globalworth™

A YEAR OF

# EXCELLENT PROGRESS

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

## STRATEGIC REVIEW



## GOVERNANCE



## FINANCIAL STATEMENTS



GLOBALWORTH IS AN AIM LISTED REAL ESTATE INVESTMENT COMPANY FORMED TO TAKE ADVANTAGE OF INVESTMENT OPPORTUNITIES IN SOUTH-EASTERN EUROPE ('SEE') WITH A PRIMARY FOCUS ON PROPERTIES LOCATED IN ROMANIA.

# 2014 HIGHLIGHTS

## Financial Highlights

Portfolio open market value
**€599.3 m**
+394% on 2013

Loan to value ratio
**34.4%**

Bank loans outstanding
**€206 m**

NAV
**€392.7 m**
+228% on 2013

NAV per share
**€7.32**
+28% on 2013

Net operating income
**€12.9 m**
+143% on 2013

EPRA NAV
**€434.1 m**
+244% on 2013

EPRA NAV per share
**€8.09**
+34% on 2013

EBITDA
**€23.6 m**
+415% on 2013

Gain on the valuation of property
**€25 m**
+1735% on 2013

Earnings before tax
**€95.7 m**
+598% on 2013

## Operational Highlights

- Announced the acquisition of 10 properties in 2014 (of which 7 completed in 2014 and 2 in Q1, 2015).
- c.231,000sqm (pro forma 288,000sqm) of commercial space let or pre-let in our portfolio
- c.113,000sqm of commercial space leased in 2014
- Completed commercial GLA increased by 4.8x reaching to c.170,000 sqm (pro forma c.229,000 sqm)
- WALL of 8.1 years (pro forma 7.3 year) vs 5 years for a standard commercial lease
- Occupancy of standing properties of 77.2% (pro forma 82.1%)

To learn more about our business and investments visit us online at

globalworth.com

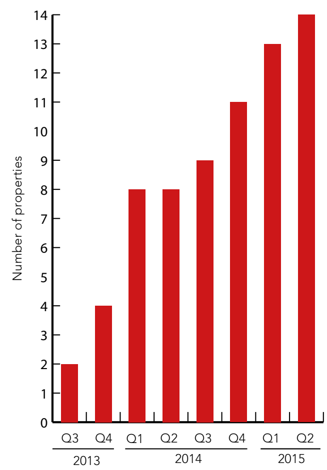
# GLOBALWORTH AT A GLANCE

Globalworth Real Estate Investments Limited ('Globalworth') is a real estate investment Company focused on taking advantage of investment opportunities in Romania and the broader SEE region.

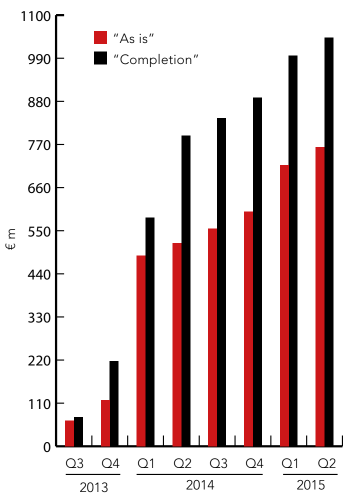
The Company was incorporated in Guernsey as a non-cellular company with liability limited by shares on 14 February 2013 and has been declared by the Guernsey Financial Services Commission to be a registered closed-ended collective investment scheme with registered number 56250. The registered office of the Company is PO Box 156, Frances House, Sir William Place, St Peter Port, Guernsey, GY1 4EU.

Globalworth was successfully admitted on the AIM market of the London Stock Exchange in July 2013, with the Ordinary shares of the Company trading under the ticker 'GWI'.

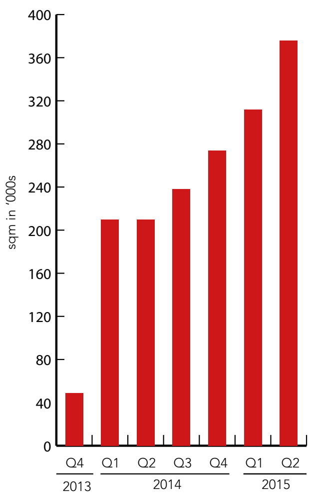
## Owned investments



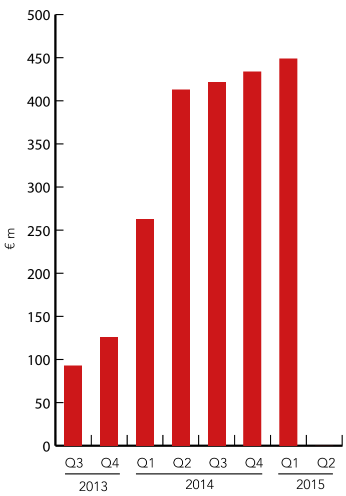

## Portfolio valuation




## Standing GLA




## NAV evolution




Pro forma Q1 2015 and Q2 2015 figures include the appraised portfolio value as of 31 December 2014 and the appraised value of 3 proposed acquisitions announced in 2014 (2 completed in Q1 2015 and 1 expected to be completed in July 2015).

# GLOBALWORTH

The investment strategy is primarily focused on generating attractive risk adjusted returns through a combination of yield and capital appreciation as a result of investing in a diversified portfolio of properties located primarily in Romania, but also the broader SEE region.

**The principal focus is on:**

1. assets (existing or to be developed) with most of their current or expected income derived from local members of multinational corporate groups and financial institution tenants on long, triple net, euro denominated and annually indexed leases; and
2. underperforming or undervalued properties (due to distress, mismanagement or otherwise) which, through active asset management, can be transformed into performing and marketable assets.

Globalworth is internally managed and employs a team of 58 professionals based in Bucharest (Romania) who are responsible for all the operating activities of the Company, including investment, development, leasing, and asset and property management operations.

Portfolio open market value

**€599.3 m**

**+394%** on 2013

# CHAIRMAN'S STATEMENT

2014 marked Globalworth's first full financial year since its incorporation. The Company has evolved remarkably since its IPO in July 2013, implementing the steps detailed in our strategy at that time. The significant growth of our real estate portfolio, continuous strengthening of our investor base, robust operational performance, and on-going investment in people and supporting systems are among the highlights achieved over the course of the year.

2014 was a milestone year for Globalworth, representing the first full financial year since its incorporation and demonstrating the commitment of the management team to execute the strategy, detailed at the time of our IPO, and deliver strong returns to shareholders.

We continued to build our real estate portfolio by acquiring standing and income-generating properties and investing in new developments. As of 31 December 2014, the appraised value of our portfolio had increased by €481.5 m(1) (more than 5 times) compared to the previous year end, reaching a total of €599.3 m.

Our portfolio base has continued to grow since the year-end, with the addition of 2 new properties, Nusco Tower and Unicredit Headquarters in Q1 2015. We have so far completed the acquisition of 2 of these properties (Nusco Tower and Unicredit Headquarters), with the 3rd (Green Court-Building "A") expected to be completed in July 2015. The aforementioned transactions were all announced in Q4 2014, involved Class "A" standing and income-producing office properties, and were closed in line with their announced timetables. Overall, the appraised value upon completion of our portfolio as at 31 December 2014 was €889.8 m, increasing to €1,042 m when adjusting for the three new acquisitions.

It is a testament to management's ability to execute the envisaged strategy that all the investments targeted at the time of our IPO have now been completed, as have all the significant investments identified at the time of our €144 m capital raise in April 2014, which resulted in a significant uplift to EPRA NAV / per share by 34.2% at the year end.

A key target in order to drive our business forward is to form strong relationships with our tenants, partners and employees. In 2014, we successfully signed leases corresponding to more than 112,000sqm of commercial space, making us one of the prime landlords in Romania with over 270,000sqm of occupied commercial space. Our target for 2015 is to build on the success of 2014 by signing new landmark leases, such as those signed in 2014 with Continental, Deutsche Telekom and Vodafone for a total of c.86,000sqm.

Our achievements for the year are all the more notable given they were delivered by a relatively small team of highly-skilled professionals. This team is responsible for all the operating activities of Globalworth, including investment, development, leasing, and asset management operations.

I am pleased to announce that the Board of Directors now comprises a total of 8 members. Mrs Andreea Petreanu, Mr Akbar Rafiq, and Mr Alexis Atteslis, have joined the Board as Non-Executive Directors, and we believe that their respective experience and combined business acumen will help us steer Globalworth to the next level of development.

At Globalworth, we aim to create sustainable value for our shareholders by adhering to strict business ethics and corporate social responsibility, and by having a positive social, environmental and economic impact on the community. We are delighted at having our BOC office building shortlisted as one of Europe's highest scoring BREEAM® In-Use green buildings for 2014.

We are also very proud to give back to the community, notably via the active support of senior management and the rest of the team to charities predominantly focused on those in need, with particular attention given to young children, single mothers and those in need of palliative care.

We believe that as the market conditions continue to improve in Romania, Globalworth is well positioned for the future, supported by a highly attractive real estate portfolio, moderate financing exposure and a committed team of experts. I look forward to a very exciting 2015.

**Geoff Miller**
Chairman
29 June 2015

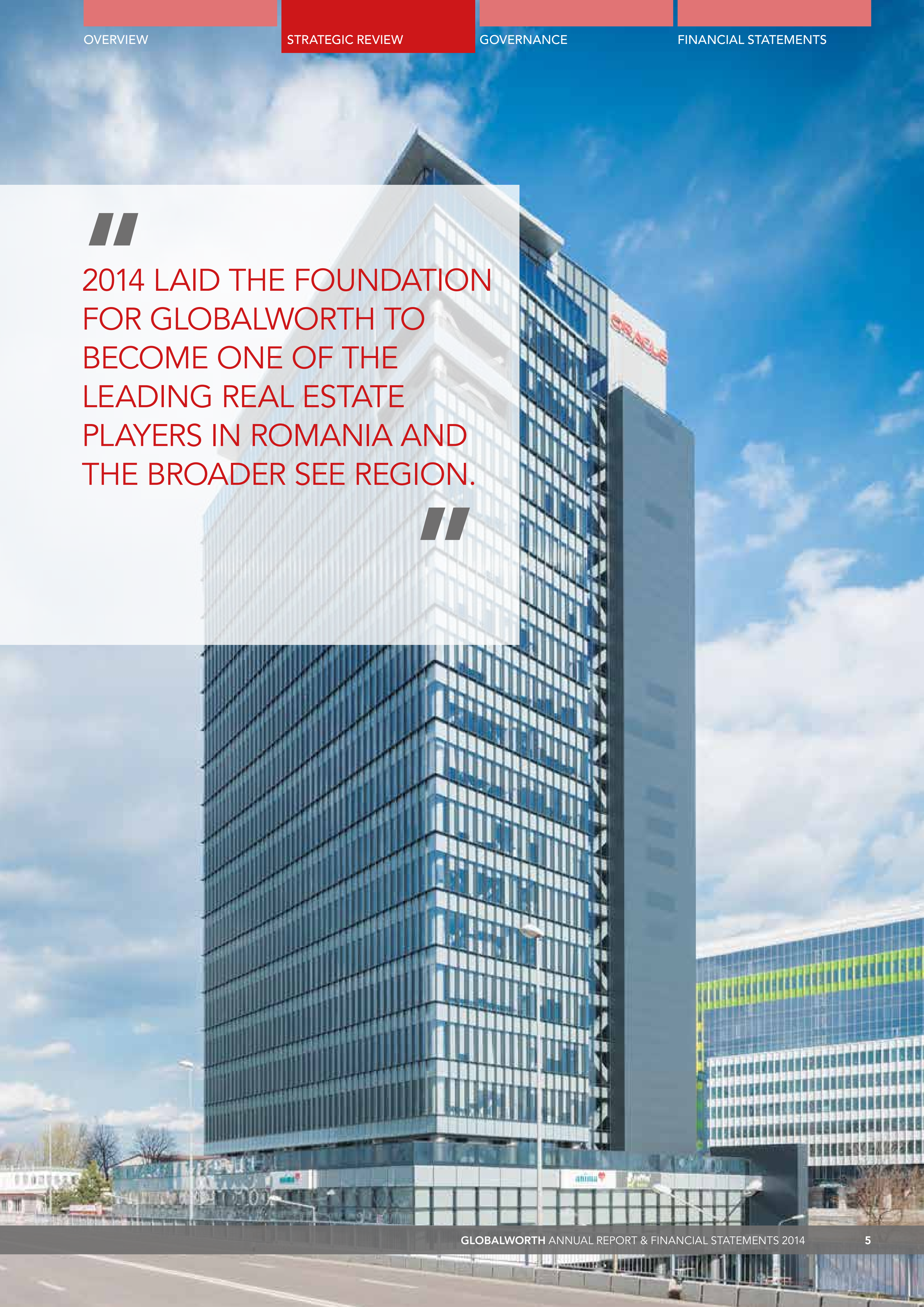
**272,000sqm**

Of contracted commercial space at year end

**€599.3 m**

Appraised value of portfolio

[1] Excluding Floreasca One property that was valued at €3.5 m at 31 Dec 2013. Victoria ventures SA, owner of Floreasca One was sold during the year 2014.



"2014 LAID THE FOUNDATION FOR GLOBALWORTH TO BECOME ONE OF THE LEADING REAL ESTATE PLAYERS IN ROMANIA AND THE BROADER SEE REGION."

# OUR INVESTMENT JOURNEY

## €571 M OF INVESTMENT UNDERTAKEN "INVESTMENT PROPERTY"

### JUL. 2013

SPA for TCI, Upground, GAM and Bucharest One

BOC / Honeywell lease for c.11,000sqm[1] & 10 yrs

### SEP. 2013

Acquisition of GAM

BOB / Deutsche Bank lease for c.6,000sqm & 10 yrs

### DEC. 2013

Acquisition of Bucharest One

SPA for BOB & BOC

BOC / Intel extension for 3,850sqm & 10 yrs

### FEB. 2014

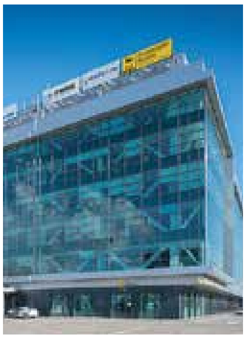
Publication of FY2013 results
Acquisition of TCI

Bucharest One / Vodafone lease for c.15,700sqm & 10 yrs

### MAR. 2014

Acquisition of BOB, BOC & Upground Towers

TAP / Continental pre-lease of c.73,800sqm[2] & 15 yrs





[1] Including Honeywell extension.
[2] Total c.73,800sqm incl. extensions (c.45,400sqm delivered in Phase I).

## & C.185,000SQM LEASED TO DATE

### APR. 2014

TCI / Ministry of European Funds extension for c.3,500sqm

### JUN. 2014

Acquisition of Farmexim site for Globalworth Campus

### JUL. 2014

Acquisition of TAP

### OCT. 2014

GWI Campus / Deutsche Telekom pre-lease of c.25,000sqm & 10 yrs

### NOV. 2014

SPA for Green Court-Building "A"

