which is based on the forecast net operating income for the first year after the calculation period. The required yield at the end of the calculation period is between 6.16% and 14.88%. The Group's resulting weighted average net yield was 6.92% for the entire property portfolio (retail: 7.23%; office: 7.72%; industrial: 11.59%).

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

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

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

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

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

* Amounts or percentages represent weighted averages

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

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

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

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

The valuation technique is sales comparison or residual approach.

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

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

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

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

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

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

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

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

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

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

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

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

13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

14 TRADE AND OTHER RECEIVABLES

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

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

15 CASH AND CASH EQUIVALENTS

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

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

16 INVESTMENT PROPERTY HELD FOR SALE

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

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

17 SHARE CAPITAL AND SHARE PREMIUM

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

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

[1]Option to receive capital return

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

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

Shares were issued from the share premium account.

[2]Book build 13 July 2016

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

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

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

18 SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

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

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

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

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

19 BONDS AND BANK LOANS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 TRADE AND OTHER PAYABLES

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

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

22 OTHER LONG-TERM LIABILITIES

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

23 CURRENT AND DEFERRED INCOME TAX

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

Deferred tax liability results from the following types of differences:

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

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

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

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

Reconciliation between applicable and effective tax rate

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

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

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

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €189,520 thousand (31 December 2015: €211,246 thousand), out of which € 161,946 thousand (31 December 2015: €198,122 thousand) are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose, and €27,574 thousand (31 December 2015: €13,124 thousand) are available for up to three years to offset against any future taxable profits of the companies in which the losses arose. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine recognisable deferred tax assets, based on the likely timing and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €4,316 thousand (31 December 2015: €4,032 thousand) as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future.

The deferred tax balance, as at 31 December 2016 is the net effect of deferred tax assets resulted from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

The Group does not withhold taxes on distribution paid.

24 NET ASSET VALUE PER SHARE

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

25 NET RENTAL AND RELATED INCOME

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

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

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

26 ADMINISTRATIVE EXPENSES

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

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

27 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

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

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

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

29 NET FINANCE INCOME/(EXPENSE)

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

30 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

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

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

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

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

31 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

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

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

32 BUSINESS COMBINATIONS

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

Forum Usti nad Labem

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

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

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

Shopping City Sibiu

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

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

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

Korzo Shopping Centrum

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

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

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

Aupark Shopping Center Piestany

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

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

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

Arena Centar

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

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

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

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

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

33 JOINT-VENTURES

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

Statement of financial position

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

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

Statement of comprehensive income

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

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

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

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

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

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

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

34 SEGMENT REPORTING

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

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

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

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

*Finance expense includes capitalised interest on developments.

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

*Finance expense includes capitalised interest on developments.

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

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

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

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

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

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

35 CONTINGENT ASSETS AND LIABILITIES

Guarantees

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

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

36 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

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

Material related party transactions

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

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

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

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

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

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

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

Name of Director	Number of shares held as at 31 Dec 2016
Tiberiu Smaranda	488,478
Alex Morar	229,000
Mirela Covasa	271,629
TOTAL	**989,107**

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

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

37 SUBSEQUENT EVENTS

Rockcastle transaction

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

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

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

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

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

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

The Directors are not aware of any other subsequent events from 31 December 2016 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

Financial statements

AS AT 31 DECEMBER 2016

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STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	Group 31 Dec 2016 USD'000	Group 30 Jun 2015 USD'000	Company 31 Dec 2016 USD'000	Company 30 Jun 2015 USD'000
ASSETS					
Non-current assets		**1 739 084**	2 295 139	**2 226 468**	2 275 124
Investment property	3	**1 258 786**	58 708	**-**	-
Straight-lining of rental revenue adjustment	3	**199**	415	**-**	-
Investment property under development	3	**5 611**	7 436	**-**	-
Intangible asset	4	**7 341**	-	**-**	-
Goodwill	5	**17 433**	-	**-**	-
Listed security investments	6	**383 994**	2 161 724	**-**	2 161 724
Property, plant and equipment		**499**	-	**-**	-
Investment in and loans to subsidiaries	7	**-**	-	**2 199 500**	88 271
Investment in and loans to joint ventures	8	**37 000**	41 727	**-**	-
Rockcastle management incentive loans	9	**26 968**	25 129	**26 968**	25 129
Deferred tax assets	10	**1 253**	-	**-**	-
Current assets		**340 218**	31 366	**11 797**	29 527
Equity derivative collateral	12	**244 524**	-	**-**	-
Financial assets at fair value through profit or loss	15	**18 004**	14 849	**-**	14 849
Investment income receivable	11	**2 810**	7 589	**190**	7 589
Trade and other receivables	13	**50 376**	561	**2 762**	3
Loans to development partners	14	**-**	5 332	**-**	5 332
Income tax receivable		**414**	-	**-**	-
Cash and cash equivalents	12	**24 090**	3 035	**8 845**	1 754
Total assets		**2 079 302**	2 326 505	**2 238 265**	2 304 651
EQUITY AND LIABILITIES					
Total equity attributable to equity holders		**1 556 106**	1 241 128	**2 235 233**	1 236 891
Stated capital	16	**1 383 676**	1 180 670	**1 383 676**	1 180 670
Retained income		**371 467**	183 601	**1 018 155**	176 017
Non-distributable reserves		**(168 723)**	(123 947)	**(166 598)**	(119 796)
Currency translation reserve		**(30 314)**	804	**-**	-
Non-controlling interest		**532**	-	**-**	-
		1 556 638	1 241 128	**2 235 233**	1 236 891
Total liabilities		**522 664**	1 085 377	**3 032**	1 067 760
Non-current liabilities		**450 552**	16 614	**-**	-
Interest-bearing borrowings	17	**425 230**	16 614	**-**	-
Deferred tax liabilities	10	**25 322**	-	**-**	-
Current liabilities		**72 112**	1 068 763	**3 032**	1 067 760
Financial liabilities at fair value through profit or loss	15	**6 633**	1 975	**-**	1 975
Interest-bearing borrowings	17	**1 538**	1 063 777	**-**	1 063 777
Trade and other payables	18	**63 872**	2 991	**2 963**	1 988
Income tax payable		**69**	20	**69**	20
Total equity and liabilities		**2 079 302**	2 326 505	**2 238 265**	2 304 651

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Notes	Group For the 18 months ended 31 Dec 2016 USD'000	Group For the 12 months ended 30 Jun 2015 USD'000	Company For the 18 months ended 31 Dec 2016 USD'000	Company For the 12 months ended 30 Jun 2015 USD'000
Net rental and related revenue		**36 942**	1 992	**-**	-
Recoveries and contractual rental revenue		**49 417**	2 240	**-**	-
Straight-lining of rental revenue adjustment		**199**	415	**-**	-
Rental revenue		**49 616**	2 655	**-**	-
Property operating expenses		**(12 674)**	(663)	**-**	-
Income from derivatives and listed securities	19	**90 254**	77 931	**80 011**	77 931
Dividend income on physical listed security holdings		**11 204**	5 400	**11 204**	5 400
Equity and other derivative gains		**79 050**	72 531	**68 807**	72 531
Income from joint ventures	33	**8 263**	5 892	**4 481**	-
Gain on acquisition of subsidiary	32	**1 731**	-	**-**	-
Fair value gain on investment property and listed security investments		**134 200**	14 637	**857 834**	15 052
Adjustment resulting from straight-lining of rental revenue		**(199)**	(415)	**-**	-
Fair value gain on investment property	3	**43 228**	-	**-**	-
Fair value loss on financial instruments at fair value through profit or loss		**(19 407)**	(6 090)	**(19 003)**	(6 090)
Fair value gain on listed security investments	6	**110 578**	21 142	**876 837**	21 142
Foreign exchange gain/(loss)		**12 169**	(77 935)	**(19 072)**	(74 212)
Operating expenses		**(5 974)**	(2 994)	**(4 435)**	(2 733)
Profit before net finance costs		**277 585**	19 523	**918 819**	16 038
Net finance costs		**(2 656)**	(9 371)	**(712)**	(9 284)
Finance income		**3 359**	2 363	**3 581**	2 462
Interest on Rockcastle management incentive loans		**2 150**	1 149	**2 150**	1 149
Interest and facilitation fee		**441**	-	**426**	-
Interest received from group companies		**-**	-	**237**	99
Interest on development partner loans		**768**	1 214	**768**	1 214
Finance costs		**(6 015)**	(11 734)	**(4 293)**	(11 746)
Interest on borrowings		**(7 871)**	(11 913)	**(4 293)**	(11 746)
Capitalised interest	3	**1 856**	179	**-**	-
Profit before income tax expense	20	**274 929**	10 152	**918 107**	6 754
Income tax expense	21	**(6 838)**	(20)	**(69)**	(20)
Profit for the period		**268 091**	10 132	**918 038**	6 734

OTHER COMPREHENSIVE INCOME NET OF TAX
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Notes	Group For the 18 months ended 31 Dec 2016 USD'000	Group For the 12 month ended 30 Jun 2015 USD'000	Company For the 18 months ended 31 Dec 2016 USD'000	Company For the 12 months ended 30 Jun 2015 USD'000
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations - equity holders of the company		**(32 775)**	804	**-**	-
Exchange differences on translation of foreign operations - non-controlling interest		**(121)**	-	**-**	-
Reclassification of exchange differences on joint ventures on sale of investments		**1 657**	-	**-**	-
		(31 239)	804	**-**	-
Total comprehensive income for the period		**236 852**	10 936	**918 038**	6 734
Profit for the period attributable to:					
Equity holders of the company		**267 449**	10 132	**918 038**	6 734
Non-controlling interest		**642**	-	**-**	-
		268 091	10 132	**918 038**	6 734
Total comprehensive income for the period attributable to:					
Equity holders of the company		**236 331**	10 936	**918 038**	6 734
Non-controlling interest		**521**	-	**-**	-
		236 852	10 936	**918 038**	6 734
Weighted average number of shares in issue		**916 429 393**	772 800 853	**916 429 393**	772 800 853
Basic earnings per share (USD cents)	25	**29.18**	1.31	**100.18**	0.87
Headline earnings per share (USD cents)	26	**23.77**	0.69	**14.96**	0.87

STATEMENTS OF CASH FLOWS

	Notes	Group: For the 18 months ended 31 Dec 2016 USD'000	Group: For the 12 months ended 30 Jun 2015 USD'000	Company: For the 18 months ended 31 Dec 2016 USD'000	Company: For the 12 months ended 30 Jun 2015 USD'000
Operating activities					
Cash generated from operations	22.1	**130 404**	61 053	**79 279**	63 016
Interest received on management incentive loans advanced		**-**	1 149	**-**	1 149
Distributions received from joint ventures		**3 907**	-	**-**	-
Interest received on equity derivative collateral		**3 913**	-	**3 802**	-
Interest and facilitation fee received		**361**	-	**361**	-
Interest paid on borrowings		**(10 907)**	(7 836)	**(7 218)**	(7 668)
Income tax paid	22.3	**(536)**	(607)	**(20)**	(607)
Cash inflow from operating activities		**127 142**	53 759	**76 204**	55 890
Investing activities					
Rockcastle management incentive loans advanced		**(14 120)**	(8 129)	**(14 120)**	(8 129)
Rockcastle management incentive loans repayments		**13 809**	-	**13 809**	-
Proceeds from disposal of joint ventures and subsidiaries		**21 606**	-	**21 606**	-
Investment in joint venture		**(6 581)**	(18 136)	**-**	-
Development partner loans advanced		**(5 912)**	(5 332)	**(5 912)**	6 370
Increase in investment in and loans to subsidiaries		**-**	-	**(757 803)**	(83 015)
Acquisition of subsidiaries, net of cash acquired		**(233 696)**	-	**-**	-
Acquisition and development of investment property		**(700 799)**	(66 380)	**-**	-
Acquisition of property, plant and equipment		**(593)**	-	**-**	-
Acquisitions of physical listed security investments		**(29 138)**	-	**(29 138)**	-
Disposals of physical listed security investments and cash flows from equity swap reset settlement proceeds		**608 293**	(653 258)	**624 517**	(653 258)
Cash outflow from investing activities		**(347 131)**	(751 235)	**(147 041)**	(738 032)
Financing activities					
Increase in interest-bearing borrowings		**165 867**	453 017	**-**	436 402
Cash flow on financial assets at fair value through profit or loss		**(5 138)**	-	**(2 376)**	-
Proceeds from share issuances		**96 019**	277 242	**96 019**	277 242
Equity contributed by non-controlling interest		**11**	-	**-**	-
Dividends paid to shareholders	22.2	**(15 715)**	(30 234)	**(15 715)**	(30 234)
Cash inflow from financing activities		**241 044**	700 025	**77 928**	683 410
Increase in cash and cash equivalents		**21 055**	2 549	**7 091**	1 268
Cash and cash equivalents at the beginning of the period		**3 035**	486	**1 754**	486
Cash and cash equivalents at the end of the period		**24 090**	3 035	**8 845**	1 754
Cash and cash equivalents consist of:					
Current accounts	12	**24 090**	3 035	**8 845**	1 754

STATEMENTS OF CHANGES IN EQUITY

Group	Stated capital USD'000	Retained income/(loss) USD'000	Non-controlling interest USD'000	Non-distributable reserves USD'000	Currency translation reserve USD'000	Total USD'000
Balance at 30 June 2014	871 154	131 714	-	(19 684)	-	983 184
Issue of shares	277 242					277 242
Dividends declared	32 274	(62 508)				(30 234)
Exchange differences on translation of foreign operations					804	804
Profit for the year		10 132				10 132
Transfer from non-distributable reserves		104 263		(104 263)		-
Balance at 30 June 2015	**1 180 670**	**183 601**	**-**	**(123 947)**	**804**	**1 241 128**
Shares issued and *cum* distribution portion on issue during the period	**92 641**	**3 378**				**96 019**
Dividends declared	**110 365**	**(126 080)**				**(15 715)**
Exchange differences on translation of foreign operations			**(121)**		**(32 775)**	**(32 896)**
Reclassification of exchange differences on joint ventures on sale of investments		**(1 657)**			**1 657**	**-**
Profit for the period		**267 449**	**642**			**268 091**
Equity contributed			**11**			**11**
Transfer to non-distributable reserves		**44 776**		**(44 776)**		**-**
Balance at 31 December 2016	**1 383 676**	**371 467**	**532**	**(168 723)**	**(30 314)**	**1 556 638**

Company	Stated capital USD'000	Retained income(loss) USD'000	Non-distributable reserves USD'000	Total USD'000
Balance at 30 June 2014	871 154	131 679	(19 684)	983 149
Issue of shares	277 242			277 242
Dividends declared	32 274	(62 508)		(30 234)
Profit for the year		6 734		6 734
Transfer to non-distributable reserves		100 112	(100 112)	-
Balance at 30 June 2015	**1 180 670**	**176 017**	**(119 796)**	**1 236 891**
Shares issued and *cum* distribution portion on issue during the period	**92 641**	**3 378**		**96 019**
Dividends declared	**110 365**	**(126 080)**		**(15 715)**
Profit for the period		**918 038**		**918 038**
Transfer to non-distributable reserves		**46 802**	**(46 802)**	**-**
Balance at 31 December 2016	**1 383 676**	**1 018 155**	**(166 598)**	**2 235 233**

Notes to the annual financial statements

For the period ended 31 December 2016

Reporting entity

Rockcastle Global Real Estate Company Limited ("the company") is a public company limited by shares incorporated in Mauritius on 30 March 2012. The company holds a Category One Global Business Licence issued by the Financial Services Commission. The consolidated financial statements of the company for the period ended 31 December 2016 comprise the company, its subsidiaries and joint ventures. The financial statements were authorised for issue by the directors on 15 February 2017.

The company changed its financial year end date from 30 June to 31 December. Accordingly, the financial results presented in the statement of comprehensive income and statements of cash flows are in respect of the 18-month period ended 31 December 2016 and the comparative period presented is in respect of the 12-month period ended 30 June 2015.

The group's main activity is to invest globally in listed real estate assets and direct property in developed and developing markets. Its registered office is Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius. These financial statements will be submitted for consideration and approval at the forthcoming AGM.

Basis of preparation

Basis of measurement

The financial statements are prepared on the historical cost basis, except for derivative financial instruments, investment property and financial instruments designated as financial instruments at fair value through profit or loss and other relevant financial assets and financial liabilities, which are measured at fair value or carried at amortised cost, as appropriate.

Statement of compliance

The consolidated and separate financial statements of the group are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations committee of the IASB. The consolidated and separate financial statements comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, the SEM Listing Requirements and with the Mauritian Companies Act 2001.

The accounting policies are consistent with those applied in the prior periods with the exception of standards and interpretations that became effective in the current year.

This report was compiled under the supervision of Nick Matulovich CA(SA), the chief financial officer.

Functional and presentation currency

The functional currency of Rockcastle is the United States Dollar ("USD") and the group has elected to present its financial statements in USD, being the denomination of the issued stated capital of the group, rounded to the nearest thousand (USD'000) unless otherwise indicated.

Use of estimates and judgements

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are set out in note 30.

1 Accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the period ended 31 December 2016.

1.1 Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the company and its subsidiaries.

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company may have the current ability to direct the relevant activities at the time that decisions need to be made.

The results of subsidiaries are included from the date control was acquired up to the date control ceased. The purchase method of accounting has been adopted to account for the cost of the acquisition of the investments. Cost comprises the fair value of any assets transferred, liabilities or obligations assumed and equity instruments issued and excludes transaction costs. Transaction costs are expensed.

Investments in subsidiaries of the company are reflected at cost less accumulated impairment losses.

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

Foreign subsidiaries

On consolidation, the assets and liabilities of the group's overseas entities are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified in other comprehensive income.

Such translation differences are recognised in profit or loss in the period in which the entity is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Investment in associates and joint ventures

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated into these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture, the group discontinues recognising its share of further losses.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Loans advanced to joint ventures are capitalised to the value of the investment in joint ventures and disclosed as investments in and loans to joint ventures.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

The accounting policies of the joint ventures are consistent with those of the group.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, intragroup balances and any unrealised gains and losses arising from intragroup transactions with subsidiaries and joint ventures are eliminated to the extent of the group's interest in these entities.

Transactions in foreign currency

The results of foreign entities are translated as follows:

• statement of financial position - at the spot exchange rate at period end (monetary items) or at rates of exchange ruling at the date of the transaction (non-monetary items)

• statement of comprehensive income - at the average exchange rate for the period.

1.2 Investment property

Investment property

Investment properties are those held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or for administration purposes.

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

After initial recognition, investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. In the prior period, unrealised gains, net of deferred tax, were transferred to a non-distributable reserve in the statement of changes in equity. Unrealised losses, net of deferred tax, were transferred to a non-distributable reserve to the extent that the decrease did not exceed the amount held in the non-distributable reserve.

Immediately prior to disposal of investment property the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs.

When the group redevelops an existing investment property for continued future use as investment property, the property remains classified as investment property. The investment property is not reclassified as investment property under development during the redevelopment, excluding assets which will undergo complete redevelopment and for which the historic income producing nature is materially diminished prior to completion.

Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. To the extent that developments can be accurately fair valued, developments are carried at fair value.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings.

1.3 Financial instruments

Financial assets and liabilities are recognised in the group's statements of financial position when the group has become party to the contractual provisions of the instrument. Financial instruments acquired for trading purposes and derivative instruments are stated at fair value. Resulting gains or losses are recognised directly in profit or loss. Financial instruments presented in the financial statements include cash and cash equivalents, investments in listed property securities, derivatives, loans, trade and other receivables, trade and other payables and interest-bearing borrowings. Financial instruments are initially recognised at fair value including transaction costs, except for those carried at fair value through profit or loss.

Subsequent to initial recognition, these instruments are measured as follows:

Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss and listed security investments - Financial assets at fair value through profit or loss and listed security investments are financial assets held-for-trading and those designated at fair value through profit or loss at inception. These assets are carried at fair value being the quoted closing price at the statement of financial position date. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise. Attributable transaction costs are recognised in the statement of comprehensive income as incurred.

Trade and other receivables - Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents and equity derivative collateral
Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the statements of cash flows. Equity derivative collateral is cash held as collateral against the company's equity swap exposures. Cash and cash equivalents and equity derivative collateral are carried at amortised cost.

Impairment of financial assets - Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

For trade receivables and investment income receivable, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised and the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss initially been recognised.

Derecognition of financial assets - A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the contractual rights to receive cash flows from the asset have expired, the group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement or the group has transferred its rights to receive cash flows from the asset and either:

• has transferred substantially all the risks and rewards from the asset; or

• has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

Classification as debt or equity - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Trade and other payables - Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss – Financial liabilities at fair value through profit or loss are carried at fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in profit or loss in the period in which they arise. Attributable transaction costs are recognised in the statement of comprehensive income as incurred.

Interest-bearing borrowings - All other financial liabilities, with the exception of those financial liabilities separately mentioned, are accounted for at amortised cost using the effective interest method.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Where an existing liability from a lender 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 derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is recognised directly in profit or loss.

Effective interest method - The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, a shorter period.

Offset - Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the assets simultaneously, all related financial effects are offset.

1.4 Derivative financial instruments

The group enters into a variety of derivative financial instruments to gain exposure to property securities and to hedge its interest rate risk arising from financing activities.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than twelve months.

Derivatives not designated into an effective hedge relationship or that do not qualify in terms of hedge accounting rules, are classified as a current asset or current liability. The fair value of derivatives is the estimated amount that the group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and exchange rates and the current creditworthiness of the swap counter parties.

1.5 Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the obligation.

The group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

1.6 Stated capital

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.

When stated capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

1.7 Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. The accrual for employee entitlements to salaries and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The group does not provide any retirement or post-retirement benefits.

1.8 Revenue, investment income and expenses

Revenue

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is recognised at the fair value of the consideration received or receivable.

Revenue comprises rental revenue and recovery of expenses, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

Other revenues earned by the group are recognised on the following bases:

• Dividend income - when the shareholder's right to receive payment is established. Dividend income is included in the statement of comprehensive income under income from derivatives and listed securities and relates to listed security positions that are held directly by the company or that are held via equity swap derivative instruments which are fully funded from a collateral perspective.

• Interest income - on a time-proportion basis using the effective interest method.

• Income from equity swap derivatives - when the derivative holder's right to receive payment is established. The equity swap mirrors the economic benefits associated with holding the underlying counter while accruing a funding cost. As such cash flows from the equity swap mirroring underlying counter income declarations are recognised under income from derivatives and listed securities together with associated funding costs thereon, however contractually such flows are settled as part of the net mark to market cash flows associated with the equity derivative contractual arrangement which are legally capital in nature as they represent cumulative fair value movements in the underlying contract.

Expenses

Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a straight-line basis.

1.9 Finance income and finance costs

Finance income comprises interest receivable and is recognised as it accrues, taking into account the effective yield on the asset. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Finance costs comprise interest payable on borrowings calculated using the effective interest method.

1.10 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment of tax payable in respect of previous years. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, except to the extent that the deferred tax liability arises from:

• the initial recognition of goodwill; or

• the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the statements of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured at fair value, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

1.11 Translation of foreign currencies

The functional currency of Rockcastle is USD. Accordingly, transactions denominated in currencies other than USD are translated at the average rate of exchange during the month in which the transaction occurs. The prevailing rate of exchange on the date of a significant transaction is however utilised where significant fluctuations in the rate of exchange occur during the month in which the transaction occurs.

Monetary assets and liabilities denominated in foreign currencies (other than monetary items that form part of the net investment in a foreign operation) are translated at the rates of exchange ruling at the reporting date, with gains and losses recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost and are translated using the rates of exchange ruling at the date of the transaction.

1.12 Dividends to shareholders

A dividend to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is declared.

The balance on the statement of comprehensive income is transferred to retained income at the end of each financial period. Dividends paid in cash are deducted from retained income. Dividends for which shareholders elected to receive shares in lieu of cash are deducted from retained income and allocated to stated capital at the issue price determined in the scrip dividend circular net of share issue expenses.

1.13 Operating segments

A segment is a distinguishable component of the group that is engaged in providing services (business segment) or in providing services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board. The board reviews the group's internal reporting in order to assess performance. Segmental reporting, in line with internal reporting reviewed by the board, summarises the results generated by the group's listed securities portfolio and direct property portfolio. The corporate segment comprises corporate assets, related revenue and head office expenses.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1.14 Related parties

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

1.15 Earnings per share

The group presents basic and diluted earnings per share. It also presents headline and diluted headline earnings per share.

Basic earnings or loss per share is calculated by dividing profit or loss for the period attributable to equity holders by the weighted average number of shares in issue during the period. Headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue during the period.

Diluted earnings or loss per share is calculated by dividing profit or loss for the period attributable to equity holders by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options.

Diluted headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options acquired.

1.16 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 and other adjustments that the board may consider necessary) for the period by the number of shares in issue which are entitled to dividends at the end of the period.

1.17 Non-distributable reserves

All realised/unrealised losses of a capital nature are transferred to non-distributable reserves.

1.18 Goodwill

Goodwill arises on acquisition of subsidiaries that constitute a business. Goodwill represents the amount paid in excess of the group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. When the excess is negative (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. Goodwill is tested for impairment simultaneously with the corresponding investment property (refer to note 3).

On disposal of the subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

1.19 Intangible assets

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortised however, they are tested for impairment when a triggering event arises or at least once a year. Here, the respective carrying amounts are compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses recognised on indefinite-life intangible assets other than goodwill are reversed if the original reasons for impairment no longer apply.

1.20 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, carried at amortised cost and tested annually for impairment. The cost of minor repairs and maintenance are expensed when incurred.

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

	Useful lives in years
Motor vehicles	5
Computer equipment	1-4
Office equipment and fittings	8-20
Office improvements	10

1.21 Business combinations

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

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

If an acquisition does not qualify as a business combination, the purchase price is allocated to the individual assets and liabilities. Goodwill or deferred taxes are not recognised. Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate amount of the consideration transferred, measured at fair value on the date of acquisition and the amount of any non-controlling interest in the acquired entity.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the date of acquisition. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the statement of comprehensive income. Acquisition accounting is finalised when the Group has gathered all the necessary information, which must occur within 12 months of the acquisition date.

2 Financial risk management

The group has exposure to the following risks from its use of financial instruments:

- credit risk; and
- liquidity risk; and
- market risk (including currency risk, interest rate risk and price risk).

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements (refer to note 29).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the risk committee. The committee reports to the board of directors on its activities. The risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's tenants, investment in listed securities, derivatives, loans, receivables and cash and cash equivalents.

Investments

The group invests in listed securities by means of direct investments and by utilising equity swaps with recognised financial institutions. The group limits its exposure to credit risk in its direct investments by only investing in liquid securities listed on a recognised stock exchange. The group has policies and procedures in place to mitigate the credit risk associated with equity swaps. The group ensures that more than one reputable counterparty is used and that new investments are split in a responsible manner between counterparties in order to spread the credit exposure. In addition, counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

Trade and other receivables and investment income receivable

Investment income receivable consists of dividends from investments accrued by the group as at the end of the period but which have not yet been received. The credit risk associated with these receivables is monitored as part of the group's greater investment strategy. The group ensures that the companies in which it invests are listed on a recognised stock exchange, are liquid and solvent and appear to be trading as a going concern for the foreseeable future.

Trade and other receivables include deposits with the group's tenants and interest rate swaps. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties. Counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Rockcastle management incentive loans

The group's exposure to credit risk is influenced by the security provided for the loan and also the characteristics of each borrower, who is an employee of the group.

The group establishes an allowance for impairment that represents its estimate of specific losses to be incurred in the event of the borrowers' inability to meet their commitments.

Loans to development partners

In reducing credit risk attributable to loans to development partners, the group takes a pledge over the shares in the company in which the development is undertaken.

Cash and cash equivalents

The group's exposure to credit risk is limited through the use of financial institutions of good standing for investment and cash handling purposes.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations, comprising interest-bearing borrowings and trade and other payables, as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. In this respect, the group prepares cash flow analyses and forecasts which enable the directors to assess the level of financing required in future periods.

The interest-bearing borrowings at statement of financial position date relate to bank loan facilities (previously also included borrowings associated with the equity swaps utilised by the group). The board of directors agree on gearing parameters for the group and the gearing levels are consistently monitored, taking into account the fluctuations in the underlying investments.

Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. The group generates a significant amount of cash from dividends received from listed security investments and rental. Management is able to accurately budget the respective cash inflows as the dividend policies of the underlying investments are published in advance and rental income is contractual. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group buys derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the audit committee. The investment committee together with the risk committee determine parameters by which investments in listed securities are made taking into account an appropriate margin of safety regarding the collateral pool to ensure the portfolio is able to withstand volatile market movements.

Currency risk

The group is exposed to foreign currency risk on investments denominated in Euros, Great British Pounds, Singapore Dollars, Hong Kong Dollars, Australian Dollars and Canadian Dollars. The group mitigates a portion of the risk associated with exposure to foreign currency fluctuations by borrowing in the same currency as the underlying investment. In addition, the group hedges its exposure to currency fluctuations on distributable income through the use of currency forwards and cross-currency swaps.

Interest rate risk

The group is exposed to interest rate risk on its interest-bearing borrowings and cash and cash equivalents.

Interest-bearing borrowings and cash and cash equivalents bear interest at rates linked to the base lending rate in the jurisdiction to which they relate. However, the group utilises interest rate swaps to hedge a portion of the interest rate risk.

Equity price risk

The group is exposed to equity price risk on its investments. It limits its exposure to equity price risk by only investing in liquid securities that are listed on a recognised stock exchange and where the directors are in agreement with the business strategy implemented by such companies. The group also makes use of short-selling of government bonds which provides a form of natural hedge against equity price fluctuations.

Fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current closing price. These instruments are designated as level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are directly or indirectly observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments for indicative valuation parameters; or

- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio every year, excluding those properties acquired close to balance sheet date for which management views the purchase price as an appropriate measure of the fair value, being the amount for which the relevant property was exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Further information regarding the property valuation methodology is disclosed in note 3.

Capital management

The group considers the equity attributable to equity holders as the permanent capital of the group. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board also monitors the level of dividends to shareholders. The board seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The board's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

3 Investment property, straight-lining of rental revenue adjustment and investment property under development

	Group	
	2016 USD'000	**2015 USD'000**
Investment in property comprises		
Investment property	**1 258 786**	58 708
Straight-lining of rental revenue adjustment	**199**	415
	1 258 985	59 123

	Group	
	2016 USD'000	**2015 USD'000**
Movement in investment property at fair value		
Carrying value at beginning of period	**59 123**	-
Additions	**649 923**	58 708
Additions from business combinations (refer to note 32)	**484 609**	-
Transferred from investment property under development	**79 082**	-
Fair value adjustments	**43 228**	-
Net foreign exchange differences	**(57 179)**	-
Straight lining of rental revenue adjustment	**199**	415
Carrying value at end of period	**1 258 985**	59 123

Investment property is carried at fair value, except for those properties acquired close to statement of financial position date for which management views the purchase price as an appropriate measure of the 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) as well as capitalisation of income method, 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 period ended 31 December 2016, the group commissioned independent appraisal reports on its investment property, as at the statement of financial position date, from Cushman & Wakefield and Jones Lang LaSalle, both members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these, except for properties acquired in the last quarter of the financial period, for which the purchase price is deemed to be the best indicator of fair value. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio every year. The valuations provided by the external valuer have been recorded without adjustment. The group's investment property is classified as Level 3 on the fair value hierarchy as defined in IFRS 13. There were no transfers between hierarchy levels during the period.

The group's Zambian investment property was externally valued by Peter Parfitt of Quadrant Properties (Pty) Ltd, a professional associated valuer (Dip Val MIV (SA)). The valuation was done on an open market basis and with consideration to the future earnings potential and an appropriate capitalisation rate for the property. The group's investment in the Zambian property is reflected in Investment in and loans to joint ventures in note 8 below.

At the end of the reporting period, the group's investment property portfolio included eleven retail properties and one office property. The group also has a joint venture investment in an additional retail property as per note 8.

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 5.5% and 8.4%. The group's resulting weighted average net yield was 6.1% for the entire property portfolio (retail: 6.1%; office: 6.8%).

Based on the period end valuation net yield of 6.1%, an increase/decrease of 25bps would result in a USD51 590 thousand decrease/increase in the group's property portfolio (2015: net yield of 6.7%, increase of 25bps would have resulted in a USD2 191 thousand decrease/increase).

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

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

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

Segment	Direct property
Valuation technique	Discounted cash flow
Estimated rental value (yearly amount in USD'000)	2 800 - 21 246 (7,320*)
Discount rate (%)	5.50 - 7.50 (6.05*)
Capitalisation rate for terminal value (%)	5.50 - 7.50 (6.16*)

* Amounts or percentages represent weighted averages.

	Group	
	2016 USD'000	2015 USD'000
Movement in investment property under development at cost		
Carrying value at beginning of period	**7 436**	-
Additions, including construction in progress	**75 401**	7 257
Interest capitalised	**1 856**	179
Assets which became operational and were transferred to Investment property at fair value	**(79 082)**	-
Carrying value at end of period	**5 611**	7 436

Borrowing costs capitalised in 2016 amount to USD1 856 thousand (2015: USD179 thousand) and were calculated using an average annual interest rate of 2.8% (2015: 3.5%).

Interest-bearing borrowings are secured over certain investment properties. Refer to note 17 for further details.

4 Intangible asset

	Group	
	2016 USD'000	2015 USD'000
Carrying value at beginning of period	**-**	-
Additions (refer to note 32)	**7 795**	-
Foreign exchange revaluation	**(454)**	-
Carrying value at end of period	**7 341**	-

The intangible asset consists of contracts with retail property tenants to supply electricity, and is held within an acquired subsidiary company, Energit sp.zo.o. The company was purchased as part of the Bonarka City Center shopping mall acquisition and is licensed to distribute energy in Krakow, Poland where the shopping mall is based. The intangible asset is valued at the purchase price of Energit sp.zo.o.

The asset is considered to have an indefinite useful life and is not amortised as it is probable that the licence to distribute energy is renewable indefinitely. Its useful life will be reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. The recoverable amount of the intangible asset was calculated at the statement of financial position date by discounting Energit sp.zo.o's net operating income by an appropriate discount rate and the asset was found to be appropriately valued at its current carrying amount and no impairment necessary.

5 Goodwill

	Group
	2016 USD'000
The Group recognised goodwill for the following business acquisition:	
Bonarka City Center sp.zo.o	
Carrying value at beginning of period	**-**
Additions (refer to note 32)	**17 433**
Carrying value at end of period	**17 433**

The acquisition of Bonarka City Center sp.zo.o generated goodwill that resulted from the deferred tax liability at acquisition date.

It is anticipated that in the following financial year a deferred tax asset will arise as a result of the restructuring of the acquisition company. Accordingly the goodwill balance will be assessed for impairment by taking this and other relevant factors into account.

No impairment charge arose as a result of the impairment test. The recoverable amounts of the CGUs, were based on their fair value less costs of disposal. The fair values of the properties were assessed based on reports by external valuers. The external valuations are determined using DCF projections based on significant unobservable inputs. For more information on the unobservable inputs used in the external valuation, reference is made to note 3. The most relevant assumption is the terminal value capitalisation rate.

6 Listed security investments

Listed security investments are categorised as financial investments at fair value through profit or loss. The fair values of the listed security investments are determined based on quoted prices in active markets.

	Group 2016 Total USD'000	Company 2016 Total USD'000	Group and Company 2015 Total USD'000
Cumulative historical cost	**273 416**	-	2 140 582
Increase in fair value	**110 578**	*	21 142
Total investment balance	**383 994**	-	2 161 724
Non-current (level 1)	**383 994**	-	2 161 724

Changes in fair values are recorded in the statement of comprehensive income and none of the financial assets are impaired.

During the period revised prime brokerage agreements were signed with improved terms. As a result, Rockcastle's listed security investments as at 31 December 2016 represent only fully-funded derivative positions and physical positions. The equity derivative collateral of USD244.5 million included in current assets (together with the gross listed security positions of USD383.9 million) provided the group with exposure to investments with a gross value of USD1 126.6 million. The income from derivatives and listed securities of USD90.3 million includes interest of USD20.87 million on the implied gross interest-bearing borrowings of USD551.1 million (refer to note 17 for disclosure of the notional borrowings). Positions disclosed under listed security investments of USD383.9 million include physical positions held at 31 December 2016 as well as derivative positions that are 100% collateralised in cash for funding and dividend yield optimisation purposes.

* In anticipation of the proposed merger with NEPI, Rockcastle undertook an internal restructuring of the listed security portfolio which is now housed in a wholly-owned subsidiary of the company.

Focus Mall >
Zielona Góra

Zielona Góra,
Poland

7 Investment in and loans to subsidiaries

Subsidiaries	Country of incorporation and place of business	Incorporation/ group acquisition date	Principal activity	Investment	Immediate parent investment^ USD'000	Company					
						2016 Effective interest (%)	2016 Investment USD'000	2016 Loan Amount USD'000	2016 Total USD'000	2015 Effective interest (%)	2015 Total USD'000
Rockcastle Europe Limited	Republic of Mauritius	May 2014	Holding company	Direct	#	100	-	**2 179 836**	**2 179 836**	100	63 609
Rockcastle UK Property SPV Limited	Republic of Mauritius	Oct 2014	Property owning company	Direct	1 058	100	**1 058**	**2 005**	**3 063**	100	3 591
Ndola Kafubu Investments Limited*	Republic of Mauritius	Oct 2013/Apr 2014	Holding company	Direct	-	-	-	-	-	100	5 143
Kitwe Mukuba Investments Limited*	Republic of Mauritius	Nov 2012/May 2015	Holding company	Direct	-	-	-	-	-	100	15 865
Lusaka Cosmopolitan Investments Limited***	Republic of Mauritius	Mar 2014/Mar 2016	Holding company	Direct	1	100	**6 582**	**10 019**	**16 601**	-	-
Rockcastle Global Securities Limited	Republic of Mauritius	Oct 2016	Listed security holding company	Indirect	@	100	-	-	-	-	-
Rockcastle Global Real Estate Company UK Limited	United Kingdom	Sep 2014	Services	Indirect	101 410	100	-	-	-	100	63
Rockcastle Global Real Estate Holdings BV	Netherlands	Oct 2013	Holding company	Indirect	105 474	100	-	-	-	100	-
Rockcastle Poland sp.zo.o	Poland	Jul 2015/Oct 2015	Services	Indirect	1	100	-	-	-	100	-
Gontar sp.zo.o	Poland	Mar 2013/Dec 2014	Property owning company	Indirect	16	100	-	-	-	100	-
IGI Exclusive sp.zo.o	Poland	Oct 2007/Mar 2015	Property owning company	Indirect	13	100	-	-	-	100	-
ACE3 sp.zo.o	Poland	Jun 2013/Dec 2014	Property owning company	Indirect	3	85	-	-	-	85	-
Pogoria Property sp.zo.o	Poland	Jun 2014/Apr 2015	Property owning company	Indirect	2	100	-	-	-	-	-
Karolinka Property sp.zo.o	Poland	Jul 2014/Jul 2015	Property owning company	Indirect	2	100	-	-	-	-	-
Platan Property sp.zo.o	Poland	Jul 2015/Aug 2015	Property owning company	Indirect	2	100	-	-	-	-	-
Monarda sp.zo.o	Poland	Jul 2015/Aug 2015	Property owning company	Indirect	101	90	-	-	-	-	-
Zielona Gora Property sp.zo.o	Poland	Dec 2011/Jul 2016	Property owning company	Indirect	1	100	-	-	-	-	-
Piotrkow Property sp.zo.o	Poland	Feb 2011/Jul 2016	Property owning company	Indirect	1	100	-	-	-	-	-
Olsztyn Property sp.zo.o	Poland	Feb 2011/Sep 2016	Property owning company	Indirect	1	100	-	-	-	-	-
Bonarka Property sp.zo.o	Poland	Dec 2011/Aug 2016	Holding company	Indirect	1	100	-	-	-	-	-
Bonarka City Center sp.zo.o**	Poland	May 2014/Sep 2016	Property owning company	Indirect	261	100	-	-	-	-	-
Energit sp.zo.o**	Poland	Dec 2007/Sep 2016	Energy trading company	Indirect	13	100	-	-	-	-	-
Liberec Property s.r.o	Czech Republic	Jan 2007/Jun 2016	Property owning company	Indirect	409	100	-	-	-	-	-
							7 640	**2 191 860**	**2 199 500**		88 271

Amounts owing by subsidiaries are unsecured, bear interest at rates agreed from time to time and the terms of repayment are specific to individual tranches advanced.

The subsidiaries' year ends are all 31 December. Class of shares held in subsidiary companies are all ordinary share capital.

There are no material non-controlling interests.

^ Includes share capital and share premium of subsidiary, adjusted for relevant non-controlling interest.

Less than USD1 000.

* Investments sold on 30 November 2015.

** Investment held in Bonarka Property sp.zo.o which owns 100% of the shares of Bonarka City Center sp.zo.o and Energit sp.zo.o.

*** Holds a 50% investment in Cosmopolitan Shopping Centre Limited

@ USD613 529 000 represents the investment in and loan to Rockcastle Global Securities Limited.

8 Investment in and loans to joint ventures

	Group 2016 USD'000	Group 2015 USD'000
Interest in joint venture Kafubu Mall Limited		
Investment at cost	-	4 084
Share of post-acquisition reserves	-	193
Loan advanced	-	5 998
Carrying value	-	10 275
Holding	-	50%
Condensed consolidated statement of financial position*		
Non-current assets	-	22 240
Current assets	-	89
Equity	-	(9 518)
Non-current liabilities	-	(12 631)
Current liabilities	-	(180)
Condensed consolidated statement of comprehensive income*		
Net income	-	7 558
Net finance costs	-	(86)
Income for the period	-	7 472

Rockcastle sold its 100% interest in Ndola Kafubu Investments Limited (a Category Two Global Business License Company in Mauritius) during the period ended 31 December 2016. Ndola Kafubu Investments Limited holds 50% of the equity and voting rights in Kafubu Mall Limited (Zambia). Refer to note 23 for details of guarantee agreement entered into by Rockcastle.

Kafubu Mall Limited owns Kafubu Mall which is a 12 500m² mall situated in Ndola, Zambia.

Kafubu Mall Limited was accounted for using the equity method.

** The prior year information was extracted from Kafubu Mall Limited's management accounts for the period ended 30 June 2015.*

	Group 2016 USD'000	Group 2015 USD'000
Interest in joint venture Mukuba Mall Limited		
Investment at cost	-	699
Share of post-acquisition reserves	-	4 077
Loan advanced	-	26 676
Carrying value	-	31 452
Holding	-	50%
Condensed consolidated statement of financial position*		
Non-current assets	-	64 507
Current assets	-	203
Equity	-	(26 748)
Non-current liabilities	-	(37 512)
Current liabilities	-	(450)
Condensed consolidated statement of comprehensive income*		
Net income	-	27 431
Net finance costs	-	-
Income for the period	-	27 431

Rockcastle sold its 100% interest in Kitwe Mukuba Investments Limited (a Category Two Global Business License Company in Mauritius) during the period ended 31 December 2016. Kitwe Mukuba Investments Limited holds 50% of the equity and voting rights in Mukuba Mall Limited (Zambia). Refer to note 23 for details of guarantee agreement entered into by Rockcastle.

Mukuba Mall Limited owns Mukuba Mall which is a 28 773m² mall situated in Kitwe, Zambia.

Mukuba Mall Limited was accounted for using the equity method.

** The prior year information was extracted from Mukuba Mall Limited's management accounts for the period ended 30 June 2015.*

	Group 2016 USD'000	2015 USD'000
Interest in joint venture Cosmopolitan Shopping Centre Limited		
Investment at cost	**12 588**	-
Share of post-acquisition reserves^	**7 653**	-
Loan advanced	**16 759**	-
Carrying value	**37 000**	-
Holding	**50%**	-
Condensed consolidated statement of financial position*		
Non-current assets	**74 000**	-
Current assets	**433**	-
Equity	**(36 207)**	-
Non-current liabilities	**(37 782)**	-
Current liabilities	**(444)**	-
Condensed consolidated statement of comprehensive income*		
Net income	**15 306**	-
Net finance costs	**-**	-
Income for the period	**15 306**	-

Rockcastle holds a 100% interest in Lusaka Cosmopolitan Investments Limited (a Category Two Global Business License Company in Mauritius). Lusaka Cosmopolitan Investments Limited holds 50% of the equity and voting rights in Cosmopolitan Shopping Centre Limited (Zambia).

Cosmopolitan Shopping Centre Limited owns Cosmopolitan Shopping Centre which is a 26 152m² mall situated in Lusaka, Zambia.

Cosmopolitan Shopping Centre Limited was accounted for using the equity method. The loan advanced is unsecured, interest free and there are no fixed terms for repayment.

** The information was extracted from Cosmopolitan Shopping Centre Limited's ("CSSL") management accounts for the period ended 31 December 2016. 50% of the above net income of CSSL has been included as Rockcastle's share of post-acquisition reserves and the carrying value of the investment in joint venture consists of Rockcastle's 50% share of investment property reflected under non-current assets.*

^ Calculated as 50% of the above net income of CSSL (50% of USD is 15 306 thousand).

	Group 2016 USD'000	2015 USD'000
Total investments in joint ventures	**37 000**	41 727

Rockcastle has accounted for the above investments as joint ventures as there is an agreement of shared control with the entities' other shareholders, whereby decisions relating to the activities of the joint venture companies require the unanimous consent of the parties sharing control.

9 Rockcastle management incentive loans

The movements in the Rockcastle management incentive loans ("MIL") were approved by the board during the financial period. The purpose of the incentive is to provide employees with an incentive linked to the growth of the company's long-term value as measured by the share price. This form of long-term incentivisation is designed to provide an incentive programme that will contribute to the achievement of the company's objectives and enhance shareholder value. Employees are provided with a 10 year loan to facilitate the purchase of Rockcastle shares which are pledged as security for the aforesaid loan. Dividends received on these shares are applied to settle the interest payable on the loans and any excess is then utilised to reduce the outstanding liability balance.

	Group and company 2016 % of issued shares	2016 Number of issued shares	2016 Loan balance USD'000
Shares issued to directors and employees in terms of the MIL	**1.62%**	**15 344 099**	**26 968**
	2015 % of issued shares	**2015 Number of issued shares**	**2015 Loan balance USD'000**
Shares issued to directors and employees in terms of the MIL	2.08%	17 665 000	25 129

The participants in the MIL carry the risk associated with the shares issued to them. This disclosure includes all shares issued since incorporation.

The MIL loans bear interest at 5% for the period ended 31 December 2016 (2015: 5%). The loans are secured by 15.344 million (2015: 17.665 million) shares in Rockcastle with a fair value of USD38.36 million (2015: USD39.22 million). The value of security held for each individual loan exceeds the amount of the related loan. The fair value of the loan approximates its carrying amount.

The loans are repayable on the tenth anniversary of the loans being granted. During the course of December 2016 the board resolved to convert the underlying loans to Euro denominated loans.

Details of the shares issued to directors in terms of the Rockcastle Management Incentive Scheme ("MIS") as at 31 December 2016 are as follows:

	Number of shares issued	Date of issue	Issue price USD per share (excluding costs)	Employee asset as recorded in financials USD'000
Spiro Noussis	1 600 000	09 Sep 15	2.17	3 472
	1 000 000	02 Oct 14	1.83	1 830
	4 615 000	18 Feb 14	1.33	6 138
Nick Matulovich	1 540 000	09 Sep 15	2.17	3 342
	850 000	02 Oct 14	1.83	1 556
	1 000 000	18 Dec 13	1.30	1 300
Marek Noetzel	374 000	26 Aug 16	2.54	950

Number of shares issued to employees that are not directors at statement of financial position date was 4 365 099 (2015: 8 100 000).

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10 Deferred tax	Group 2016 USD'000	2015 USD'000
Deferred tax comprises the following:		
Revaluation of investment properties	**(35 890)**	-
Revaluation of interest rate derivatives	**197**	-
Foreign exchange differences on interest - bearing borrowings	**6 405**	-
Tax losses	**4 610**	-
Prepayments and accruals	**499**	-
Deferred income	**55**	-
Allowances for doubtful debts	**55**	-
	(24 069)	-
Carrying amount at beginning of the period:		
Charged to the statement of comprehensive income during the period	**(6 769)**	-
Acquired through business acquisitions (refer note 32)	**(17 030)**	-
Exchange difference	**(270)**	-
Carrying amount at end of the period	**(24 069)**	-
Represented by:		
Deferred tax asset	**1 253**	-
Deferred tax liabilities	**(25 322)**	-
	(24 069)	-

Group subsidiaries are subject to corporate tax on an annual basis. The group carries forward aggregate fiscal losses of USD24,26 thousand all of which are available for up to five 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 timing of fiscal loss expiry and the level of future taxable profits and future tax planning strategies.

11 Investment income receivable

Investment income receivable pertains to income which has met the revenue recognition requirements of IAS 18 as set out in note 1.8 and has accordingly been recognised as income during the current financial period but has not yet been received as at the end of the financial period.

As of 31 December 2016, none of the receivables were past due or impaired. In addition, no provision for impairment has been made as of 31 December 2016. The maximum exposure to credit risk at the reporting date pertaining to these receivables is the fair value of the receivables. The company does not hold any collateral as security.

12 Cash and cash equivalents and equity derivative collateral

	Group 2016 USD'000	Group 2015 USD'000	Company 2016 USD'000	Company 2015 USD'000
Cash and cash equivalents comprise the following:				
Cash at bank - current accounts	**24 090**	3 035	**8 845**	1 754
Equity derivative collateral - collateral accounts*	**244 524**	-	-	-

*Equity derivative collateral comprises cash required to be held with prime brokers in order for the group to obtain exposure to listed real estate investments as described in note 6.

13 Trade and other receivables

	Group		Company	
	2016 USD'000	2015 USD'000	2016 USD'000	2015 USD'000
Trade and other receivables include the following:				
Tenant receivables	**6 400**	-	**-**	-
VAT receivables	**39 742**	-	**-**	-
Prepaid property expenses	**644**	-	**-**	-
Other prepaid expenses	**5**	-	**-**	-
Tenant deposits	**59**	-	**-**	-
Other	**3 526**	561	**2 762**	3
	50 376	561	**2 762**	3

14 Loans to development partners

	Group and Company	
	2016 USD'000	2015 USD'000
Loan to Cosmopolitan Shopping Centre Limited	**-**	5 332
Current portion included in current assets	**-**	(5 332)
Non current portion	**-**	-

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The amount owed by the development partner was secured by a pledge of the shares in the company in which the property is held. The loan bore interest at the rate of 9.5%.
The loan was converted to investment in joint venture on completion of the development in March 2016.

15 Financial instruments at fair value through profit or loss

	Group		Company	
	2016 USD'000	2015 USD'000	2016 USD'000	2015 USD'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss include the following:				
Interest rate derivatives	**1 385**	14 849	-	14 849
Foreign currency derivatives	**740**	-	-	-
Equity swap derivatives	**15 879**	-	-	-
	18 004	14 849	-	14 849
Financial liabilities at fair value through profit or loss				
Financial liabilities at fair value through profit or loss include the following:				
Interest rate derivatives	**6 633**	1 975	-	1 975

16 Stated capital

	Group and Company	
	2016 USD'000	2015 USD'000
Authorised 1 142 477 869 (2015: 1 279 661 805) ordinary shares of no par value		
Issued 945 502 019 (2015: 847 862 018) ordinary shares at an average of approximately USD1.46 (2015: USD1.39) per share *	**1 383 676**	1 180 670

** Transaction costs recognised as a deduction from equity in the current period amounted to USD1.2 million.*

	2016 Shares	2015 Shares
Reconciliation of movement in issued shares		
Balance at beginning of period	**847 862 018**	705 500 000
Shares issued by way of a scrip dividend during the period	**49 837 691**	14 669 955
Shares issued by way of share purchase scheme	**6 423 000**	-
Shares issued by way of book build	**41 379 310**	127 692 063
	945 502 019	847 862 018

	Shares Issued	Stated capital USD'000
Shares issued by way of a scrip dividend during the period included:		
Scrip dividend - Sep 2015	**17 358 776**	**36 627**
Scrip dividend - Mar 2016	**18 454 215**	**39 307**
Scrip dividend - Sep 2016	**14 024 700**	**34 430**
Shares issued by way of a share incentive scheme (MIS as per note 9) included:		
Share purchase scheme - Sep 2015	**5 940 000**	**12 890**
Share purchase scheme - Aug 2016	**483 000**	**1 227**

Book build September 2015

In order to seize potential acquisition and development opportunities the company increased its cash reserves by issuing 41 379 310 at an issue price of R29.00 per share ordinary shares through accelerated book build processes that generated over USD80 million in 2015.

The equity raise was completed as part of an accelerated book build and where required under the company's general authority to issue shares for cash approved by Rockcastle shareholders at the annual general meeting of the company.

The issued share capital figure includes shares issued under the Management Incentive Scheme (set out in note 9). Ordinary shares carry the right to vote at general meetings, to distribution and to the surplus assets of the group on winding-up.

117

118

17 Interest-bearing borrowings

The group's interest-bearing borrowings comprise short term interest-bearing borrowings as well as long term loans.

The borrowing facilities, together with shareholder stated capital, are used to fund the company's investment activities.

The company's investment mandate allows the company to have borrowings of up to 60% of the total asset value. The group's current funding philosophy allows for funding sources to be adapted to respond to developments in the business and the market at large.

During the current financial period the company utilised long-term funding by way of secured bank facilities as well as short-term funding by way of equity swap funding. The company utilises equity swaps to gain exposure to listed security positions. Rockcastle's prime brokers provide access to equity swaps against which Rockcastle posts collateral to secure such exposures. The equity swaps contain a funding leg which serves as the determinant of the cost associated with the underlying exposure. The funding leg accrues interest based on the notional exposure underlying the equity swap at the benchmark rate plus a spread agreed for the particular currency and with the respective prime broker. Where the equity swaps are not fully funded positions they are treated as derivative instruments and disclosed accordingly. As such, the gross liability exposure is not separately recognised. The gross liability underlying the equity swap positions is disclosed for information purposes in note 6.

Interest-bearing borrowings are initially recognised at fair value and subsequently measured at amortised cost. The company's exposure to interest rate, foreign currency and liquidity risk is discussed in note 29.

During the period the group raised USD408 million in secured debt. The details of these loans are outlined below.

The group's average interest rate attributable to long-term debt including hedging costs was approximately 1.73% during 2016. As of 31 December 2016, the group is fully hedged against EURIBOR based interest rate movements on long term debt via interest rate swaps and caps.

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

2016

Group	Type	Payable in less than 1 year USD'000	Payable in 2-5 years USD'000	Fair value USD'000	Carrying amount USD'000
Interest-bearing borrowings					
Cosmopolitan Mall	Term Loan	-	**13 100**	**13 100**	**13 100**
Solaris Shopping Centre	Term Loan	-	**36 513**	**36 513**	**36 513**
Galeria Tomaszow	Shareholder Loan	-	**3 613**	**3 613**	**3 613**
Galeria Wolomin	Shareholder Loan	-	**2 121**	**2 121**	**2 121**
Karolinka Shopping Centre	Term Loan	-	**91 178**	**91 178**	**91 178**
Platan Shopping Centre	Term Loan	-	**32 937**	**32 937**	**32 937**
Pogoria Shopping Centre	Term Loan	-	**46 948**	**46 948**	**46 948**
Bonarka City Center	Term Loan	**1 538**	**198 820**	**200 358**	**200 358**
		1 538	**425 230**	**426 768**	**426 768**

2015

Group	Type	Payable in 2-5 years USD'000	Fair value USD'000	Carrying amount USD'000
Interest-bearing borrowings				
Makuba Mall	Term Loan	11 579	11 579	11 579
Kafubu Mall	Term Loan	5 035	5 035	5 035
		16 614	16 614	16 614

2015

Group and Company	Type	Payable in less than 1 year USD'000	Payable in 2-5 years USD'000	Fair value USD'000	Carrying amount USD'000
Interest-bearing borrowings					
Listed Securities	Cash Collateral	1 063 777	-	1 063 777	1 063 777

Cosmopolitan Mall - Standard Bank of South Africa Isle of Man

The group contracted a loan facility from Standard Bank for Cosmopolitan Shopping Centre, which matures during July 2018 and is repayable on final repayment date.

Security
- General security over the property (fair value as at 31 December 2016 of USD74 million),
- General security over the shares in the subsidiary controlling the underlying investment, and
- Corporate Guarantee issued by the company for a maximum amount of USD13 million.

Covenants
- Loan to value ratio of maximum 48% in year 1, 44% in year 2 and 42% in year 3;
- Interest cover ratio of minimum 4.5 in year 1, 5.0 in year 2 and 5.5 in year 3, and
- Rockcastle group net asset value to exceed USD750 million.

Solaris Shopping Centre- ING Bank Slaski

The group contracted a loan facility from ING Bank Slaski for Solaris Shopping Centre, which matures during November 2020 and is repayable at final maturity.

Security
- General security over the property (fair value as at 31 December 2016 of USD61.6 million), current assets, cash inflows from operating activities, accounts and receivables of Solaris Shopping Centre, and
- General security over the shares in Gontar sp.z o.o in which the property is held.

Covenants
- Loan to value ratio of maximum 70% in year 1, 69% in year 2, 68% in year 3, 67% in year 4 and 65% in year 5; and
- Interest service cover ratio of above 3.0x.

As noted above, the gross short-term liabilities underlying the equity swap notional positions as at 31 December 2016 are disclosed below for information and comparative purposes:

Group			2016	
Interest-bearing borrowings - current	Rate	Maturity	Fair value USD'000	Carrying amount USD'000
USA	Federal Funds Effective Rate + 0.45%	Less than one year	**(343 730)**	**(343 730)**
USA	1-month USD LIBOR + 1.00%	Less than one year	**(110 037)**	**(110 037)**
USA	1-month USD LIBOR + 0.65%	Less than one year	**(67 318)**	**(67 318)**
Australia	RBA overnight rate + 0.05%	Less than one year	**(13 275)**	**(13 275)**
Europe	EONIA + 0.45%	Less than one year	**(116 851)**	**(116 851)**
Europe	1-month EURIBOR + 0.5%	Less than one year	**(16 329)**	**(16 329)**
UK	Overnight SONIA + 0.05%	Less than one year	**(299 706)**	**(299 706)**
UK	1-month LIBOR + 0.5%	Less than one year	**(89 977)**	**(89 977)**
UK	1-month LIBOR + 0.65%	Less than one year	**(41 653)**	**(41 653)**
Singapore	1-month Association of Banks in Singapore Swap + 0.5%	Less than one year	**(11 816)**	**(11 816)**
			(1 110 692)	**(1 110 692)**
Cumulative cash collateral held with prime brokers used to offset short term borrowings balance			**559 587**	**559 587**
Net short term borrowings			**(551 105)**	**(551 105)**

Group and Company			2015	
Interest-bearing borrowings - current	Rate	Maturity	Fair value USD'000	Carrying amount USD'000
USA	Federal Funds Effective Rate + 0.45%	Less than one year	(670 081)	(670 081)
USA	1-month USD LIBOR + 1.00%	Less than one year	(512 346)	(512 346)
Australia	RBA overnight rate + 0.05%	Less than one year	(26 105)	(26 105)
Europe	EONIA + 0.45%	Less than one year	(67 467)	(67 467)
UK	Overnight SONIA + 0.45%	Less than one year	(198 554)	(198 554)
UK	1-month LIBOR + 0.5%	Less than one year	(198 549)	(198 549)
Singapore	1-month Association of Banks in Singapore Swap + 0.5%	Less than one year	(194 438)	(194 438)
Canada	CABROVER + 0.05%	Less than one year	(54 317)	(54 317)
Canada	1-month CDOR + 0.7%	Less than one year	(53 340)	(53 340)
			(1 975 197)	(1 975 197)
Cumulative cash collateral held with prime brokers used to offset short term borrowings balance			911 420	911 420
Net short term borrowings			(1 063 777)	(1 063 777)

Galeria Tomaszow & Galeria Wolomin - Acteum Investments

These borrowings represent shareholder loans advanced by the group's non-controlling interest in Galeria Tomaszow and Galeria Wolomin.