### DEC. 2014

SPAs for Unicredit HQ and Nusco Tower

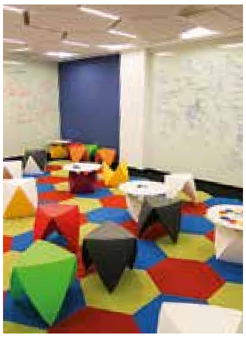
Acquisition of Gara Herastrau land

Acquisition of Luterana lands





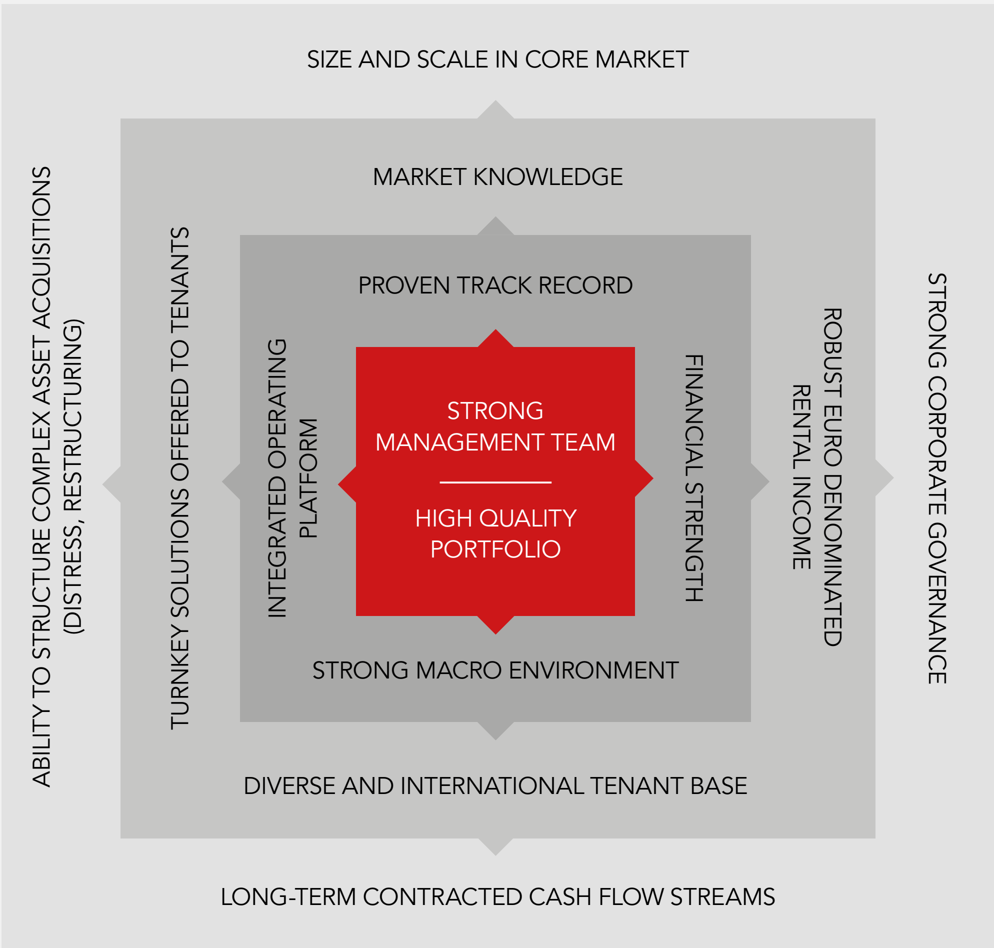




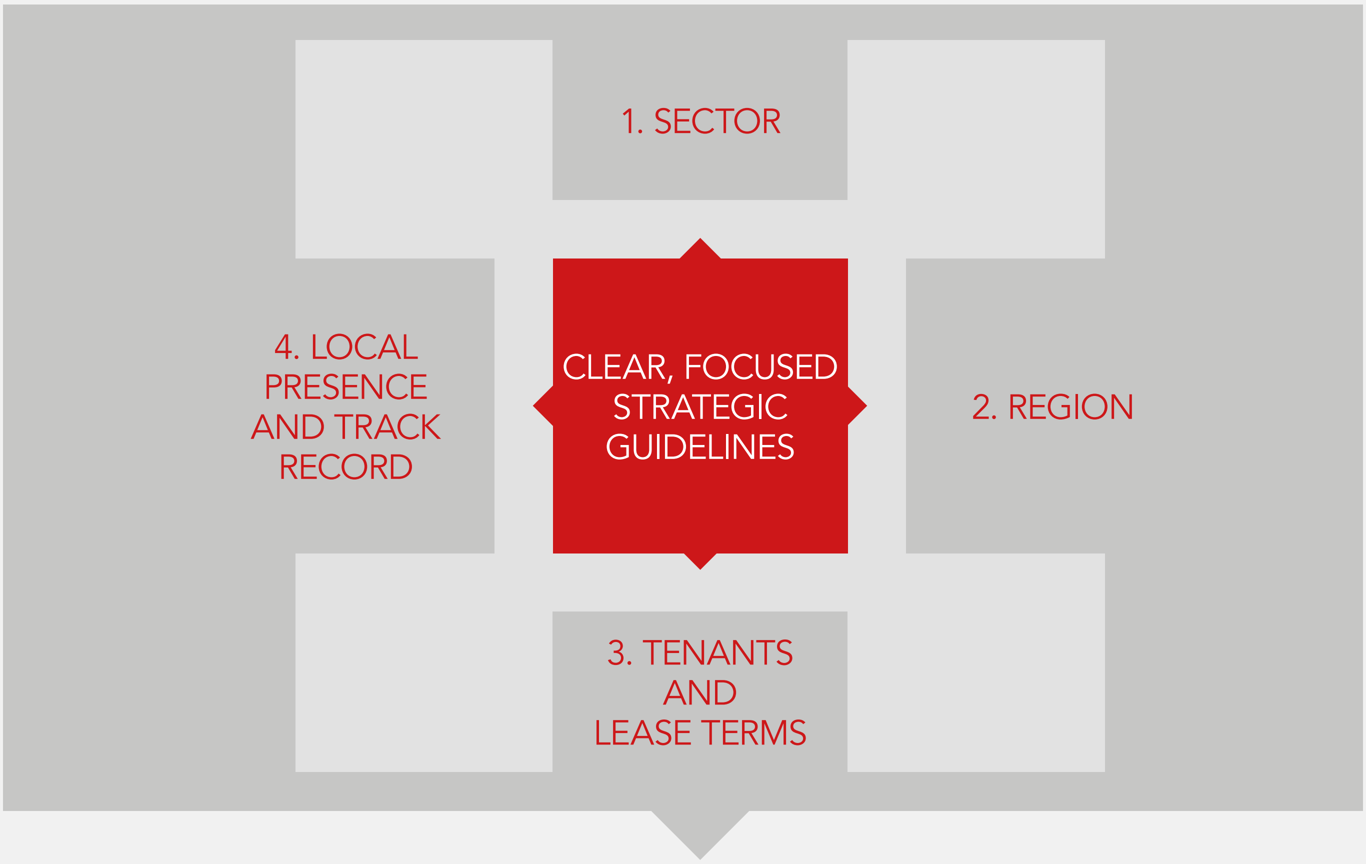

# MANAGEMENT'S REPORT
# BUSINESS MODEL

A proven strategy generating attractive risk-adjusted returns, from a combination of yield and capital appreciation, by investing in a diversified, internally managed portfolio of properties.

We are a fully integrated real estate investment company with a primary focus on Romania where we acquire, develop and directly manage primarily high quality office real estate assets. We offer turnkey commercial real estate solutions and our leasing policy is to rent our office and other space to multinational corporate groups and financial institution tenants on long-term, triple net, annually indexed, Euro denominated leases.



# CLEAR AND PROVEN STRATEGY




## PROVEN INVESTMENT STRATEGY

**1.**

Acquisition, development and management of commercial assets

Active management of underperforming / mispriced assets

High quality portfolio with modern Class "A" assets

**2.**

Favourable macro conditions in Romania

Deep market knowledge with local presence for 15 years

Contrarian play that allowed securing investments at discount to 3rd party appraisals, offering capital appreciation potential

**3.**

Multinational corporates and financial institutions

Long-term, euro denominated, triple net, inflation linked

Focus on quality, predictable, inflation protected cash flows, with very high NOI to EBITDA conversion, at attractive yields

**4.**

Strong management team with proven track record

Strong corporate governance

Presence 100% on the ground for maximum attention to market opportunities and dynamics

Integrated operator offering turnkey solutions to demanding tenants

Focus on mitigating construction risk and conservative use of debt

**ATTRACTIVE RISK-ADJUSTED RETURNS, THROUGH YIELD AND CAPITAL APPRECIATION**

# ROMANIA MARKET REVIEW

## Real Estate Market Overview:

| 2014 Country Performance | |
|---|---|
| Real Gross Domestic Product | 2.8% |
| Private Consumption growth | 3.7% |
| Current Account % of GDP | - 0.7% |
| Budget Deficit % of GDP | - 2.2% |
| Public Debt % of GDP | 39.7% |
| Inflation % | 0.8% |
| Unemployment % | 6.7% |

**Strong Macroeconomic Fundamentals**

Full membership in the EU since 2007
- Local currency: Romanian Leu
- Transactions typically completed in Euro

7th largest country in the EU in terms of population

Strategic location allowing access to the Black Sea and Central Europe

Continued Real GDP growth since 2011

Low public debt to GDP

Significant National and EU funding available till 2020 supporting investment and further infrastructure improvement

Stable tax system with corporate income tax at 16%

Highly skilled workforce sustaining growth and attracting multinational corporates in Romania
- One of the lowest cost of labour in the EU at an average of c.510 Euro/month

Increasing private consumption over the past 5 years (3.7% in 2014)

**Real Estate Highlights**

Demand consistently exceeding supply since 2011

Office modern stock in Bucharest of c.2.2m sqm

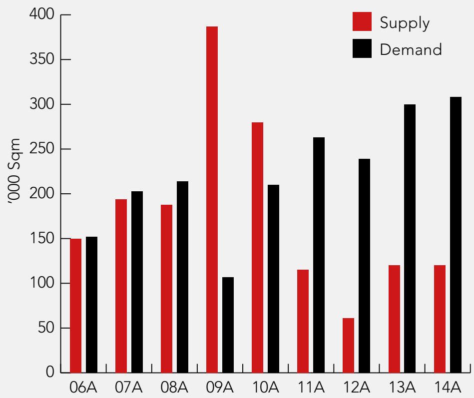
Demand driven by IT&C and production sectors

Investments yields continued to contract in 2014, but remain higher compared to most SEE sub-markets
- Office prime yields at 7.75%
- Logistics prime yields at 9.75%

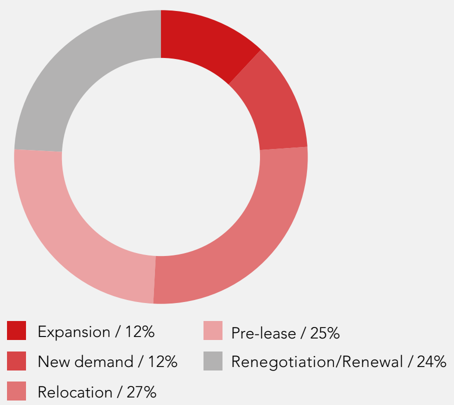
Average vacancy for Class "A" prime office stock in Bucharest at c.6%

Rents stabilised in 2014, with positive outlook

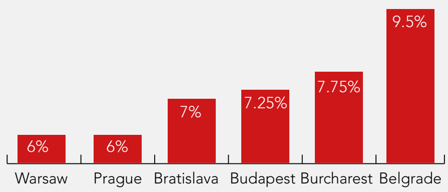
Demand for quality space is exceeding the supply...




...with c.76% representing new office take-up




Bucharest has one of the most attractive return profiles in the region.




Source: Ministry of Finance Romania "MF", National Bank of Romania "NBR", CBRE, Institute of National Statistics "INS", Jones Lang LaSalle "JLL" and the Company

# ROMANIA MARKET REVIEW

The Romanian real estate market demonstrated significant signs of recovery in 2014. In fact, it was a record (post-crisis) year in terms of commercial investment volumes and office take-up which reached a total of c.€1.1 bn (c.€1.3 bn in total) and 315,000sqm respectively.

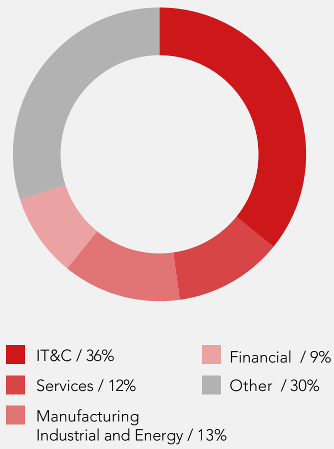
The improved market sentiment has been supported by the attractive country macro fundamentals which resulted in Romanian Real GDP expanding by 2.8% in 2014 and a forecast of further expansion in the medium term.

Romania's accession to the EU has made additional European funds available to the country. Together with the commitments of the national government to further incentivise investments in Romania, it is estimated that more than €43 bn will be made available by 2020 to enhance growth.

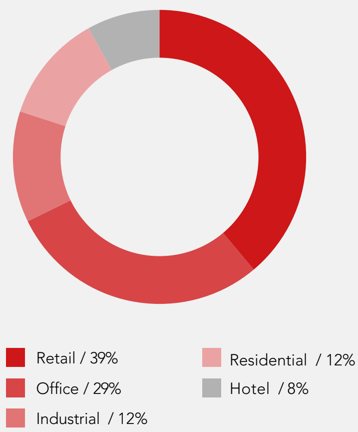
2014 was an active year for the banking sector, with a clear pick-up in appetite for real estate financing. Good quality projects are in demand, though banks still remain cautious in terms of pricing and LTV

Our portfolio principally comprises of prime offices in Bucharest and a light-industrial park in Timisoara. The respective markets have continued to improve in 2014, with prime office and light-industrial yields contracting to 7.75% (c.50bps annual contraction) and 9.75% (c.50-75bps annual contraction) respectively. Current prime yields in Romania still remain higher compared to most prime markets in the SEE in spite of their continued contraction and favourable market conditions.

## Office Take-up by Sector – 2014




## Investment Volume by Sector (c.€1.3 bn) – 2014



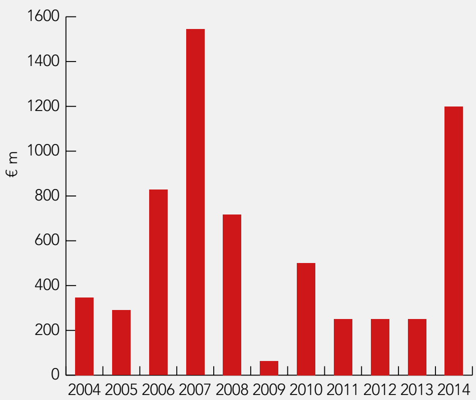

Source: CBRE, JLL


The average office vacancy in Bucharest decreased during the year. Vacancy for prime office properties in central locations, similar to the ones we hold most of in our portfolio, is estimated at c.6%. Vacancy for light-industrial properties varies significantly depending on quality and location of the facility. Most of the new light-industrial properties are pre-let and build-to-suit to the specifications of the tenant, resulting in very low vacancies, similar to our TAP investment where we have 100% occupancy in the property.

Demand for Class "A" office space was driven by companies from the IT&C, the manufacturing / industrial / energy and services sectors, with a number of multinational corporates consolidating and expanding their operations in the market. This trend was observed also in the leases signed by Globalworth during the year which included Stefanini, ADP, Deutsche Telekom, Vodafone, Continental and Elster.

We anticipate for the real estate market to continue to improve in the foreseeable future. New schemes, projected to be completed over the next 2 years, are not expected to fully satisfy the anticipated demand for new Class "A" office space as the overall market and country sentiment continues to improve. We believe that rents will gradually start to increase, supported by the growing demand for quality space, and yields to continue to contract, helped by financing becoming more affordable and available.

## Investment Volume – Romania




## Yield Evolution


Source: CBRE, JLL

# CHIEF EXECUTIVE'S STATEMENT

2014 provided a strong insight into the future we are creating for Globalworth and our shareholders. We grew our portfolio base by over 5 times[1] in value, strengthened our tenant base, currently comprising of over 75 companies, the vast majority of which are blue-chip international corporates, and we are continuously investing in people. We believe these achievements are key in laying strong foundations for the years to come.

Globalworth continues to be at the growth stage of its development and we remain focused on establishing the Company as one of the leading real estate players in Romania and the wider SEE region.

2014 was a year during which we laid solid foundations by delivering on the strategy announced to investors at our IPO in July 2013. At the time of our admission to the London Stock Exchange's AIM Market, we believed that the Romanian market exhibited attractive fundamentals for investing in the country and, in particular, in real estate. Since then, the macro environment has continued to show strength, with Romanian Real GDP expanding by 2.8% in 2014, supported by a well-capitalised banking sector and a low public debt deficit. In addition, the funds made available to the country by the EU and the national government (more than €43 bn to be provided by 2020) are expected to further encourage investment in Romania and facilitate growth in the short to medium term.

The real estate market has benefited directly from these favourable macro conditions. Some €1.3 bn of transactions were completed in 2014, registering the highest investment activity since 2007. The office sector, Globalworth's primary focus, recorded the highest take-up by volume in history, with over 315,000sqm being leased and prime yields tightening by a further 50 basis points to 7.75%.

Being based on the ground in Bucharest, and having witnessed the continued improvement in market sentiment, we accelerated our investment program in 2014. We deployed and committed a total of c.€477m of capital on 13 investments, including new acquisitions, development projects and refurbishments, making us one of the largest and most active real estate investors in Romania in 2014.

We successfully invested the equity proceeds from our IPO (July 2013) and completed the acquisition of our identified pipeline in March 2014. In April 2014, we raised an additional €144 m of equity which we used to repay a short-term facility originally provided by UBS and further invested in growing our portfolio (existing assets and new opportunities). In addition, we successfully negotiated the roll-over (and in certain cases extension) of c.€166 m of debt financing associated with the acquisitions completed by Globalworth in 2014 and 2015, originally provided by Banca Romaneasca (NBG Group), Bank of Cyprus, Unicredit and Bancpost (Eurobank Group). We also raised c.€99 m of new debt financing in 2014, from UBS, BCR (Erste Group) and Bancpost (Eurobank Group), mainly to be used in new acquisitions and development projects.

During the year we added 8 new commercial properties (standing and developments) and one residential complex to our portfolio and disposed of our interests in a joint venture developing a small residential tower in Bucharest. We currently own 100% of all our investments, which were appraised at €599.3 m ("As Is" valuation) as of 31 December 2014.

In order to further grow the company, maximise equity returns to our shareholders and meet existing and new tenants' demands, we considered that there was a need to continue to invest in both standing properties and developments. In Q4 2014 we announced the acquisition of 3 Class "A" standing office buildings in Bucharest which would increase our portfolio value to €752.1 m.

We have so far completed the acquisition of 2 of these properties (Nusco Tower and Unicredit Headquarters), with the 3rd (Green Court-Building "A") expected to be completed in July 2015. In addition, we have 3 developments under construction which on delivery will add an additional c.€290 m of value to our portfolio ("On Completion" valuation of c.€1.0 bn).