Security

— The loans are unsecured.

Karolinka Shopping Centre, Platan Shopping Centre & Pogoria Shopping Centre - ING Bank Slaski, Helaba & Deutsche Pfandbrief

The group contracted a secured loan facility from the syndicate of banks mentioned above for a portfolio of assets including Karolinka, Pogoria and Platan, which matures during August 2021 and is repayable in quarterly instalments from year 3 onwards at 1% per annum with a final bullet repayment.

Security

— General security over the properties (fair value as at 31 December 2016 of USD290.9 million), current assets, cash inflows from operating activities, accounts and receivables of Karolinka, Pogoria and Platan, and

— General security over the shares in the respective property owning SPVs in Poland.

Covenants

— Loan to value ratio of maximum 70%;

— Debt service cover ratio at least 150% from commencement of year 3 onwards;

— Interest service cover ratio in year 1 and year 2 of at least 200%

— Debt service cover ratio of minimum 150% for year 3, 4 and 5, and

— Interest service cover ratio of minimum 200% in year 1 and 2.

Bonarka City Center - ING Bank Slaski, Berlin Hyp & Nationale Nederlanden

The group assumed an existing loan facility from a syndicate of banks mentioned above as part of the acquisition of Bonarka City Center. The loan matures during February 2020 and is repayable in quarterly instalments.

Security

— General security over the property (fair value as at 31 December 2016 of USD393.8 million), current assets, cash inflows from operating activities, accounts and receivables of Bonarka City Center, and

— General security over the shares in Bonarka City Center sp. z o. o

Covenants

— Loan to value ratio of maximum 80% in year 1, 79% in year 2, 78% in year 3, 77% in year 4, 76% in year 5; and

— Debt service cover ratio of minimum 120%.

18 Trade and other payables

	Group		Company	
	2016 USD'000	2015 USD'000	2016 USD'000	2015 USD'000
Trade and other payables include the following:				
Tenant deposits	**2 656**	205	**-**	-
Advances from tenants	**3 672**	-	**-**	1 988
VAT payable	**775**	143	**-**	-
Payables for assets under construction	**4 098**	-	**-**	-
Property-related payables	**5 151**	-	**-**	-
Other payables*	**47 520**	2 643	**2 963**	-
	63 872	2 991	**2 963**	1 988

*Other payables include USD40 943 773 owing to Aviva for the purposes of the Aviva acquisition. This payable represents a deposit received from Aviva for the purposes of securing Rockcastle's VAT refund application pertaining to the acquisition of properties in the Aviva transaction via a VATable transaction. As such a receivable of the VAT amount receivable from the tax authorities exists as at 31 December 2016 and is reflected in the trade and other receivables (see note 13).

19 Income from derivatives and listed securities

Income received from derivatives and listed securities relates to dividend income on physical listed security investments as well as returns related to the income leg of equity swap derivative mark to market movements including related interest recognised by the company during the period in accordance with the recognition and measurement criteria in IAS 18 and the accounting policy in note 1.8.

20 Profit before income tax expense

	Group	Company	Group	Company
	For the 18 months ended 31 Dec 2016 USD'000	For the 18 months ended 31 Dec 2016 USD'000	For the 12 months ended 30 Jun 2015 USD'000	For the 12 months ended 30 Jun 2015 USD'000
Profit before income tax expense is stated after charging:				
Auditors' remuneration				
– audit fee	**(66)**	**(15)**	(14)	(14)
– other services*	**(13)**	**(5)**	(3)	(3)
Directors' remuneration				
– services as director (non-executive)	**(132)**	**(132)**	(84)	(84)
Salaries	**(3 622)**	**(2 640)**	(1 506)	(1 385)
Travel and accommodation	**(348)**	**(94)**	(401)	(365)

*Fee in respect of the review of the group financial results for the 12 months ended 30 June 2016.

21 Income tax expense

	Group	Company	Group and Company
	For the 18 months ended Dec 2016 USD'000	For the 18 months ended Dec 2016 USD'000	For the year ended Jun 2015 USD'000
- Current tax expense	**(69)**	**(69)**	(20)
- Deferred tax expense	**(6 769)**	**-**	-
	(6 838)	**(69)**	(20)

Reconciliation of tax rate

The tax on the company's loss before taxation differs from the theoretical amount that would arise using the basic rate of the company as follows:

	Group 2016	Company 2016	Group 2015	Company 2015
Standard tax rate	**15,0%**	**15,0%**	15,0%	15,0%
Foreign tax credit*	**(12,0%)**	**(12,0%)**	(12,0%)	(12,0%)
Permanent differences	**(2,6%)**	**(3,0%)**	(2,8%)	(2,7%)
Effect of higher tax rate on overseas earnings	**2,1%**	**-**	-	-
Effective tax rate	**2,5%**	**-**	0,2%	0,3%

*The company is subject to 15% income tax in Mauritius according to the provisions of the Income Tax Act 1995 as amended. As the company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the company against the 15% tax or a deemed 80% foreign tax credit on the company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.

In Poland and the Czech Republic income is subject to tax at a rate of 19% after relevant permissable deductions.

22 Notes to the statement of cash flows

22.1 Cash generated from operations

	Group		Company	
	2016 USD'000	2015 USD'000	2016 USD'000	2015 USD'000
Profit before income tax expense	**274 929**	10 152	**918 107**	6 754
Adjusted for:				
Fair value gain on listed security investments	**(110 578)**	(21 142)	**(876 837)**	(21 142)
Income from joint ventures	**(8 969)**	(5 892)	**-**	-
Adjustment on sale of interest of joint ventures	**706**	-	**(4 481)**	-
Gain on acquisition of subsidiary	**(1 731)**	-	**-**	-
Fair value loss on financial instruments at fair value through profit or loss	**19 407**	6 090	**19 003**	6 090
Interest received on the Rockcastle management incentive loans	**(2 150)**	(1 149)	**(2 150)**	(1 149)
Interest paid on borrowings	**7 871**	7 836	**4 293**	7 668
Interest income on intercompany loans	**-**	-	**(237)**	(99)
Interest and facilitation fee	**(441)**	-	**(426)**	-
Interest on development partner loan	**(768)**	-	**(768)**	-
Depreciation	**111**	-	**-**	-
Capitalised interest	**(1 856)**	(179)	**-**	-
Straight lining of rental revenue adjustment	**(199)**	-	**-**	-
Fair value gain on investment property	**(43 228)**	-	**-**	-
Foreign exchange (gain)/loss	**(12 169)**	77 935	**19 072**	74 212
	120 935	73 651	**75 576**	72 334
Changes in working capital				
(Increase)/decrease in trade and other receivables	**(37 453)**	(10 732)	**4 703**	(6 446)
Increase/(decrease) in trade and other payables	**46 922**	(1 866)	**(1 000)**	(2 872)
	130 404	61 053	**79 279**	63 016

22.2 Dividends paid to shareholders

	Group and Company	
	2016 USD'000	2015 USD'000
Dividends payable at the beginning of the period	**-**	-
Dividends declared during the period*	**(126 080)**	(62 508)
Shares issued in lieu of cash dividends	**110 365**	32 274
Dividends payable at the end of the period	**-**	-
Total dividends declared and paid in cash	**(15 715)**	(30 234)

*The dividend declared during the period relates to:

- the 2015 financial year final dividend of 4.42 USD cents per share paid in September 2015. Shareholders were given the option to either receive a cash dividend or 2.096 new Rockcastle shares for every 100 Rockcastle shares held by the shareholder at the record date. There were 889 241 328 shares in issue that received the dividend.

- the 2016 financial period interim dividend of 4.631 USD cents per share paid in March 2016. Shareholders were given the option to either receive a cash dividend or 2.167 new Rockcastle shares for every 100 Rockcastle shares held by the shareholder at the record date. There were 912 540 104 shares in issue that received the dividend.

- the 2016 financial period interim dividend of 4.782 USD cents per share paid in September 2016. Shareholders were given the option to either receive a cash dividend or 1.937 new Rockcastle shares for every 100 Rockcastle shares held by the shareholder at the record date. There were 931 477 319 shares in issue that received the dividend.

22.3 Income tax paid

	Group	Company	Group and Company
	2016 USD'000	2016 USD'000	2015 USD'000
Income tax payable at the beginning of the period	**(20)**	**(20)**	(607)
Charged to the statement of comprehensive income during the period	**(69)**	**(69)**	(20)
Acquired through business acquisitions	**(516)**	**-**	-
Income tax payable at the end of the period	**69**	**69**	20
	(536)	**(20)**	(607)

23 Contingent liabilities

The company has entered into guarantee agreements with the Standard Bank of South Africa ("Standard Bank") as Guarantor, providing credit support to the following Borrowers for their obligations under their facility agreements with Standard Bank:

- Ndola Kafubu Investments Limited ("NKIL"): guarantee issued by the company for a maximum amount of USD5 million.

- Kitwe Mukuba Investments Limited ("KMIL"): guarantee issued by the company for a maximum amount of USD11.5 million.

Both of these companies were sold during the year, as referred to in note 32, to Delta International Mauritius Limited ("Mara Delta"). The company provided a vendor loan of USD2.5 million to KMIL and also continued to provide the aforementioned credit support to the entities sold to Mara Delta, being NKIL and KMIL. Mara Delta has also entered into a Guarantee Agreement with the company whereby Mara Delta guarantees the repayment of the USD19 million advanced to NKIL and KMIL on similar terms to the one between the company and Standard Bank.

24 Segmental reporting

	Corporate USD'000	Listed Securities USD'000	Direct Property USD'000	Total USD'000
Segment results 31 December 2016				
Net rental and related revenue	-	-	36 942	36 942
Recoveries and contractual rental revenue	-	-	49 417	49 417
Straight-lining of rental revenue adjustment	-	-	199	199
Rental revenue	-	-	49 616	49 616
Property operating expenses	-	-	(12 674)	(12 674)
Income/(loss) from derivatives and listed securities	-	92 114	(1 860)	90 254
Income from joint ventures	-	-	8 969	8 969
Adjustment on sale of interest in joint ventures	-	-	(706)	(706)
Gain on acquisition of subsidiary	-	-	1 731	1 731
Fair value gain on investment property, listed security investments and financial instruments at fair value through profit or loss	-	91 238	42 962	134 200
Adjustment resulting from straight-lining of rental revenue	-	-	(199)	(199)
Fair value gain on investment property	-	-	43 228	43 228
Fair value loss on financial instruments at fair value through profit or loss		(19 340)	(67)	(19 407)
Fair value gain on listed security investments	-	110 578	-	110 578
Foreign exchange (loss)/gain	-	(19 528)	31 697	12 169
Operating expenses	(4 925)	-	(1 049)	(5 974)
Profit/(loss) before net finance income	(4 925)	163 824	118 686	277 585
Net finance income/(costs)	2 150	(4 293)	(513)	(2 656)
Finance income	2 150	-	1 209	3 359
Interest on Rockcastle management incentive loans	2 150	-	-	2 150
Interest and facilitation fee	-	-	441	441
Interest on development partner loans	-	-	768	768
Finance costs	-	(4 293)	(1 722)	(6 015)
Interest on borrowings	-	(4 293)	(3 578)	(7 871)
Capitalised interest	-	-	1 856	1 856
Profit before income tax expense	(2 775)	159 531	118 173	274 929
Income tax expense	-	(69)	(6 769)	(6 838)
Profit for the period	**(2 775)**	**159 462**	**111 404**	**268 091**

	Corporate USD'000	Listed Securities USD'000	Direct Property USD'000	Total USD'000
Segment results 30 June 2015				
Net rental and related revenue	-	-	1 992	1 992
Recoveries and contractual rental revenue	-	-	2 240	2 240
Straight-lining of rental revenue adjustment	-	-	415	415
Rental revenue	-	-	2 655	2 655
Property operating expenses	-	-	(663)	(663)
Income from derivatives and listed securities	-	77 931	-	77 931
Income from joint ventures	-	-	5 892	5 892
Fair value gain on investment property, listed security investments and financial instruments at fair value through profit or loss	-	15 052	(415)	14 637
Adjustment resulting from straight-lining of rental revenue	-	-	(415)	(415)
Fair value loss on financial instruments at fair value through profit or loss	-	(6 090)	-	(6 090)
Fair value gain on listed security investments	-	21 142	-	21 142
Foreign exchange loss	-	(77 935)	-	(77 935)
Operating expenses	(2 773)	-	(221)	(2 994)
(Loss)/profit before net finance income	(2 773)	15 048	7 248	19 523
Net finance income/(costs)	1 149	(11 566)	1 046	(9 371)
Finance income	1 149	-	1 214	2 363
Interest on Rockcastle management incentive loans	1 149	-	-	1 149
Interest on development partner loans	-	-	1 214	1 214
Finance costs	-	(11 566)	(168)	(11 734)
Interest on borrowings	-	(11 745)	(168)	(11 913)
Capitalised interest	-	179	-	179
(Loss)/profit before income tax expense	(1 624)	3 482	8 294	10 152
Income tax expense	-	(20)	-	(20)
Profit/(loss) for the period	**(1 624)**	**3 462**	**8 294**	**10 132**

	Corporate USD'000	Listed Securities USD'000	Direct Property USD'000	Total USD'000
Segment Assets 31 December 2016				
Non-current assets	**26 968**	**383 994**	**1 328 122**	**1 739 084**
Investment property	-	-	1 258 786	1 258 786
Straight-lining of rental revenue adjustment	-	-	199	199
Investment property under development	-	-	5 611	5 611
Intangible assets	-	-	7 341	7 341
Goodwill	-	-	17 433	17 433
Listed security investments	-	383 994	-	383 994
Property, plant and equipment	-	-	499	499
Investment in and loans to joint ventures	-	-	37 000	37 000
Deferred tax assets	-	-	1 253	1 253
Rockcastle management incentive loans	26 968	-	-	26 968
Current assets	**2 869**	**265 827**	**71 522**	**340 218**
Investment income receivable	-	2 810	-	2 810
Cash and cash equivalents	105	489	23 496	24 090
Trade and other receivables	2 764	-	47 612	50 376
Equity derivative collateral	-	244 524	-	244 524
Financial assets at fair value through profit or loss	-	18 004	-	18 004
Income tax receivable	-	-	414	414
Total assets	**29 837**	**649 821**	**1 399 644**	**2 079 302**
Segment Liabilities 31 December 2016				
Non-current liabilities	**-**	**-**	**450 552**	**450 552**
Interest-bearing borrowings - non-current	-	-	425 230	425 230
Deferred tax liabilities	-	-	25 322	25 322
Current liabilities	**52**	**8 761**	**63 299**	**72 112**
Trade and other payables	52	3 092	60 728	63 872
Interest-bearing borrowings - current	-	-	1 538	1 538
Financial liabilities at fair value through profit or loss	-	5 600	1 033	6 633
Income tax payable	-	69	-	69
Total liabilities	**52**	**8 761**	**513 851**	**522 664**

	Corporate USD'000	Listed Securities USD'000	Direct Property USD'000	Total USD'000
Segment Assets 30 June 2015				
Non-current assets	25 129	2 161 724	108 286	2 295 139
Investment property	-	-	58 708	58 708
Straight-lining of rental revenue adjustment	-	-	415	415
Investment property under development	-	-	7 436	7 436
Listed security investments	-	2 161 724	-	2 161 724
Investment in and loans to joint ventures	-	-	41 727	41 727
Rockcastle management incentive loans	25 129	-	-	25 129
Current assets	40	29 909	1 417	31 366
Investment income receivable	-	7 589	-	7 589
Cash and cash equivalents	40	2 139	856	3 035
Trade and other receivables	-	-	561	561
Financial assets at fair value through profit or loss	-	14 849	-	14 849
Loans to development partner	-	5 332	-	5 332
Total assets	25 169	2 191 633	109 703	2 326 505
Segment Liabilities 31 December 2015				
Non-current liabilities	-	-	16 614	16 614
Interest-bearing borrowings - non-current	-	-	16 614	16 614
Current liabilities	185	1 067 756	822	1 068 763
Trade and other payables	185	1 984	822	2 991
Interest-bearing borrowings - current	-	1 063 777	-	1 063 777
Financial liabilities at fair value through profit or loss	-	1 975	-	1 975
Income tax payable	-	20	-	20
Total liabilities	185	1 067 756	17 436	1 085 377

Geographical segment information

	2016							
	Poland USD'000	Czech Republic USD'000	Zambia USD'000	United Kingdom USD'000	France USD'000	USA USD'000	Other** USD'000	Total 2016 USD'000
Net rental and related income	**33 883**	**2 800**	**-**	**259**	**-**	**-**	**-**	**36 942**
Income from joint ventures	**-**	**-**	**8 263**	**-**	**-**	**-**	**-**	**8 263**
Income from derivatives and listed securities	**-**	**-**	**-**	**20 226**	**11 739**	**51 591**	**6 698**	**90 254**
Investment property*	**1 175 270**	**86 733**	**37 000**	**2 593**	**-**	**-**	**-**	**1 301 596**

	2015						
	Poland USD'000	United Kingdom USD'000	Zambia USD'000	France USD'000	USA USD'000	Other** USD'000	Total 2015 USD'000
Net rental and related income	1 895	97	-	-	-	-	1 992
Income from joint ventures	-	-	5 892	-	-	-	5 892
Income from derivatives and listed securities	-	7 260	-	4 000	40 431	26 240	77 931
Investment property*	63 225	3 334	41 727	-	-	-	108 286

*Includes investment property under development, investment in and loans to joint ventures and straight-lining of rental revenue adjustment.
**Revenue from Singapore, Australia, Hong Kong and Canada.

25 Earnings and diluted earnings per share

The calculation of basic earnings per share for the period ended 31 December 2016 is based on the income attributable to ordinary equity holders of USD267.45 million (2015: income of USD10.13 million) and the weighted average of 916 429 393 (2015: 772 800 853) ordinary shares in issue during the period. The company has no dilutionary instruments in issue.

The weighted average number of shares for basic and diluted earnings per share purposes is presented below.

Group and company

2016	Event	Number of shares	% of period	Weighted average
1 Jul 2015	Opening balance	**847 862 018**	**100**	**847 862 018**
9 Sep 2015	Book build	**41 379 310**	**87**	**36 037 618**
11 Sep 2015	Private placement	**5 940 000**	**87**	**5 151 600**
28 Sep 2015	Scrip dividend	**17 358 776**	**84**	**14 518 249**
8 Mar 2016	Scrip dividend	**18 454 215**	**54**	**9 998 829**
31 Aug 2016	Private placement	**483 000**	**22**	**107 138**
14 Sep 2016	Scrip dividend	**14 024 700**	**20**	**2 753 941**
31 Dec 2016	Period end	**945 502 019**		**916 429 393**

2015	Event	Number of shares	% of year	Weighted average
1 Jul 2014	Opening balance	705 500 000	100	705 500 000
2 Oct 2014	Private placement	64 200 000	74	47 666 302
23 Mar 2015	Scrip dividend	14 669 955	27	3 978 974
1 Apr 2015	Book build	63 492 063	25	15 655 577
30 Jun 2015	Year end	847 862 018		772 800 853

26 Headline earnings and diluted earnings per share

The calculation of basic headline earnings per share for the period ended 31 December 2016 is based on headline earnings of USD217.84 million (2015: earnings of USD5.32 million) and the weighted average of 916 429 393 (2015: 772 800 853) ordinary shares in issue during the period.

There were no reconciling items to the income for the period attributable to equity holders to reach the headline earnings.

	Group		Company	
	2016 USD'000	2015 USD'000	2016 USD'000	2015 USD'000
Reconciliation of profit for the period to headline earnings				
Basic earnings - profit for the period attributable to equity holders	**267 449**	10 132	**918 038**	6 734
Adjusted for:				
- fair value gain on investment property of joint ventures	**(5 360)**	(4 814)	**-**	-
- adjustment on sale of interest in joint ventures	**706**	-	**(4 481)**	-
- fair value gain on investment property	**(43 228)**	-	**-**	-
- gain on acquisition of subsidiary	**(1 731)**	-	**-**	-
- gain on disposal of listed security investment	**-**	-	**(776 471)**	-
Headline earnings	**217 836**	5 318	**137 086**	6 734
Headline earnings per share (USD cents)	**23.77**	0.69	**14.96**	0.87

Rockcastle has no dilutionary instruments in issue.

27 Subsequent events

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

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

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

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

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

After the statement of financial position date the VAT receivable reflected in note 13 was received in full by Rockcastle and the payable to Aviva (reflected in note 18) was settled in full.

The Directors are not aware of any other subsequent events from 31 December 2016 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

28 Operating lease rentals

	Group 2016 USD'000	2015 USD'000
Contractual rental revenue from tenants can be analysed as follows:		
Within one year	**96 346**	4 545
Within two to five years	**243 973**	10 048
More than five years	**77 469**	490
	417 788	15 083

29 Financial instruments

29.1 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.

	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Listed security investments	**315 063**	**-**	1 883 150	1 883 150
Rockcastle management incentive loans	**26 968**	**26 968**	25 129	25 129
Loan to development partners	**-**	**-**	5 332	5 332
Receivables	**53 186**	**2 952**	8 150	7 592
Intercompany loans	**-**	**2 191 860**	-	82 823
Equity derivative collateral	**244 524**	**-**	-	-
Financial assets at fair value through profit or loss	**18 004**	**-**	14 849	14 849
Cash and cash equivalents	**24 090**	**8 845**	3 035	1 754
	681 835	**2 230 625**	1 939 645	2 020 629
The maximum exposure to credit risk for loans at the reporting date was:				
Rockcastle management incentive loans	**26 968**	**26 968**	25 129	25 129
Shares pledged as security	**(38 360)**	**(38 360)**	(39 220)	(39 220)
Intercompany loans	**-**	*****	-	*
Net exposure	**-**	**-**	-	-
Loan to development partners	**-**	**-**	5 332	5 332
Net exposure	**-**	**-**	5 332	5 332

None of the borrowers to whom loans were granted were in breach of their obligations.

No impairment allowance is necessary in respect of loans as the fair value of the security provided exceeds the value of the loans.

The loans to development partners were secured by a pledge of the shares in the company in which the underlying land and development was held. At the statement of financial position date the value of the land and development exceeded the loan to the development partner.

* The exposure to intercompany loans of USD2 192 million is indirectly secured as a result of the net asset value of the underlying subsidiaries exceeding the outstanding loan amount.

The maximum exposure to credit risk for receivables at the reporting date by segment was:

	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
Corporate	**2 764**	**2 952**	561	3
Listed securities	**2 810**	**-**	7 589	7 589
Direct property	**47 612**	**-**	-	-
Total receivables	**53 186**	**2 952**	8 150	7 592

The ageing of all receivables at the reporting date was less than 90 days. The company believes that no impairment allowance is necessary in respect of trade receivables as a comprehensive analysis of outstanding amounts are performed on a regular basis and impairment losses are accounted for timeously. The company believes that where trade receivables pertain to investment income receivable, that the respective companies to which these amounts relate are liquid and solvent and will be able to pay the distribution declared on the prescribed payment date and where they relate to interest rate swaps that the counterparty involved is sufficiently liquid and solvent and would be able to pay any outstandings as and when required.

There are no significant concentrations of credit risk.

	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
Gross receivables:				
Not past due	**53 186**	**2 952**	8 150	7 592
Past due not impaired	**-**	**-**	-	-
	53 186	**2 952**	8 150	7 592

29.2 Liquidity risk

The group 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 enable 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. Refer to note 17 for bank loan maturity analysis.

The following are the contractual maturities of financial liabilities, excluding interest payments:

	Carrying value USD'000	Contractual outflows USD'000	1-12 months USD'000	2-5 years USD'000
Group - 2016				
Interest-bearing borrowings	**426 768**	**426 768**	**1 538**	**425 230**
Financial liabilities at fair value through profit or loss	**6 633**	**6 633**	**6 633**	**-**
Tenant deposits	**2 656**	**2 656**	**2 656**	**-**
Trade and other payables	**61 216**	**61 216**	**61 216**	**-**
Company - 2016				
Trade and other payables	**2 963**	**2 963**	**2 963**	**-**
Group - 2015				
Interest-bearing borrowings	1 080 391	1 080 391	1 063 777	16 614
Financial liabilities at fair value through profit or loss	1 975	1 975	1 975	-
Tenant deposits	205	205	205	-
Trade and other payables	2 786	2 786	2 786	-
Company - 2015				
Interest-bearing borrowings	1 063 777	1 063 777	1 063 777	-
Financial liabilities at fair value through profit or loss	1 975	1 975	1 975	-
Trade and other payables	1 988	1 988	1 988	-

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

Permitted borrowings:	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
Total assets	**2 079 302**	**2 238 265**	2 326 505	2 304 651
60% of total assets	**1 247 581**	**1 342 959**	1 395 903	1 382 791
Total interest-bearing borrowings	**(426 768)**	**-**	(1 080 391)	(1 063 777)
Unutilised borrowing capacity per company mandate	**820 813**	**1 342 959**	315 512	319 014

29.3 Market risk

29.3.1 Interest rate risk

	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
Interest-bearing instruments comprise:				
Variable rate instruments				
Cash and cash equivalents	**24 090**	**8 845**	3 035	1 754
Equity derivative collateral	**244 524**	**-**	-	-
Interest-bearing borrowings	**(255 705)**	**-**	(1 080 391)	(1 063 777)
	12 909	**8 845**	(1 077 356)	(1 062 023)
Fixed rate instruments				
Interest-bearing borrowings	**(171 063)**	**-**	**-**	**-**

The exposure of the group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	1-12 months USD'000	2-5 years USD'000	More than 5 years USD'000	Total USD'000
2016				
Total borrowings	**1 538**	**254 167**	-	**255 705**
2015				
Total borrowings	1 063 777	16 614	-	1 080 391

Details of existing interest rate derivatives are:

Group 2016	Swap maturity	Nominal amount USD'000	Average swap rate	Fair value USD'000
	Dec 2018	**74 077**	**0.73%**	**23**
	Dec 2019	**74 077**	**0.78%**	**151**
	Dec 2020	**223 301**	**0.15%**	**(575)**
	Dec 2021	**42 101**	**0.53%**	**(1 088)**
	Dec 2025	**161 423**	**1.82%**	**(3 085)**
		574 979	**0.80%**	**(4 574)**

Group 2015	Swap maturity	Nominal amount USD'000	Average swap rate	Fair value USD'000
	Jun 2020	80 735	0.79%	188
	Jun 2022	27 868	0.49%	498
	Jun 2025	404 755	1.96%	14 010
		513 358	1.70%	14 696

Interest rate swaps are used to hedge the interest rate risk relating to listed security investments as disclosed in note 6.

Cash flow sensitivity analysis for variable rate instruments

Interest

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit or loss before income tax by the amounts shown below.

This analysis assumes that all other variables remain constant.

	Profit or loss before income tax increase USD'000	Profit or loss before income tax decrease USD'000
Group 2016		
Cash and cash equivalents	**241**	**(241)**
Equity derivative collateral	**2 445**	**(2 445)**
Interest-bearing borrowings	**(2 318)**	**2 318**
Cash flow sensitivity (net)	**368**	**(368)**
Company 2016		
Cash and cash equivalents	**88**	**(88)**
Cash flow sensitivity (net)	**88**	**(88)**
Group 2015		
Cash and cash equivalents	30	(30)
Interest-bearing borrowings	(5 670)	5 670
Cash flow sensitivity (net)	(5 640)	5 640
Company 2015		
Cash and cash equivalents	18	(18)
Interest-bearing borrowings	(5 670)	5 670
Cash flow sensitivity (net)	(5 652)	5 652

29.3.2 Equity price risk

The carrying amount of financial assets represents the maximum equity price risk exposure. The maximum exposure to equity price risk at the reporting date was:

	Group 2016 USD'000	Company 2016 USD'000	Group and Company 2015 USD'000
Listed security investments*	**1 195 502**	**-**	2 161 724
Financial assets at fair value through profit or loss	**18 004**	**-**	14 849

*Based on gross listed security investment exposure as reflected in note 6.

A one percent change in the market value of investments would have increased/(decreased) equity and profit and loss by the amounts shown below.

This analysis assumes that all other variables remain constant.

	Profit or loss before income tax increase USD'000	Profit or loss before income tax decrease USD'000
Group and Company 2016		
Listed security investments	**11 955**	**(11 955)**
Financial assets at fair value through profit or loss	**180**	**(180)**
Group and Company 2015		
Listed security investments	21 617	(21 617)

29.3.3 Currency risk

The group has assets and liabilities in currencies other than US Dollars, its reporting currency. The group is exposed to foreign currency risk on assets and liabilities denominated in Great British Pound Sterling (GBP), Czech Crown (CZK), Euro (EUR), Australian Dollar (AUD), Singapore Dollar (SGD), Canadian Dollar (CAD), Polish Zloty (PLN) and Zambian Kwacha (ZMW).

The group is mainly exposed to foreign exchange risk arising due to fluctuations of the US Dollar *vis-à-vis* other currencies. The group hedges its currency exposure on distributable income.

The company's direct property assets are predominantly valued in EUR and therefore are exposed to currency risk at reporting dates by virtue of movements between the EUR/USD rate of conversion. The group views such movements as unrealised exchange rate differences due to the long term direct property holding strategy.

At 31 December 2016 if the US Dollar had weakened/strengthened by 1% against the other currencies with all other variables being constant, profit or loss before income tax for the period would have been impacted as follows:

	Profit or loss before income tax USD weakened 1% USD'000	Profit or loss before income tax USD strenghtened 1% USD'000
Group 2016		
Investments at fair value through profit or loss	**3 963**	**(3 963)**
Equity derivative collateral	**(3 900)**	**3 900**
Rockcastle management incentive loans	**270**	**(270)**
Investment income receivable	**4**	**(4)**
	337	**(337)**
Company 2016		
Rockcastle management incentive loans	**270**	**(270)**
Investment income receivable	**2**	**(2)**
Cash and cash equivalents	**31**	**(31)**
	303	**(303)**
Group 2015		
Investments at fair value through profit or loss	10 364	(10 364)
Receivables	138	(138)
Cash and cash equivalents	21	(21)
	10 523	(10 523)
Company 2015		
Investments at fair value through profit or loss	10 364	(10 364)
Receivables	108	(108)
Cash and cash equivalents	9	(9)
	10 481	(10 481)

Investments at fair value through profit or loss above include listed security investments (as per note 6) and equity swap derivatives in the financial statement line item: financial assets at fair value through profit or loss (as per note 15).

29.3.4 Fair values

The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

30 Accounting estimates and judgements

Management discusses with the audit committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

30.1 Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the company's view of possible near-term

	Level	Designated at fair value USD'000	Loans and receivables USD'000	Amortised cost USD'000	Total carrying amount USD'000
Group 2016					
Listed security investments	1	383 994			383 994
Rockcastle management incentive loans	3		26 968		26 968
Investment income receivable	3		2 810		2 810
Financial assets at fair value through profit or loss	2	18 004			18 004
Trade and other receivables	3		50 376		50 376
Cash and cash equivalents	3			24 090	24 090
Equity derivative collateral	3			244 524	244 524
Interest-bearing borrowings	3			(426 768)	(426 768)
Trade and other payables	3			(63 872)	(63 872)
Financial liabilities at fair value through profit or loss	2	(6 633)			(6 633)
		395 365	80 154	(222 026)	253 493
Company 2016					
Rockcastle management incentive loans	3		26 968		26 968
Loans to subsidiaries	3		2 191 860		2 191 860
Investment income receivable	3		190		190
Trade and other receivables	3		2 762		2 762
Cash and cash equivalents	3			8 845	8 845
Trade and other payables	3			(2 963)	(2 963)
		-	2 221 780	5 882	2 227 662
Group 2015					
Listed security investments	1	2 161 724			2 161 724
Rockcastle management incentive loans	3		25 129		25 129
Investment income receivable	3		7 589		7 589
Financial liabilities at fair value through profit or loss	2	(1 975)			(1 975)
Financial assets at fair value through profit or loss	2	14 849			14 849
Loans to development partners	3		5 332		5 332
Trade and other receivables	3		561		561
Cash and cash equivalents	3			3 035	3 035
Interest-bearing borrowings	3			(1 080 391)	(1 080 391)
Trade and other payables	3			(2 991)	(2 991)
		2 174 598	38 611	(1 080 347)	1 132 862
Company 2015					
Listed security investments	1	2 161 724			2 161 724
Rockcastle management incentive loans	3		25 129		25 129
Investment income receivable	3		7 589		7 589
Financial liabilities at fair value through profit or loss	2	(1 975)			(1 975)
Financial assets at fair value through profit or loss	2	14 849			14 849
Loans to development partners	3		5 332		5 332
Loans to subsidiaries	3		82 823		82 823
Trade and other receivables	3		3		3
Cash and cash equivalents	3			1 754	1 754
Interest-bearing borrowings	3			(1 063 777)	(1 063 777)
Trade and other payable	3			(1 988)	(1 988)
		2 174 598	120 876	(1 064 011)	1 231 463

market changes that cannot be predicted with any certainty.

30.2 Revaluation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The group engaged independent valuation specialists to determine fair value as at 31 December 2016. The valuer used a valuation technique based on a discounted cash flow model and rental yield basis. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in note 3.

31 Related party transactions

Identity of related parties with whom material transactions have occurred

The subsidiaries, joint ventures and directors are related parties. The subsidiaries of the company are identified in note 7 and the joint ventures in note 8. Director information is available on the company's website: www.rockcastleglobal.com.

Material related party transactions

Loans to subsidiaries are set out in note 7 and transactions with joint ventures are disclosed in note 8. Interest received from subsidiaries is set out in the statement of

	Group						Company					
	For the 18 months ended 31 Dec 2016 Remuneration USD'000	For the 18 months ended 31 Dec 2016 Bonus USD'000	For the 18 months ended 31 Dec 2016 For services as director USD'000	For the 12 months ended 30 Jun 2015 Remuneration USD'000	For the 12 months ended 30 Jun 2015 Bonus USD'000	For the 12 months ended 30 Jun 2015 For services as director USD'000	For the 18 months ended 31 Dec 2016 Remuneration USD'000	For the 18 months ended 31 Dec 2016 Bonus USD'000	For the 18 months ended 31 Dec 2016 For services as director USD'000	For the 12 months ended 30 Jun 2015 Remuneration USD'000	For the 12 months ended 30 Jun 2015 Bonus USD'000	For the 12 months ended 30 Jun 2015 For services as director USD'000
Executive directors												
Karen Bodenstein (1)	**48**	**-**		-	-		**48**	**-**		-	-	-
Nick Matulovich	**368**	**208**		161	-		**290**	**-**		161	-	-
Marek Noetzel (2)	**117**	**20**		-	-		**-**	**-**		-	-	-
Spiro Noussis	**718**	**408**		406	-		**412**	**-**		406	-	-
Paul Pretorius (3)	**75**	**-**		188	-		**75**	**-**		188	-	-
	1 326	**636**		755	-	-	**825**	**-**	**-**	755	-	-
Non-executive directors												
Andries de Lange (4)			**6**			21			**6**			21
Rory Kirk (chairman of the audit, remuneration and social and ethics committees)			**33**			21			**33**			21
Yan Ng (5)			**-**			-			**-**			-
Mark Olivier (chairman of the board and the nomination committee)			**33**			21			**33**			21
Barry Stuhler (6)			**27**			-			**27**			-
Andre van der Veer (chairman of the investment and risk committees)			**33**			21			**33**			21
	-	**-**	**132**	-	-	84	**-**	**-**	**132**	-	-	84
Total directors remuneration	**1 326**	**636**	**132**	755	-	84	**825**	**-**	**132**	755	-	84

(1) Karen Bodenstein was appointed to the board in November 2015.
(2) Marek Noetzel was appointed to the board in August 2016.
(3) Paul Pretorius resigned from the board in November 2015.
(4) Andries de Lange resigned from the board in September 2015.
(5) Yan Ng's remuneration is incorporated into the fees paid by the company to Intercontinental Trust Limited, the company secretary.
(6) Barry Stuhler was appointed to the board in September 2015.

comprehensive income. Remuneration paid to executive and non-executive directors is set out below.

Rockcastle management incentive loans to directors are set out in note 9.

Interest paid by directors to the Rockcastle share incentive scheme amounted to USD2.151 million (2015: 1.149 million).

Related party transactions are made in the normal course of business. For the period ended 31 December 2016, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil). This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

32 Business combinations

During the period the group made two acquisitions in Poland via company acquisitions for a total consideration of USD244.4 million, resulting in USD17.4 million goodwill due to a deferred tax liability as well as a gain on acquisition of subsidiary of USD1.7 million, as at the respective acquisition dates. The group is continually looking for direct property investment opportunities in Central and Eastern Europe in line with its investment strategy to increase the proportion of its investment asset base in direct property and reduce its listed security investments.

Bonarka Group

On 20 September 2016 the group finalised the 100% acquisition of Bonarka Property sp.zo.o, an investment holding company, Bonarka City Center sp.zo.o, a property holding company, and Energit sp.zo.o, an energy distribution company, from TPG.

The fair value of the respective companies' identifiable assets and liabilities at the acquisition date are detailed below.

	USD'000
Investment property	395 063
Property, plant and equipment	17
Intangible asset	7 795
Cash and cash equivalents	8 639
Trade and other receivables	3 234
Trade and other payables	(9 594)
Deferred tax liabililty	(18 442)
Income tax payable	(308)
Interest-bearing borrowings	(249 570)
Total identifiable net assets at fair value	136 834
Goodwill arising on acquisition	17 433
Total consideration paid - cash	154 267

From the effective acquisition date, the companies have contributed USD16.5 million to profit after tax and USD6.4 million to the group's recoveries and contractual rental revenue.

Liberec Property s.r.o

On 24 June 2016 the group finalised the 100% acquisition of Liberec Property s.r.o., a property holding company, from Tesco Holdings B.V.

The fair value of the respective company's identifiable assets and liabilities at the acquisition date are detailed below.

	USD'000
Investment property	89 546
Cash and cash equivalents	2 048
Trade and other receivables	565
Deferred tax asset	1 412
Trade and other payables	(1 517)
Income tax payable	(208)
Total identifiable net assets at fair value	91 846
Bargain purchase arising on acquisition	(1 731)
Total consideration paid - cash	90 115

From the effective acquisition date, the company has contributed USD4.1 million to profit after tax and USD3.8 million to he group's recoveries and contractual rental revenue.

The gain on acquisition of USD1.7 million was recognised in the statement of comprehensive income.

On 1 December 2015 the group also disposed of its 100% interests in Ndola Kafubu Investments Limited and Kitwe Mukuba Investments Limited for a total consideration of USD20.03 million. These subsidiaries held the group's 50% interest in joint venture investments in Kafubu Mall and Mukuba Mall respectively, in Zambia.

	USD'000
Ndola Kafubu Investments Limited	
Investment in and loans to joint venture	10 197
Interest-bearing borrowings	(5 022)
Total identifiable net assets at fair value	5 175
Adjustment on sale of interest	(1 099)
Consideration received - cash	4 076

	USD'000
Kitwe Mukuba Investments Limited	
Investment in and loans to joint venture	31 187
Interest-bearing borrowings	(11 550)
Total identifiable net assets at fair value	19 637
Adjustment on sale of interest	393
Total consideration received	20 030
Total consideration received was as follows:	20 030
Consideration received - cash	17 530
Consideration received - loan receivable	2 500

An adjustment on sale of interest in joint ventures of USD0.71 million was recognised in the statement of comprehensive income.

33 Income from joint ventures

	Group 2016 USD'000	Company 2016 USD'000	Group 2015 USD'000	Company 2015 USD'000
Income from joint ventures	**8 969**	**-**	5 892	-
Adjustment on sale of shares*	**(706)**	**4 481**	-	-
	8 263	**4 481**	5 892	-

* As indicated in note 32 above, the group's interest in joint ventures was held via Ndola Kafubu Investments Limited and Kitwe Mukuba Investments Limited ("the subsidiaries") which each owned a 50% interest in the underlying joint venture investments of Kafubu Mall and Mukuba Mall respectively ("the joint venture investments"). The company had a 100% direct investment in the subsidiaries and realised an accounting profit on sale of these investments whilst the group recognised an accounting loss on sale of the entire investment due to the allocation of Rockcastle's 50% share of income from the joint venture investments.

34 Standards and interpretations

Statement of compliance with International Financial Reporting Standards ("IFRS")

The company applies all applicable IFRS as issued by the International Accounting Standards Board ("IASB") in preparation of the financial statements.

34.1 Standards, amendments to published standards and interpretations effective in the reporting period

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations: The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment had no impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation: The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment had no impact on the Group's financial statements.

Amendments to IAS 27, Equity method in separate financial statements: The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment had no impact on the Group's financial statements.

Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants: IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property, plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle:

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution" or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment had no impact on the Group's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment had no impact on the Group's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment had no impact on the Group's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment had no impact on the Group's financial statements.
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment had no impact on the Group's financial statements.

Amendments to IAS 1, Disclosure Initiative: The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of other comprehensive income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception. The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Group's financial statements.

34.2 Standards, amendments to published standards and interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contract with Customers
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16 Leases
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Amendments to IAS 7 Statement of Cash Flows
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Annual Improvements to IFRSs 2014–2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Transfers of Investment Property (Amendments to IAS 40)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 30.

35 Distributable earnings per share

The calculation of distributable earnings per share was based on the profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 31 December 2016.

	Unaudited For the 18 months ended 31 Dec 2016 USD'000	Unaudited For the 12 months ended 30 Jun 2016 USD'000
Profit for the period attributable to equity holders	**267 449**	10 132
Basic profit for the period	**267 449**	10 132
Foreign exchange (gain)/loss	**(12 169)**	77 935
Fair value loss on bond shorts	**-**	11 421
Fair value gain on listed security investments	**(110 578)**	(21 142)
Unrealised fair value loss on financial instruments at fair value through profit or loss	**20 969**	(5 331)
Fair value gain on investment property	**(43 228)**	-
Income from derivatives and listed securities	**(90 254)**	(77 931)
Gain on acquisition of subsidiary	**(1 731)**	-
Accrued income from listed securities investments	**102 118**	76 962
Adjustments related to joint ventures		
Fair value adjustments of investment property	**(6 066)**	(4 729)
Adjustment on sale of interest in joint ventures	**706**	-
Shares issued *cum* dividend	**1 977**	3 102
Deferred tax expense	**6 649**	-
Distributable earnings for the period	**135 842**	70 419
Less:	**(135 842)**	(70 419)
Interim dividend declared	**(42 260)**	(32 943)
Interim dividend declared	**(44 520)**	-
Final dividend declared	**(49 062)**	(37 476)
Earnings not distributed	**-**	-
Number of shares entitled to distribution	**945 502 019**	847 862 018
Distributable earnings per share (USD cents)	**14.60**	8,70
Less (USD cents per share):	**(14.60)**	(8.70)
Interim dividend per share (USD cents) - declared	**(4.63)**	(4.28)
Interim dividend per share (USD cents) - declared	**(4.78)**	-
Final dividend per share (USD cents) - declared	**(5.19)**	(4.42)
Distributable earnings per share not distributed (USD cents)	**-**	-

The 2016 distributable earnings figure is arrived at by adjusting the accounting profit of USD267.449 million as follows:

a. Reversing the non-cash flow items recognised in the statement of comprehensive income below:

- A foreign exchange gain of USD12.2 million, which resulted from the conversion of the assets and liabilities in foreign currency during the course of the financial period at the prevailing closing spot rate at the end of the period.

- A positive fair value adjustment of USD110.6 million to reflect a net increase in the fair value of listed security investments at fair value through profit and loss.

- A negative net fair value adjustment of USD20.9 million indicating the movement in the market value of the company's interest rate derivatives.

- A positive fair value adjustment of USD43.2 million to reflect a net increase in the fair value of investment property at fair value through profit and loss.

- A positive impact of USD90.3 million representing dividends and derivative gains actually received from listed securities investments net of equity derivative interest on funding leg of the derivative. Distributable earnings is calculated with reference to dividends accrued on a daily basis from investments.

- A gain on acquisition of subsidiary of USD1.7 million, resulting from a subsidiary bargain purchase.

- A positive fair value adjustment of USD6.1 million to reflect a net increase in the fair value of investment property of joint venture at fair value through profit and loss.

- An adjustment of USD0.7 million on sale of interest in joint ventures.

- An adjustment of USD6.6 million relating to deferred tax liabilities primarily incurred on fair value upliftments on direct properties in Poland.

b. Recognising:

- Accrued dividends from equity investments, including effective currency income hedges entered into, of USD101.4million.

- An amount of USD2 million in respect of the shares that were issued *cum* dividend during the financial period.

Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2015

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 preparing these financial statements it is the Directors' responsibility to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- prepare financial statements which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

The Directors are responsible for keeping proper accounting records that 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 Group and Company financial statements were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

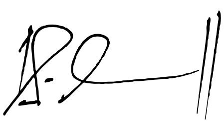
Alex Morar
Chief Executive Officer

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
16 March 2016



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 company statements of financial position as at 31 December 2015 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 3 February 2016 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 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- the parent company financial statements give a true and fair view of the financial position of the parent company as at 31 December 2015 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
16 March 2016

Statement of financial position

	Note	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
ASSETS					
Non-current assets		**1,829,440**	**1,368,193**	**1,581,447**	**1,460,030**
Investment property		1,732,760	1,269,299	–	–
— Investment property at fair value	9	1,576,019	978,980	–	–
— Investment property under development	10	156,741	208,246	–	–
— Advances for investment property	32	–	82,073	–	–
Goodwill	12	23,986	17,639	–	–
Investments in subsidiaries	5	–	–	140,230	140,220
Loans granted to subsidiaries	5	–	–	1,422,891	1,291,783
Investments in joint-ventures	33	15,640	13,241	–	–
Loans granted to joint-ventures	33	36,674	30,395	–	–
Other long-term assets	11	18,098	37,444	16,090	27,953
Financial assets at fair value through profit or loss	20	2,282	175	2,236	74
Current assets		**381,097**	**148,705**	**56,479**	**19,704**
Trade and other receivables	14	54,487	40,469	49,849	7,166
Loans granted to subsidiaries	5	–	–	5,622	11,175
Cash and cash equivalents	15	326,610	108,236	1,008	1,363
Investment property held for sale	16	**25,255**	**27,360**	–	–
TOTAL ASSETS		**2,235,792**	**1,544,258**	**1,637,926**	**1,479,734**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**1,496,550**	**1,241,289**	**1,635,022**	**1,475,579**
Share capital	17	2,986	2,746	2,986	2,746
Share premium	17	1,213,325	1,074,310	1,213,325	1,074,310
Share-based payment reserve	18	4,797	4,127	4,797	4,127
Currency translation reserve		(1,229)	(1,229)	–	–
Accumulated profit		275,042	167,133	413,914	394,396
Non-controlling interest	5	1,629	(5,798)	–	–
Total liabilities		**739,242**	**302,969**	**2,904**	**4,155**
Non-current liabilities		**661,717**	**241,345**	**2,149**	**3,496**
Bank borrowings	19	162,788	171,071	–	–
Bonds	19	392,140	–	–	–
Deferred tax liabilities	23	89,652	57,517	–	–
Other long-term liabilities	22	14,988	9,171	–	–
Financial liabilities at fair value through profit or loss	20	2,149	3,586	2,149	3,496
Current liabilities		**77,525**	**61,624**	**755**	**659**
Trade and other payables	21	62,827	38,365	572	333
Bank borrowings	19	13,424	23,259	183	326
Interest accrued on bonds	19	1,274	–	–	–
TOTAL EQUITY AND LIABILITIES		**2,235,792**	**1,544,258**	**1,637,926**	**1,479,734**
Net asset value per share (euro)	24	**5.01**	**4.52**		
Adjusted net asset value per share (euro)	24	**5.25**	**4.63**		

All amounts in Thousand Euro unless otherwise stated

Statement of comprehensive income

	Note	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Contractual rental income and expense recoveries		148,799	87,017	–	–
Property operating expenses		(44,732)	(25,268)	–	–
Net rental and related income	25	**104,067**	**61,749**	–	–
Administrative expenses	26	(6,695)	(2,839)	(1,732)	(1,576)
EBITDA*		**97,372**	**58,910**	**(1,732)**	**(1,576)**
Acquisition fees	27	(933)	(2,357)	(8)	(49)
Fair value adjustments of investment property	28	81,742	27,980	–	–
Fair value gains of financial investments at fair value through profit or loss	13	–	1,299	–	1,965
Dividends received from financial investments	13	–	2,417	–	2,417
Share-based payment expense	18	(670)	(675)	(670)	(675)
Foreign exchange loss		(339)	(241)	–	–
Gain on acquisition of subsidiaries	32	–	1,400	–	–
Gain on disposal of investment property		–	619	–	–
Other operating income		–	–	2,217	856
Profit before net finance (expense)/ income		**177,172**	**89,352**	**(193)**	**2,938**
Net finance (expense)/ income	29	**(916)**	**3,278**	**69,087**	**34,899**
— Finance income		7,613	7,315	71,101	35,219
— Finance expense		(8,529)	(4,037)	(2,014)	(320)
Changes in fair value of financial instruments		1,149	(1,866)	1,113	(2,792)
Share of profit of joint-ventures	33	2,399	4,148	–	–
Profit before tax		**179,804**	**94,912**	**70,007**	**35,045**
Deferred tax expense	23	(13,979)	(637)	–	–
Profit after tax		**165,825**	**94,275**	**70,007**	**35,045**
Total comprehensive income for the year		**165,825**	**94,275**	**70,007**	**35,045**
(Profit)/loss attributable to non-controlling interests	5	(7,427)	4,920	–	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**158,398**	**99,195**	**70,007**	**35,045**
Weighted average number of shares in issue	30	284,461,222	225,426,685		
Diluted weighted average number of shares in issue	30	285,813,260	229,775,959		
Basic weighted average earnings per share (euro cents)	30	**55.68**	**44.00**		
Diluted weighted average earnings per share (euro cents)	30	**55.42**	**43.17**		
Distributable earnings per share (euro cents)	30	35.34	29.69		

All amounts in Thousand Euro unless otherwise stated

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

Statement of changes in equity

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 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)	–	–	–	–
— Reclassification of the Current Share Scheme	7	6,641	(6,648)	–	–	–	–
— Earnings distribution	–	–	–	–	(8,657)	–	(8,657)
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**
Balance at 1 January 2015	**2,746**	**1,074,310**	**4,127**	**(1,229)**	**167,133**	**(5,798)**	**1,241,289**
Transactions with owners	240	139,015	670	–	(50,489)	–	89,436
— Issue of shares	205	129,767	–	–	–	–	129,972
— Sale of shares issued under the Initial Share Scheme	35	9,248	–	–	–	–	9,283
— Vesting of shares issued under the Initial Share Scheme	–	–	670	–	–	–	670
— Earnings distribution	–	–	–	–	(50,489)	–	(50,489)
Total comprehensive income	–	–	–	–	158,398	7,427	165,825
— Profit for the year	–	–	–	–	158,398	7,427	165,825
BALANCE AT 31 DECEMBER 2015	**2,986**	**1,213,325**	**4,797**	**(1,229)**	**275,042**	**1,629**	**1,496,550**

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 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	35,045
— Profit for the year	–	–	–	35,045	35,045
BALANCE AT 31 DECEMBER 2014	**2,746**	**1,074,310**	**4,127**	**394,396**	**1,475,579**
Balance at 1 January 2015	**2,746**	**1,074,310**	**4,127**	**394,396**	**1,475,579**
Transactions with owners	240	139,015	670	(50,489)	89,436
— Issue of shares	205	129,767	–	–	129,972
— Sale of shares issued under the Initial Share Scheme	35	9,248	–	–	9,283
— Vesting of shares issued under the Initial Share Scheme	–	–	670	–	670
— Earnings distribution	–	–	–	(50,489)	(50,489)
Total comprehensive income	–	–	–	70,007	70,007
— Profit for the year	–	–	–	70,007	70,007
BALANCE AT 31 DECEMBER 2015	**2,986**	**1,213,325**	**4,797**	**413,914**	**1,635,022**

All amounts in Thousand Euro unless otherwise stated

Statement of cash flows

	Note	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
OPERATING ACTIVITIES					
Profit after tax		165,825	94,275	70,007	35,045
Adjustments					
Fair value adjustments of investment property	28	(81,742)	(27,980)	–	–
Fair value gains on financial investments at fair value through profit or loss	13	–	(1,299)	–	(1,965)
Dividends received from financial investments	13	–	(2,417)	–	(2,417)
Share-based payment expense	18	670	675	670	675
Unrealised foreign exchange loss		339	241	–	–
Gain on disposal of investment property		–	(619)	–	–
Gain on acquisition of subsidiaries	32	–	(1,400)	–	–
Other operating income		–	–	(2,217)	(856)
Net finance (income)/expense	29	916	(3,278)	(69,087)	(34,899)
Changes in fair value of financial instruments		(1,149)	1,866	(1,113)	2,792
Deferred tax	23	13,979	637	–	–
Operating profit before changes in working capital		**98,838**	**60,701**	**(1,740)**	**(1,625)**
Changes in working capital					
(Increase)/decrease in trade and other receivables		(1,745)	(6,313)	14,581	5,550
Increase/(decrease) in trade and other payables		10,576	2,158	140	(60)
Interest paid		(11,938)	(9,720)	(2,059)	(1,863)
Interest received		4,485	3,469	33,466	16,238
CASH FLOWS FROM OPERATING ACTIVITIES		**100,216**	**50,295**	**44,388**	**18,240**
INVESTING ACTIVITIES					
Investments in acquistions and developments					
Acquisition of investment property		(154,305)	(226,136)	–	–
Gain on acquisition of subsidiaries	32	–	1,400	–	–
Gain on disposal of subsidiaries		–	619	–	–
Payments for acquisition of subsidiaries less cash acquired		(114,621)	(220,371)	–	–
Sale of investment property (net of selling cost)	16	–	(44)	–	–
Loans granted to third parties	11	8,000	–	–	–
Loans to joint-ventures – amounts granted	33	(6,400)	(6,680)	–	–
Loans to joint-ventures – amounts repaid	33	1,591	13,349	–	–
Loans granted to subsidiaries	5	–	–	(131,114)	(495,009)
Net cash flow from investments in financial assets					
Dividends from financial investments at fair value through profit or loss	13	–	2,417	–	2,417
Proceeds from sale of financial investments at fair value through profit or loss	13	–	62,378	–	63,044
CASH FLOWS USED IN INVESTING ACTIVITIES		**(265,735)**	**(373,068)**	**(131,114)**	**(429,548)**
FINANCING ACTIVITIES					
Proceeds from share issuance		139,255	430,878	139,255	430,878
Net movements in bonds and bank borrowings					
Proceeds from bank borrowings		223,807	25,500	–	–
Proceeds from bonds borrowings		398,400	–	–	–
Repayment of bank borrowings		(324,685)	(69,204)	–	(10,408)
Other proceeds/payments					
Premiums paid on acquisition of derivatives		(2,395)	–	(2,395)	–
Earnings distribution		(50,489)	(8,657)	(50,489)	(8,657)
CASH FLOWS FROM FINANCING ACTIVITIES		**383,893**	**378,517**	**86,371**	**411,813**
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**218,374**	**55,744**	**(355)**	**505**
Cash and cash equivalents brought forward	15	108,236	52,492	1,363	858
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	**326,610**	**108,236**	**1,008**	**1,363**

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). In addition, one of the Company's subsidiaries has issued in 2015 debt instruments listed on the Irish Stock Exchange (Note 19). The Group includes the Company and its subsidiaries, as detailed in 'Basis of consolidation' in Note 3.4.

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

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

The financial statements for the year ended 31 December 2015 were authorised for issue, in accordance with the Directors' resolution, on 16 March 2016.

2 COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2014.

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, where the subsidiaries have significant developments, construction suppliers are contracted in Euro.

3.2 Basis of preparation

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

Investment property, land for investment property under development and derivatives and other assets and liabilities 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 and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, investment properties 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 Bonds and Bank 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	MEASUREMENT METHOD
Loans granted to subsidiaries (presented only in the Company's financial statements)	Carried at amortised cost using the effective interest rate method, net of impairment losses
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 amortised cost using the effective interest rate method, net of impairment losses
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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management include 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).

Prior to 2014, the Current Share Scheme (Note 18) was 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.

3.18 Other reserves

3.18.1 Currency translation reserves

The financial statements reported as at 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. The current income tax incurred in 2014 and 2015 is immaterial but is expected to increase in the future.

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

3.26 Segment reporting

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

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

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

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

Consequently, the Group is considered to have 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 2015. None of these standards has had a material impact on the Group's operations.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014)

The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

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 improvements consist of changes to seven standards.
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.
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.
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

3.32 Standards issued but not yet effective and not early adopted

IFRS 9 "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect

assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.·
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The new standard is not expected to impact the Group's financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment is not expected to impact the Group's financial statements.

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). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment is not expected to materially impact the Group's financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). 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. The Group is currently assessing the impact of the new standard on its financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendments are not expected to impact the Group's financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not expected to materially impact the Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.

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. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendment is not expected to have a material impact on the Group's financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have a material impact on the Group's financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017) The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the new standard on its financial statements.

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 international valuers at each half year 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 the existing vacancies. The value of long-term vacancies is estimated based on the properties' location and condition. The valuers' assessments of non-recoverable expenses are based on their experience of comparable properties and historical costs provided by the Group.