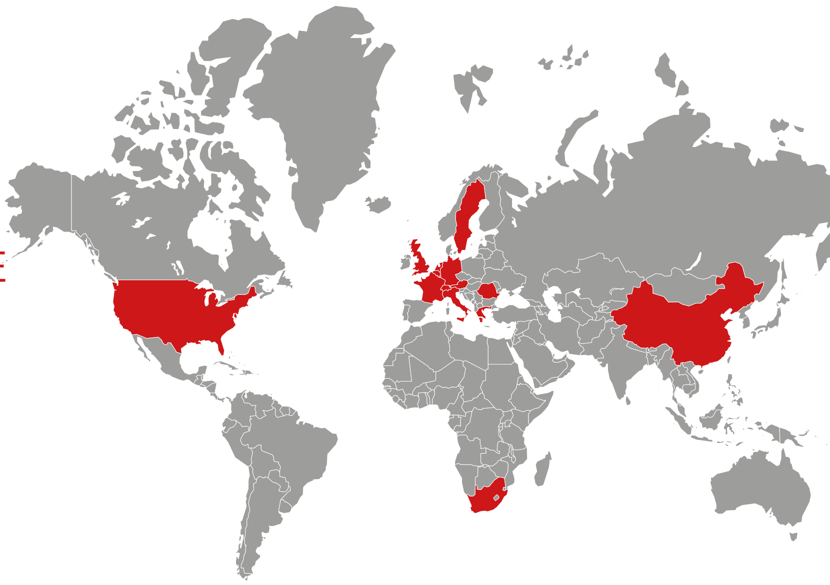
Total revenue generated by our portfolio increased to €22.2 m (from €8.1 m in 2013) as a result of investing in income generating assets during the year and increasing occupancy through active asset management. We have been very successful in retaining and further enhancing our tenant base, which now comprises more than 75 different national and multinational corporates and includes some of the best-known blue-chip corporates from over 20 different countries. In total, we leased c.112,000sqm of commercial space in our properties over the course of the year, including some of the largest and most notable leases in the Romanian real estate market such as, Continental (TAP: c.45,000sqm – Light Industrial), Deutsche Telekom (Globalworth Campus: c.25,000sqm – Office) and Vodafone (Bucharest One: c.16,000sqm - Office).

Underlying EPS for the year rose to €2.02, 16.1% higher than the previous year, reflecting the issue of new shares to fund new acquisitions and the conversion of the €65 m convertible facility to equity in December 2014.

Our EPRA Net Asset Value increased by 34.2% to €8.09 per share during the year. Like-for-like property appraised value increased by c.24% mainly due to the

[1] Excluding Floreasca One which was sold during 2014 and had a value of €3.5 m at 31 Dec 2013

## Origin
of our tenant mix



> "WE ARE PLEASED TO BE ABLE TO REPORT THAT IN 2014 GLOBALWORTH WAS ONE OF THE MOST ACTIVE REAL ESTATE INVESTORS IN ROMANIA WITH €477 M OF TOTAL INVESTMENT UNDERTAKEN."

ongoing works associated with our Bucharest One development project. By the end of 2014, the Company's EPRA NAV had grown from inception to €8.09 per share, which when compared to the weighted average equity contribution from Globalworth's share capital increases of €5.4 per share, represents a significant uplift of almost 50% to shareholders that participated in the Company's share capital increases.

In order to support the continued growth of Globalworth, we further enhanced our team of professionals which now comprises 58 people, all located in Bucharest. The most notable additions were the appointments of Mr Papadopoulos as CFO and Mr Andre as Deputy CIO. Mr Papadopoulos, a seasoned EY professional with 23 years of experience in corporate finance, audit and accounting in several Central and South-Eastern European countries, including Romania, replaced Mr Raptis who held the position in the interim. Mr Andre has 7 years' experience in financial services with UBS, with a focus on capital markets, emerging markets and structured financings, and joined us to further strengthen the senior management team.

At Globalworth, we have been focusing on making our portfolio "Green". Working towards this goal, we received Green certifications in our BOB and BOC buildings in 2014. Our BOC property was nominated in the category for the best green "Office: In-Use" property in the 2015 BREEAM® awards. It was the first property in Romania to be rated "Excellent" for Asset Performance (Part 1) and Building Management (Part 2). The number of green properties in our portfolio has risen following the acquisitions of the Unicredit HQ building (BREEAM "Very Good") and we expect it to increase further following the acquisition of Green Court-Building "A" (LEED Gold) and the completion of the development of Bucharest One, which has been pre-certified as LEED-platinum. In addition, we are exploring the potential for similar accreditations in properties in our portfolio (standing and development projects).

Looking forward to the remainder of 2015, we are committed to our goal of establishing Globalworth as the premier real estate investment company in Romania and one of the largest in the wider SEE region. We continue to remain positive about Romania and the real estate market in particular, where we believe that yields will continue to tighten and tenant demand will remain strong. We intend to intensify our active management efforts in order to enhance the appeal of our portfolio by making it "Greener" and increase occupancy. For our development projects, we are on schedule to deliver Bucharest One around the end of the year and make further progress with the construction of the rest of our developments. Phase One of Globalworth Campus is scheduled for completion in H1 2016.

Finally, besides completing the acquisition of Green Court-Building "A" in July 2015 we have an active pipeline of new and exciting investment opportunities which we expect will further enhance the Company's growth.

**Ioannis Papalekas**
Chief Executive Officer
29 June 2015

## Investment Proposition

**What:**
Fully integrated real estate Investment Company with significant scale in core market.

**Who:**
A robust, experienced and well-structured team.

**Why?**
Why do tenants want to choose Globalworth properties?

- Strong macro and real estate market dynamics.
- Turnkey solutions, tailored to tenant's needs.
- Significant scale in a fragmented segment.
- Single counterparty for tenants.
- Depth and breadth of market knowledge.
- Class "A" Green assets in excellent locations.

**Where:**
Predominantly in Bucharest, Romania, as well as SEE.

**When:**
Critically timed investment cycle, allowing for stabilized unlevered yields on the portfolio in the low double digit, with a cap rates currently at 7.75%. Management expects to see cap rates contract further and rents to increase in the medium term

# OUR YEAR

2014 was a stepping stone year for Globalworth, as we continued to execute the plan we set out when the Company went public in July 2013. The strategic decisions and actions taken since the inception of the Company year are the key drivers for establishing Globalworth as one of the dominant real estate companies in our core Romanian market, as well as in South-East Europe.

**Investment in Real Estate**
One of Globalworth's key objectives is to continue to increase the size and value of our real estate portfolio through the acquisition, development and active management of high quality assets.

Working towards this goal, in 2014 we completed the acquisition of 10 new investments and further invested in the development / refurbishment and growth of our portfolio value to €599.3 m. In addition we announced three further transactions in 2014, two of which were completed during Q1 2015. On a pro forma basis, these would result in an increase in the value of our portfolio value to €752.1 m (as of 31 December 2014 valuation).

In line with the plan presented to investors at our 2013 IPO and 2014 April equity capital raise, we completed the acquisition of the remaining IPO assets and concluded the acquisition of the largest investments in the investment pipeline.

Specifically, in Q1 2014 we concluded the acquisition of the TCI, Upground Towers, BOB and BOC properties for a total acquisition cost of c.€262 m. With the closing of those 4 acquisitions, we marked the completion of all the acquisitions targeted at the time of our IPO within approximately 9 months of their announcement (excluding TAP, described below).

In addition, during the year we signed SPAs for the acquisition of 5 investments which formed part of the targeted pipeline presented in our April 2014 equity capital increase.

- The lands pertaining to Dimitrie Pompeiu and Class "A" office Complex Development are now fully acquired and consolidated under our landmark "Globalworth Campus" development project, the first phase of which we expect to deliver in H1 2016, subject to ongoing re-negotiation with the lessee on some of the terms of the signed lease agreement.
- The acquisition of TAP (Valeo) and TAP (Continental) have now been concluded, consolidated under the "TAP" complex and further complemented with the addition of a new light-industrial facility leased to Elster Robotics. The TAP complex is estimated to become one of Romania's largest light-industrial parks, offering a total of c.124,300sqm of space when completed.
- The Unicredit HQ Class "A" office property acquisition was completed in Q1 2015.

Further to the above, in 2014 we acquired c.9,767sqm of land plots in Bucharest located at Gara Herastrau (North) and Luterana (historical CBD) and announced the acquisition of Nusco Tower (which we closed in Q1 2015) and Green Court-Building "A" (which we expect to close in July 2015), 2 Class "A" standing properties located in the northern part of Bucharest.

| Source | Dec 2013(1) | Dec 2014 | Pro Forma |
|---|---|---|---|
| Number of Assets(2): | 4 | 11 | 14 |
| GLA(3): | 39,901sqm | 224,479sqm | 282,120sqm |
| Portfolio Value "As Is": | €117.8 m | €599.3 m | €752.1 m |
| Portfolio Value "Completion": | €240.2 m | €889.8 m | €1,042.6 m |

(1) Excluding the Floreasca One development which was sold in 2014.
(2) Both TAP and Globalworth Campus include multiple investments/properties which are considered one for each of the respective investments.
(3) Includes residential space of c.3,933sqm and c.53,217sqm in Dec 2013 and Dec 2014 / pro forma respectively.

The total purchase price for the acquisitions announced and / or completed in 2014 was €440.4 m, with the appraised value of our portfolio reaching €752.1 m on a pro forma basis (based on 31 December 2014 valuations).

In 2014 / 2015 year-to-date, we made significant progress on our development / refurbishment projects, as follows:

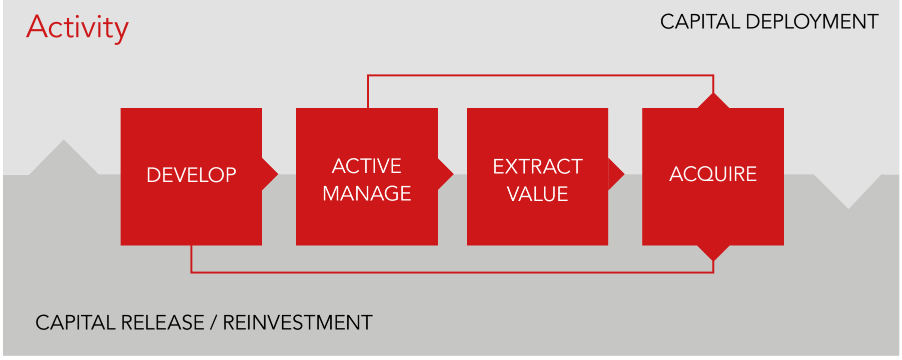
- We completed the refurbishment / repositioning of City Offices in Q4 2014, a property which comprises two connected buildings, offering a total of c.36,000 sqm of GLA and 1,019 parking spaces.
- In April 2015, we delivered the 45,000 sqm of Continental's Phase 1 light-industrial space in TAP and we are working towards delivering a second light-industrial warehouse pre-let to Elster in Q3 2015.
- We made significant progress in our Bucharest One flagship project and as of June 2015 construction has reached the 18th floor and is progressing within the projected delivery timeline of year-end 2015.
- We have now selected a general contractor for our Globalworth Campus development, have completed demolition works and site preparation, and expect to deliver the first phase in H1 2016.
- Lastly, we have started the development of Gara Herastrau, a 2,434sqm land plot located on Gara Herastrau, which is expected to offer c.11,000sqm of GLA upon completion.

## Sources of Capital

**Shareholders Equity**
- IPO (June '13)
- Equity Capital Raise (April '14)

**Debt Capital**
- Asset Level Financing
- Group Level Financing

## Activity




**Leasing Update**
In 2014 / 2015 year-to-date, we intensified our efforts to secure and derive the majority of our income from local members of multinational corporate groups and financial institutions on long-term leases. During this period we have successfully signed lease contracts corresponding to a total of c.112,000sqm of space in our properties, making us the leading investor / developer in our market. The average duration of our new commercial leases was 9.8 years, in line with our strategy to conclude long-term lease contracts.

We have successfully signed some of the largest, landmark leases in the Romanian market including, Continental (TAP: c.45,000sqm – Light Industrial), Deutsche Telekom (Globalworth Campus: c.25,000sqm – Office) and Vodafone (Bucharest One: c.16,000sqm - Office).

Our portfolio boasts a diversified high quality tenant mix, comprising some 75 national and multinational corporates from more than 20 different countries.

2015 is an important year for us, as we are involved in a number of negotiations for the take-up of available space in our properties and developments, as well as negotiating extensions for some of our existing leases.

**Sources of Capital**
In 2014, we funded our business through the issue of new debt and equity. In February we signed a short-term holding level bank debt facility for a total of €65 m with UBS, in order to complete the acquisitions of BOB, BOC and TCI.

In April, we successfully completed a €144 m equity capital raise. Approximately €78 m was used to fund Capex requirements of the existing portfolio (mainly the Bucharest One development) and to acquire and develop additional high quality real estate assets in Romania. The remaining funds were used to repay the UBS facility and convert it to equity in December.

We also raised additional debt financing for certain of the assets in our portfolio, with the most notable transaction being the €30 m facility provided by BCR (member of Erste Group) to TCI. Overall the Group level LTV is at 34.4% which is well inside our commitment to keep LTV lower than 60%.

**Attract and Maintain Talent**
In 2014, we took further steps to enhance our talent pool which now totals 58 professionals located in Bucharest (43 in 2013). The team is responsible for the operating activities of Globalworth, including investment, development, leasing, property and asset management operations, and sales.

In January 2014, we announced the appointment of Andreas Papadopoulos as the Company's Chief Financial Officer. Mr Papadopoulos is a seasoned EY professional, with 23 years of experience in corporate finance and audit in several Central and South-East European countries, including Romania and Slovenia, most of which with EY.

In June 2014 we appointed Stan Andre as Deputy Chief Investment Officer to further strengthen the senior management team. Mr Andre has 7 years' experience in financial services with UBS, with a focus on capital markets, emerging markets and structured financings.

## "Green" achievements

**Globalworth received various "Green" awards and accreditations. Notable examples are as follows:**

- Both BOB and BOC properties received Excellent In-Use Green Certification from BREEAM.
- BOC was also nominated in the category for the best Green "Office: In-Use" property in the 2015 BREEAM awards. It was the first property in Romania to be rated "Excellent" for Asset Performance (Part 1) and Building Management (Part 2).
- UniCredit HQ benefits of Very Good In-Use Green Certification from BREEAM.
- Green Court-Building "A" obtained Gold Core & Shell Certification from LEED.
- The Deutsche Bank space in BOB received the highest Green rating certification from LEED (Platinum).
- Bucharest One development received LEED Platinum pre-certification.

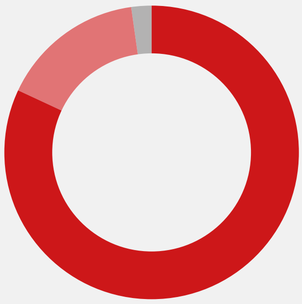
We remain focused on making our portfolio Green, and continue to make substantial investments in this respect.

# PROPERTY OVERVIEW

Globalworth benefits from a high quality portfolio in the most attractive Bucharest locations...

- New and high quality assets district
- Lower vacancy rates, higher rental levels
- Sought after areas for commercial real estate
- Excellent infrastructure access

"As is" Value (€m)[1]




Value upon "Completion" (€m)[2]


1 "As is" includes pro forma properties apprised at 31 December 2014 which was acquired subsequent to the year ended 31 December 2014.
2 Value upon "Completion" represent fair value of properties as of 31 December 2014 assumed all CAPEX has already been incurred until 31 December 2014.

| Property | Status | "As Is"[3] Value (€m) | Capex (€m) | Mark to Market Uplift (€m) | Value upon "Completion" (€m) | LTV[4] % |
|---|---|---|---|---|---|---|
| BOB | Completed | 50.5 | – | – | 50.5 | 68% |
| BOC | Completed | 142.5 | – | – | 142.5 | 59% |
| TCI | Completed | 76.4 | – | – | 76.4 | 34% |
| City Offices | Completed | 65.0 | – | 0.5 | 65.5 | 23% |
| Upground Towers | Completed | 108.9 | – | – | 108.9 | 34% |
| TAP | Comp. / Dev. | 33.9 | 21.6 | 0.1 | 55.6 | 25% |
| Bucharest One | Development | 67.6 | 45.9 | 44.0 | 157.5 | n.a |
| Globalworth Campus | Development | 29.8 | 109.0 | 49.2 | 188.0 | n.a |
| Gara Herastrau | Development | 6.6 | 11.7 | 8.5 | 26.8 | n.a |
| Luterana | Land | 12.2 | – | – | 12.2 | n.a |
| Herastrau One | Land | 5.9 | – | – | 5.9 | n.a |
| **Total Owned** | | **599.3** | **188.2** | **102.3** | **889.8** | **34.4%** |
| Unicredit HQ | Completed | 47.6 | – | – | 47.6 | 50% |
| Nusco Tower | Completed | 59.6 | – | – | 59.6 | 49% |
| Green Court | Completed | 45.6 | – | – | 45.6 | 59% |
| **Total Pro Forma** | | **752.1** | **188.2** | **102.3** | **1,042.6** | |

3 Based on debt levels as of 31 December 2014 for owned and 31 March 2015 for pro forma.
4 Per the consolidated financial statements as of 31 December 2014 and 31 March 2015 for pro forma.

## Best in class portfolio, located in prime locations within their respective submarkets in Romania

### Bucharest New CBD

The majority of Globalworth's portfolio is located in the sought-after New Business District of Bucharest. Our top quality assets are in high demand in this sought after district, benefitting from excellent infrastructure access (metro, tram, bus, road), proximity to the airport, natural attractions (parks, lakes), affluent residential clusters, and a new mall.

### Bucharest Historical CBD

TCI, the second tallest office tower in the country, is located in the heart of the historical CBD of Bucharest. It overlooks Romanian central government buildings and ministries, as well as a large park, and benefits from excellent infrastructure access (metro, tram, bus, road). Recent building restrictions protect the landmark status of the asset.

### Other Investments in Bucharest

Unicredit HQ was ranked 17th on the list of the 30 most architecturally impressive banks in the world in 2013. It benefits from very good infrastructure access and is located in the northern part of Bucharest, next to the Exhibition Center of Bucharest.

City Offices is a Class A newly refurbished office property located in the South of the Capital, only two metro stops away from the heart of Bucharest, in a residential area where such stock is scarce. It benefits from excellent infrastructure access.

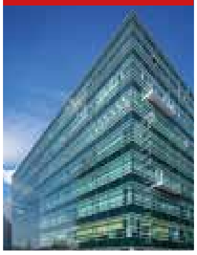
Luterana is a land plot earmarked for future development located in the heart of the city centre of Bucharest.