The discount rates used are nominal returns on total capital before tax and vary between 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 2015	Immediate parent investment 31 Dec 2014
AUPARK Žilina SC as	Oct 2008/ Aug 2013	Slovakia	Services	indirect	100	*	*
AUPARK Žilina spol sro	Dec 2003/ Aug 2013	Slovakia	Property-owning	Indirect	100	15,463	15,463
AUPARK Kosice SC s.r.o	Nov 2008/Dec 2014	Slovakia	Services	Indirect	100	1,935	-
AUPARK Kosice spol. s.r.o	Jan 2004/Dec 2014	Slovakia	Property-owning	Indirect	100	9,567	-
AUPARK Tower Kosice s.r.o	Nov 2008/Dec 2014	Slovakia	Property-owning	Indirect	100	3,401	-
Aurora Mall Buzau SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
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	2
Cluj Business Centre SRL**	Jul 2012	Romania	Property-owning	Indirect	50	*	*
Degi Titan SRL	Apr 2005/Jul 2015	Romania	Property-owning	Indirect	100	43,078	-
E-power Supply s.r.o.	Nov 2015	Slovakia	Services	Indirect	100	5	-
ELJ Vatra SRL	Feb 2007/ Aug 2013	Romania	Property-owning	Indirect	70	1	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	7,875
Floreasca Business Park SRL	Dec 2010	Romania	Property-owning	Indirect	100	*	*
Floreasca City Center SRL	Oct 2005/Oct 2014	Romania	Property-owning	Indirect	100	38,952	38,973
Floreasca Center SRL	Apr 2011/Nov 2014	Romania	Property-owning	Indirect	100	27,044	27,323
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	1,402
General Investment SRL	Mar 2003/ Jan 2008	Romania	Property-owning	Indirect	100	19,708	19,708
Ingen Europe BV	Dec 2010	Netherlands	Holding	Indirect	100	17,579	17,579
INLOGIS VI s.r.o	Jun 2011/Dec 2014	Slovakia	Property-owning	Indirect	100	6,545	-
Lakeview Office Building SRL	Jul 2004/ Jan 2013	Romania	Property-owning	Indirect	100	13,529	13,529
Marketing Advisers SRL	Apr 2014	Romania	Services	Indirect	100	2	2
Mercureal SRL	Jul 2005/ Aug 2013	Romania	Property-owning	Indirect	100	21,010	21,010
Modatim Business Facility SA	Nov 2015	Romania	Property-owning	Indirect	100	33,214	-
NE Property Coöperatief 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 Ten Development Solutions SRL	Jun 2012	Romania	Property-owning	Indirect	100	2	2
Nepi Fourteen Management Solutions SRL	Jan 2014	Romania	Property-owning	Indirect	100	2	2
Nepi Fifteen Real Estate Administration SRL	Jan 2014	Romania	Property-owning	Indirect	100	2	2
Nepi Sixteen Real Estate Investment SRL	Jul 2014	Romania	Property-owning	Indirect	100	2	2
Nepi Seventeen Land Development SRL	Jul 2014	Romania	Property-owning	Indirect	100	2	2
NEPI Real Estate Development d.o.o.	Nov 2014	Serbia	Services	Indirect	100	10	10
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 SRL	Jun 2010	Romania	Services	Indirect	100	7,280	7,280

Subsidiary/ joint-venture	Incorporation/date became subsidiary or joint-venture	Country of incorporation	Principal activity	Investment	Effective interest (%)	Immediate parent investment 31 Dec 2015	Immediate parent investment 31 Dec 2014
Nepi Investments Ltd	Apr 2012	Isle of Man	Holding	Direct	100	10	*
Nepi Holdings Ltd	Apr 2012	Isle of Man	Holding	Direct	100	54,841	54,841
Nepi Slovak Centres One a.s.	Jul 2014	Slovakia	Services	Indirect	100	25	25
NEPI Slovakia Management s.r.o	Jun 2013/ Aug 2013	Slovakia	Services	Indirect	100	5	5
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	2
New Europe Property (BVI) Ltd	Jul 2007	British Virgin Islands	Holding	Direct	100	*	*
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
Real Estate Asset Management SRL	Jul 2014	Romania	Services	Indirect	100	2	2
Retail Park Pitesti SRL	Jan 2010	Romania	Property-owning	Indirect	100	4,010	4,010
Satu Mare Real Estate Investment SRL	Aug 2014	Romania	Property-owning	Indirect	100	14	14
SEK d.o.o.	Jul 2007/Oct 2014	Serbia	Property-owning	Indirect	100	18,573	2,000
Severin Shopping Center SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
Sofia Commercial Centre EOOD	Dec 2013	Bulgaria	Holding	Indirect	100	*	*
Targu Jiu Development SRL	Oct 2012	Romania	Property-owning	Indirect	100	2	2
Timisoara City Business Centre One SRL	Jan 2012	Romania	Property-owning	Indirect	100	1,346	1,346
Timisoara Office Building SRL	Jan 2012	Romania	Property-owning	Indirect	100	3,679	3,679
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	5,002

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

The Company has given loans of €1,422,891 thousand to NEPIOM Limited (31 December 2014: €1,291,783 thousand). Accrued interest on the loans amounted to €5,622 thousand (31 December 2014: €11,175 thousand). The interest income from loans granted to subsidiaries is presented in Note 29.

The total non-controlling interest for the period is profit of €7,427 thousand (2014: loss of €4,920 thousand), which represents amounts attributable to the owners of the remaining 30% of ordinary shares 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. Summarised financial information of the entity subject to non-controlling interest is presented below.

STATEMENT OF FINANCIAL POSITION	ELJ Vatra SRL 31 December 2015	ELJ Vatra SRL 31 December 2014
Non-current assets	240,779	107,469
Current assets	23,750	60,554
TOTAL ASSETS	**264,529**	**168,023**
Non-current liabilities	246,550	180,466
Current liabilities	5,920	4,799
Total liabilities	**252,470**	**185,265**
Equity attributable to equity holders	**12,059**	**(17,242)**
TOTAL EQUITY AND LIABILITIES	**264,529**	**168,023**

STATEMENT OF COMPREHENSIVE INCOME	ELJ Vatra SRL 31 December 2015	ELJ Vatra SRL 31 December 2014
Contractual rental income and expense recoveries	16,168	86
Property operating expenses	(4,539)	(85)
Administrative expenses	(140)	265
Fair value adjustment investment property	61,994	-
Foreign exchange loss	(138)	(6)
Profit before net finance expense	**73,345**	**260**
Net finance expense	**(38,452)**	**(13,007)**
Finance income	184	1,149
Finance expense	(38,636)	(14,156)
Profit before income tax	**34,893**	**(12,747)**
Deffered tax	(10,138)	(3,654)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS	**24,755**	**(16,401)**

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

	Note	Level	Group 31 Dec 2015	Group 31 Dec 2014	Group 31 Dec 2015	Group 31 Dec 2014
			Carrying amount		Fair value	
Financial assets						
Loans to participants in the Current Share Scheme (including accrued interest)	11	3	16,090	27,953	16,090	27,953
Financial assets at fair value through profit or loss	20	2	2,282	175	2,282	175
Trade and other receivables less VAT	14	3	19,523	12,896	19,523	12,896
Loans granted to joint-ventures	33	3	36,674	30,395	36,674	30,395
Loans granted to third parties	11	3	–	8,000	–	8,000
Cash and cash equivalents	15	3	326,610	108,236	326,610	108,236
TOTAL			**401,179**	**187,655**	**401,179**	**187,655**
Financial liabilities						
Bank borrowings	19	3	176,212	194,330	176,212	194,330
— Rate capped			81,346	90,966	81,346	90,966
— Rate swapped			94,866	103,364	94,866	103,364
Bonds	19	3	393,414	–	393,414	–
Financial liabilities at fair value through profit or loss	20	2	2,149	3,586	2,149	3,586
Trade and other payables	21	3	62,827	38,365	62,827	38,365
TOTAL			**634,602**	**236,281**	**634,602**	**236,281**

	Note	Level	Company 31 Dec 2015	Company 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
			Carrying amount		Fair value	
Financial assets						
Loans to participants in the Current Share Scheme (including accrued interest)	11	3	16,090	27,953	16,090	27,953
Loans granted to subsidiaries	5	3	1,428,513	1,302,958	1,428,513	1,302,958
Financial assets at fair value through profit or loss	20	2	2,236	74	2,236	74
Trade and other receivables	14	3	49,849	7,166	49,849	7,166
Cash and cash equivalents	15	3	1,008	1,363	1,008	1,363
TOTAL			**1,497,696**	**1,339,514**	**1,497,696**	**1,339,514**
Financial liabilities						
Loans and borrowings		3	183	326	183	326
— Rate capped			183	326	183	326
Financial liabilities at fair value through profit or loss	20	2	2,149	3,496	2,149	3,496
Trade and other payables	21	3	572	333	572	333
TOTAL			**2,904**	**4,155**	**2,904**	**4,155**

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 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Loans to participants in the Current Share Scheme (including accrued interest)	11	16,090	27,953	16,090	27,953
Loans granted to subsidiaries	5	–	–	1,428,513	1,302,958
Loans granted to joint-ventures	33	36,674	30,395	–	–
Non-current receivables	11	1,402	8,777	–	–
Financial assets at fair value through profit or loss	20	2,282	175	2,236	74
Trade and other receivables	14	54,487	40,469	49,849	7,166
Cash and cash equivalents	15	326,610	108,236	1,008	1,363
TOTAL		**437,545**	**216,005**	**1,497,696**	**1,339,514**

As at 31 December 2015 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 credit risk of loans to participants in the Current Share Scheme is considered to be offset 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 tenant receivables	Group 31 Dec 2015	Group 31 Dec 2014
Receivables not due	9,322	6,297
Receivables past due but not impaired	4,992	1,482
Under 30 days	3,322	1,188
30–60 days	454	146
60–90 days	391	65
Over 90 days	825	83
TOTAL (Note 14)	**14,314**	**7,779**

The increase in balances of receivables past due is mostly attributable to acquisitions finalised in 2015. The Group is working on implementing its collection procedures and expects that balances will decrease in the short term. Part of the amounts were collected after the balance sheet date; also, the Group has guarantees received from tenants (in cash or letters of guarantee from banks) that are higher than the balance receivable.

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

The Group assessed its receivables for impairment and concluded that an amount of €280 thousand (31 December 2014: €67 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. Over 95% of the Group's cash is held with investment grade rated banks.

6.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when due. The Group's approach to managing this risk ensures, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. To ensure this occurs, the Group prepares budgets, cash flow analyses and forecasts, which enable 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 2015	**Note**	**under 3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Bonds and bank borrowings	19	4,371	10,327	162,788	392,140	569,626
Tenant deposits	21	54	304	–	–	358
Financial liabilities at fair value through profit or loss	20	–	–	2,149	–	2,149
Trade and other payables	21	12,494	49,975	–	–	62,469
Other long-term liabilities	22	–	–	–	14,988	14,988
TOTAL		**16,919**	**60,606**	**164,937**	**407,128**	**649,590**

Group 31 Dec 2014	**Note**	**under 3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Bonds and bank 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**

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

The 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 Group applies this policy to control its exposure to monetary assets and liabilities denominated in currencies other than the one cash inflows are received in.

6.3.2 Interest rate risk

The Group is exposed to interest rate risk on loans, borrowings and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 31 December 2015 and 31 December 2014, 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 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Loans to participants in Current Share Scheme (including accrued interest)	16,090	27,953	16,090	27,953
Loans and borrowings (variable or capped rate)	(81,346)	(90,966)	(183)	–
TOTAL	**(65,256)**	**(63,013)**	**15,907**	**27,953**

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

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**

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

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)**

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).

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 2015 and 31 December 2014.

Capital is primarily monitored using the gearing ratio, computed as interest bearing debt less cash divided by investment property and listed property shares, which increased to 14.0% (31 December 2014: 6.8%).

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 2015**	**Group 31 Dec 2014**
Carrying value at beginning of year	978,980	703,811
Additions from business combinations (Note 32)	268,733	197,940
Transferred from Investment property under development	225,668	76,532
Fair value adjustments (Note 28)	102,974	34,198
Investment property reclassified as held for sale	(336)	(33,501)
CARRYING VALUE	**1,576,019**	**978,980**

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 years ended 31 December 2015 and 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 2015, the investment property at fair value portfolio had a vacancy rate of 2.40% (31 December 2014: 1.81%).

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 5.93% and 18.52%. The Group's resulting weighted average net yield was 7.62% for the entire property portfolio (retail: 7.55%; office: 7.65%; industrial: 10.91%).

Based on the year-end valuation net yield of 7.62%, an increase/decrease of 25bps would result in a €55,938 thousand decrease/increase in the Group's property portfolio (2014: net yield of 7.82%, increase of 25bps would have resulted in a €30,321 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 2015**	**Group** **31 Dec 2014**
Carrying value at beginning of year	193,174	89,985
Additions from business combinations (Note 32)	10,800	–
Additions from asset deals and construction in progress	152,090	176,381
Fair value adjustments (Note 28)	1,470	2,791
Assets which became operational and were transferred to Investment property at fair value	(224,928)	(75,983)
CARRYING VALUE	**132,606**	**193,174**

Movement in Investment property under development **Office**	**Group** **31 Dec 2015**	**Group** **31 Dec 2014**
Carrying value at beginning of year	15,072	13,669
Additions from asset deals and construction in progress	8,982	1,862
Fair value adjustments (Note 28)	829	218
Assets which became operational and were transferred to Investment property at fair value	(740)	(549)
Investment property under development reclassified as held for sale	(8)	(128)
CARRYING VALUE	**24,135**	**15,072**

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 2015, the Group commissioned independent year-end reports from DTZ Echinox Consulting and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level Three on the fair value hierarchy as defined in IFRS 7.

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

Borrowing costs capitalised in 2015 amount to €7,804 thousand (2014: €7,035 thousand) and were calculated using an average annual interest rate of 3.91% (2014: 5.03%).

Balance of investment property under development	**Group** **31 Dec 2015**	**Group** **31 Dec 2014**
Retail	132,606	193,174
Office	24,135	15,072
TOTAL	**156,741**	**208,246**

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

	Group **31 Dec 2015**	**Group** **31 Dec 2014**	**Company** **31 Dec 2015**	**Company** **31 Dec 2014**
Loans to participants in the Current Share Scheme (Note 18)	16,090	27,953	16,090	27,953
Non-current receivables	1,402	8,777	–	–
Property, plant and equipment and intangible assets	606	714	–	–
TOTAL	**18,098**	**37,444**	**16,090**	**27,953**

Non-current receivables included in 2014 secured loans given to third parties that carried interest rate at 8.9% per annum, which have been settled in 2015.

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Balance at 1 Jan 2014	Net additions	Adjustments/ impairment	Balance at 31 Dec 2014	Net additions	Adjustments/ impairment	Balance at 31 Dec 2015
Regional offices portfolio	**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**	2,717	–	**4,747**
The Lakeview	**3,899**	–	–	**3,899**	–	–	**3,899**
Promenada Mall	–	3,934	(1,441)	**2,493**	–	(2,493)	**-**
Aupark Kosice	–	–	–	–	11,189	(6,000)	**5,189**
Iris Titan Shopping Center	–	–	–	–	4,905	(3,971)	**934**
TOTAL	**16,218**	**3,934**	**(2,513)**	**17,639**	**18,811**	**(12,464)**	**23,986**

The following movements in goodwill occurred during the year ended 31 December 2015:
- the acquisitions of Aupark Kosice, Iris Titan Shopping Center and City Business 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
- the remaining goodwill generated through the acquisition of Promenada Mall was written-off against the increase in the fair value of the property (as shown in the revaluation report as at 30 June 2015, compared to the acquisition price).

The following movements in goodwill occurred during the year ended 31 December 2014:
- the acquisition of Promenada Mall generated goodwill 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 Regional Offices portfolio goodwill was written-off against the decrease in the related deferred taxation liability (which generated the initial goodwill).

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 and €1,299 thousand in capital gains.

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 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
VAT receivable	34,964	27,573	–	–
Tenant receivables	14,314	7,779	–	–
Other receivables	3,369	2,473	49,775*	7,117*
Prepaid property expenses	1,739	2,532	–	–
Other prepaid fees	101	112	74	49
TOTAL	**54,487**	**40,469**	**49,849**	**7,166**

*includes intercompany receivable balances from other Group companies of €47,792 (31 December 2014: €5,595).

15 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
EUR	305,610	98,062	**960**	1,238
RON	17,021	9,181	–	–
RSD	3,931	868	–	–
ZAR	47	122	**47**	122
GBP	1	3	**1**	3
TOTAL	**326,610**	**108,236**	**1,008**	**1,363**

16 INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	Group 31 Dec 2015	Group 31 Dec 2014
Carrying value at beginning of year	27,360	1,561
Additions from investment property at fair value	336	33,501
Additions from investment property under development	8	128
Disposals	–	(44)
Fair value adjustments (Note 28)	(2,449)	(7,786)
CARRYING VALUE	**25,255**	**27,360**

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital €0.01/share	Share premium
Issued as of 1 January 2014	**1,999**	**632,296**
— Issued 4,656,679 ordinary shares at €5.0500/share*	47	(47)
— Issued 4,988,467 ordinary shares at €6.3800/share*	50	(50)
— Issued 15,041,885 ordinary shares at €6.65000/share**	150	99,844
— Issued 13,640,777 ordinary shares at €7.33000/share**	136	99,864
— Issued 19,347,453 ordinary shares at €7.75000/share**	194	149,769
— Issued 13,848,743 ordinary shares at €5.78000/share***	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**

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

— Issued 4,285,745 ordinary shares at €8.4600/share[1]	43	(43)
— Issued 1,351,765 ordinary shares at €9.4600/share[1]	14	(14)
— Issued 14,814,814 ordinary shares at €8.8000/share[2]	148	130,230
— Issue cost recognised to equity	–	(663)
— Interest in order to elect return of capital	–	232
— Re-allocation of shares under Current Share Scheme	–	24
— Sale of shares issued under the Current Share Scheme	14	3,661
— Sale of shares issued under the Initial Share Scheme	21	5,588
CARRIED FORWARD AS AT 31 DECEMBER 2015	**2,986**	**1,213,325**

[1] The shares were issued in respect of the return of capital: 30 March and 28 September 2015.
[2] The shares were issued as part of the book build: 12 October 2015.

[1]Option to receive capital return

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

— 17.35 euro cents per share distribution for the six months ended 31 December 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 2.05 new shares for every 100 shares, and

— 18.17 euro cents per share distribution for the six months ended 30 June 2015 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 1.92 new shares for every 100 shares

Shares were issued from the share premium account.

[2]Book build 12 October 2015

In order to seize potential acquisition and development opportunities the Company increased its cash reserves by issuing 14,818,814 ordinary shares through accelerated book build processes that generated over €130 million in 2015.

The equity raise was completed as part of a vendor consideration placing and where required under the Company's general authority to issue shares for cash approved by NEPI shareholders at the annual general meeting of the Company held on Monday, 18 May 2015.

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 2015, 25,000 shares remained issued under the Initial Share Scheme (31 December 2014: 3,612,052) and loans in amount of €64.5 thousand (31 December 2014: €9,132 thousand) remained outstanding under the Initial Share Scheme.

During 2015, no shares were issued under the Current Share Scheme (2014: 2,070,000 shares) and loans in amount of €16,090 thousand remained outstanding under the Current Share Scheme (2014: €27,953 thousand). Refer to Note 11.

Number of shares	Group 31 Dec 2015	Group 31 Dec 2014
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	3,340,829	9,631,204
Share purchase schemes shares available but unissued	1,095,210	1,095,210

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 (2015: €670 thousand, 2014: €675 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 (2015: €89 thousand; 2014: €542 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 2014).

19 BONDS AND BANK BORROWINGS

In October 2015, Standard & Poor's Rating Services (S&P) assigned NEPI a first-time BBB- preliminary, long-term corporate credit rating. Moody's Investors Service (Moody's) has upgraded the Company's rating to Baa3, replacing NEPI's 2014 assigned Ba1 rating. Both ratings have a stable outlook.

Following this, NEPI successfully issued €400,000 thousand unsecured bonds. The Group repaid the €143,800 thousand unsecured, syndicated term loan (contracted earlier in 2015 as a bridge to the bond financing) and €67,989 thousand of secured debt.

As at year-end, the Group had an undrawn unsecured revolving credit facility in amount of €80,000 thousand.

The remaining 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 3.9% during 2015, down from 5% in 2014, due to contracting new debt at lower rates and decreasing the interest margin on the existing debt. As at 31 December 2015, the Group was fully hedged against interest rate movements, with 46% of the base interest rate (EURIBOR) being hedged with interest rate caps and 54% with interest rate swaps.

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

Interest bearing borrowings Group, 31 Dec 2014	Type	Payable in less than 1 year	Payable in 1–5 years	Payable over 5 years	Total
Floreasca Business Park	Term loan	3,920	47,787	–	51,707
Aupark Zilina	Term loan	1,954	47,416	–	49,370
The Lakeview	Term loan	2,110	25,603	–	27,713
City Business Centre	Term loan	1,314	5,786	17,354	24,454
Shopping City Galati	Term loan	1,355	17,518	-	18,873
Pitesti Retail Park	Term loan	11,131	–	–	11,131
Regional value centres	Term loan	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**

Floreasca Business Park – Raiffeisen Bank International loan

The Group contracted a loan facility from Raiffeisen Bank International for Floreasca Business Park, which matures during October 2018 and is repayable in quarterly instalments.

Security

— General security over the property (fair value as at 31 December 2015 of €102,980 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 EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortisation).

Aupark Zilina – VUB Banka loan

At the acquisition of Aupark Zilina in 2013, the Group took over two investment loans from Vseobecna Uverova Banka (VUB). In December 2015 the Group extended the loan period with 1 year (the new maturity date is 30 September 2017).

Security

— General security over the land and building (fair value as at 31 December 2015 of €102,300 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%.

Aupark Kosice - Tatra banka, a.s. and Ceskoslovenska obchodna banka, a.s.

In December 2014, the Group acquired Aupark Kosice Shopping Centre and Aupark Office Tower Kosice, and in December 2015 successfully refinanced the loan facilities from Tatra banka and Ceskoslovenska banka in a total amount of €105,000 thousand. The loans mature on 30 September 2020 and are payable in quarterly instalments.

Security

— General security over the land and buildings (total fair value as at 31 December 2015 of €161,100 thousand), current assets, cash inflows from operating activities, accounts and receivables of Aupark Kosice Shopping Centre and Aupark Office Tower Kosice

Covenants

— Debt service cover ratio of minimum 120%, and

— Loan to value of maximum 70% for 2016, and 65% thereafter.

NE Property Cooperatief (fixed coupon bonds)

In 2015, following S&P's credit rating and Moody's upgrade on the rating assigned in 2014, the Group successfully issued 400,000 thousand of unsecured, 5.25 year Eurobonds. The bonds mature on 26 February 2021 and carry a 3.750% fixed coupon, with an issue price of 99.597%.

Covenants

— Solvency Ratio of maximum 0.60,

— Consolidated Coverage Ratio of minimum 2:1, and

— As at any Measurement Date, Unsecured Consolidated Total Assets shall equal 180 percent or more of the aggregate outstanding principal amount of Unsecured Consolidated Total Indebtedness.

NE Property Cooperatief - Raiffeisen Bank International revolving facility

In 2014, following Moody's initial credit rating, Raiffeisen Bank International underwrote an €80,000 thousand, unsecured revolving credit facility, which was undrawn at year end.

Covenants

— Solvency Ratio of maximum 0.40,

— Consolidated Coverage Ratio of minimum 2:1, and

— As at any Measurement Date, Unsecured Consolidated Total Assets shall equal 300 percent or more of the aggregate outstanding principal amount of Unsecured Consolidated Total Indebtedness.

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 2015	Group 31 Dec 2014
Financial assets		
— Company	2,236	74
— Subsidiaries	46	101
TOTAL FINANCIAL ASSETS	**2,282**	**175**
Financial liabilities		
— Company	2,149	3,496
— Subsidiaries	–	90
TOTAL FINANCIAL LIABILITIES	**2,149**	**3,586**

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 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Deferred consideration on business combinations	21,286	14,400	–	–
Advances from tenants	14,930	7,271	–	–
Payable for assets under construction	12,473	7,297	–	–
Property-related payables	11,911	4,807	–	–
Administrative and secretarial accrued expenses	1,869	2,495	572	333
Tenant deposits	358	2,095	–	–
TOTAL	**62,827**	**38,365**	**572**	**333**

22 OTHER LONG-TERM LIABILITIES

	Group 31 Dec 2015	Group 31 Dec 2014
Tenant deposits	10,919	5,039
Other long-term liabilities	2,450	2,450
Provisions	1,619	1,682
TOTAL	**14,988**	**9,171**

23 CORPORATE TAX CHARGE AND DEFERRED TAX

	Group 31 Dec 2015	Group 31 Dec 2014
Current tax expense	–	–
Deferred tax expense	13,979	637
TAX EXPENSE	**13,979**	**637**
Deferred tax brought forward	57,517	50,678
Deferred tax acquired in business combinations (Note 32)	18,156	5,254
Other adjustments	–	948
DEFERRED TAX LIABILITY CARRIED FORWARD	**89,652**	**57,517**

Deferred tax liability results from the following types of differences:

	Group 31 Dec 2015	Group 31 Dec 2014
Fiscal losses	207,214	83,141
Deferred tax asset	**33,700**	**13,517**
Temporary differences between accounting and fiscal value of investment property	(730,446)	(409,946)
Deferred tax liability	**(123,352)**	**(71,034)**
NET DEFERRED TAX LIABILITY	**(89,652)**	**(57,517)**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €211,246 thousand (31 December 2014: €114,318 thousand), out of which €198,122 thousand are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose, and €13,124 thousand are available for up to three years to offset against any future taxable profits of the companies in which the losses arose. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine recognisable deferred tax assets, based on the timing of fiscal loss expiry and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €4,032 thousand (31 December 2014: €15,835 thousand) as there is uncertainty whether the companies that recorded such fiscal losses will generate taxable profit in the future.

The deferred tax balance, as at 31 December 2015 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 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Profit before tax	179,804	94,912	70,007	35,045
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 2015	Group 31 Dec 2014
Adjusted net asset value	**1,566,199**	**1,288,689**
— Net asset value per the Statement of financial position	1,496,550	1,241,289
— Loans in respect of the Initial Share Scheme (Note 18)	64	9,132
— Deferred tax liabilities	89,652	57,517
— Goodwill	(23,986)	(17,639)
— Deferred tax liabilities for joint-ventures	3,919	(1,610)
Net asset value per share (euro)	5.01	4.52
Adjusted net asset value per share (euro)	5.25	4.63
Number of shares for net asset value per share purposes (Note 30)	298,565,564	274,526,188
Number of shares for adjusted net asset value per share purposes (Note 30)	298,590,564	278,138,240

25 NET RENTAL AND RELATED INCOME

	Group 31 Dec 2015	Group 31 Dec 2014
Rent	106,388	63,100
Service charge recoveries	23,208	13,834
Other recoveries	19,203	10,083
Contractual rental income and expense recoveries	**148,799**	**87,017**
Property management, tax, insurance and utilities	(26,900)	(15,032)
Property maintenance cost	(16,920)	(9,905)
Provisions and allowances for doubtful debts	(912)	(331)
Property operating expenses	**(44,732)**	**(25,268)**
TOTAL	**104,067**	**61,749**

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

	Group 31 Dec 2015	Group 31 Dec 2014
No later than 1 year	122,852	79,474
Later than 1 year and not later than 5 years	333,988	219,569
Later than 5 years	248,614	137,582
TOTAL	**705,454**	**436,625**

26 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Staff costs*	(2,138)	(239)	–	–
Directors' remuneration (Note 36)	(1,237)	(800)	(1,151)	(670)
Audit and advisory services	(1,930)	(1,155)	(76)	(419)
Travel and accommodation	(540)	(196)	(174)	–
Companies administration	(504)	(102)	–	–
Stock exchange expenses	(289)	(270)	(289)	(270)
Support and maintenance services	(57)	(77)	(42)	(217)
TOTAL	**(6,695)**	**(2,839)**	**(1,732)**	**(1,576)**

* Staff costs capitalised as investment property under development in 2015 amount to €1,577 thousand (2014: €788 thousand). The increase in staff costs in 2015 compared to 2014 is due to the increase in number of employees following the Group's growth in operations. Also, in 2015 there were no issues of shares as part of the Group's share purchase scheme, and the Board approved cash bonuses for staff.

27 ACQUISITION FEES

The Group incurred acquisition fees in respect of the following:

	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Fees for finalised acquisitions	(742)	(1,649)	(8)	(49)
Fees for ongoing acquisitions	(180)	(383)	–	–
Fees for terminated acquisitions	(11)	(325)	–	–
TOTAL	**(933)**	**(2,357)**	**(8)**	**(49)**

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	Group 31 Dec 2015	Group 31 Dec 2014
Fair value adjustments of investment property – gross increase from revaluations (Notes 9, 10 and 16)	102,824	29,421
Adjustment for goodwill recognised at acquisition date*	(12,464)	(1,441)
Estimated liability for Further payments in respect of City Business Centre	(6,520)	–
Estimated liabilities for further works	(2,098)	–
TOTAL	**81,742**	**27,980**

* The adjustment in 2014 refers only to Promenada Mall. The adjustment in 2015 also refers to Promenada Mall, acquired in October 2014 (€2,493 thousand), and the following properties acquired in 2015: Aupark Kosice (€6,000 thousand); Iris Titan Shopping Center (€3,971 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 valuations at 31 December 2014, at 30 June 2015 and as well as at 31 December 2015, and the acquisition price.