Herastrau One is a land plot earmarked for future development located in one of Bucharest's most affluent areas in the North. It is one of the few remaining land plots with significant opening towards the Herastrau Park and lake.

### Timisoara

Timisoara Airport Park ('TAP'), is a light-industrial complex in Timisoara. The property is close to the western border of the country and to the international airport, and benefits from easy access to the fourth European Corridor. The property which is partly developed, will upon completion become one of the largest light-industrial complexes of the country.

**BOC**
STANDING



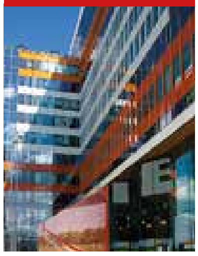
**BOB**
STANDING

**Gara Herastrau**
DEVELOPMENT

**Bucharest One**
DEVELOPMENT

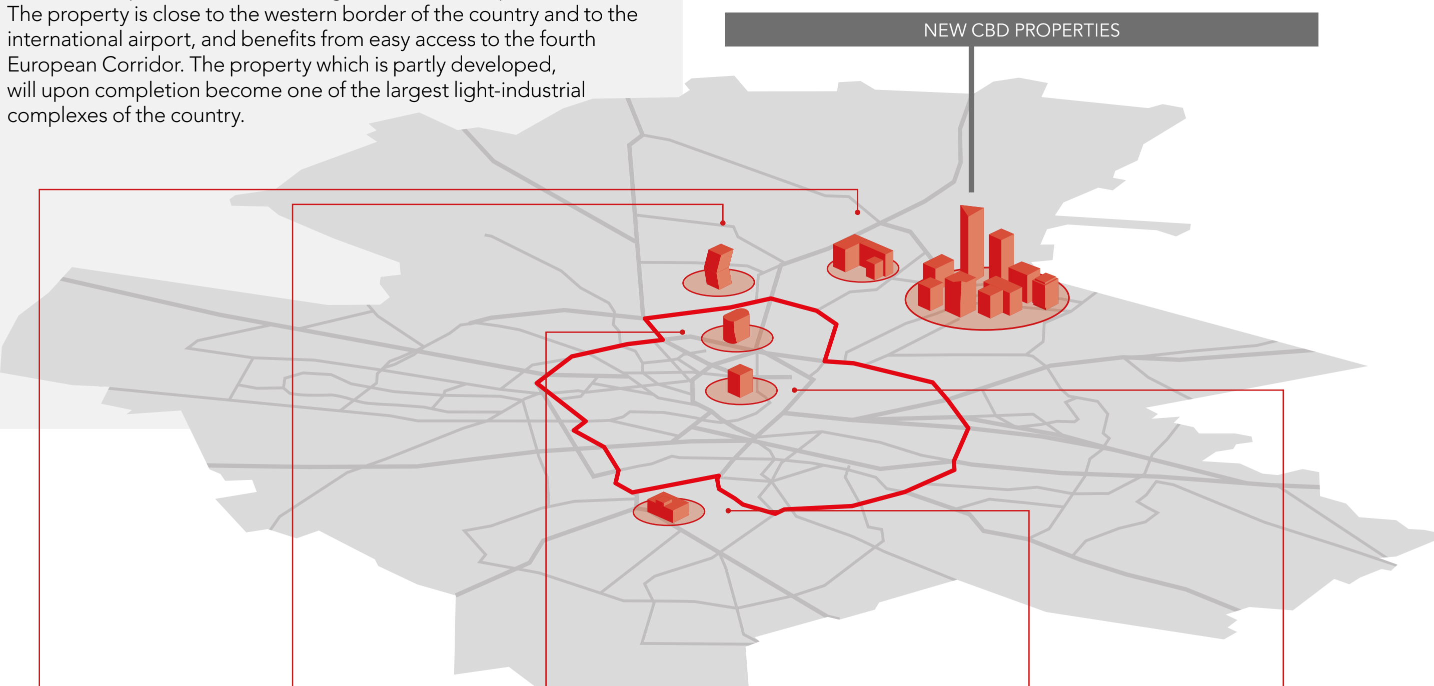
**Nusco Tower**[1]
STANDING

**Green Court "A"**[2]
STANDING



**Upground Towers**
STANDING

**GWI Campus**
DEVELOPMENT




**Herastrau One**
LAND

**Unicredit HQ**[1]
STANDING

**TCI**
STANDING

**City Offices**
STANDING

**Luterana**
LAND

1. Acquired in Q1, 2015.
2. Expected to be acquired in July 2015.

# INVESTMENT REVIEW

The 2014 / 2015 year-to-date period has been very active for Globalworth as we have been involved in multiple transactions and increased the size of our portfolio to €599.3 m as of 31 December 2014 (€752.1 m on a pro forma basis).

During the course of 2014, we completed the acquisition of the 4 remaining assets announced at the time of our IPO in July 2013 (Upground was partly acquired in 2013) and signed SPAs for the acquisition of 9 new investments, of which 5 were part of the targeted pipeline presented in our April 2014 equity capital increase.

Globalworth has thus far completed the acquisition of 8 of the 9 new investments, 6 in 2014 and further 2 in 2015. The acquisition of the Green Court-Building "A" is expected to be completed in July 2015.

| Source | IPO 2013 | Equity Capital Raise April 2014[1] | Other[1] |
|---|---|---|---|
| Investment | BOB<br>BOC<br>TCI<br>Upground | Unicredit HQ<br>D. Pompeiu (part of Globalworth Campus)<br>Class "A" Office Complex Development (part of Globalworth Campus)<br>TAP (Valeo)<br>TAP (Continental) | Nusco Tower<br>Nusco Land (Gara Herastrau)<br>Green Court-Building "A"<br>Luterana Lands |
| **Total Investment** | **c.€262 m** | **c.€213 m** | **c.€112 m** |

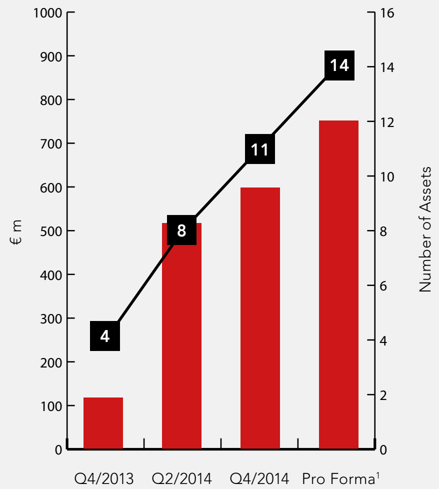
1. including future Capex for development projects

**€890 m**

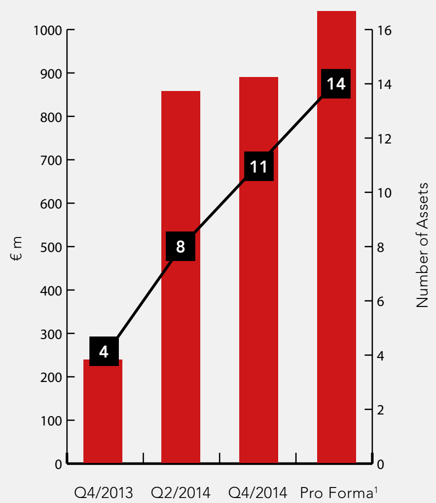
Q4 2014 "On Completion" Valuation

## Portfolio Evaluation

"As Is" Valuation




"On Completion" Valuation




Note: Individual investments in TAP and Globalworth Campus have been consolidated in the graph
1. Include 3 announced properties Unicredit HQ, Nusco Tower and Green Court-Building "A" appraised at 31 December 2014.

# LEASING REVIEW

One of Globalworth's key objectives is to achieve and maintain high occupancy in its portfolio. During 2014 and in the year-to-date 2015 we have successfully signed lease contracts corresponding to a total of c.118,900sqm of space in our properties.

We signed some of the largest, landmark leases in the Romanian market including, Continental (TAP: c.45,000sqm – Light Industrial), Deutsche Telekom (Globalworth Campus: c.25,000sqm – Office) and Vodafone (Bucharest One: c.16,000sqm – Office). Other notable lease contracts include Elster (TAP: c.6,950sqm – Light Industrial), Stefanini (BOB: c.6,200sqm – Office), Ministry of European Funds (TCI: c.3,500sqm – Office), ADP (BOC: c.1,900sqm – Office), Honeywell (BOC: c.1,900sqm – Office) and Delhaize Group (Bucharest One: c.1,600sqm – Retail).

Most of the Company's new tenants are multinational corporate groups and financial institutions with long-term, euro denominated, inflation linked, triple net leases, in line with our overall strategy. The average duration of the new commercial leases signed was 10.0 years. Overall, the WALL remaining on the commercial lease contracts in the overall portfolio was 8.1 years at 31 December 2014 and 7.3 years on a pro forma basis.

In our commercial portfolio, we have achieved a diversified tenant mix comprising some 75 different national and multinational corporates from over 20 different countries, including some of the most recognisable corporates in their respective industries.

**118,900sqm**

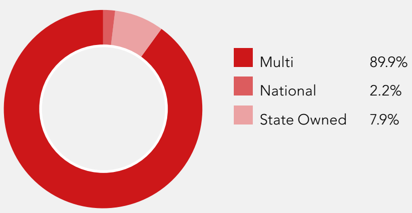
Commercial space successfully signed from January 2014 to May 2015

**Selected Tenants of our Portfolio**

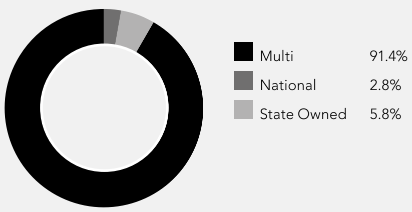
| | |
|---|---|
| Multinational | ADP, Bayer, BCR, Billa, BRD, Cegeka, Clearanswer, Continental, Crédit Agricole Bank, Delhaize Group, Deutsche Bank, Deutsche Telekom, EADS, Elster Rometrics, EY, G4S, GfK, Honeywell, HP, Huawei, Intel, Mood Media, NBG Group, Nestlé, Oracle, Orange, Piraeus Bank, Raiffeisen Leasing, Schneider Electric, Securitas, Snamprogetti, Stefanini, Subway, Unicredit, Valeo, Vodafone, Volksbank, Way Media, Worldclass |
| National | NX Data, GlobalVision, Generalcom |
| State Owned Entities | Hidroelectrica, Ministry of European Funds |

## Tenant Contribution by Origin – Commercial Contracted Rent

Q4 – 2014

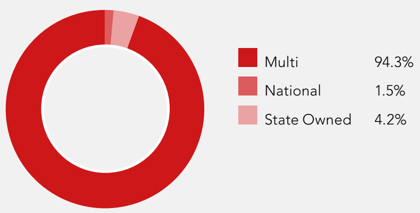



Pro Forma

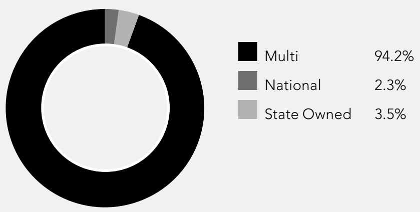



## Tenant Contribution by Origin – Commercial Contracted Areas (sqm)

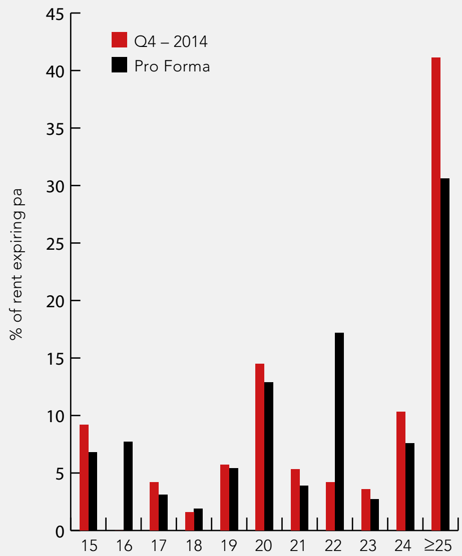
Q4 – 2014




Pro Forma




## Commercial Rent Expiration Profile




(Pro forma portfolio include the 3 announced transactions of Unicredit HQ, Nusco Tower and Green Court "A" )

# PORTFOLIO REVIEW

Globalworth's real estate portfolio is focused on Bucharest, Romania's capital and principal financial and real estate market. The Group also owns one logistics park in Timisoara, a city which has evolved in one of the country's main industrial hubs due to its proximity to the western border and good quality infrastructure.

We own, manage and develop "best-in-class" real estate properties positioned in prime locations within their respective sub-markets. Our portfolio focuses on office properties, the majority of which are located in the new Central Business District (CBD) area in the northern part of Bucharest, around the Dimitrie Pompeiu, Calea Floreasca and Barbu Vacarescu Boulevards. The area has evolved as the new business district of Bucharest in recent years as a result of the excellent accessibility / infrastructure (metro, tram, bus, road), its proximity to the Henri Coanda international airport and the availability of sizeable land plots, which has allowed the development of modern class "A" properties. Our properties can be classified into three categories: i) standing properties, ii) developments (to be delivered in the short / medium term) and iii) land for future development. Our portfolio mix provides the benefit of strong cash flows from standing assets, as well as attractive yields, capital appreciation and NAV uplift from developments. This combination will also allow us to generate income to fund our operations and further grow the company, as well as pay dividends to our shareholders.

## Standing Properties

Our standing properties portfolio as at 31 December 2014 comprised 6 properties, offering a total GLA of c. 224,000 sqm, valued at €460.0 m. All the properties are located in Bucharest except the TAP logistics park in Timisoara, which is partially standing and operational.

In addition, during 2014 we announced the acquisition of 3 Class "A" office properties in Bucharest which will upon closing contribute an additional c.58,000 sqm of GLA, with an appraised value of €152.8 m.

Including these 3 announced acquisitions (two of which are completed in Q1, 2015), our pro forma standing portfolio will comprise 9 properties offering GLA of c.282,000 sqm and have an appraised value of €612.8 m as at 31 December 2014.

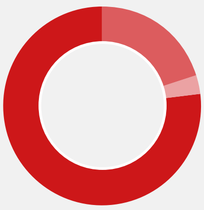
All our properties are modern, completed or refurbished since 2008. The most recent addition to our standing properties is City Offices, a property which was repositioned / refurbished in Q4 2014. City Offices comprises two connected buildings, now offering a total of c.36,000sqm of GLA and 1,019 parking spaces. Previously a shopping mall, its conversion into office space now offers our tenants bright, large and efficient floor plates.

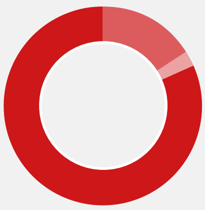
As a Group, we believe that it is our duty to manage responsibly the way we do business, and as such we have been focusing in making our portfolio "Green". Working towards this goal, we received Green certifications in our BOB and BOC buildings in 2014 and are exploring the potential for similar certifications in 2 other offices properties in Bucharest.

Our BOC property was nominated in the category for the best Green "Office: In-Use" property in the 2015 BREEAM awards. It was the first property in Romania to be rated "Excellent" for Asset Performance (Part 1) and Building Management (Part 2).

## Portfolio Breakdown by Classification

### "As Is" Valuation




### "On Completion" Valuation[1]



[1] Based on the current status of the investments
[2] Include 3 announced properties Unicredit HQ, Nusco Tower and Green Court-Building "A" appraised at 31 December 2014.

| Green Certified Properties | |
|---|---|
| BOB: | BREEAM In-use / Excellent and LEED Gold certifications (for part of the property) |
| BOC: | BREEAM In-use / Excellent certification |
| Unicredit HQ | BREEAM VERY GOOD certification |
| Green Court "A" | LEED Gold certification |

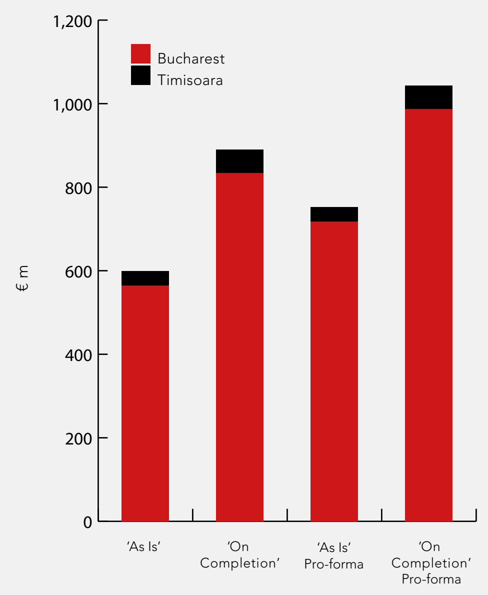
The majority of our commercial properties have high occupancy rates (+85%), as a result of the successful efforts of our leasing team, and the overall average of our portfolio was 77.2% (pro forma 82.1%) as of 31 December 2014. The occupancy average was negatively impacted by the recently completely refurbishment of City Offices, for which we are in active discussions with a number of tenants for the take-up of space. In this regard, in Q1 2015 we successfully signed a new lease with Vodafone for the take-up of 5,000sqm in the property. It has to be noted that average occupancy for the remaining assets of the portfolio (ie excluding City Offices) was 95.3% (pro forma 95.7%) at the end of the year.

| Commercial Properties | Q4 – 2014 | Pro Forma |
|---|---|---|
| Number of Assets: | 5 | 8 |
| GLA (sqm): | 171,263 | 228,903 |
| Valuation (31 Dec 14): | €359.0 m | €512.3 m |
| Occupancy: | 77.2% | 82.1% |
| Contracted Rent: | €20.7 m | €32.3 m |
| WALL: | 6.2 yrs | 5.8 yrs |

In addition to our commercial portfolio, "Upground Towers" is a modern two-tower residential complex comprising 571 apartments, of which Globalworth owned 446 at year end. The property benefits from fine views of the nearby Tei lake, ideally situated in the new CBD in close proximity to our commercial portfolio, thus allowing us to leverage its use and provide a complete package to many of our international tenants looking for turnkey solutions when relocating operations and expatriates. Currently there are 206 apartments leased generating €1.5 m of rental income.

| Total Standing Properties | Q4 – 2014 | Pro Forma |
|---|---|---|
| Number of Assets: | 6 | 9 |
| GLA (sqm): | 224,479 | 282,120 |
| Valuation (31 Dec 14): | €460.0 m | €612.8 m |

## Portfolio by Location




# PORTFOLIO REVIEW (CONTINUED)

**Developments**

We currently have two principal properties under construction, Bucharest One and Phase I of Globalworth Campus, which upon estimated completion in Q4 2015 and H1 2016 respectively are expected to offer c.107,000sqm of GLA. Both investments are located in the north eastern part of Bucharest in the new CBD area, the fastest growing office hub in the country which is attracting a significant number of multinational tenants.