29 NET FINANCE INCOME/(EXPENSE)

	Group 31 Dec 2015	Group 31 Dec 2014	Company 31 Dec 2015	Company 31 Dec 2014
Interest income on loans granted	4,458	4,736	–	–
Interest on Current Share Scheme loans	860	1,294	860	1,294
Interest income on bank deposits	636	1,273	44	88
Other interest income	–	12	–	–
Interest and penalties on receivables	1,659	–	–	–
Interest income from subsidiaries	–	–	27,003	19,329
Other intercompany finance income*	–	–	43,194	14,508
Finance income	**7,613**	**7,315**	**71,101**	**35,219**
Interest expense on financial liabilities measured at amortised cost	(5,536)	(3,781)	(1,934)	(211)
Interest expense on bonds	(1,274)	–	–	–
Amortisation of bonds borrowings costs	(557)	–	–	–
Amortisation of bonds issue discount	(12)	–	–	–
Bank charges**	(1,150)	(256)	(80)	(109)
Finance expense	**(8,529)**	**(4,037)**	**(2,014)**	**(320)**
TOTAL	**(916)**	**3,278**	**69,087**	**34,899**

* Other intercompany finance income relates to fees for intercompany financing arrangements.
** €726 thousand is related to fees paid for committed revolving facilities not used.

30 EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2015 was based on the profit attributable to ordinary equity holders of €158,398 thousand (31 December 2014: €99,195 thousand) and the weighted average of 284,461,222 (31 December 2014: 225,426,685) 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 2015 was based on the profit attributable to ordinary equity holders of €158,398 thousand (31 December 2014: €99,195 thousand) and the weighted average of 285,813,260 (31 December 2014: 229,775,959) 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 2015.

NEPI uses distribution per share as its relevant unit of measure of financial results for trading statement purposes.

	Group 31 Dec 2015	Group 31 Dec 2014
Profit for the year attributable to equity holders	**158,398**	**99,195**
Unrealised foreign exchange loss	348	350
Acquisition fees	933	2,357
Share-based payment expense	670	675
Accrued interest on share-based payments	89	542
Fair value adjustments of investment property	(81,742)	(27,980)
Fair value gains of financial investments at fair value through profit or loss	–	(1,299)
Fair value adjustment of financial assets and liabilities	(1,149)	1,866
Amortisation of financial assets	(3,554)	(708)
Dividends received from financial investments	–	(2,417)
Accrued dividend from financial investments	–	2,304
Gain on disposal of investment property	–	(619)
Gain on acquisition of subsidiaries	–	(1,400)
Deferred tax expense	13,979	637
Shares issued *cum* distribution	1,954	6,870
Adjustments related to joint-ventures		
Fair value adjustments of investment property	(8,204)	(7,247)
Fair value adjustment of financial assets and liabilities	(249)	1 016
Deferred tax expense/(income)	5,529	930
Adjustments related to non-controlling interest		
Fair value adjustments of investment property	18,598	–
Deferred tax income	(3,041)	–
DISTRIBUTABLE EARNINGS FOR THE YEAR	**102,559**	**75,072**
Distribution from reserves	–	6,659
Less: distribution declared	(102,559)	(81,731)
Interim distribution	(51,304)	(33,475)
Final distribution	(51,255)	(48,256)
Earnings not distributed	–	–
Number of shares entitled to distribution	298,590,564	278,138,240
DISTRIBUTABLE EARNINGS PER SHARE (EURO CENTS)	**35.34**	**29.69**
Distribution from reserves per share (euro cents)	–	2.53
Less: distribution declared (euro cents)	**(35.34)**	**(32.22)**
Interim distribution per share (euro cents)	(18.17)	(14.87)
Final distribution per share (euro cents)	(17.17)	(17.35)
Earnings per share not distributed (euro cents)	–	–

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

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

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

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

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

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

31 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2015 was based on headline earnings of €84,097 thousand (31 December 2014: €68,061 thousand) and the weighted average of 284,461,222 ordinary shares in issue during 2015 (2014: 225,426,685), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the year to headline earnings	Group 31 Dec 2015	Group 31 Dec 2014
Profit for the year attributable to equity holders	158,398	99,195
Fair value adjustments of investment property	(81,742)	(27,980)
Gain on sale of investment property	–	(619)
Gain on acquisition of subsidiaries	–	(1,400)
Total tax effects of adjustments	14,333	4,952
Fair value adjustment of investment property for joint-ventures	(8,204)	(7,247)
Total tax effects of adjustments for joint-ventures	1,312	1,160
HEADLINE EARNINGS	**84,097**	**68,061**
Weighted average number of shares in issue	284,461,222	225,426,685
Diluted weighted average number of shares in issue	285,813,260	229,775,959
Headline earnings per share (euro cents)	29.56	30.19
Diluted headline earnings per share (euro cents)	29.42	29.62

32 BUSINESS COMBINATIONS

During the reported period, the Group made several acquisitions in Romania and Slovakia for a total consideration of €196,456 thousand, and resulting in €18,811 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 2015 (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.

Aupark Kosice (18 December 2014)

In February 2015 the Group finalised the acquisition of Aupark Kosice from HB Reavis Group BV.

Aupark Kosice includes a 34,000m^2 GLA regional mall (Aupark Kosice Mall), and an adjoining 12,800m^2 GLA office building (Aupark Kosice Tower). The Group also purchased a 4.1ha development site (Malinovsky Barracks). The transaction had the effective date 18 December 2014, however it was finalised in February 2015 and therefore has been recognised in the 2015 financial statements. The amount paid in 2014, of €82,073 thousand, was recognised in the Group's financial statements as an advance for investment property.

The fair value of the company's identifiable assets and liabilities at the acquisition date are detailed below.

Investment property	165,000
- Investment property at fair value	154,200
- Investment property under development	10,800
Current assets	9,599
Current liabilities	(8,677)
Non-current liabilities	(82,875)
Deferred tax liabilities	(11,189)
Total identifiable net assets at fair value	**71,858**
Goodwill arising on acquisition	11,189
Total consideration payable	**83,047**
Amounts retained from sellers	**(1,500)**
Total consideration paid in cash	**81,547**

From the effective acquisition date, Aupark Kosice has contributed €11,915 thousand to profit after tax and €13,907 thousand to the Group's recoveries and contractual rental income. Goodwill arose from the deferred tax liability, and €6,000 thousand was subsequently written-off against the increase in the property fair value as at 31 December 2015 (Note 12).

Iris Titan Shopping Center (1 July 2015)

In August 2015 the Group acquired Iris Titan Shopping Center from Aberdeen Asset Management Deutschland AG and Degi Beteiligungs GmbH, a 44,700m^2 GLA mall in Bucharest, Romania, that opened in 2008.

The effective acquisition date was 1 July 2015, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below.

Investment property	86,000
Current assets	5,164
Current liabilities	(960)
Non-current liabilities	(1,154)
Deferred tax liabilities	(4,905)
Total identifiable net assets at fair value	**84,145**
Goodwill arising on acquisition	4,905
Total consideration payable	**89,050**
Amounts retained from sellers	-
Total consideration paid in cash	**89,050**

From the effective date of acquisition, Iris Titan Shopping Center has contributed €3,505 thousand to profit after tax and €3,576 thousand to the Group's recoveries and contractual rental income. Goodwill arose from the deferred tax liability, and €3,790 thousand was subsequently written-off against the increase in the property fair value as at 31 December 2015 (Note 12).

City Business Centre (30 November 2015)

In December 2015 the Group completed the acquisition of City Business Centre, by adding the newest two buildings in the complex to its portfolio. The entity acquired is Modatim Business Facilities from MTInv Holding BV and Mr Ovidiu Sandor. The company owns buildings D and E of the City Business Centre office buildings complex, a 47,100m^2 GLA property located in the centre of Timisoara, Romania. Building D was open for business in September 2012 and building E in July 2015.

The effective acquisition date was 30 November 2015, and the company's fair value of identifiable assets and liabilities at the acquisition date are detailed below.

Investment property	28,533
Current assets	1,038
Current liabilities	(256)
Non-current liabilities	(5,610)
Deferred tax liabilities	(2,063)
Total identifiable net assets at fair value	**21,642**
Goodwill arising on acquisition	2,717
Total consideration payable	**24,359**
Amounts retained from sellers	(5,000)
Total consideration paid in cash	**19,359**

From the effective date of acquisition, Modatim Business Facility has contributed €162 thousand to profit after tax and €220 thousand to the Group's recoveries and contractual rental income. Goodwill arose mostly from the deferred tax liability of €2,063 thousand. (Note 12).

Contingent consideration

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

A further €6,520 thousand was estimated as the fair value of the properties related to current vacancies, which are expected to be filled in the near future. This amount was estimated by independent valuers and included in the year-end appraisal reports for City Business Centre, and also recorded as a payable in these financial statements.

33 JOINT-VENTURES

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

STATEMENT OF FINANCIAL POSITION

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

31 Dec 2014	Ploiesti Shopping City	The Office	Total
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

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

31 Dec 2014	Ploiesti Shopping City	German Portfolio	The Office	Total
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 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**
Defered tax	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. All shareholder loans are subject to fixed interest. Interest income from joint-ventures in 2015 amounted to €3,792 thousand (2014: €3,843 thousand).

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

31 Dec 2014	Ploiesti Shopping City	The Office	Total
Long-term loans granted to joint-ventures	19,412	10,983	30,395
TOTAL	**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 2015 of €41,155 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 of €18,000 thousand with Raiffeisen Bank which was drawn in 2015. Subsequent to the year end, in January 2016, The Office obtained a new credit facility with three sub-limits with a total value of €17,000 thousand. Out of the total value, €1,471 thousand were drawn in February 2016. The Maturity Date was extended to June 2021.

Security

- General security over the property (weighted fair value as at 31 December 2015 of €38,045 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% (reduced to 125% after January 2016).

Disposal of German Portfolio

In 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 thousand to the book value. This is consistent with Group strategy to invest in higher-growth eastern European markets.

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

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

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**
Bank borrowings	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
Bank borrowings	15,258	7,675	–	326	23,259
TOTAL LIABILITIES	**167,993**	**129,111**	**2,382**	**3,483**	**302,969**

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 2015	Slovakia 2015	Serbia 2015	Romania 2014	Slovakia 2014	Serbia 2014	Total 2015	Total 2014
Net operating income	80,482	20,342	3,243	53,227	7,280	1,242	104,067	61,749
Profit before tax	149,429	26,867	3,508	91,568	1,598	1,746	179,804	94,912
Investment property	1,417,875	274,885	40,000	1,130,299	99,500	39,500	1,732,760	1,269,299

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 2015, the Group had received letters of guarantee from tenants worth €27,180 thousand (31 December 2014: €10,601 thousand) and from suppliers worth €16,312 thousand (31 December 2014: €7,529 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.

Directors' fees for the periods mentioned below were paid either during that respective period or during the following period. No other payments were made to Directors, except for reimbursements of travel and accommodation.

Directors' fees	Total Group 31 Dec 15	Company 31 Dec 15	Subsidiaries 31 Dec 15	Total Group 31 Dec 14	Company 31 Dec 14	Subsidiaries 31 Dec 14
Victor Semionov*	296	266	30	134	75	59
Alexandru Morar	233	219	14	125	116	9
Tiberiu Smaranda	199	178	21	125	78	47
Mirela Covasa***	173	155	18	–	–	–
Martin Slabbert*	166	163	3	267	252	15
Jeffrey Zidel	33	33	–	33	33	–
Desmond de Beer	32	32	–	32	32	–
Dan Pascariu	30	30	–	30	30	–
Dewald Joubert**	28	28	–	28	28	–
Michael Mills	26	26	–	26	26	–
Nevenka Pergar***	21	21	–	–	–	–
TOTAL	**1,237**	**1,151**	**86**	**800**	**670**	**130**

* Martin Slabbert, chief executive officer, and Victor Semionov, chief operating officer, have resigned on 7 August 2015
The following compensation packages have been approved by the Board of Directors in August 2015:

- Martin Slabbert, as indirect beneficiary: vesting of 347,500 shares which have been allocated as part of the share purchase scheme during 2011-2013, and sale by the Company of 308,652 NEPI shares, previously issued, at their initial issue price of €5.74/share;
- Victor Semionov, as indirect beneficiary: vesting of 391,000 shares which have been allocated as part of the share purchase scheme during 2011-2014;
- Victor Semionov, as direct beneficiary: a compensation of €190 thousand (included in the table).

** Dewald Joubert, independent non-executive director, has resigned from the board of directors of NEPI on 30 December 2015
*** Mirela Covasa was appointed as Finance Director and Nevenka Pergar was appointed as a non-executive director on 10 February 2015

All amounts above represent the total cost to company in respect of these transactions.

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 2015
Tiberiu Smaranda	455,000
Alex Morar	391,000
MIrela Covasa	271,629
TOTAL	**1,117,629**

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

37 SUBSEQUENT EVENTS

Change in management

As announced on 30 December 2015, Mr Dewald Joubert has resigned as Non-executive Director. The Board of Directors appointed Mr Robert Reinhardt Emslie as non-executive Director, effective from 4 February 2016. Mr Emslie is a Chartered Accountant, with significant experience in the financial services sector and property management, and currently holds chairmanship and non-executive directorship positions in various private and listed companies.

Financing agreements

In January 2016, the Group concluded an agreement with BRD – Groupe Societe Generale SA for the financing of Timisoara City Business Centre One amounting to €20,000 thousand. The loan was not drawn up to publishing date of the financial statements.

The Directors are not aware of any other subsequent events from 31 December 2015 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

APPENDIX

Management accounts (unaudited)

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 their nature, the management accounts may not fairly reflect the financial position and results of the Group after the differences set out above.restraint or settlement of expenses) on the following basis:

CONSOLIDATED STATEMENTS OF INCOME

	Group 31 Dec 2015	Group 31 Dec 2014	Group 31 Dec 2013	Group 31 Dec 2012	Group 31 Dec 2011	Group 31 Dec 2010
Gross rental income	**110,937**	**67,459**	**45,990**	**31,261**	**25,975**	**17,822**
Net service charge and operating expenses	(2,526)	(1,733)	(802)	(828)	(2,248)	(1,598)
Service charge and other recoveries	44,074	25,619	14,937	8,915	6,094	3,447
Property operating expenses	(46,600)	(27,352)	(15,739)	(9,743)	(8,342)	(5,045)
Net operating Income	**108,411**	**65,726**	**45,188**	**30,433**	**23,727**	**16,224**
Corporate expenses	(9,618)	(4,538)	(3,239)	(2,680)	(2,023)	(1,863)
Property management net result	2,902	1,498	786	469	-	-
EBITDA	**101,695**	**62,686**	**42,735**	**28,222**	**21,704**	**14,361**
Net finance (expense)/income	**(5,759)**	**(1,677)**	**(3,855)**	**(6,246)**	**(663)**	**(5,071)**
Finance expenses	(17,829)	(15,676)	(10,489)	(9,324)	(7,941)	(5,653)
Finance income	3,822	6,374	3,260	1,854	6,254	582
Interest capitalised on development costs	8,248	7,625	3,374	1,224	1,024	-
Non-controlling interest	**(7,427)**	**4,920**	878	-	-	-
Direct investment result	**88,509**	**65,929**	**39,758**	**21,976**	**21,041**	**9,290**
Indirect investment result	69,889	33,266	17,706	11,127	(2,269)	(2,379)
Profit for the year attributable to equity holders	**158,398**	**99,195**	**57,464**	**33,103**	**18,772**	**6,911**
Reverse indirect result	(69,889)	(33,266)	(17,706)	(11,127)	2,269	2,379
Company specific adjustments	12,096	2,273	4,035	10,209	(287)	50
Distributable earnings before issue cum distribution	**100,605**	**68,202**	**43,793**	**32,185**	**20,754**	**9,340**
Issue cum distribution adjustment	1,954	6,870	3,577	3,157	2,323	2,325
Distributable earnings	**102,559**	**75,072**	**47,370**	**35,342**	**23,077**	**11,665**
Distributable earnings per share (euro cents)	35.34	29.69	26.79	25.95	24.67	17.61
of which recurring distributable earnings per share (euro cents)	34.76	29.69	25.79	20.88	18.54	17.61
Distribution per share (euro cents)	35.34	32.22	26.79	23.29	20.25	17.61

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Group 31 Dec 2015	Group 31 Dec 2014	Group 31 Dec 2013	Group 31 Dec 2012	Group 31 Dec 2011	Group 31 Dec 2010
ASSETS						
Non-current assets	**1,858,740**	**1,389,772**	**920,924**	**444,667**	**362,403**	**328,992**
Investment property	1,814,357	1,334,512	872,465	416,674	341,802	313,755
Income producing properties at fair value	1,655,219	1,038,545	758,623	393,966	316,393	300,899
Developments at cost	159,138	213,894	113,842	22,708	25,409	12,856
Advances paid for investment property	–	82,073	–	–	–	–
Goodwill	23,986	17,639	16,218	13,189	13,351	13,850
Other long-term assets	18,115	37,446	29,831	14,728	6,213	–
Financial assets at fair value through profit or loss	2,282	175	2,410	76	1,037	1,387
Current assets	**410,095**	**180,526**	**149,920**	**213,841**	**62,816**	**31,185**
Investment property held for sale	25,255	27,360	1,561	28,665	–	–
Trade and other receivables	55,229	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	329,611	111,967	55,837	87,512	55,065	23,847
TOTAL ASSETS	**2,268,835**	**1,570,298**	**1,070,844**	**658,508**	**425,219**	**360,177**
LIABILITIES	**772,285**	**329,009**	**358,608**	**264,886**	**189,960**	**205,090**
Loans and borrowings	201,095	218,399	266,136	219,148	164,866	178,412
Bonds	393,414	–	–	–	–	–
Deferred tax liabilities	93,571	55,907	50,160	22,321	15,086	15,586
Other long-term liabilities	15,443	9,446	4,059	–	–	–
Financial liabilities at fair value through profit and loss	3,417	5,104	4,699	7,730	2,380	1,223
Trade and other payables	65,345	40,153	33,554	15,687	7,628	9,869
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	**1,496,550**	**1,241,289**	**712,236**	**393,622**	**235,259**	**155,087**
TOTAL LIABILITIES AND EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	**2,268,835**	**1,570,298**	**1,070,844**	**658,508**	**425,219**	**360,177**
Adjusted NAV per share (euro)	5.25	4.63	3.70	2.88	2.43	2.22

ANNUAL **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2015

Artist's Impression: *Galeria Tomaszów* Tomaszów Mazowiecki, Poland

contents

ALERIA TOMASZÓW
REGENTA
MOSCO
VIENZA
dwell
SAMSARA
SCCOLLA
Rainbow
Amartan
FOREVER
IMPOSSIBLE

DIRECTORS' RESPONSIBILITY FOR THE **ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems;

(ii) the preparation of financial statements which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for that year and which comply with International Financial Reporting Standards ("IFRS"); and

(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;

(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;

(iii) IFRS has been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified; and

(iv) the Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

In addition, the directors have made an assessment of the group's and 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.

Approval of the annual financial statements of the company

The annual financial statements of the group and company were approved by the board of directors on 24 August 2015 and signed on its behalf by:

Mark Olivier
Chairman

Spiro Noussis
Chief executive officer

STATEMENT OF COMPLIANCE

We, the directors of Rockcastle, confirm to the best of our knowledge that the company has complied with all of its obligations and requirements under the Code of Corporate Governance.

Mark Olivier
Chairman

Spiro Noussis
Chief executive officer
24 August 2015

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 30 JUNE 2015

We certify that, to the best of our knowledge and belief, the company has filed with the Registrar of Companies all such returns as are required of the company under the Companies Act 2001.

Intercontinental Trust Ltd
Company Secretary
24 August 2015

REPORT OF THE **AUDIT COMMITTEE**

The audit committee is pleased to submit its report for the year ended 30 June 2015. Details on the composition of the audit committee, frequency of meetings and attendance at meetings are set out in the board of directors' section of the Integrated Report on page 5 and further details on the role of the audit committee are set out in the corporate governance review section on page 31.

EXECUTION OF THE FUNCTIONS OF THE AUDIT COMMITTEE

The audit committee has carried out its functions in terms of the applicable requirements of the Companies Act, the audit committee charter as approved by the board and any other legal or regulatory responsibilities.

EXTERNAL AUDITORS

The audit committee is satisfied that the external auditors are independent of the group. The audit committee considered information pertaining to the balance between fees received by the external auditors for audit and non-audit work for the group in 2015 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence. Furthermore, after obtaining confirmation and reviewing a report from the external auditors on all their relationships with the company that might reasonably have a bearing on the external auditors' independence and the audit engagement partner's objectivity, and the related safeguards and procedures, the audit committee has concluded that the external auditors' independence was not impaired.

The audit committee approved the external auditors' terms of engagement, scope of work, the annual fee and noted the applicable levels of materiality. Based on written reports submitted, the audit committee reviewed, with external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The audit committee is satisfied that the 2015 audit was completed without any restrictions on its scope.

The audit committee has satisfied itself as to the suitability of the external auditors for re-appointment for the ensuing year.

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The audit committee has reviewed principles, policies and practices adopted in the preparation of financial statements for the 2015 financial year and, where necessary, has obtained appropriate explanations relating to such financial information included in the Integrated Report. The audit committee is satisfied that they are adequate and appropriate and that the financial statements comply with International Financial Reporting Standards and the Companies Act.

The audit committee has applied its mind to the preparation and presentation of the Integrated Report and acknowledges its responsibility to ensure the integrity of the Integrated Report. The audit committee recommended the Integrated Report to the board for approval.

INTERNAL FINANCIAL CONTROLS AND THE FINANCE FUNCTION

The audit committee has satisfied itself that no breakdown in accounting controls, procedures and systems has occurred during the year under review that could have a material impact on financial reporting.

The audit committee has considered and confirms that the chief financial officer, Nick Matulovich has the appropriate expertise and experience and that the finance function has adequate resources and expertise.

Rory Kirk
Chairman of the audit committee
24 August 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS

This report is made solely to the members of Rockcastle Global Real Estate Company Limited, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements of Rockcastle Global Real Estate Company Limited and its subsidiaries (the Group) and the company's separate financial statements (the Company) on pages 43 to 80 which comprise the statements of financial position at 30 June 2015, the statements of comprehensive income, statements of changes in equity and 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 International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditors' judgement, 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 auditors consider internal control relevant to the Company'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 Company'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 financial statements on pages 43 to 80 give a true and fair view of the financial position of the Group and of the Company at 30 June 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

BDO & Co
Chartered Accountants
Port Louis, Mauritius.

Per **Rookaya Ghanty, FCCA**
Licensed by FRC

Artist's Impression: *Galeria Tomaszów* Tomaszów Mazowiecki, Poland

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

STATEMENTS OF **FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	GROUP 2015 USD'000	GROUP 2014 USD'000	COMPANY 2015 USD'000	COMPANY 2014 USD'000
ASSETS					
Non-current assets		**2 295 139**	1 587 451	**2 275 124**	1 587 416
Investment property	3	**58 708**	-	**-**	-
Straight-lining of rental revenue adjustment	3	**415**	-	**-**	-
Investment property under development	3	**7 436**	-	**-**	-
Listed security investments	4	**2 161 724**	1 565 259	**2 161 724**	1 565 259
Investment in and loans to subsidiaries	5	**-**	-	**88 271**	5 157
Investment in and loans to joint ventures	6	**41 727**	5 192	**-**	-
Rockcastle management incentive loans	7	**25 129**	17 000	**25 129**	17 000
Current assets		**31 366**	19 125	**29 527**	19 125
Investment income receivable	8	**7 589**	6 934	**7 589**	6 934
Cash and cash equivalents	9	**3 035**	486	**1 754**	486
Trade and other receivables	10	**15 410**	3	**14 852**	3
Loans to development partners	11	**5 332**	11 702	**5 332**	11 702
TOTAL ASSETS		**2 326 505**	1 606 576	**2 304 651**	1 606 541
EQUITY AND LIABILITIES					
Total equity attributable to equity holders		**1 241 128**	983 184	**1 236 891**	983 149
Stated capital	12	**1 180 670**	871 154	**1 180 670**	871 154
Retained income		**183 601**	131 714	**176 017**	131 679
Non-distributable reserves		**(123 947)**	(19 684)	**(119 796)**	(19 684)
Currency translation reserve		**804**	-	**-**	-
TOTAL LIABILITIES		**1 085 377**	623 392	**1 067 760**	623 392
Non-current liabilities					
Interest-bearing borrowings	13	**16 614**	340 057	**-**	340 057
Current liabilities		**1 068 763**	283 335	**1 067 760**	283 335
Trade and other payables	14	**4 966**	6 832	**3 963**	6 832
Interest-bearing borrowings	13	**1 063 777**	275 896	**1 063 777**	275 896
Income tax payable		**20**	607	**20**	607
TOTAL EQUITY AND LIABILITIES		**2 326 505**	1 606 576	**2 304 651**	1 606 541

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	GROUP 2015 USD'000	GROUP 2014 USD'000	COMPANY 2015 USD'000	COMPANY 2014 USD'000
Net rental and related revenue		**1 992**	-	-	-
Recoveries and contractual rental revenue		**2 240**	-	**-**	-
Straight-lining of rental revenue adjustment		**415**	-	**-**	-
Rental revenue		**2 655**	-	**-**	-
Property operating expenses		**(663)**	-	**-**	-
Dividends received from listed security investments	15	**77 931**	54 088	**77 931**	54 088
Income from joint ventures		**5 892**	35	**-**	-
Fair value gain on investment property and listed security investments		**20 727**	105 081	**21 142**	105 081
Adjustment resulting from straight-lining of rental revenue		**(415)**	-	**-**	-
Fair value gain on listed security investments		**21 142**	105 081	**21 142**	105 081
Foreign exchange (loss)/gain		**(77 935)**	6 915	**(74 212)**	6 915
Operating expenses		**(2 994)**	(1 327)	**(2 733)**	(1 327)
Profit before net finance costs		**25 613**	164 792	**22 128**	164 757
Net finance costs		**(15 461)**	(22 174)	**(15 374)**	(22 174)
Finance income		**2 363**	753	**2 462**	753
Interest on Rockcastle management incentive loans		**1 149**	441	**1 149**	441
Interest received from group companies		**-**	-	**99**	-
Interest on development partner loan		**1 214**	312	**1 214**	312
Finance costs		**(17 824)**	(22 927)	**(17 836)**	(22 927)
Interest on borrowings		**(11 913)**	(9 667)	**(11 746)**	(9 667)
Capitalised interest		**179**	-	**-**	-
Fair value gain/(loss) on interest rate derivatives		**5 331**	(4 667)	**5 331**	(4 667)
Fair value loss on bond shorts		**(11 421)**	(8 593)	**(11 421)**	(8 593)
Profit before income tax expense	16	**10 152**	142 618	**6 754**	142 583
Income tax expense	17	**(20)**	(607)	**(20)**	(607)
Profit for the year attributable to equity holders of the company		**10 132**	142 011	**6 734**	141 976
OTHER COMPREHENSIVE INCOME NET OF TAX					
Items that may be reclassified to profit or Loss					
Exchange differences on translation of foreign operations - subsidiaries		**2 461**	-	**-**	-
Exchange differences on translation of foreign operations - joint ventures		**(1 657)**	-	**-**	-
		804	-	**-**	-
Total comprehensive income for the year attributable to equity holders of the company		**10 936**	142 011	**6 734**	141 976
Weighted average number of shares in issue		**772 800 853**	478 682 693	**772 800 853**	478 682 693
Basic earnings per share from continuing operations (USD cents)	21	**1.31**	29.67	**0.87**	29.66
Headline earnings per share from continuing operations (USD cents)	21	**0.69**	29.67	**0.87**	29.66

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2015

	GROUP				
	Stated capital USD'000	Retained income/ (loss) USD'000	Non-distributable reserves USD'000	Currency translation reserve USD'000	**Total** USD'000
Balance at 30 June 2013	409 771	(8 410)	-	-	401 361
Transactions with equity holders	461 383	(21 571)	-	-	439 812
Issue of 90 million shares on 15 October 2013	118 232				118 232
Issue of 90 million shares on 10 December 2013	116 975				116 975
Issue of 175.5 million shares on 30 May 2014	240 176				240 176
Reclassification of stated capital	(14 000)	14 000			-
Distributions declared		(14 000)			(14 000)
Dividends declared		(21 571)			(21 571)
Total comprehensive income for the year		142 011			142 011
Total profit for the year		142 011			142 011
Total other comprehensive income for the year		-			-
Transfer to non-distributable reserves		19 684	(19 684)		-
Balance at 30 June 2014	871 154	131 714	(19 684)	-	983 184
Transactions with equity holders	**309 516**	**(62 508)**	**-**	**-**	**247 008**
Issue of 64.2 million shares on 2 October 2014	**113 950**				**113 950**
Issue of 63.4 million shares on 1 April 2015	**163 292**				**163 292**
Dividend declared	**32 274**	**(62 508)**			**(30 234)**
Total comprehensive income for the year		**10 132**		**804**	**10 936**
Total profit for the year		**10 132**			**10 132**
Total other comprehensive income for the year				**804**	**804**
Transfer to non-distributable reserves		**104 263**	**(104 263)**		**-**
Balance at 30 June 2015	**1 180 670**	**183 601**	**(123 947)**	**804**	**1 241 128**

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2015

	COMPANY				
	Stated capital USD'000	Retained income/ (loss) USD'000	Non-distributable reserves USD'000	Currency translation reserve USD'000	**Total** USD'000
Balance at 30 June 2013	409 771	(8 410)	-	-	401 361
Transactions with equity holders	461 383	(21 571)	-	-	439 812
Issue of 90 million shares on 15 October 2013	118 232				118 232
Issue of 90 million shares on 10 December 2013	116 975				116 975
Issue of 175.5 million shares on 30 May 2014	240 176				240 176
Reclassification of stated capital	(14 000)	14 000			-
Distributions declared		(14 000)			(14 000)
Dividends declared		(21 571)			(21 571)
Total comprehensive income for the year		141 976			141 976
Total profit for the year		141 976			141 976
Total other comprehensive income for the year		-			-
Transfer to non-distributable reserves		19 684	(19 684)		-
Balance at 30 June 2014	871 154	131 679	(19 684)	-	983 149
Transactions with equity holders	**309 516**	**(62 508)**	**-**	**-**	**247 008**
Issue of 64.2 million shares on 2 October 2014	**113 950**				**113 950**
Issue of 63.4 million shares on 1 April 2015	**163 292**				**163 292**
Dividend declared	**32 274**	**(62 508)**			**(30 234)**
Total comprehensive income for the year		**6 734**			**6 734**
Total profit for the year		**6 734**			**6 734**
Total other comprehensive income for the year		**-**			**-**
Transfer to non-distributable reserves		**100 112**	**(100 112)**		**-**
Balance at 30 June 2015	**1 180 670**	**176 017**	**(119 796)**	**-**	**1 236 891**

STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	GROUP For the year ended 30 June 2015 USD'000	GROUP For the year ended 30 June 2014 USD'000	COMPANY For the year ended 30 June 2015 USD'000	COMPANY For the year ended 30 June 2014 USD'000
OPERATING ACTIVITIES					
Cash generated from operations	18.1	**61 053**	44 262	**63 016**	44 262
Interest received on management incentive loans advanced		**1 149**	441	**1 149**	441
Interest paid on borrowings		**(7 836)**	(2 553)	**(7 668)**	(2 553)
Income tax paid	18.3	**(607)**	(198)	**(607)**	(198)
Cash inflow from operating activities		**53 759**	41 952	**55 890**	41 952
INVESTING ACTIVITIES					
Rockcastle management incentive loans advanced		**(8 129)**	(12 613)	**(8 129)**	(12 613)
Investment in joint venture acquired		**(18 136)**	(5 157)	**-**	-
Development partner loans advanced		**(5 332)**	(11 702)	**6 370**	(11 702)
Increase in investment in and loans to subsidiaries		**-**	-	**(83 015)**	-
Acquisition of investment property		**(59 123)**	-	**-**	-
Development of investment property		**(7 257)**	-	**-**	-
Acquisition of listed security investments		**(653 258)**	(764 006)	**(653 258)**	(769 163)
Cash outflow from investing activities		**(751 235)**	(793 478)	**(738 032)**	(793 478)
FINANCING ACTIVITIES					
Increase in interest-bearing borrowings		**453 017**	312 005	**436 402**	312 005
Proceeds from share issuances		**277 242**	475 383	**277 242**	475 383
Distributions paid to shareholders	18.2	**-**	(14 000)	**-**	(14 000)
Dividends paid to shareholders	18.2	**(30 234)**	(21 571)	**(30 234)**	(21 571)
Cash inflow from financing activities		**700 025**	751 817	**683 410**	751 817
Increase in cash and cash equivalents		**2 549**	291	**1 268**	291
Cash and cash equivalents at the beginning of the year		**486**	195	**486**	195
Cash and cash equivalents at the end of the year		**3 035**	486	**1 754**	486
Cash and cash equivalents consist of:					
Current accounts	9	**3 035**	486	**1 754**	486

F-174

Mukuba Mall Kitwe, Zambia

Artist's Impression: **Fabryka Wolomin** Wolomin, Poland

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

REPORTING ENTITY

Rockcastle Global Real Estate Company Limited (the "company") is a public company limited by shares incorporated in Mauritius on 30 March 2012. The company holds a Category One Global Business Licence issued by the Financial Services Commission. The consolidated financial statements of the company for the year ended 30 June 2015 comprise the company, its subsidiaries and joint ventures. The financial statements were authorised for issue by the directors on 24 August 2015.