The construction of Bucharest One has reached the 18 floor (June 2015) and is progressing within the expected delivery timeline of 2015 year end. Bucharest One has been pre-certified with the Green Certification of LEED Platinum, and Globalworth Campus is expected to receive a similar pre-certification before its completion.

For Globalworth Campus, the concept design has been finalised and the demolition works and site preparation completed. The Company has selected Bogart as the general contractor for the construction of Phase I.

We have also started the development of Gara Herastrau, a 2,434sqm land plot located on Gara Herastrau (Barbu Vacarescu / Dimitrie Pompeiu area). The plot was acquired for €4.0 m in December 2014 and has all the necessary building permits in place. Gara Herastrau is adjacent to Green Court-Building "A", around 200 metres from Nusco Tower and Bucharest One, and is expected to offer c.11,000sqm of GLA upon estimated completion.

In addition, in our TAP logistics complex in Timisoara we delivered Continental's Phase-I light industrial space in May 2015, with a second warehouse under construction pre-let to Elster, which is expected to be completed in Q3 2015. The new warehouse will increase the total area offered in TAP by c.6,950sqm to a total of c.81,950sqm. Valeo, Continental and Elster have additional options to expand in the complex, which would result in TAP being one of the largest logistics parks in the country, offering a total of c.124,286sqm.

The appraised value of the Development Projects was €121.2 m ("As Is" valuation) which upon completion of the construction is expected to offer c.244k sqm of office and light-industrial space with an appraised value of €442.9 m as at 31 December 2014.

| Developments | Q4 – 2014 / Pro Forma Under Construction | Q4 – 2014 / Pro Forma Total Development |
|---|---|---|
| Number of Assets: | 4 | 4 |
| GLA (sqm): | 172,010 | 244,634 |
| "As Is" Valuation (31 Dec 14): | €103.4 m | €121.2 m |
| "Completion " Valuation (31 Dec 14): | €329.3 m | €411.2 m |
| Occupancy: | 56.5% | 57.2% |
| Contracted Rent: | €11.5 m | €11.9 m |
| WALL: | 11.3 yrs | 11.4 yrs |

Note: Value "As Is" and "Completion" for Q4 – 2014 are calculated on proportional basis.

## Land for Future Development

We own land plots in 2 prime locations in Bucharest for future development. These plots represent further opportunities for office or mixed-use developments which we intend to take advantage of in the future in order to further grow our real estate portfolio. We are currently in the planning phase for each project, and in discussions with potential tenants.

The total land size for future development in our 2 locations is c.9,767sqm and had an appraised value of €18.1 m at 31 December 2014.

# PORTFOLIO REVIEW
# STANDING ASSETS

## BOB

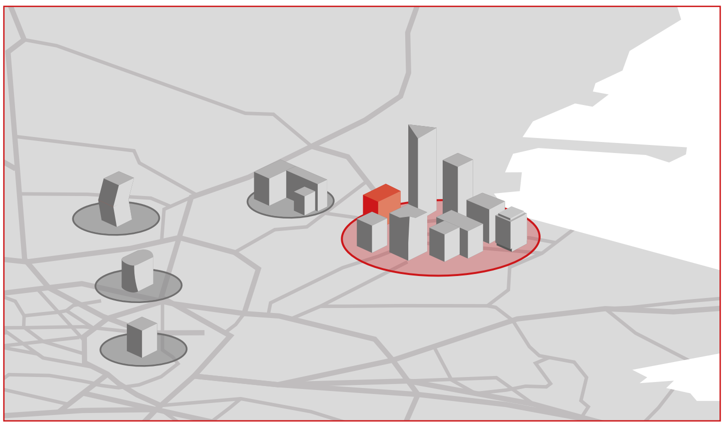
"BOB" is a modern "Class A" multi-tenanted office building located in the Northern part of Bucharest on Dimitrie Pompeiu Boulevard.

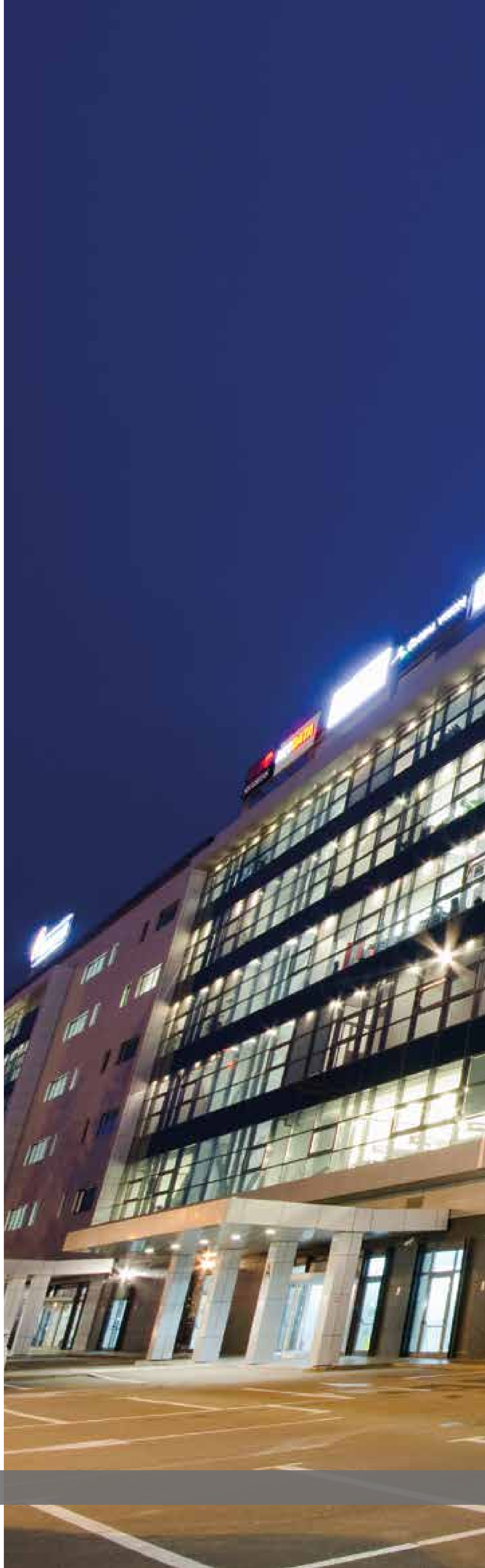
The property was delivered in 2008 and received both BREEAM In-use / Excellent and LEED Gold certifications (for part of the property) in 2014.

BOB was acquired by Globalworth in March 2014 and offers 22,391sqm of GLA over 7 floors above ground and 161 parking spaces.

The property is part of a wider building complex developed between 2006 and 2011, which includes BOC and Upground Towers.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Standing Property |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2008 |
| Appraised Value "As Is": | €50.5 m |
| GLA: | 22,391 |
| Occupancy: | 86.2% |
| Contracted Rent: | €3.3 m |
| WALL: | 5.8 yrs |
| Selected Tenants: | Deutsche Bank, Stefanini, Snamprogetti, Securitas, NX Data, NBG Group, Clearanswer Europe |






"BREEAM IN-USE / EXCELLENT AND LEED GOLD CERTIFICATIONS (FOR PART OF THE PROPERTY)."

# PORTFOLIO REVIEW
# STANDING ASSETS

## BOC

"BOC" is a modern "Class A" multi-tenanted office building located in the northern part of Bucharest on George Constantinescu Street.

The property was delivered in 2009 and received BREEAM In-use / Excellent Green certification in 2014. It was nominated in the category for the best Green "Office: In-Use" property in the 2015 BREEAM awards. It was the first property in Romania to be rated "Excellent" for Asset Performance (Part 1) and Building Management (Part 2).

BOC was acquired by Globalworth in March 2014 and offers 56,647sqm of GLA over 8 floors above ground and 895 parking spaces.

The property is part of a wider building complex developed between 2006 and 2011, which includes BOB and Upground Towers.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Standing Property |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2009 |
| Appraised Value "As Is": | €142.5 m |
| GLA: | 56,647 |
| Occupancy: | 94.4% |
| Contracted Rent: | €9.4 m |
| WALL: | 5.9 yrs |
| Selected Tenants: | NBG Group, Honeywell, HP, GfK, Intel, Nestlé, EADs, G4S, Deutsche Telekom |

"GREEN MATTERS: 2015 NOMINATION FOR BEST "OFFICE: IN-USE" BREEAM AWARDS."

# PORTFOLIO REVIEW STANDING ASSETS

## TCI

"TCI" is a landmark modern "Class A" multi-tenanted office building located in Bucharest's historical CBD, at Victoriei Square.

The property was delivered in 2012 and acquired by Globalworth in February 2014.

TCI consists of 2 interconnected buildings and, at 106 metres high, is currently the second tallest office property in Bucharest. The property offers c.22,228sqm of GLA over 26 floors above ground and 204 parking spaces.

| | |
|---|---|
| Location: | Bucharest / Historical CBD |
| Status: | Standing Property |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2012 |
| Appraised Value "As Is": | €76.4 m |
| GLA: | 22,228 |
| Occupancy: | 100.0% |
| Contracted Rent: | €4.9 m |
| WALL: | 4.4 yrs |
| Selected Tenants: | Ministry of European Funds, Ernst & Young, Hidroelectrica, Huawei, Cegeka, Deutsche Bank |

"ICONIC TOWER IN THE HISTORICAL CBD; 2ND TALLEST OFFICE TOWER IN BUCHAREST WITH C.106 METRES HEIGHT."

# PORTFOLIO REVIEW STANDING ASSETS

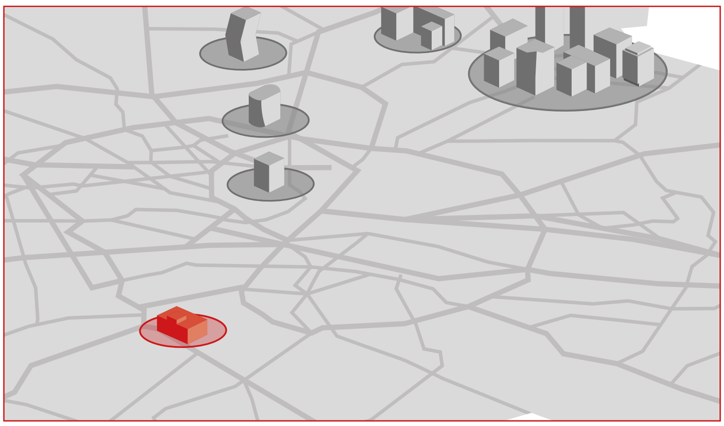
## City Offices

"City Offices" is a mixed-use property comprising two connected buildings, a commercial building and multi-level parking. The property is located at the southern part of Bucharest in the densely populated area of Eroii Revolutiei.

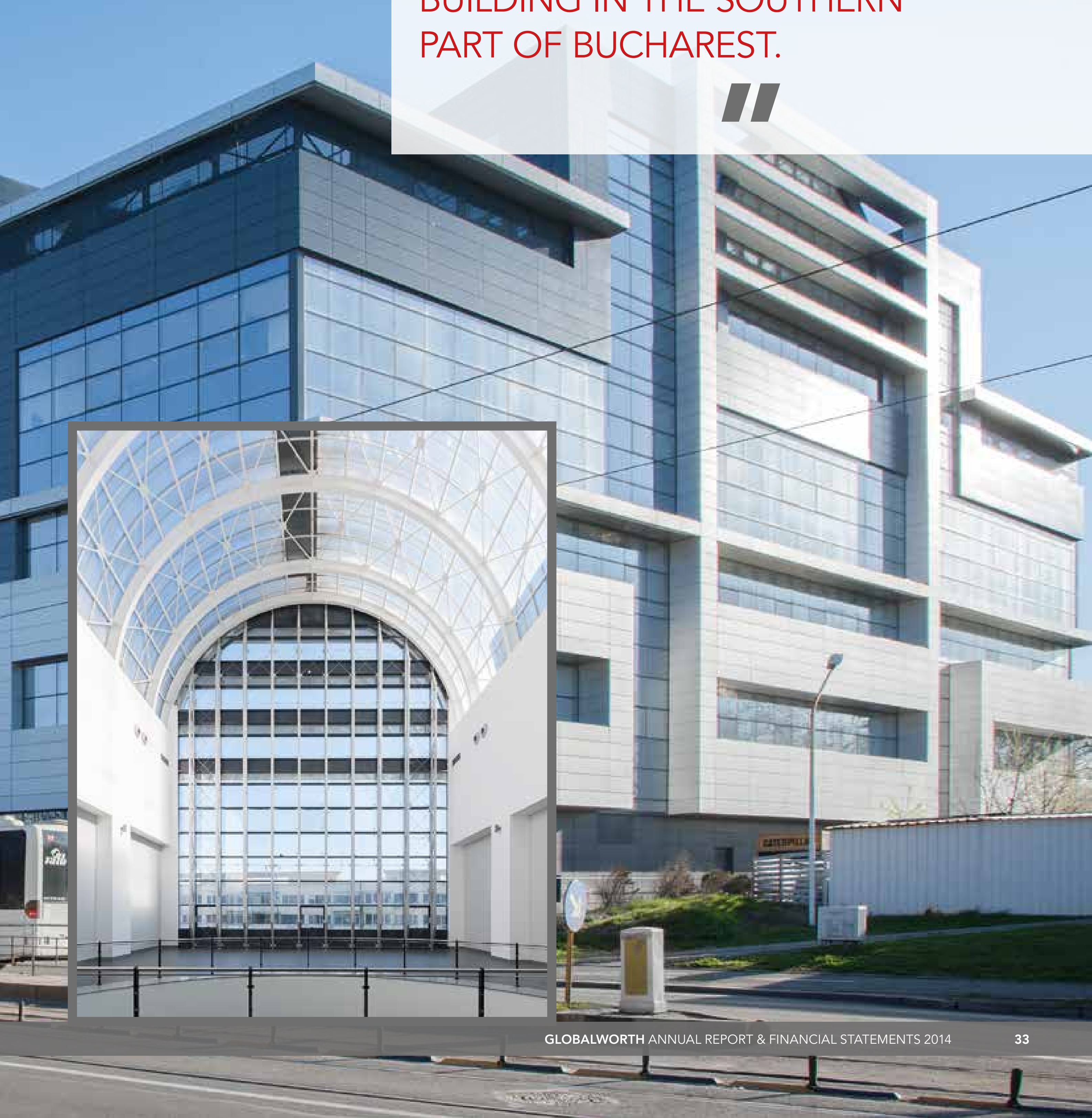
The commercial building was entirely refurbished by Globalworth, with works completed in Q4 2014.

City Offices was acquired by Globalworth in September 2013 and offers 35,968sqm of commercial GLA over 6 floors above ground and 1,019 parking spaces.

| | |
|---|---|
| Location: | Bucharest / South |
| Status: | Standing Property |
| Description: | Mix-use property comprising of a commercial building and multi-level parking |
| Ownership: | 100.0% |
| Year of Completion: | 2014 |
| Appraised Value "As Is": | €65.0 m |
| GLA: | 35,968 |
| Occupancy: | 9.0% |
| Contracted Rent: | €0.9 m |
| WALL: | 5.9 yrs |
| Selected Tenants: | Delhaize Group, Max Bet, Billa, BCR, Piraeus Bank, Vodafone, Credit Agricole Bank, Germanos |



> "RECENTLY RE-POSITIONED CLASS "A" HIGHLY EFFICIENT AND CONNECTED BACK-OFFICE BUILDING IN THE SOUTHERN PART OF BUCHAREST."



# PORTFOLIO REVIEW
# STANDING ASSETS

## Upground Towers

"Upground Towers" is a modern residential complex located in the northern part of Bucharest on Fabrica de Glucoza Street.

The property was delivered in 2011 and comprises 2 buildings with a total GBA of 101,354sqm. In total Upground Towers offers 571 residential units, of which Globalworth currently owns 446. In addition we own 25 retail units and 618 parking spaces in the complex.

Upground Towers is part of a wider building complex developed between 2006 and 2011, which includes BOB and BOC.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Standing Property |
| Description: | Residential complex comprising of 2 towers |
| Ownership: | 100% |
| Year of Completion: | 2011 |
| Appraised Value "As Is": | €108.9 m |
| GLA: | 59,879 |
| Occupancy: | Commercial: 99.0%<br>Residential: 44.7% |
| Contracted Rent: | €2.3 m |
| WALL: | 9.5 / 1.0 yrs |
| Selected Tenants: | WorldClass, Delhaize Group, Marfin Bank, Subway, Starbucks, Huawei, Rocazare |

"UPSCALE RESIDENTIAL COMPLEX LOCATED IN THE NEW CBD OFFERING HIGH QUALITY ACCOMMODATION."