The group's main activity is to invest globally in listed real estate assets and direct property. Its registered office is Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius. These financial statements will be submitted for consideration and approval at the forthcoming AGM.

BASIS OF PREPARATION

Basis of measurement

The financial statements are prepared on the historical-cost basis, except for derivative financial instruments, financial instruments designated as financial instruments at fair value through profit or loss, investment properties and other relevant financial assets and financial liabilities which are measured at fair value or carried at amortised cost, as appropriate.

Statement of compliance

The consolidated and separate financial statements of the group are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations committee of the IASB. The consolidated and separate financial statements comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and with the Mauritian Companies Act 2001.

The accounting policies are consistent with those applied in the prior periods with the exception of standards and interpretations that became effective in the current year.

This report was compiled under the supervision of Nick Matulovich CA(SA), the chief financial officer.

Functional and presentation currency

The functional currency of Rockcastle is the United States Dollar ("USD"), and the group has elected to present its financial statements in USD, being the denomination of the issued stated capital of the group, rounded to the nearest thousand (USD'000) unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are set out in note 26.

1 ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015.

1.1 BASIS OF CONSOLIDATION

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the company and its subsidiaries.

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company may have the current ability to direct the relevant activities at the time that decisions need to be made.

The results of subsidiaries are included from the date control was acquired up to the date control ceased. The purchase method of accounting has been adopted to account for the cost of the acquisition of the investments. Cost comprises the fair value of any assets transferred, liabilities or obligations assumed and equity instruments issued and excludes transaction costs.

Investments in subsidiaries of the company are reflected at cost less accumulated impairment losses.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated in the preparation of the consolidated annual financial statements.

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

Foreign subsidiaries

On consolidation, the assets and liabilities of the group's overseas entities are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified in other comprehensive income. Such translation differences are recognised in profit or loss in the period in which the entity is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Investment in associates and joint ventures

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated into these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture, the group discontinues recognising its share of further losses.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, intragroup balances and any unrealised gains and losses arising from intragroup transactions with subsidiaries and joint ventures are eliminated to the extent of the group's interest in these entities.

Transactions in foreign currency

The results of foreign entities are translated as follows:

- statement of financial position - at the spot exchange rate at period end (monetary items) or at rates of exchange ruling at the date of the transaction (non-monetary items)
- statement of comprehensive income - at the average exchange rate for the period

1.2 INVESTMENT PROPERTY

Investment Property

Investment properties are those held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or for administration purposes.

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

After initial recognition, investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise.

Immediately prior to disposal of investment property the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs.

When the group redevelops an existing investment property for continued future use as investment property, the property remains classified as investment property. The investment property is not reclassified as investment property under development during the redevelopment.

Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. To the extent that developments can be accurately fair valued, developments are carried at fair value.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings.

1 ACCOUNTING POLICIES (continued)

1.3 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the group's statements of financial position when the group has become party to the contractual provisions of the instrument. Financial instruments acquired for trading purposes and derivative instruments are stated at fair value. Resulting gains or losses are recognised directly in profit or loss. Financial instruments presented in the financial statements include cash and cash equivalents, listed security investments, derivatives, loans, trade and other receivables, trade and other payables and interest-bearing borrowings. Financial instruments are initially recognised at fair value including transaction costs.

Subsequent to initial recognition, these instruments are measured as follows:

1.3.1 Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Financial investments at fair value through profit or loss - Financial investments at fair value through profit or loss are financial assets held-for-trading and those designated at fair value through profit or loss at inception. These assets are carried at fair value being the quoted closing price at the statement of financial position date. Realised gains/(losses) on disposal of investments and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise. Attributable transaction costs are recognised in profit or loss as incurred.

Trade receivables - Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents - Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the statements of cash flows. Cash and cash equivalents are carried at amortised cost.

Impairment of financial assets - Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

For trade receivables and investment income receivable, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised and the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss initially been recognised.

Derecognition of financial assets - A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the contractual rights to receive cash flows from the asset have expired, the group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement or the group has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards from the asset; or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

1.3.2 Financial liabilities

Classification as debt or equity - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Trade and other payables - Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities - All other financial liabilities, with the exception of derivatives, are accounted for at amortised cost using the effective interest method.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Where an existing liability from a lender 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 derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is recognised directly in profit or loss.

Effective interest method - The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, a shorter period.

Offset - Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the assets simultaneously, all related financial effects are offset.

1.4 DERIVATIVE FINANCIAL INSTRUMENTS

The group enters into a variety of derivative financial instruments to gain exposure to property securities and to hedge its interest rate risk arising from financing activities.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than twelve months.

Derivatives not designated into an effective hedge relationship or that do not qualify in terms of hedge accounting rules, are classified as a current asset or current liability. The fair value of derivatives is the estimated amount that the group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and exchange rates and the current creditworthiness of the swap counter parties.

1.5 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market "assessments of the time value of money and where appropriate, the risks specific to the obligation."

The group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

1 ACCOUNTING POLICIES (continued)

1.6 STATED CAPITAL

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.

When stated capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

1.7 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

1.8 REVENUE, INVESTMENT INCOME AND EXPENSES

Revenue

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is recognised at the fair value of the consideration received or receivable.

Revenue comprises rental revenue and recovery of expenses, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

Other revenues earned by the group are recognised on the following bases:

- Dividend income - when the shareholder's right to receive payment is established.
- Interest income - on a time-proportion basis using the effective interest method.

Expenses

Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a straight-line basis.

1.9 FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest receivable and is recognised as it accrues, taking into account the effective yield on the asset. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Finance costs comprise interest payable on borrowings calculated using the effective interest method.

1.10 TAX

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment of tax payable in respect of previous years. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the statements of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured at fair value, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

1.11 TRANSLATION OF FOREIGN CURRENCIES

The functional currency of Rockcastle is USD. Accordingly, transactions denominated in currencies other than USD are translated at the average rate of exchange during the month in which the transaction occurs.The prevailing rate of exchange on the date of a significant transaction is however utilised where significant fluctuations in the rate of exchange occur during the month in which the transaction occurs.

Monetary assets and liabilities denominated in foreign currencies (other than monetary items that form part of the net investment in a foreign operation) are translated at the rates of exchange ruling at the reporting date, with gains and losses recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost and are translated using the rates of exchange ruling at the date of the transaction.

1.12 DIVIDENDS TO SHAREHOLDERS

A dividend to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is declared.

1.13 OPERATING SEGMENTS

A segment is a distinguishable component of the group that is engaged in providing services (business segment) or in providing services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. The group's primary segment is based on geographic segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board. The board reviews the group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1.14 RELATED PARTIES

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

1.15 EARNINGS PER SHARE

The group presents basic and diluted earnings per share. It also presents headline and diluted headline earnings per share.

Basic earnings or loss per share is calculated by dividing profit or loss for the year attributable to equity holders by the weighted average number of shares in issue during the year. Headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue during the year.

Diluted earnings or loss per share is calculated by dividing profit or loss for the year attributable to equity holders by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options.

Diluted headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options acquired.

1.16 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 and other adjustments that the Board may consider necessary) for the period by the number of shares in issue which are entitled to dividends at the end of the period.

1.17 NON-DISTRIBUTABLE RESERVES

All realised/unrealised losses of a capital nature are transferred to non-distributable reserves.

2 FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and price risk).

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements (refer to notes 25.1 to 25.3).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the risk committee. The committee reports to the board of directors on its activities. The risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's tenants, investment securities, loans, receivables and cash and cash equivalents.

Investments

The group invests in listed securities by means of direct investments and by utilising equity swaps with recognised financial institutions. The group limits its exposure to credit risk in its direct investments by only investing in liquid securities listed on a recognised stock exchange. The group has policies and procedures in place to mitigate the credit risk associated with equity swaps. The group ensures that more than one reputable counterparty is used and that new investments are split on an equitable basis between counterparties in order to spread the credit exposure. In addition, counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

Trade and other receivables and investment income receivable

Investment income receivable consists of dividends from investments accrued by the group as at the end of the period but which have not yet been received. The credit risk associated with these receivables is monitored as part of the group's greater investment strategy. The group ensures that the companies in which it invests are listed on a recognised stock exchange, are liquid and solvent and appear to be trading as a going concern for the foreseeable future.

Trade and other receivables include deposits with the group's tenants and interest rate swaps. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties. Counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Rockcastle management incentive loans

The group's exposure to credit risk is influenced by the security provided for the loan and also the characteristics of each borrower, who is an employee of the group.

The group establishes an allowance for impairment that represents its estimate of specific losses to be incurred in the event of the borrowers' inability to meet their commitments.

Loans to development partners

In reducing credit risk attributable to loans to development partners, the group takes a pledge over the shares in the group in which the development is undertaken.

Cash and cash equivalents

The group's exposure to credit risk is limited through the use of financial institutions of good standing for investment and cash handling purposes.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations, comprising interest-bearing borrowings and trade and other payables, as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. In this respect, the group prepares cash flow analyses and forecasts which enable the directors to assess the level of financing required in future periods.

The interest-bearing borrowings relate to the borrowings associated with the equity swaps utilised by the group. The board of directors agree on gearing parameters for the group and the gearing levels are consistently monitored, taking into account the fluctuations in the underlying investments.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. The group generates a significant amount of cash from dividends received from listed security investments. Management is able to accurately budget the respective cash inflows as the dividend policies of the underlying investments are published in advance. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group buys derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the audit committee. The investment committee together with the risk committee determine parameters by which investments in listed securities are made taking into account an appropriate margin of safety regarding the collateral pool to ensure the portfolio is able to withstand volatile market movements.

Currency risk

The group is exposed to foreign currency risk on investments denominated in Euro, Great British Pound, Singapore Dollar, Hong Kong Dollar, Australian Dollar and the Canadian Dollar. The group mitigates a portion of the risk associated with exposure to foreign currency fluctuations by borrowing in the same currency as the underlying investment. In addition, the group hedges its exposure to currency fluctuations on distributable income through the use of currency forwards and cross-currency swaps.

Interest rate risk

The group is exposed to interest rate risk on its interest-bearing borrowings and cash and cash equivalents.

Interest-bearing borrowings and cash and cash equivalents bear interest at rates linked to the base lending rate in the jurisdiction to which they relate. However, the group utilises the short selling of government bonds to hedge a portion of the interest rate risk.

Equity price risk

The group is exposed to equity price risk on its investments. It limits its exposure to equity price risk by only investing in liquid securities that are listed on a recognised stock exchange and where the directors are in agreement with the business strategy implemented by such companies.

Fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; or
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

2 FINANCIAL RISK MANAGEMENT (continued)

Fair values (continued)

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio every year excluding those properties acquired within 6 months of the financial year end for which management views the purchase price as an appropriate measure of the fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Capital management

The group considers the equity attributable to equity holders as the permanent capital of the group. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board also monitors the level of dividends to shareholders. The board seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The board's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

3 INVESTMENT PROPERTY, STRAIGHT-LINING OF RENTAL REVENUE ADJUSTMENT AND INVESTMENT PROPERTY UNDER DEVELOPMENT

	GROUP	
	2015 USD'000	**2014** USD'000
Investment in property comprises:		
Investment property	**58 708**	-
Straight-lining of rental revenue adjustment	**415**	-
	59 123	-
Investment property under development	**7 436**	-
Total investment property	**66 559**	-
Details of the investment property are as follows:		
Acquisition cost	**58 708**	-
Straight-lining of rental revenue adjustment	**415**	-
Investment property at fair value	**59 123**	-
Movement in investment property is as follows:		
Carrying amount at the beginning of the year	**-**	-
Additions and costs capitalised	**58 708**	-
Straight-lining of rental revenue adjustment	**415**	-
	59 123	-
Details of investment property under development are as follows:		
Additions and costs capitalised	**7 257**	-
Interest capitalised	**179**	-
	7 436	-

A register of investment property is available for inspection at the registered office of the company (refer to page 84). The directors consider that the purchase price of the investment properties represented their fair value as at 30 June 2015. Investment properties are categorised as level 3 in the fair value hierarchy.

4 LISTED SECURITY INVESTMENTS

Listed security investments are categorised as financial assets measured at fair value through profit or loss. The fair values of the listed security investments are determined based on quoted prices in active markets. The list of investments is provided in the Schedule of Investments on page 82 of this report.

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Cumulative carrying amount	**2 140 582**	1 460 178
Increase in fair value	**21 142**	105 081
Total investment balance	**2 161 724**	1 565 259
Non-current (level 1)	**2 161 724**	1 565 259

The currency profile of listed security investments is disclosed in note 20 - Segmental Reporting. Changes in fair values are recorded in profit or loss and none of the financial assets are impaired.

5 INVESTMENT IN AND LOANS TO SUBSIDIARIES

				COMPANY					
Subsidiaries	Main business	Incorporated in and place of business	Stated Capital '000	Effective interest **2015**	Effective interest **2014**	Investment **2015** USD'000	Loan Amount **2015** USD'000	Total **2015** USD'000	Investment and Total **2014** USD'000
Rockcastle Europe Limited	Investment holding company	Republic of Mauritius	USD*	**100%**	0%	-	**63 609**	**63 609**	-
Rockcastle UK Property SPV Limited	Investment holding company	Republic of Mauritius	GBP670	**100%**	0%	**1 058**	**2 533**	**3 591**	-
Ndola Kafubu Investments Limited	Investment holding company	Republic of Mauritius	USD1	**100%**	100%	**3 692**	**1 451**	**5 143**	5 157
Kitwe Mukuba Investments Limited	Investment holding company	Republic of Mauritius	USD1	**100%**	0%	**698**	**15 167**	**15 865**	-
Rockcastle Global Real Estate Company UK Limited	Investment holding company	United Kingdom	GBP*	**100%**	0%	-	**63**	**63**	-
Rockcastle Global Real Estate Holdings BV	Investment holding company	Netherlands	EUR5 760	**100%**	0%	-	-	-	-
Gontar sp.z.o.o	Property owning company	Poland	PLN55	**100%**	0%	-	-	-	-
IGI Exclusive sp.z.o.o	Property owning company	Poland	PLN50	**100%**	0%	-	-	-	-
Rockcastle Poland sp.z.o.o	Property owning company	Poland	PLN5	**100%**	0%	-	-	-	-
ACE3 sp.z.o.o	Property owning company	Poland	PLN10	**85%**	0%	-	-	-	-
						5 448	**82 823**	**88 271**	5 157

Amounts owing by subsidiaries are, unsecured, bear interest at rates agreed from time to time and the terms of repayment are specific to individual tranches advanced. The subsidiaries' year ends are all 30 June. Class of shares held in subsidiary companies are all ordinary share capital.

**Less than 1 000.*

6 INVESTMENT IN AND LOANS TO JOINT VENTURES

Interest in joint venture Kafubu Mall Limited	GROUP	
	2015 USD'000	**2014** USD'000
Investment at cost	**4 084**	5 157
Share of post-acquisition reserves	**193**	35
Loan advanced	**5 998**	-
Carrying value	**10 275**	5 192
Holding	**50%**	50%
Condensed consolidated statement of financial position*		
Non-current assets	**22 240**	20 341
Current assets	**89**	70
Equity	**(9 518)**	(10 384)
Non-current liabilities	**(12 631)**	-
Current liabilities	**(180)**	(10 027)
Condensed consolidated statement of comprehensive income*		
Net income	**7 558**	360
Net finance costs	**(86)**	(290)
Income for the year	**7 472**	70

Rockcastle holds a 100% interest in Ndola Kafubu Investments Limited (a Category Two Global Business License Company in Mauritius). Ndola Kafubu Investments Limited holds 50% of the equity and voting rights in Kafubu Mall Limited. Kafubu Mall Limited owns Kafubu Mall which is a 11 859m² mall situated in Ndola, Zambia.
Kafubu Mall Limited has been accounted for using the equity method. The loan is unsecured, interest free and there are no fixed terms for repayment.

** The information was extracted from Kafubu Mall Ltd's management accounts for the period ended 30 June 2015.*

Interest in joint venture Mukuba Mall Limited	GROUP	
	2015 USD'000	**2014** USD'000
Investment at cost	**699**	-
Share of post-acquisition reserves	**4 077**	-
Loan advanced	**26 676**	
Carrying value	**31 452**	-
Holding	**50%**	0%
Condensed consolidated statement of financial position*		
Non-current assets	**64 507**	-
Current assets	**203**	-
Equity	**(26 748)**	-
Non-current liabilities	**(37 512)**	-
Current liabilities	**(450)**	-
Condensed consolidated statement of comprehensive income*		
Net income	**27 431**	-
Net finance costs	**-**	-
Income for the year	**27 431**	-

Rockcastle holds a 100% interest in Kitwe Mukuba Investments Limited (a Category Two Global Business License Company in Mauritius). Kitwe Mukuba Investments Limited holds 50% of the equity and voting rights in Mukuba Mall Limited. Mukuba Mall Limited owns Mukuba Mall which is a 28 235m² mall situated in Kitwe, Zambia.
Mukuba Mall Limited has been accounted for using the equity method. The loan is unsecured, interest free and there are no fixed terms for repayment.
** The information was extracted from Mukuba Mall Ltd's management accounts for the period ended 30 June 2015.*

Total investment in and loans to joint ventures	**41 727**	5 192

Rockcastle has accounted for the above investments as joint ventures as there is an agreement of shared control with the entities' other shareholders, whereby decisions relating to the activities of the joint venture companies require unanimous consent of the parties sharing control.

7 ROCKCASTLE MANAGEMENT INCENTIVE LOANS

The movements in the Rockcastle management incentive loans ("MIL") were approved by the board during the financial year. The purpose of the incentive is to provide employees with an incentive linked to the growth of the company's long-term value as measured by the share price. This form of long-term incentivisation is designed to provide an incentive programme that will contribute to the achievement of the company's objectives and enhance shareholder value. Employees are provided with a 10 year loan to facilitate the purchase of Rockcastle shares which are pledged as security for the aforesaid loan. Dividends received on these shares are applied to settle the interest payable on the loans and any excess is then utilised to reduce the outstanding liability balance.

	GROUP AND COMPANY		
	2015 % of issued shares	**2015** Number of shares	**2015** Loan balance USD'000
Shares issued to directors and employees in terms of the MIL	**2.08%**	**17 665 000**	**25 129**
	2014 % of issued shares	**2014** Number of shares	**2014** Loan balance USD'000
Shares issued to directors and employees in terms of the MIL	1.87%	13 215 000	17 000

The participants in the MIL carry the risk associated with the shares issued to them. This disclosure includes all shares issued since incorporation. The MIL loans bear interest at 5% for the year ended 30 June 2015 (2014: 5%). The loans are secured by 17.665 million (2014: 13.215 million) shares in Rockcastle with a fair value of USD39.22 million (2014: USD19.82 million). The value of security held for each individual loan exceeds the amount of the related loan. The loans are repayable on the tenth anniversary of the loans being granted.

Details of the shares issued to directors in terms of the Rockcastle Management Incentive Scheme as at 30 June 2015 are as follows:	Number of shares issued	Date of issue	Issue price - USD per share (excluding costs)	Employee asset as recorded in financials USD'000
Spiro Noussis	1 000 000	2 Oct 14	1.83	1 830
	4 615 000	18 Feb 14	1.33	6 138
Nick Matulovich	850 000	2 Oct 14	1.83	1 556
	1 000 000	18 Dec 13	1.30	1 300
	100 000	14 Jun 13	1.35	135
Paul Pretorius	500 000	2 Oct 14	1.83	915
	1 000 000	18 Dec 13	1.30	1 300
	500 000	14 Jun 13	1.35	675

8 INVESTMENT INCOME RECEIVABLE

Investment income receivable pertains to income which has met the revenue recognition requirements of IAS 18 as set out in note 1.8 and has accordingly been recognised as income during the current financial year but has not yet been received as at the end of the financial year. The geographical breakdown of this receivable is disclosed in segmental reporting in note 20.

As of 30 June 2015, none of the receivables were past due or impaired. In addition, no provision for impairment has been made as of 30 June 2015. The maximum exposure to credit risk at the reporting date pertaining to these receivables is the fair value of the receivables. The company does not hold any collateral as security.

9 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015 USD'000	**2014** USD'000	**2015** USD'000	**2014** USD'000
Cash and cash equivalents comprise the following:				
Cash at bank - current accounts	**3 035**	486	**1 754**	486

10 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 USD'000	**2014** USD'000	**2015** USD'000	**2014** USD'000
Trade and other receivables include the following:				
Fair value of interest rate derivatives	**14 849**	-	**14 849**	-
Prepaid expenses	**561**	3	**3**	3
	15 410	3	**14 852**	3

11 LOANS TO DEVELOPMENT PARTNERS

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Loan to Cosmopolitan Shopping Centre Limited*	**5 332**	-
Current portion included in current assets	**(5 332)**	-
Loan to Kitwe Mukuba Investments Limited	**-**	11 702
Current portion included in current assets	**-**	(11 702)
Non-current portion	**-**	-

The amount owing by the development partner is secured by a pledge of the shares in the company in which the property is held. The loan bears interest at the rate of 9.5%.
**The loan is repayable on completion of the development which is expected to be in March 2016.*

12 STATED CAPITAL

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Authorised: 1 279 661 805 (2014: 880 001 000) ordinary shares of no par value		
Issued: 847 862 018 (2014: 705 500 000) ordinary shares at an average of approximately USD1.39 (2014: USD1.24) per share *	**1 180 670**	871 154

** Transaction costs recognised as a deduction from equity in the current year amounted to USD1.4 million*

12 STATED CAPITAL (continued)

Reconciliation of movement in issued shares	2015 Shares	2014 Shares
Balance at beginning of year	**705 500 000**	350 000 000
Shares issued by way of a scrip dividend during the year	**14 669 955**	-
Shares issued for cash consideration during the year*	**127 692 063**	355 500 000
	847 862 018	705 500 000

* Shares issued for cash in the current year included:
General issue of 64.2 million shares at approximately USD1.78 per share on 2 October 2014
General issue of 63.4 million shares at approximately USD2.58 per share on 1 April 2015

13 INTEREST-BEARING BORROWINGS

The group's interest-bearing borrowings comprise short term interest-bearing borrowings as well as long term facilities. The borrowing facilities, together with shareholder stated capital, are used to fund the company's investment activities. The company's investment mandate allows the company to have borrowings of up to 60% of the total asset value. Short term interest-bearing borrowings are measured at amortised cost. Interest-bearing borrowings pertaining to government bond positions are measured at fair value which is calculated using quoted market prices at the reporting year. The company's exposure to interest rate, foreign currency and liquidity risk is discussed in note 25.

GROUP	2015			
	Rate	Maturity	Fair value USD'000	Carrying amount USD'000
INTEREST-BEARING BORROWINGS - NON-CURRENT				
Standard Bank	3-month USD Libor + 3%	November 2018	**(11 579)**	**(11 579)**
Standard Bank	3-month USD Libor + 3%	November 2017	**(5 035)**	**(5 035)**
			(16 614)	**(16 614)**

GROUP AND COMPANY	2015			
	Rate	Maturity	Fair value USD'000	Carrying amount USD'000
INTEREST-BEARING BORROWINGS - CURRENT				
USA	Federal Funds Effective Rate + 0.45%	Less than one year	**(670 081)**	**(670 081)**
USA	1-month USD LIBOR + 1.00%	Less than one year	**(512 346)**	**(512 346)**
Australia	RBA overnight rate + 0.05%	Less than one year	**(26 105)**	**(26 105)**
Europe	EONIA + 0.45%	Less than one year	**(67 467)**	**(67 467)**
UK	Overnight SONIA + 0.45%	Less than one year	**(198 554)**	**(198 554)**
UK	1-month LIBOR + 0.5%	Less than one year	**(198 549)**	**(198 549)**
Singapore	1-month Association of Banks in Singapore Swap + 0.5%	Less than one year	**(194 438)**	**(194 438)**
Canada	CABROVER + 0.05%	Less than one year	**(54 317)**	**(54 317)**
Canada	1-month CDOR + 0.7%	Less than one year	**(53 340)**	**(53 340)**
			(1 975 197)	**(1 975 197)**
Cumulative cash collateral held with prime brokers used to offset short term borrowings balance			**911 420**	**911 420**
Net short term borrowings			**(1 063 777)**	**(1 063 777)**

13 INTEREST-BEARING BORROWINGS (continued)

GROUP AND COMPANY	2014			
	Yield to maturity	Date of maturity	Fair value USD'000	Carrying amount USD'000
INTEREST-BEARING BORROWINGS - NON-CURRENT				
Bond shorts				
USA	2.11%	November 2022	28 322	28 322
USA	0.84%	November 2017	4 923	4 923
USA	2.53%	May 2023	56 766	56 766
USA	2.60%	February 2024	30 642	30 642
Australia	3.84%	April 2023	21 784	21 784
Europe	2.17%	May 2023	28 162	28 162
Europe	0.28%	October 2017	6 918	6 918
Europe	1.56%	February 2023	14 182	14 182
Europe	1.61%	May 2023	70 730	70 730
UK	2.18%	September 2022	32 100	32 100
Canada	1.94%	June 2022	9 900	9 900
Canada	2.49%	June 2023	35 628	35 628
			340 057	340 057

GROUP AND COMPANY	2014			
	Nominal interest rate	Maturity	Fair value USD'000	Carrying amount USD'000
INTEREST-BEARING BORROWINGS - CURRENT				
USA	Federal Funds Effective Rate + 0.65%	Less than one year	280 396	280 396
USA	Federal Funds Effective Rate + 0.575%	Less than one year	341 152	341 152
Australia	RBA overnight rate + 0.05%	Less than one year	57 141	57 141
Australia	1-month Australia Bank Bill + 0.5%	Less than one year	15 623	15 623
Europe	EONIA + 0.625%	Less than one year	83 627	83 627
Europe	1-month EURIBOR + 0.35%	Less than one year	66 597	66 597
UK	Overnight SONIA + 0.625%	Less than one year	73 544	73 544
UK	1-month LIBOR + 0.35%	Less than one year	72 625	72 625
Singapore	1-month Association of Banks in Singapore Swap + 0.5%	Less than one year	202 553	202 553
Canada	CABROVER + 0.05%	Less than one year	110 942	110 942
Canada	1-month CDOR + 0.6%	Less than one year	97 357	97 357
			1 401 557	1 401 557
Cumulative cash collateral held with prime brokers used to offset short term borrowings balance			(1 125 661)	(1 125 661)
Net short term borrowings			275 896	275 896

13 INTEREST-BEARING BORROWINGS (continued)

	GROUP		COMPANY		GROUP AND COMPANY	
	Fair value **2015** USD'000	Carrying amount **2015** USD'000	Fair value **2015** USD'000	Carrying amount **2015** USD'000	Fair value 2014 USD'000	Carrying amount 2014 USD'000
Interest-bearing borrowings - current	**(1 975 197)**	**(1 975 197)**	**(1 975 197)**	**(1 975 197)**	1 401 557	1 401 557
Equity swap cash collateral	**911 420**	**911 420**	**911 420**	**911 420**	(1 125 661)	(1 125 661)
Loans	**(16 614)**	**(16 614)**	**-**	**-**	-	-
Bond shorts	**-**	**-**	**-**	**-**	340 057	340 057
Net interest-bearing borrowings	**(1 080 391)**	**(1 080 391)**	**(1 063 777)**	**(1 063 777)**	615 953	615 953
Portion included in current liabilities	**(1 063 777)**	**(1 063 777)**	**(1 063 777)**	**(1 063 777)**	275 896	275 896
Portion included in non-current liabilities	**(16 614)**	**(16 614)**	**-**	**-**	340 057	340 057
Total interest-bearing borrowings	**(1 080 391)**	**(1 080 391)**	**(1 063 777)**	**(1 063 777)**	615 953	615 953

Interest-bearing borrowings are secured by the following:

	GROUP				
	Investments **2015** USD'000	Investment property **2015** USD'000	Total **2015** USD'000	Investments **2014** USD'000	Total **2014** USD'000
Standard Bank (1)	**-**	**41 727**	**41 727**	-	-
Interest-bearing borrowings - current (2)	**2 161 724**	**-**	**2 161 724**	1 565 259	1 565 259
	2 161 724	**41 727**	**2 203 451**	1 565 259	1 565 259

(1) The loan-to-value ("LTV") ratio may not exceed 50%. The interest cover ratio should be at least 3.5.
(2) • Cash and listed securities utilised as security for the interest-bearing borrowings pertaining to the equity swap position as well as interest rate swap positions.
• Short term interest-bearing borrowings are repayable on the settlement of the respective equity swap position.
• General margin requirements per counter applied.