# PORTFOLIO REVIEW
# STANDING ASSETS

## Unicredit HQ

"Unicredit HQ" is a landmark "Class A" single-tenanted office building located in the northern part of Bucharest on Expozitiei Boulevard, off Presei Libere Square.

The property was delivered in 2012 and has received BREEAM In-Use / Very Good Green certification.

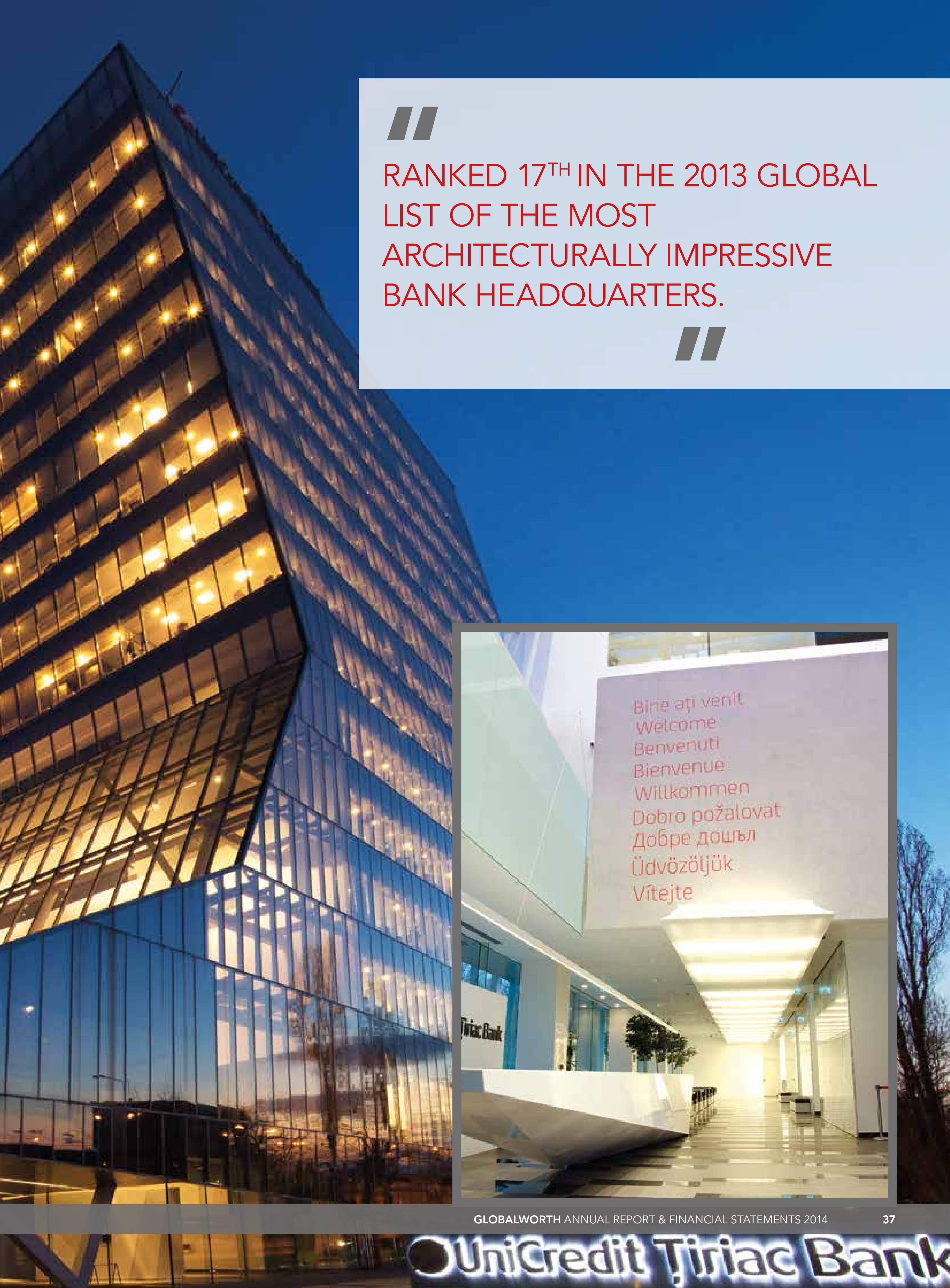
Unicredit HQ is the headquarters of the UniCredit Tiriac Bank and was ranked 17th on the list of the 30th most architecturally impressive banks in the world in 2013.

Globalworth announced the acquisition of the property in December 2014 and the transaction closed in March 2015.

Unicredit HQ offers c.15,500sqm of GLA over 16 floors above ground and 156 parking spaces.

| | |
|---|---|
| Location: | Bucharest / North |
| Status: | Standing Property |
| Description: | Class "A" single-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2012 |
| Appraised Value "As Is": | €47.6 m |
| GLA: | 15,500 |
| Occupancy: | 100.0% |
| Contracted Rent: | €3.8 m |
| WALL: | 7.3 yrs |
| Selected Tenants: | Unicredit Tiriac Bank |

> "RANKED 17TH IN THE 2013 GLOBAL LIST OF THE MOST ARCHITECTURALLY IMPRESSIVE BANK HEADQUARTERS."



# PORTFOLIO REVIEW
# STANDING ASSETS

## Green Court-Building "A"

"Green Court-Building "A" is a "Class A" multi-tenanted office building located in the northern part of Bucharest on Gara Herastrau Street.

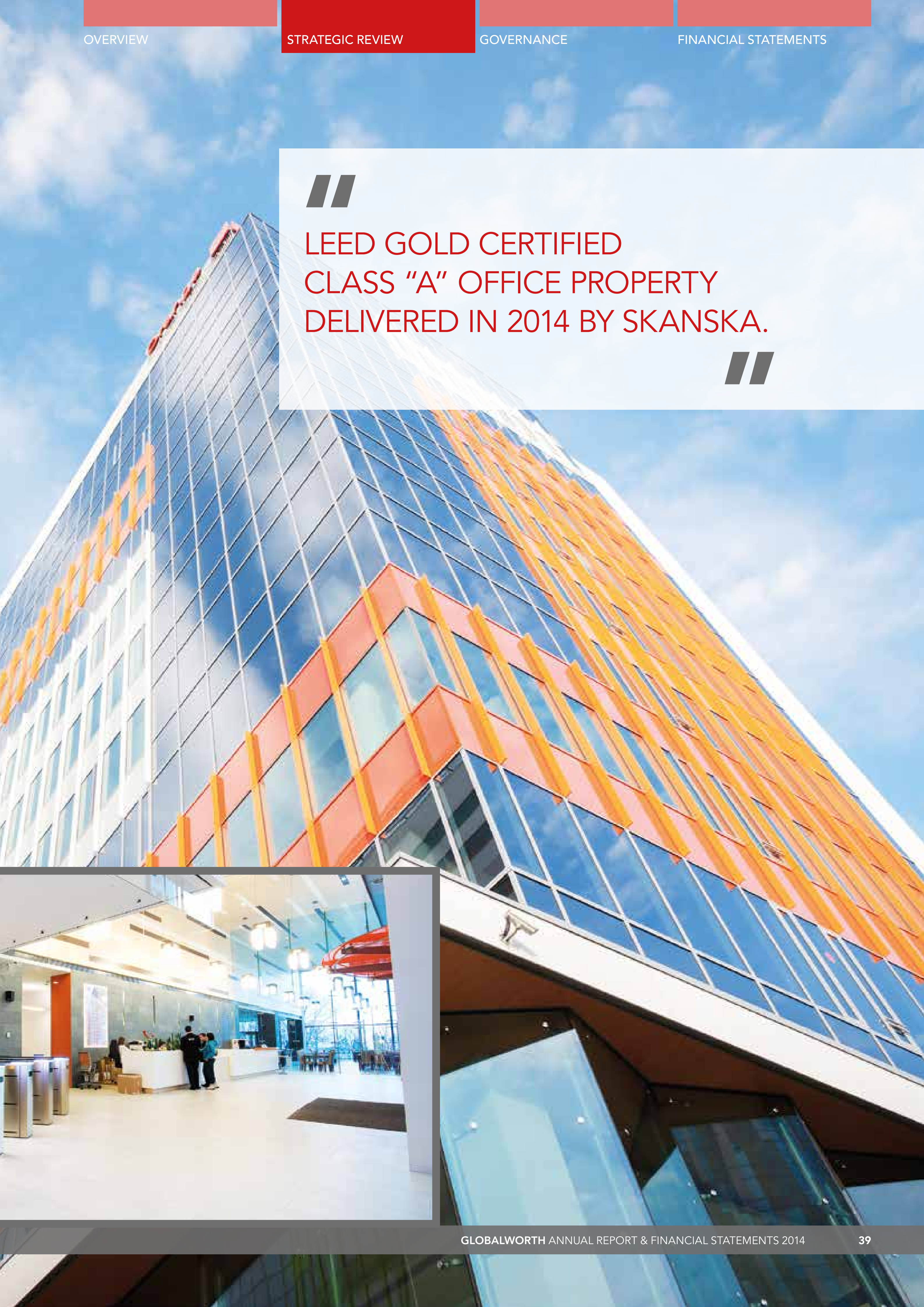
The property, which was developed by Skanska, was completed in 2014 and has received LEED Gold certification.

Globalworth announced the acquisition of the property in December 2014 and the transaction is estimated to be completed in July 2015.

Green Court-Building "A" offers c.19,168sqm of GLA over 12 floors above ground and 280 parking spaces.

The property is part of the wider Green Court Building complex developed by Skanska which upon completion will comprise 3 office towers.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Standing Property |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2014 |
| Appraised Value "As Is": | €45.6 m |
| GLA: | 19,168 |
| Occupancy: | 100.0% |
| Contracted Rent: | €3.5 m |
| WALL: | 6.7 yrs |
| Selected Tenants: | Orange, Schneider Electric |



"LEED GOLD CERTIFIED CLASS "A" OFFICE PROPERTY DELIVERED IN 2014 BY SKANSKA."

# PORTFOLIO REVIEW STANDING ASSETS

## Nusco Tower

"Nusco Tower" is a "Class A" multi-tenanted office building located in the northern part of Bucharest on the junction of Pipera Road and Gara Herastrau Street.

The property was delivered in 2010 and was partially refurbished during 2014-15.

Globalworth announced the acquisition of the property in December 2014 and the transaction closed in March 2015.

Nusco Tower offers 22,972sqm of GLA over 20 floors above ground and 336 parking spaces.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Standing Property |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100.0% |
| Year of Completion: | 2010 |
| Appraised Value "As Is": | €59.6 m |
| GLA: | 22,972 |
| Occupancy: | 91.5% |
| Contracted Rent: | €4.3 m |
| WALL: | 2.1 yrs |
| Selected Tenants: | Volksbank, Oracle, Bayer, Vodafone |


"IMPOSING CLASS "A" OFFICE TOWER LOCATED AT THE ENTRANCE OF THE NEW CBD."

# PORTFOLIO REVIEW STANDING / UNDER DEVELOPMENT

## TAP

The Timisoara Airport Park ('TAP'), is a light-industrial complex located in the North-East of Timisoara. The property is in close vicinity to the international airport and benefits from easy access to the fourth European Corridor.

The complex has been developed in phases and is almost exclusively let to Valeo, Continental and Elster. As of 2011, if offered c.27,474sqm of light-industrial space,with an additional c.45,400sqm delivered in Q2 2015 and c.7,000sqm in Q3 2015. On the exercise of all the expansion options available to its tenants, the complex will offer a total of c.124,286sqm of light-industrial space.

| | |
|---|---|
| Location: | Timisoara |
| Status: | Standing / Under Development Property |
| Description: | Light-industrial complex |
| Ownership: | 100% |
| Year of Completion: | 2011-2015E |
| Appraised Value "As Is": | €33.9 m |
| Appraised Value "Completion": | €55.6 m |
| GLA: | 124,286sqm (81,953sqm in Q3 2015) |
| Occupancy: | 98.5% |
| Contracted Rent: | €4.9 m |
| WALL: | 13.5 yrs |
| Selected Tenants: | Continental, Valeo, Elster |


"

LARGE AND GROWING HIGH QUALITY LIGHT-INDUSTRIAL AND LOGISTICS COMPLEX WHICH WILL OFFER UP TO 125,000SQM UPON COMPLETION.

"

# PORTFOLIO REVIEW
# DEVELOPMENTS

## Bucharest One

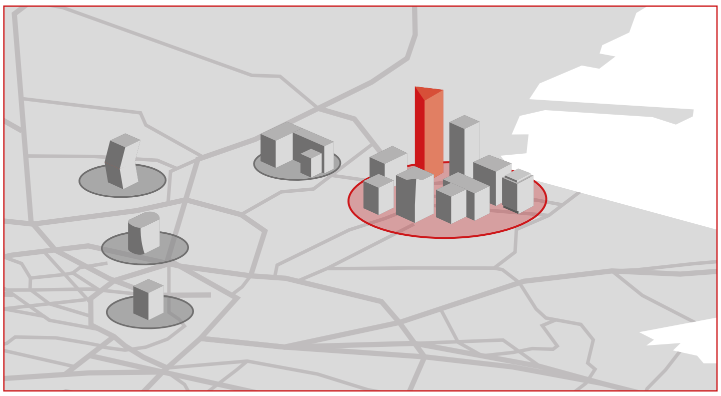
"Bucharest One" is a landmark "Class A" development located in the northern part of Bucharest on the junction of 3 main streets: Barbu Vacarescu Street, Pipera Road and Calea Froreasca.

Currently under construction, the property is expected to be completed in Q4 2015, and has been pre-certified with LEED Platinum Green certification.

Bucharest One was acquired by Globalworth in December 2013 and upon completion is expected to offer c.49,277sqm of GLA over 23 floors above ground and 747 parking spaces.

At a height of 120 metres, the property is expected to be the second tallest office tower in Bucharest when it is delivered.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Development / Under Construction |
| Description: | Class "A" multi-tenanted office building |
| Ownership: | 100% |
| Year of Completion: | 2015E |
| Appraised Value "As Is": | €67.6 m |
| Appraised Value "Completion": | €144.0 m |
| GLA1: | 49,277 |
| Occupancy: | 40.4% |
| Contracted Rent: | €4.3 m |
| WALL: | 10.7 yrs |
| Selected Tenants: | Vodafone, Huawei, Delhaize Group |



"LANDMARK CLASS "A" OFFICE DEVELOPMENT IN THE NEW CBD TO BECOME THE 2ND TALLEST OFFICE TOWER IN BUCHAREST."

# PORTFOLIO REVIEW DEVELOPMENTS

## Globalworth Campus

"Globalworth Campus" is a "Class A" office development located in the northern part of Bucharest on Dimitrie Pompeiu street.

The project is currently under construction and upon completion will comprise 3 towers and other commercial spaces. Phase "A", will consist of 2 towers and commercial spaces and is expected to be completed by H1 2016, subject to ongoing re-negotiation with the lessee on some of the terms of the signed lease agreement.

The site for the development of Globalworth Campus was acquired in 2013 and 2014 by Globalworth and on completion of the development is expected to offer in total c. 87,808sqm of GLA and c.900 parking spaces.

| | |
|---|---|
| Location: | Bucharest / New CBD |
| Status: | Development / Under Construction |
| Description: | Class "A" multi-tenanted office complex |
| Ownership: | 100.0% |
| Year of Completion: | 2016E(1) |
| Appraised Value "As Is": | €29.8 m |
| Appraised Value "Completion": | €188.0 m |
| GLA: | 87,808 |
| Occupancy: | Overall: 28.5% / Phase "A" c.50% |
| Contracted Rent: | €4.2 m |
| WALL: | 10.0 yrs |
| Selected Tenants: | Deutsche Telekom |

(1) Estimated

"CLASS "A" OFFICE COMPLEX DEVELOPMENT TO COMPRISE OF 3 TOWERS LOCATED IN THE NEW CBD."

# FINANCIAL REVIEW

## An exceptional year in terms of acquisitions, strengthening the Group as a market leader in office space in Bucharest and Romania.

### Highlights

- 2014 was the first full calendar year of operation of the Company since its incorporation
- Results predominantly reflect the significant investment on new acquisitions, developments and overall upgrade of our real estate portfolio
  - Overall real estate portfolio value increase by €477.9 m during 2014 to €599.3 m as at 31 December
- 7 new assets with appraised value of €154 m, were acquired through business combinations funded by €74.6 m of equity (€34.5 m through the issue of new shares and the remainder in cash).
- Acquisitions were completed at a significant discount to the respective appraised valuations of the assets, resulting in c.€80 m gain in our books.
- EPRA NAV as at 31 December 2014 increased to €434.1 m / €8.09 per share, representing an annual increase of 244% and 34% respectively
- Most of the properties held at 31 December 2014 were acquired between February and December, as such the 2014 year end results do not accordingly reflect the total operational profit to be generated going forward
- Total revenue reached €22.2 m in 2014, of which €18.5 m was from new investments completed in 2014
  - Annualised revenue of new investments is estimated at €29.3 m had we acquired these entities at beginning of the year 2014
  - EPS increased by 16.1% reaching €2.02 for the 2014 financial year

### Revenues and Profitability

- Revenues and NOI increased gradually during 2014, reaching a total of €22.2 m and €12.9 m, respectively, as a direct result of the successful completion of our new investments, recording a total year-on-year increase of 143% in NOI.
- Administrative expenses and acquisition costs were weighed down by non-recurring costs related to acquisitions.
- Effective tax rate of the Group for 2014 was 5.4%, down from 7.1% in 2013, as a result of the temporary tax differences among our Romanian subsidiaries.
- Significant positive EBITDA during the year of €23.6 m, positively impacted by the uplift in portfolio value.
- Increased one-off costs associated with the arrangement of new financing (equity and debt) of c.€1.4 m which took place during the year in order to finance our investment pipeline and developments.

### Portfolio Valuation, Shareholders Equity and NAV

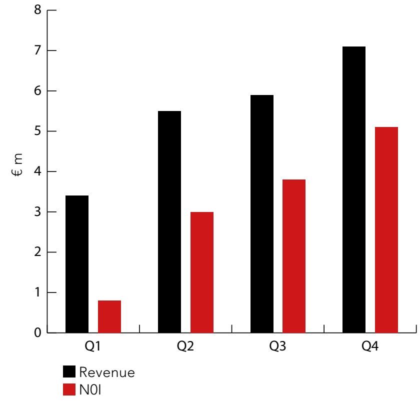
The significant level of investment and development activity in 2014 influenced positively the total real estate assets, leading to a significant (unrealised) gain.

- €62.7 m of capex on standing and under development properties, which resulted in an uplift of €87.7 m in the current property portfolio valued at €599.3 m at year end.
- Equity share capital increased to 53.6 m shares following the issue of 32.7 m new shares at an average issue price of €5.70 per share during the year
  - €144.7 m of new shareholders equity successfully raised at our April 2014 equity follow-on capital raise and an additional €39.7 m worth of shares issued as part of the settlement of some of our 2014 investments.
- EPRA NAV increased to €8.09 per share as at 31 December 2014, representing an annual increase of 34%, driven mainly by additions to our real estate portfolio and our moderate leverage policy (LTV of 34.4% at the end of the year).

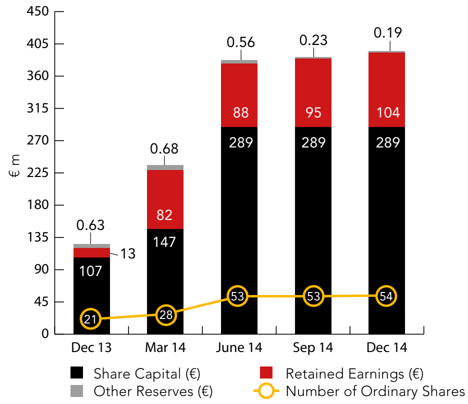
### Cash Flows

- Net cash resources raised during the year from successful debt and equity financing activities of €137.8 m.
- Cash used on new acquisitions, developments and overall upgrade of our real estate portfolio of €93 m.
- Cash used in operating activities of €32.3 m include a €10 m outflow related to one-off reduction in other payables of an entity acquired during the year.
- VAT receivable at 31 December 2014 increase of €11.1 m, resulting from the significant investments in asset acquisitions and capex on developments, negatively influenced operating cash flows in 2014, however, €6.6 m of this amount has already been collected in cash in 2015 to date, turning operating cash flows into a positive position in Q1 2015.
- Operating cash flows are anticipated to continue an increasing positive trend in 2015 with the acquisition of 3 leased office buildings and improvements made in the occupancy of existing properties previously under development.

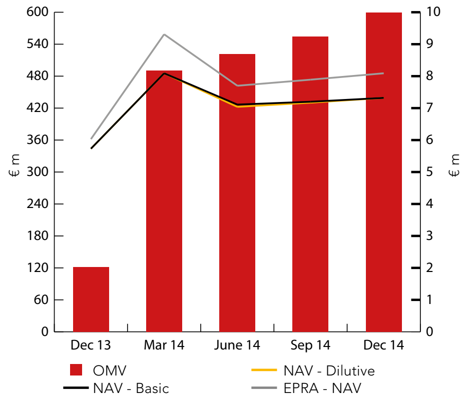
### 2014 NOI Evolution (Cumulative Data by Quarter)




### 2014 Evolution of Equity and Shares in Issue - Cumulative Data by Quarter




### 2014- Evolution of NAV / Share and OMV by Quarter



# FINANCING AND LIQUIDITY REVIEW

## Financing Achievements During 2014

In 2014 we managed to successfully secure or extend a total of €409.3 m of financing from equity investors and debt providers. We diversified our equity investor base following the participation of a number of international accounts at our April 2014 equity capital raise, as well as increased the number of debt providers to 5 which now have exposure to Globalworth. Most notably we:

- Secured a short-term €65 m facility from UBS in February 2014, which was subsequently taken over by York Capital and Oak Hill Advisors as part of the equity capital fundraising in April 2014. This facility has been mandatorily converted (together with fees and accrued interest thereon) to Ordinary shares on 18 December 2014 at €5.90 per Ordinary share;
- Extended the maturities of the total of €162 m loan facilities for the financing of the BOB / BOC properties to 2018 and for Upground to 2016, following the successful acquisition of these properties in March 2014;
- Secured €144 m additional equity though an equity capital fundraising in April 2014;
- Signed a new, €30 m long-term loan facility with BCR (Erste Bank Group) in September 2014, secured on the TCI property; and
- Took over, as part of the acquisition of the TAP property in October 2014, the existing €4.3 m credit facility granted by Bancpost for the development of the part of the property leased to Valeo, and secured from the same bank an additional short-term credit facility of €4 m for the development of the section of the TAP property preleased to Continental.

In addition to the above financing transactions that took place in 2015, in Q1 2015 we have rolled over financing facilities of €52.5 m in total from Unicredit Bank, as part of the acquisition of Unicredit HQ and Nusco Tower Buildings.

## Servicing of Debt During 2014

In 2014 we have repaid in total €47.2 m[1] loan capital and €6.7 m of accrued interest on our Group's drawn debt facilities.

## Liquidity

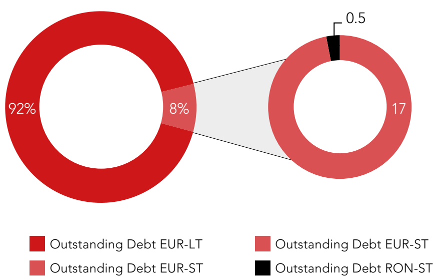
Our Group seeks to maintain, at all times, sufficient liquidity to enable it to finance its on-going, planned property investments, whilst maintaining flexibility to capture quickly attractive new investment opportunities.

As outlined above, a total of €78.7 m in additional equity and €100.1 m in additional debt financing was secured during 2014.

During the year the Group maintained a healthy balance of available cash and cash equivalents of €30.9 m on average (calculated using quarter-end balances). Available cash and cash equivalents as at 31 December 2014 amounted to €21.9 m, while additional available liquidity from undrawn credit facilities amounted to €4.0 m.

## Loan Structure as at 31 December 2014

Short and long-term debt structure and EUR versus RON mix[2].




Our Group's credit facilities are secured with real estate mortgages, pledges on shares, receivables and loan subordination agreements in favour of the financing banks. Further details on the Group's debt financing facilities are provided in note 15 of the consolidated financial statements.

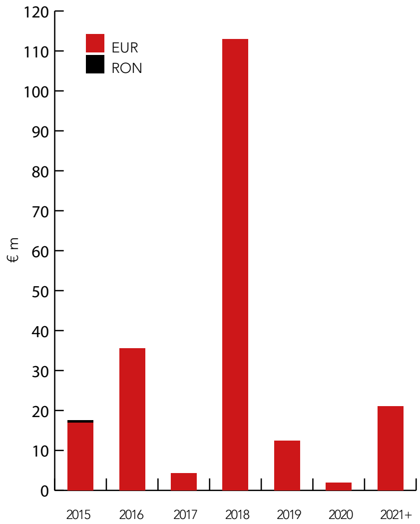
## Loan covenants

In terms of applicable financial covenants observed, the most notable are the Debt Service Cover Ratio ('DSCR') with values ranging from 110% to 120%, and the Loan to Value ('LTV'), with values ranging from 60% up to 80%. Our Group's policy is to maintain an LTV ratio of up to 60%. As at 31 December 2014 the LTV ratio amounts to 34.4%.

## Loan Maturity

At 31 December 2014, the weighted average remaining duration of the Group's debt is 5.4 years (2013: c 3.7 years).

Maturity by year of the principal balance outstanding at 31 December 2014[2].




## Loan Denomination Currency and Interest Rate Risk

Our long-term loan facilities are almost entirely euro denominated and bear interest determined based on 3-months Euribor plus a margin. This ensures a natural hedging linked to the euro, original currency denomination of the most significant part of our liquid assets (cash and cash equivalents and rental receivables) and reporting currency for the fair market value of our investment property. This is depicted by the low level of overall net foreign exchange differences reported for the year 2014.

The weighted average cost of servicing debt as at 31 December 2014 amounted to 3.99% compared to 5.95% at 31 December 2013.

Our Group's policy is to borrow funds at a competitive cost and to limit its exposure to upward interest rate fluctuations through employing appropriate hedging instruments on new long-term loans secured. An example is the interest rate cap agreement concluded with BCR (to cover 50% of the outstanding facility) as part of the new €30 m long-term loan facility secured in September 2014.

1 Includes €32.1 m repayment of the part of the interest bearing debt facility from UBS which was used for the acquisition of TCI property, through its conversion to equity.
2 Loan balances of €44 m, presented under long-term balances in the chart above, relate to balances on 2 loan facilities, which in accordance with IFRS provisions were presented under short-term interest bearing loans in the statement of financial position as at 31 December 2014 (see note 22 of the consolidated financial statements for further details).

# CORPORATE SOCIAL RESPONSIBILITY

## At Globalworth we believe that it is our duty to manage responsibly the social, environmental and economic impact of the way we do business.

Although the key objective of our business is to create value for our shareholders, we aim to achieve this by acting consistently in an ethical and socially responsible manner. With this in mind, we have been focused on promoting and fostering a sustainable and ecologically responsible community as well as supporting a number of social and charitable initiatives, as follows.


### Key Areas of Focus

| Social | Enviromental |
|---|---|
| • Support Local Communities, Charities and Hospitals<br>• Support Tenants / Partners in growing their business | • Manage Buildings Efficiently<br>• Invest in Green Buildings<br>• Develop Sustainable Buildings |

## Social Focus

"We are committed to the community in which we live and work. We understand the impacts we create on the local community in the way we do business."

Over the past ten years, the Founder, the companies under his control and Globalworth since its inception, have supported numerous local communities, charities and hospitals in Romania and numerous individual cases brought to his attention. We have predominantly focused on those in need, with particular attention given to young children, orphanages, affected families, single mothers and those in need of palliative care at the initiative of hospices of hope.

| Overview | Selected Charities / Donations |
|---|---|
| • Education / Social Assistance and Child Care<br>• Health Related (Hospitals, Hospices etc)<br>• Health related operations on various individual cases | • Foundation Hospice "Casa Sperantei" Bucharest<br>• Foundation Haven for Children, Prahova county<br>• Foundation Pro Vita for born and unborn, Valea Screzii, Prahova county<br>• Foundation "Ajutor si Recuperare Medico-Sociala pentru Copii in Dificultate" A.R.M.S. - Social Center "St. Macrina), Bucharest<br>• Foundation Together We are Overcoming Autism<br>• Foundation "Prietenul Sarmanilor Sf. Maximovici", Prahova county<br>• Office for Social Assistance and Child Protection Sector 2 Bucharest<br>• Office for Social Assistance and Child Protection Sector 4 Bucharest<br>• Foundation of Parents and Greek's Guardians - Greek School of Bucharest "Athena" |

## 2014 Children's Day Event

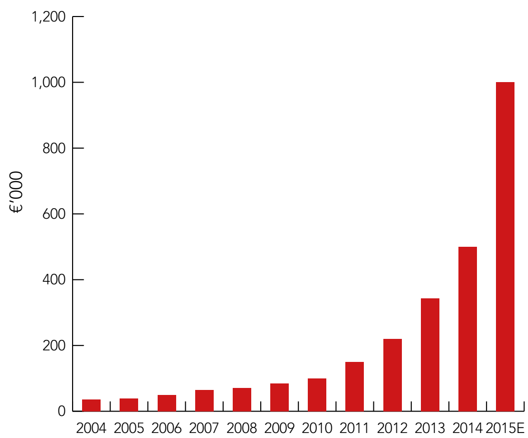
On December 18th, we organised the 2014 Children's Day event where we hosted 234 children between the ages of 2 and 14 from Bucharest and the Prahova County.

The Children's Day is an annual event for which we are particularly proud of, as it gives the opportunity to the entire Globalworth family to work together and give back directly to young children who currently face adversities in life and will form part of the future of Romania.

In this year's event we've hosted five charities which focus on children and single mothers and we were grateful they accepted our invitation and allowed us to share some happy moments with them during the Christmas period.

The 2014 festivities included children's theatre, science fair, magic tricks and games, further to which we watched the show prepared by the children, had lunch, welcomed Santa and concluded the day with gifts given to the children.

## Charity Contributions



Moreover, as part of our corporate culture, our employees are contributing to several charities in Romania by diverting part of their income tax deductions paid to the State towards charitable services.

The Founder and the Globalworth family since 2011 have given more than €1.0 m in charitable contributions, and have demonstrated their active support by organising events and visiting selected charities throughout the year. We are committed to continue to actively support those in need and have pledged contributions of c.€1.0 m for 2015 and aim to increase our support in the future.

## Environmental Focus

Our vision is building a "greener" and more environmentally friendly portfolio, through which we believe we can achieve the biggest positive impact for the environment. Our efforts were devoted not only on new developments / investments but also focused on existing properties as well, to ensure continual improvement of our sustainability performance.

### Existing Properties

- In the past 12 months we have received Green certifications for a number of the existing properties of the portfolio and we are in the process of certifying additional properties owned by Globalworth
- BOB property received BREEAM Excellent in-use Green certification for the entire property and LEED Platinum Green certification for the space occupied by DB in 2014
- BOC property received BREEAM Excellent in-use Green certification for the entire property in 2014
- City Offices, which was refurbished in 2014, is in the process of receiving Green certification

### Developments / New Investments

- Globalworth is designing its development projects to be energy efficient and sustainable
- The Bucharest One development which is under construction, received LEED Platinum pre-certification in 2014
- When considering new investments Globalworth is looking, in so far as is possible, for Green buildings or properties which have the potential to receive a Green classification
- The investment in Building "A" of the Green Court office complex in Bucharest has received a LEED Gold certification
- All 3 buildings of the Globalworth Campus development are designed in such a way as that they can qualify for LEED Gold Accreditation

## BOC property receives BREEAM Excellence

Key energy and environment saving actions and features of the BOC offices include:

BREEAM®

- working with occupiers to reduce energy use and cut carbon emissions
- Increasing intake of external ambient air to reduce need for heating and cooling
- providing recycling facilities and implementing green waste management
- installing bicycle spaces, lockers and showers to encourage green travel
- separate metering of the consumption for each tenant space and building common areas
- fitting water saving devices
- building provided with motion sensors in all common areas of the building
- landscape and habitat management for maintaining biodiversity

# PRINCIPAL RISKS & UNCERTAINTIES

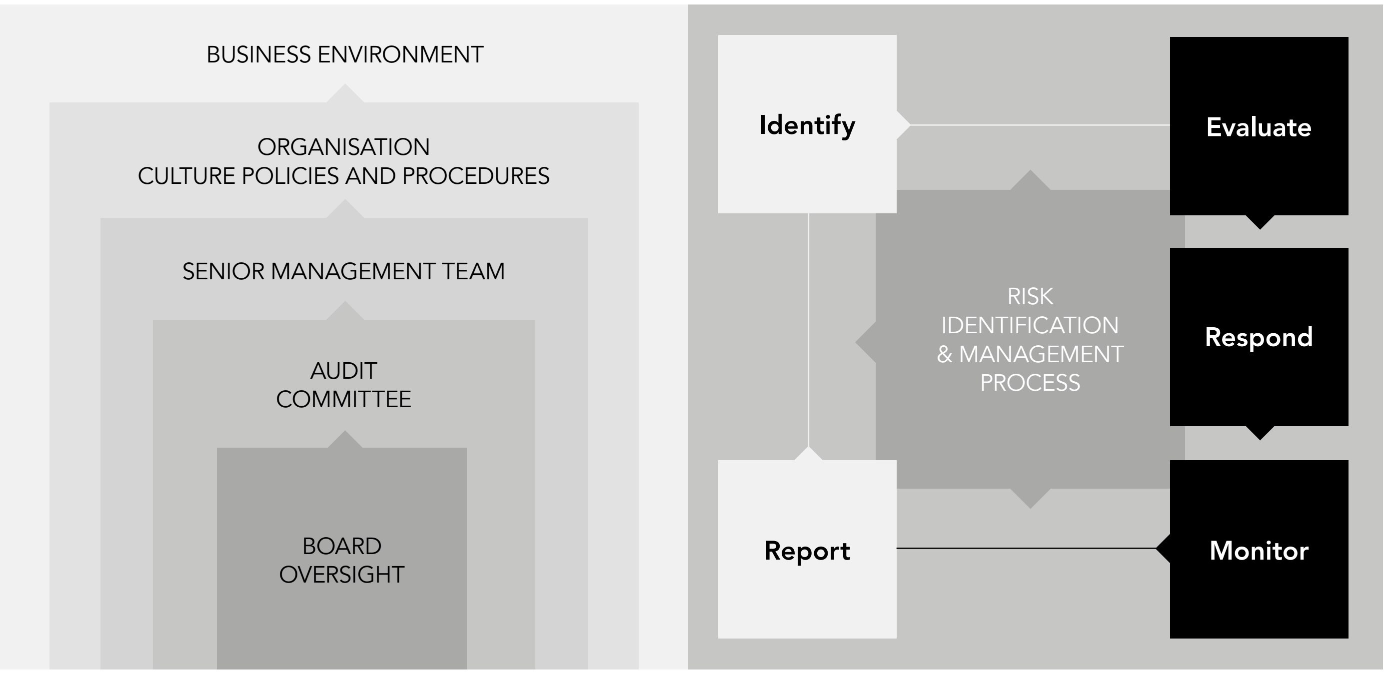
## The Board is responsible for establishing and maintaining the Company's system of internal control and for maintaining and reviewing its effectiveness.