14 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 USD'000	**2014** USD'000	**2015** USD'000	**2014** USD'000
Trade and other payables include the following:				
Fair value of interest rate derivatives	**1 975**	6 070	**1 975**	6 070
Accrued expenses	**2 643**	762	**1 988**	762
Tenant deposits	**205**	-	**-**	-
VAT payable	**143**	-	**-**	-
	4 966	6 832	**3 963**	6 832

15 DIVIDENDS RECEIVED FROM LISTED SECURITY INVESTMENTS

Dividends received from listed securities investments relates to dividend income recognised by the company during the year in accordance with the recognition and measurement criteria in IAS 18 and the accounting policy in note 1.8. The geographical spread of this amount is provided in the segmental reporting provided in note 20.

16 PROFIT BEFORE INCOME TAX EXPENSE

	GROUP	COMPANY	GROUP AND COMPANY
	2015 USD'000	**2015** USD'000	**2014** USD'000
Profit before income tax expense is stated after charging:			
Auditors' remuneration			
– audit fee	**(14)**	**(14)**	(12)
– other services*	**(3)**	**(3)**	-
Directors' remuneration			
– services as director (non-executive)	**(84)**	**(84)**	(80)
Salaries	**(1 506)**	**(1 385)**	(574)
Travel and accommodation	**(401)**	**(365)**	(287)

**Other services include provision by the auditors of a confirmation certificate that the reserves of the company were sufficient for the purpose of a scrip dividend in December 2014.*

17 INCOME TAX EXPENSE

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Mauritian normal tax	**(20)**	(607)
- Current tax current year	**(20)**	(607)

Reconciliation of tax rate

The tax on the company's loss before taxation differs from the theoretical amount that would arise using the basic rate of the company as follows:

	2015 GROUP	**2015** COMPANY	**2014** GROUP	**2014** COMPANY
Standard tax rate	**15.00%**	**15.00%**	15.00%	15.00%
Foreign tax credit*	**(12.00%)**	**(12.00%)**	(12.00%)	(12.00%)
Permanent differences	**(2.81%)**	**(2.71%)**	(2.57%)	(2.57%)
Effective tax rate	**0.19%**	**0.29%**	0.43%	0.43%

**The company is subject to 15% income tax in Mauritius according to the provisions of the Income Tax Act 1995 as amended. As the company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the company against the 15% tax or a deemed 80% foreign tax credit on the company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.*

18 NOTES TO THE STATEMENTS OF CASH FLOWS

18.1 Cash generated from operations

	GROUP		COMPANY	
	2015 USD'000	2014 USD'000	**2015** USD'000	2014 USD'000
Profit before income tax expense	**10 152**	142 618	**6 754**	142 583
Adjusted for:				
Fair value profit on listed security investments	**(21 142)**	(105 081)	**(21 142)**	(105 081)
Income from joint ventures	**(5 892)**	(35)	**-**	-
Fair value loss on bond shorts	**11 421**	8 593	**11 421**	8 593
Fair value adjustment on interest rate derivatives	**(5 331)**	4 667	**(5 331)**	4 667
Interest received on the Rockcastle management incentive loans	**(1 149)**	(441)	**(1 149)**	(441)
Interest paid on borrowings	**7 836**	2 553	**7 668**	2 553
Interest income on intercompany loans	**-**	-	**(99)**	-
Capitalised interest	**(179)**	-	**-**	-
Foreign exchange loss/(gain)	**77 935**	(6 915)	**74 212**	(6 915)
	73 651	45 959	**72 334**	45 959
Changes in working capital				
Increase in trade and other receivables	**(10 732)**	(3 810)	**(6 446)**	(3 810)
(Decrease)/increase in trade and other payables	**(1 866)**	2 113	**(2 872)**	2 113
	61 053	44 262	**63 016**	44 262

18.2 Dividends paid to shareholders

	GROUP AND COMPANY	
	2015 USD'000	2014 USD'000
Dividends payable at the beginning of the year	**-**	-
Distributions paid during the year	**-**	(14 000)
Dividends declared during the year*	**(62 508)**	(21 571)
Shares issued in lieu of cash dividends	**32 274**	-
Dividends payable at the end of the year	**-**	-
	(30 234)	(35 571)

**The dividend declared during the year relates to:*

- *the 2014 financial year final dividend of 4.18 USD cents per share paid in September 2014. There were 705 500 000 shares in issue that received the dividend.*
- *the 2015 financial year final dividend of 4.28 USD cents per share paid in March 2015. Shareholders were given the option to either receive a cash dividend or 1.95 new Rockcastle shares for every 100 Rockcastle shares held by the shareholder at the record date. There were 769 700 000 shares in issue that received the dividend.*

18 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

18.3 Income tax paid

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Income tax payable at the beginning of the year	**(607)**	(198)
Charged to the statement of comprehensive income during the year	**(20)**	(607)
Income tax payable at the end of the year	**20**	607
	(607)	(198)

19 CONTINGENT LIABILITIES

There are no contingent liabilities.

20 SEGMENTAL REPORTING

Segmental statement of financial position as at 30 June 2015

GEOGRAPHICAL SEGMENT	Direct property investments* USD'000	Listed security investments USD'000	Investment income receivable USD'000	Cash and cash equivalents USD'000	Other assets USD'000
Australia	-	**69 835**	-	-	-
Canada	-	**104 758**	**473**	-	-
Europe	**63 225**	**208 747**	-	**1 640**	**2 623**
United Kingdom	**3 334**	**367 694**	-	**508**	**4 971**
Hong Kong	-	**89 837**	**1 919**	-	-
Singapore	-	**195 504**	-	-	**3 804**
United States of America	-	**1 125 349**	**5 197**	**887**	**4 012**
Zambia	**41 727**	-	-	-	-
Corporate	-	-	-	-	**30 461**
TOTAL ASSETS	**108 286**	**2 161 724**	**7 589**	**3 035**	**45 871**

** Direct property investments include Investment Property, Straight-lining of rental revenue adjustment, Investment property under development and Investments in and loans to joint ventures. The investments are accounted for as joint ventures in terms of IFRS and are presented as such in the statement of financial position.*

20 SEGMENTAL REPORTING (continued)

Segmental statement of financial position as at 30 June 2015

GEOGRAPHICAL SEGMENT	Total equity attributable to equity holders USD'000	Interest-bearing borrowings USD'000	Trade and other payables USD'000	Income tax payable USD'000
Australia	-	**15 745**	**70**	-
Canada	-	**108 090**	**230**	-
Europe	-	**55 839**	**982**	-
United Kingdom	-	**377 659**	**768**	-
Hong Kong	-	**(3 067)**	-	-
Singapore	-	**191 092**	**523**	-
United States of America	-	**335 033**	**2 388**	-
Corporate	**1 241 128**	-	**5**	**20**
TOTAL EQUITY AND LIABILITIES	**1 241 128**	**1 080 391**	**4 966**	**20**

Segmental statement of comprehensive income for the year ended 30 June 2015

GEOGRAPHICAL SEGMENT	Net rental and related revenue and income from joint ventures USD'000	Dividends received from listed security investments USD'000	Fair value gain/(loss) on investment property and listed security investments USD'000	Foreign exchange loss and other expenses USD'000
Australia	-	**2 333**	**26 665**	-
Canada	-	**9 333**	**(4 987)**	-
Europe	**1 895**	**4 000**	**27 593**	**(444)**
United Kingdom	**97**	**7 260**	**5 760**	**(361)**
Hong Kong	-	**3 623**	**6 598**	-
Singapore	-	**10 951**	**14 834**	-
United States of America	-	**40 431**	**(55 736)**	-
Zambia	**5 892**	-	-	-
Corporate	-	-	-	**(80 124)**
TOTAL SEGMENT RESULT	**7 884**	**77 931**	**20 727**	**(80 929)**

Segmental statement of financial position as at 30 June 2014

GEOGRAPHICAL SEGMENT	Direct property investments USD'000	Listed security investments USD'000	Investment income receivable USD'000	Cash and cash equivalents USD'000	Other assets USD'000
Australia	-	122 911	2 263	-	-
Canada	-	208 589	870	-	-
Europe	-	193 272	-	3	-
United Kingdom	-	143 045	-	-	-
Hong Kong	-	78 008	1 584	-	-
Singapore	-	192 218	-	-	-
United States of America	-	627 216	2 217	483	-
Zambia	5 192	-	-	-	-
Corporate	-	-	-	-	28 705
TOTAL ASSETS	5 192	1 565 259	6 934	486	28 705

20 SEGMENTAL REPORTING (continued)

Segmental statement of financial position as at 30 June 2014

GEOGRAPHICAL SEGMENT	Total equity attributable to equity holders USD'000	Interest-bearing borrowings USD'000	Trade and other payables USD'000	Income tax payable USD'000
Canada	-	99 821	-	-
Europe	-	103 004	-	-
United Kingdom	-	114 632	-	-
Hong Kong	-	(1 360)	-	-
Singapore	-	187 084	-	-
United States of America	-	112 772	-	-
Corporate	983 184	-	6 832	607
TOTAL EQUITY AND LIABILITIES	983 184	615 953	6 832	607

Segmental statement of comprehensive income for the year ended 30 June 2014

GEOGRAPHICAL SEGMENT	Net rental and related revenue USD'000	Dividends received from listed security investments USD'000	Fair value gain on listed security investments USD'000	Foreign exchange gain and other expenses USD'000
Australia	-	6 452	3 429	-
Canada	-	7 798	6 609	-
Europe	-	8 657	33 860	-
United Kingdom	-	3 028	19 338	-
Hong Kong	-	2 578	6 545	-
Singapore	-	6 345	872	-
United States of America	-	19 230	34 428	-
Zambia	35	-	-	-
Corporate	-	-	-	5 588
TOTAL SEGMENT RESULT	35	54 088	105 081	5 588

21 EARNINGS AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2015 is based on the profit attributable to ordinary equity holders of USD10.13 million (2014: income of USD142.01 million) and the weighted average of 772 800 853 (2014: 478 682 693) ordinary shares in issue during the year. The company has no dilutionary instruments in issue. The weighted average number of shares for basic and diluted earnings per share purposes is presented below.

2015	Event	Number of shares	% of year	Weighted average
01/07/2014	Opening balance	**705 500 000**	**100**	**705 500 000**
02/10/2014	Private placement	**64 200 000**	**74**	**47 666 302**
23/03/2015	Scrip dividend	**14 669 955**	**27**	**3 978 974**
01/04/2015	Book build	**63 492 063**	**25**	**15 655 577**
30/06/2015	Year end	**847 862 018**		**772 800 853**

21 EARNINGS AND DILUTED EARNINGS PER SHARE (continued)

2014	Event	Number of shares	% of year	Weighted average
01/07/2013	Opening balance	350 000 000	100	350 000 000
15/10/2013	Private placement	90 000 000	71	63 791 209
10/12/2013	Private placement	90 000 000	55	49 945 055
30/05/2014	Private placement	175 500 000	9	14 946 429
30/06/2014	Year end	705 500 000		478 682 693

22 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of basic headline earnings per share for the year ended 30 June 2015 is based on headline earnings of USD5.32 million (2014: earnings of USD142.01 million) and the weighted average of 772 800 853 (2014: 478 682 693) ordinary shares in issue during the year.

Reconciliation of profit for the year to headline earnings	GROUP 2015 USD'000	GROUP 2014 USD'000
Basic earnings - profit for the year attributable to equity holders	**10 132**	142 011
Adjusted for:		
- fair value gain on investment property of joint ventures	**(4 814)**	-
Headline earnings	**5 318**	142 011
Headline earnings per share (USD cents)	**0.69**	29.67

Rockcastle has no dilutionary instruments in issue.

23 SUBSEQUENT EVENTS

The directors are not aware of any other events besides the declaration of the dividend as noted in the directors' report, subsequent to 30 June 2015, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

24 OPERATING LEASE RENTALS

	GROUP 2015 USD'000	GROUP 2014 USD'000
Contractual rental revenue from tenants can be analysed as follows:		-
Within one year	**4 545**	-
Within two to five years	**10 048**	-
More than five years	**490**	-
	15 083	-

25 FINANCIAL INSTRUMENTS

25.1 Credit risk

	GROUP 2015 USD'000	COMPANY 2015 USD'000	GROUP AND COMPANY 2014 USD'000
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:			
Listed security investments	**1 883 150**	**1 883 150**	1 399 580
Rockcastle management incentive loans	**25 129**	**25 129**	17 000
Loans to development partners	**5 332**	**5 332**	11 702
Receivables	**22 999**	**22 441**	6 937
Cash and cash equivalents	**3 035**	**1 754**	486
	1 939 645	**1 937 806**	1 435 705
The maximum exposure to credit risk for loans at the reporting date was:			
Rockcastle management incentive loans	**25 129**	**25 129**	17 000
Shares pledged as security	**(39 220)**	**(39 220)**	(19 823)
Net exposure	**-**	**-**	-
Loans to development partners	**5 332**	**5 332**	11 702
Net exposure	**5 332**	**5 332**	11 702

None of the borrowers to whom loans were granted were in breach of their obligations. No impairment allowance is necessary in respect of loans as the fair value of the security provided exceeds the value of the loans.

The loans to development partners are secured by a pledge of the shares in the company in which the underlying land and development is held. At balance sheet date the value of the land and development exceeds the loan to the development partner.

	GROUP 2015 USD'000	COMPANY 2015 USD'000	GROUP AND COMPANY 2014 USD'000
The maximum exposure to credit risk for receivables at the reporting date by segment was:			
Australia	**-**	**-**	2 263
Canada	**473**	**473**	870
Europe	**2 623**	**2 065**	-
United Kingdom	**4 971**	**4 971**	-
Hong Kong	**1 919**	**1 919**	1 584
Singapore	**3 804**	**3 804**	-
United States of America	**9 209**	**9 209**	2 217
Corporate	**-**	**-**	3
Total receivables	**22 999**	**22 441**	6 937

The ageing of all receivables at the reporting date was less than 90 days. The company believes that no impairment allowance is necessary in respect of trade receivables as a comprehensive analysis of outstanding amounts are performed on a regular basis and impairment losses are accounted for timeously. The company believes that where trade receivables pertain to investment income receivable, that the respective companies to which these amounts relate are liquid and solvent and will be able to pay the distribution declared on the prescribed payment date and where they relate to interest rate swaps that the counterparty involved is sufficiently liquid and solvent and would be able to pay any outstandings as and when required.

There are no significant concentrations of credit risk.

	GROUP	COMPANY	GROUP AND COMPANY
	2015 USD'000	**2015** USD'000	**2014** USD'000
Gross receivables:			
Not past due	**22 999**	**22 441**	6 937
Past due not impaired	**-**	**-**	-
	22 999	**22 441**	6 937

25.2 Liquidity risk

The following are the contractual maturities of financial liabilities, excluding interest payments:	Carrying value USD'000	Contractual outflows USD'000	1-12 months USD'000	3-5 years USD'000	More than 5 years USD'000
GROUP - 2015					
Interest-bearing borrowings	**1 080 391**	**1 080 391**	**1 063 777**	**16 614**	**-**
Trade and other payables	**4 986**	**4 986**	**4 986**	**-**	**-**
COMPANY - 2015					
Interest-bearing borrowings	**1 063 777**	**1 063 777**	**1 063 777**	**-**	**-**
Trade and other payables	**3 983**	**3 983**	**3 983**	**-**	**-**
GROUP AND COMPANY - 2014					
Interest-bearing borrowings	615 953	615 953	275 896	11 841	328 216
Trade and other payables	7 439	7 439	7 439	-	-

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

	Group **2015** USD'000	Company **2015** USD'000	Group **2014** USD'000	Company **2014** USD'000
Permitted borrowings for the company				
Total assets	**2 326 505**	**2 304 651**	1 606 576	1 606 541
60% of total assets	**1 395 903**	**1 382 791**	963 946	963 925
Total borrowings	**(1 080 391)**	**(1 063 777)**	(615 953)	(615 953)
Unutilised borrowing capacity	**315 512**	**319 014**	347 993	347 972

25 **FINANCIAL INSTRUMENTS** (continued)

25.3 Market risk

25.3.1 Interest rate risk

	Group **2015** USD'000	Company **2015** USD'000	Group and Company **2014** USD'000
Interest-bearing instruments comprise:			
Variable rate instruments			
Cash and cash equivalents	**3 035**	**1 754**	486
Interest-bearing borrowings	**(1 080 391)**	**(1 063 777)**	(275 896)
	1 077 356	**1 062 023**	(275 410)

The exposure of the company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	1-12 months USD'000	2-5 years USD'000	More than 5 years USD'000	Total USD'000
2015				
Total borrowings	**1 063 777**	**16 614**	**-**	**1 080 391**
2014				
Total borrowings	275 896	-	-	275 896

GROUP 2015 Details of existing interest rate derivatives are:	Swap maturity	Nominal amount USD'000	Average swap rate	Fair value USD'000
	Jun 2020	80 735	0.79%	188
	Jun 2022	27 868	0.49%	498
	Jun 2025	404 755	1.96%	14 010
		513 358	1.70%	14 696

Cash flow sensitivity analysis for variable rate instruments

Interest

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	PROFIT OR LOSS BEFORE INCOME TAX	
	Increase USD'000	Decrease USD'000
GROUP 2015		
Cash and cash equivalents	**30**	**(30)**
Interest-bearing borrowings	**(5 670)**	**5 670**
Cash flow sensitivity (net)	**(5 640)**	**5 640**
GROUP AND COMPANY 2014		
Cash and cash equivalents	5	(5)
Interest-bearing borrowings	(2 759)	2 759
Cash flow sensitivity (net)	(2 754)	2 754

25.3.2 Equity price risk

The carrying amount of financial assets represents the maximum equity price risk exposure. The maximum exposure to equity price risk at the reporting date was:

	GROUP AND COMPANY	
	2015 USD'000	**2014** USD'000
Listed security investments	**2 161 724**	**1 565 259**

A one percent change in the market value of investments would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	PROFIT OR LOSS BEFORE INCOME TAX	
	1% increase USD'000	1% decrease USD'000
GROUP AND COMPANY 2015		
Listed security investments	**21 617**	**(21 617)**
GROUP AND COMPANY 2014		
Listed security investments	15 653	(15 653)

25.3.3 Currency risk

The company has assets and liabilities in currencies other than the US Dollars, its reporting currency. The company is mainly exposed to foreign exchange risk arising due to fluctuations of the US Dollar vis-à-vis other currencies. The group hedges its currency exposure on distributable income. At 30 June 2015 if the US Dollar had weakened/strengthened by 1% against the other currencies with all variables constant, profit or loss before income tax for the year would have been impacted as follows:

	PROFIT OR LOSS BEFORE INCOME TAX	
	USD weakened 1% USD'000	USD strengthened 1% USD'000
GROUP 2015		
Investments at fair value through profit or loss	**10 364**	**(10 364)**
Receivables	**138**	**(138)**
Cash and cash equivalents	**21**	**(21)**
	10 523	**(10 523)**
COMPANY 2015		
Investments at fair value through profit or loss	**10 364**	**(10 364)**
Receivables	**108**	**(108)**
Cash and cash equivalents	**9**	**(9)**
	10 481	**(10 481)**
GROUP AND COMPANY 2014		
Investments at fair value through profit or loss	9 380	(9 380)
Receivables	47	(47)
	9 427	(9 427)

The currency profile of the company's assets and liabilities is disclosed in note 20 segmental reporting.

25 **FINANCIAL INSTRUMENTS** (continued)

25.4 Fair values

The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

	Designated at fair value USD'000	Loans and receivables USD'000	Amortised cost USD'000	Total carrying amount USD'000
GROUP 2015				
Financial investments at fair value through profit or loss	**2 161 724**			**2 161 724**
Investment in and loans to joint ventures	**9 053**	**32 674**		**41 727**
Rockcastle management incentive loans		**25 129**		**25 129**
Investment income receivable		**7 589**		**7 589**
Interest rate derivative creditor - level 2	**(1 975)**			**(1 975)**
Interest rate derivative debtor - level 2	**14 849**			**14 849**
Loans to development partners		**5 332**		**5 332**
Trade and other receivables		**561**		**561**
Cash and cash equivalents			**3 035**	**3 035**
Interest-bearing borrowings			**(1 080 391)**	**(1 080 391)**
Trade and other payables			**(2 991)**	**(2 991)**
	2 183 651	**71 285**	**(1 080 347)**	**1 174 589**
COMPANY 2015				
Financial investments at fair value through profit or loss	**2 161 724**			**2 161 724**
Rockcastle management incentive loans		**25 129**		**25 129**
Investment income receivable		**7 589**		**7 589**
Interest rate derivative creditor - level 2	**(1 975)**			**(1 975)**
Interest rate derivative debtor - level 2	**14 849**			**14 849**
Loans to development partners		**5 332**		**5 332**
Loans to subsidiaries		**82 823**		**82 823**
Trade and other receivables		**3**		**3**
Cash and cash equivalents			**1 754**	**1 754**
Interest-bearing borrowings			**(1 063 777)**	**(1 063 777)**
Trade and other payables			**(1 988)**	**(1 988)**
	2 174 598	**120 876**	**(1 064 011)**	**1 231 463**
GROUP AND COMPANY 2014				
Financial investments at fair value through profit or loss	1 565 259			1 565 259
Rockcastle management incentive loans		17 000		17 000
Investment income receivable		6 934		6 934
Trade and other receivables		3		3
Interest rate derivative creditor - level 2	(6 070)			(6 070)
Loans to development partners		11 702		11 702
Cash and cash equivalents			486	486
Interest-bearing borrowings	(340 057)		(275 896)	(615 953)
Trade and other payables			(762)	(762)
	1 219 132	35 639	(276 172)	978 599

Level 1 financial instruments are investments in listed securities.

26 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the audit committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The valuation of investment properties, when undertaken, involves judgement.

26.1 Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the company's view of possible near-term market changes that cannot be predicted with any certainty.

27 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The subsidiaries, joint ventures and directors are related parties. The subsidiaries of the company are identified in note 5 and the joint ventures in note 6. The directors are set out on pages 3 to 4.

Material related party transactions

Loans to subsidiaries are set out in note 5.
Interest received from subsidiaries is set out in the statement of comprehensive income.
Remuneration paid to directors is set out on page 17 and in note 16.
Rockcastle management incentive loans to directors are set out in note 7.
Interest paid by directors to the Rockcastle share incentive scheme amounts to USD1.149 million (2014: USD0.441 million).

Related party transactions are made in the normal course of business. For the year ended 30 June 2015, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28 STANDARDS AND INTERPRETATIONS

Statement of compliance with International Financial Reporting Standards ("IFRS")

The company applies all applicable IFRS as issued by the International Accounting Standards Board ("IASB") in preparation of the financial statements.

28.1 Standards, Amendments to published Standards and Interpretations effective in the reporting year

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', clarify the requirements relating to the offset of financial assets and financial liabilities. The amendment is not expected to have any impact on the company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the company is not an investment entity, the standard has no impact on the financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event gives rise to pay a levy and when a liability should be recognised. The company is not subject to levies so the interpretation has no impact on the financial statements.

28 STANDARDS AND INTERPRETATIONS (continued)

28.1 Standards, Amendments to published Standards and Interpretations effective in the reporting year (continued)

Amendments to IAS 36, 'Recoverable Amount Disclosures for Non- financial Assets', remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. The amendment has no impact on the financial statements.

Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendment has no impact on the financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

The amendment has no impact on the financial statements.

Annual Improvements 2010-2012 Cycle

- IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment has no impact on the financial statements.

- IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. The amendment has no impact on the financial statements.

- IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment has no impact on the financial statements.

- IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the financial statements.

- IAS 16,'Property, plant and equipment' and IAS 38,'Intangible Assets are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendment has no impact on the financial statements.

- IAS 24,'Related party disclosures' is 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'). Disclosure of the amounts charged to the reporting entity is required. The amendment has no impact on the financial statements.

Annual Improvements 2011-2013 Cycle

- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment has no impact on the financial statements, since the company is an existing IFRS preparer.

- IFRS 3,'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. The amendment has no impact on the financial statements.

- IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment has no impact on the financial statements.

- IAS 40,'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment has no impact on the financial statements.

28.2 Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- IFRS 9 Financial Instruments
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- IFRS 15 Revenue from Contracts with Customers
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs 2012-2014 Cycle

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

Where relevant, the company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 26.

29 DISTRIBUTABLE EARNINGS PER SHARE

The calculation of distributable earnings per share was based on the profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 30 June 2015.

	Unaudited **2015** USD'000	Unaudited **2014** USD'000
Profit for the year attributable to equity holders	**10 132**	142 011
Basic profit for the year	**10 132**	142 011
Foreign exchange loss/(gain)	**77 935**	(6 915)
Fair value loss on bond shorts	**11 421**	8 593
Fair value gain on listed security investments	**(21 142)**	(105 081)
Unrealised fair value (gain)/loss on interest rate derivatives	**(5 331)**	4 667
Dividends received from listed security investments	**(77 931)**	(54 088)
Accrued income from listed securities investments	**76 962**	50 399
Income from joint ventures	**(5 892)**	-
Distributable income from joint ventures	**1 163**	-
Adjustment to taxation for accrued income	**-**	56
Shares issued cum dividend	**3 102**	11 419
Distributable earnings for the year	**70 419**	51 061
Less:	**(70 419)**	(51 061)
Interim dividend declared	**(32 943)**	(21 571)
Final dividend declared	**(37 476)**	(29 490)
Earnings not distributed	**-**	-
Number of shares entitled to distribution	**847 862 018**	705 500 000
Distributable earnings per share (USD cents)	**8.70**	8.25
Less (USD cents per share):	**(8.70)**	(8.25)
Interim dividend per share (USD cents) - declared	**(4.28)**	(4.07)
Final dividend per share (USD cents) - declared	**(4.42)**	(4.18)
Distributable earnings per share not distributed (USD cents)	**-**	-

The 2015 distributable earnings figure is arrived at by adjusting the accounting profit of USD10.132 million as follows:

a) Reversing the non-cash flow items recognised in the statement of comprehensive income below:

- A foreign exchange loss of USD77.9 million, which resulted from the conversion of the assets and liabilities in foreign currency during the course of the financial year at the prevailing closing spot rate at the end of the year.
- A negative net fair value adjustment of USD11.4 million indicating the movement in the market value of the company's bond shorts.
- A positive fair value adjustment of USD21.1 million to reflect a net increase in the fair value of listed security investments at fair value through profit and loss.
- A positive net fair value adjustment of USD5.3 million indicating the movement in the market value of the company's interest rate derivatives.
- A positive impact of USD77.9 million representing dividends actually received from listed securities investments. Distributable earnings is calculated with reference to dividends accrued on a daily basis from investments.
- A positive impact of USD 5.9 million representing income from joint ventures.

b) Recognising:

- Accrued dividends from equity investments of USD76.9 million.
- An amount of USD3.1 million in respect of the shares that were issued cum dividend during the financial year.
- An amount of USD1.2 in respect of income from joint ventures which is regarded as distributable.

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