The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has a conservative risk philosophy as it only accepts risks associated with the nature of its business activities.

The Group's approach to internal control and for monitoring and reviewing its effectiveness is set out within the Audit Committee Report, see page 72.

Since admission to AIM the Group has made suitable appointments in the area of financial management and supervision over internal control in order to strengthen the internal controls over financial reporting and other significant processes of the Group. Despite the existence of an effective internal control system, these risks can only be managed as they cannot be eliminated completely.




**Identify**

The Board and the Audit Committee identify risks with input from the key management of the Group. The Group follows an objectives-based risk identification strategy to identify key principal risks for each reporting period. Any event or factor that may endanger the achievement of the short and long-term goals partly or completely is identified as a risk.

**Evaluate**

Once risks have been identified, they are assessed as to their potential severity of impact on the Group's performance (a negative impact on financial results) and to the probability of occurrence, ie risk indexation.

**Respond**

Once risks have been identified and evaluated, one or a combination of the following techniques are used to manage each particular risk.

- Avoid (eliminate, withdraw from, or not become involved).
- Control (optimise – mitigate).
- Sharing (outsource or insure).
- Retention (accept and budget).

The selection of a particular response strategy depends upon the magnitude of the impact, probability of occurrence, existing internal and external controls.

**Monitor**

The initial risk management strategy may not address all issues as expected. Therefore, the Board will reassess, at each quarterly meeting, whether the previously selected controls are still applicable and effective and the possible risk level changes in the business environment.

**Report**

The Group presents the principal risks profile on page 57 of this Annual Report, and starting from the year 2015 will present, in the Annual Report, the changes in the risk classification of each identified principal risk from one year to the following.

| | Risk | Impact | Mitigation |
|---|---|---|---|
| | **Business Risks** | | |
| 1 | Exposure to the Economic Environment in Romania | A negative trend in the economic activity in Romania may affect the Group's tenants and potential new tenants and in turn can exert downward pressure on rent rates. | A significant number of the Group's tenants are subsidiaries of multinational Group's with either insignificant exposure to developments in the Romanian economy and / or very sound financial standing. The Group also ensures that long-term leases are signed with new tenants and that current leases are renewed prior to their expiry for a longer term and at index linked rental rates, so as to minimise the risk of possible negative variations in rent rates over the short and medium term. |
| 2 | Changes in the Political or Regulatory Framework in Romania or the European Union | The Group was set up to carry out investments in the Central and South-Eastern Europe region, focusing first on property investments in Romania. It is therefore exposed to political and regulatory framework changes that may occur in this region. | Even though the Group is currently focusing on investments in Romania (independent EU bodies place it among the most rapidly growing economies in Central and South-Eastern Europe), the Group may in future diversify its property portfolio with investments in other countries in the region.<br><br>The Group's Executives monitor frequently political or regulatory developments in the Romanian market through their own observation and also by frequent reviews of available third party reports on the developments in Romania. In cases when changes in regulations occur, appropriate action is taken so as to maintain compliance with applicable regulations in Romania. |

# PRINCIPAL RISKS & UNCERTAINTIES

| | Risk | Impact | Mitigation |
|---|---|---|---|
| | **Property Risks** | | |
| 3 | Acquisition of Properties | Inability to execute the Group's plan of investing in high quality assets would affect the Group's objectives of maximisation in NAV and EPS. | The Group's Executives have a proven track record of acquiring high quality assets, most of them at a discount to their fair market values. The Executives remain in close contact with leading real European estate agents with presence in Romania so as to get spontaneous access to potential sellers. The Group's Executives take the lead in negotiations with sellers of properties and put in place safeguards (involvement of legal, financial, tax and technical third party reputable and experienced due diligence advisers) and ensure the related agreements are concluded within a short period of time. |
| 4 | Counterparty Credit Risk | Loss of income may result from the possible default of tenants. | The vast majority of tenants are reputable, blue-chip multinational and local Groups of very good to excellent credit standing. Guarantee cash deposits or bank guarantee letters are received from all tenants for the credit period agreed in lease agreements. |
| 5 | Changes in Interest Rates | Additional financing costs may be incurred as a result of interest rate increases. | The Group monitors on a regular basis the cost of its debt financing and considers the use of suitable hedging instruments (such as variable-fixed rate swaps, interest caps) to minimise the potential increase of the cost of debt above acceptable levels. As of 31 December 2014, the Group's weighted average financing costs amounted to c.3.99% (2013: c.5.95%) even though we expect the weighted average financing costs to be higher in 2015 due to mezzanine financing secured subsequent to year end as disclosed in note 29 to the financial statements. The Group explores on continuous basis new refinancing options so as to maintain its average debt financing costs at competitive levels. |

| | Risk | Impact | Mitigation |
|---|---|---|---|
| | **Property Risks** | | |
| 6 | Valuation of Portfolio | Any error or negative trend in valuations of properties would significantly impact the results (NAV and EPS) of the Group. | The Group involves reputable third party valuation specialists to measure the fair value of the investment property portfolio at least twice a year. The management closely monitors the valuation approach for each class of investment property and estimates and assumptions about key inputs used in the valuation.<br><br>Periodically, the Group also obtains second valuations from other reputable and experienced third party valuations specialists, than those used for financial reporting purposes, as an additional safety measure in this area.<br><br>The Group is also striving to maximise property values by employing an effective development strategy and / or a property management and leasing strategy. |
| 7 | Inability to Lease Space and Renew Existing Leases | Potential loss of revenues leading to inability to maximise the EPS and free cash flow available for distribution of dividends to shareholders. | The Group has proven ability to attract tenants to its properties even before the inauguration of the construction works for properties under development.<br><br>The Group maintains a very low level of vacant space for its completed properties, through the effective management of vacant space by its very experienced marketing and leasing team based in Romania. In addition, the leasing team cooperates closely with leading estate agents in the local market to tap all emerging opportunities. |
| 8 | Inability to Complete Projects Under Development on Time | Inability to deliver to tenants the pre-leased office space by the agreed dates due to delays caused by contractors or their possible default, leading to potential costs overruns, penalties and loss of revenues. | Risks for delay in completion of properties under development are passed on to the main contractors with whom fixed cost turnkey contracts are signed and from which good execution guarantees are received and a portion of amounts payable to them, ranging from 5% to 15% of contracted value, are retained from contractor's monthly certified works until the successful completion of the construction works.<br><br>Only experienced, reputable and financially sound contractors are selected for the construction of properties under development, which are supervised on a daily basis by the Project Management Team in Romania.<br><br>Further, significant penalties are stipulated in the related construction contracts to minimise any loss due to the delayed completion of the development works. |

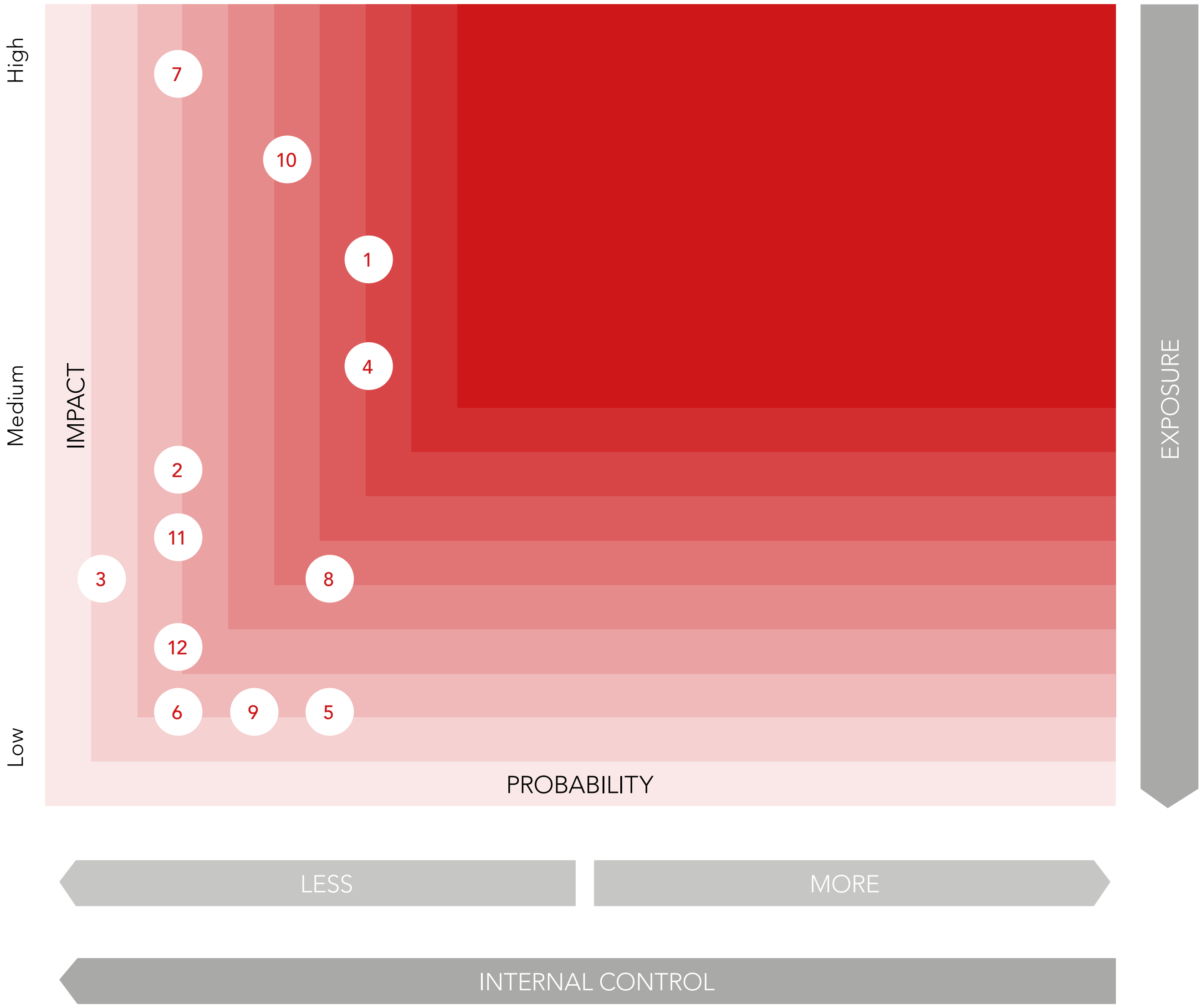
# PRINCIPAL RISKS & UNCERTAINTIES

| | Risk | Impact | Mitigation |
|---|---|---|---|
| | **Financial, Financing & Liquidity Risks** | | |
| 9 | Lack of Available Financing | This would negatively affect the Group's ability to execute, to the full extent, its investment plan. | The Group's Executives hold frequent meetings with current and potential equity investors as well as continuous discussions with leading global and Romanian financing institutions in connection with its financing requirements.<br><br>Since admission, the Group has raised c.€639 m in equity and debt (including new loan facilities and rolled over loan facilities on the acquisition of subsidiaries) to meet its financing requirements. |
| 10 | Breach of Loan Covenants | May negatively affect the Group's relationship with financing banks, may have going concern implications, and affect, negatively, its ability to raise further debt financing at competitive interest rates. | The Group monitors on a regular basis its compliance with loan covenants and has increased its resources on monitoring in the area of loan contractual terms (including covenants) compliance. |
| 11 | Foreign Exchange Risk | Significant fluctuations especially in the Romanian Lei to Euro exchange rate in the direction of the depreciation of the Romanian Lei against the Euro may lead to significant realised foreign exchange losses. | The Group's exposure to negative realised foreign exchange fluctuations is limited to cases where the date invoices are issued to tenants or received from contractors and suppliers and the date of their settlement differ significantly. The limited exposure to foreign exchange fluctuations is due to the fact that the pricing in all major contracts entered into (with tenants and contractors / suppliers) is agreed in Euro hence providing for a natural cash flow hedge to a large extent.<br><br>The Group actively monitors, on a daily basis, the fluctuations in Romanian Lei to Euro exchange rate and strives to minimize the period between the issuance and settlement of invoices to tenants and by its contractors / suppliers and the potential related realised foreign exchange losses that may result.<br><br>It also enters frequently into transactions with financial institutions for the purchase or sale of Romanian Lei at favourable exchange rates against the Euro, compared to the market average, due to the relatively high value of such transactions as a result of a batch settlement process followed for invoices received from contractors / suppliers. |
| | **Regulatory risks** | | |
| 12 | Change in Fiscal and Tax Regulations | Adverse changes in favourable taxation provisions in the jurisdictions the Group's legal entities operate would negatively affect its net results. | The Group, through engaging professional tax advisers on a regular basis in all the jurisdictions where its legal entities operate, monitors very closely the upcoming changes in taxation legislation and ensures that all steps are taken for compliance and optimisation of the tax efficiency of its structure over time.<br><br>Through regular tax compliance monitoring and conservative policies in this area the Group ensures that the risks associated with potential additional, unexpected tax assessments is minimised. |

# INDEXATION OF PRINCIPAL RISKS

The diagram below portrays our current principal risks assessment in terms of their individual impact on the Group's future results and the probability of occurrence. The probability of risk occurrence is an estimate, since the past data on frequencies are not readily available. After all, probability does not imply certainty.

The probability of risk occurrence is, by nature, difficult to estimate. Likewise, the impact of the risk, in isolation, is estimated based on the management's past experience in the real estate industry. Further, both the above factors can change in magnitude depending on the adequacy of risk avoidance and prevention measures taken and due to changes in the external business environment. Hence the Board intends to continue the process of quarterly examination and evaluation of identified significant risks faced by the Group, as well as the controls in place to manage or mitigate those risks.



# BOARD OF DIRECTORS

## Geoff Miller
### Non-Executive Director, Chairman of the Board

Geoff Miller has over 20 years' experience in research and fund management in the UK, specialising in the finance sector, with a focus on the specialty finance, insurance and investment company sub-sectors. He was formerly a number one rated UK mid and small cap financials analyst covering investment banks, hedge funds and hedge fund managers, structured products, insurance vehicles, investment companies and real estate companies.

He is based in Guernsey having worked in Moscow and Singapore in recent years.

Geoff is currently Chief Executive Officer of GLI Finance Limited (admitted to AIM and CISX), Non-Executive Director and Chairman of the Risk Committee of Hastings Insurance Group Limited (holding company for a UK insurance broker and Gibraltar-based insurance underwriter), as well as acting as a Director for a number of private companies.

## Ioannis Papalekas
### Founder & Chief Executive Officer

The founder of Globalworth, Ioannis Papalekas has over 16 years of real estate investment and development experience of which 14 in Romania, having created one of the most successful real estate development and investment groups in the Romanian real estate market. Experienced in the acquisition, master planning, development, reconstruction, refurbishment, operation and asset management of land and buildings across all major asset classes in Romania. Ioannis has been responsible for the development of more than 400,000sqm of commercial (office, retail and logistics) space and 1,000 residential units in Romania, realising an IRR of 175% and an equity multiple of 4.7x on invested capital.

## Dimitris Raptis
### Deputy Chief Executive Officer and Chief Investment Officer

Dimitris Raptis joined Globalworth in November 2012, following 16 years of experience in the financial services and real estate investment management industries with Deutsche Bank, of which the last 12 years as a senior member of the real estate investment management group of Deutsche Bank's Asset and Wealth Management division (RREEF).

From 2008 to 2012, Dimitris was Managing Director and European Head of Portfolio Management for RREEF Opportunistic Investments (ROI). In this role he was responsible for overseeing ROI's acquisitions across Europe as well as managing ROI's pan-European real estate investment portfolio consisting of 40 investments with a gross asset value in excess of €6 bn. From 2000 to 2008, Dimitris was a senior member of the team responsible for originating, structuring and executing real estate investments, with a main focus on the French, Italian and South-Eastern European markets with an enterprise value in excess of €5.5 bn across all major asset classes.

## Eli Alroy
### Non-Executive Director

Eli Alroy has extensive international experience in real estate investment and project management. From 1994 to 2012 Eli was Chairman of the Supervisory Board of Globe Trade Centre S.A. (GTC), traded on the Warsaw stock exchange. During part of this period (from 1994 to 1997) Eli also served as the CEO of Kardan Real Estate, prior to which between 1992 and 1993 he worked as the CEO of the development company A.M.T.

Eli received a BSc in civil engineering from the Technion in Israel and an MSc from Stanford University in the USA.

In 2010 Eli Alroy was honoured with the prestigious CEEQA Real Estate Lifetime Achievement award, sponsored by the Financial Times, for his commitment to the real estate industry in Central and Eastern Europe.

## John Whittle
### Non-Executive Director, Chairman of the Audit and Remuneration Committees

John Whittle has a strong background in large third party fund administration, having previously worked extensively in high technology service industries, and has in-depth experience of strategic development and mergers & acquisitions.

He has worked on the Boards of listed companies as well as within private equity, property and the fund of funds sectors. He is currently a Director of FTSE 250 listed International Public Partnerships Ltd, LSE main market listed Starwood European Real Estate Financing Limited, as well as India Capital Growth Fund Ltd and Advance Frontier Markets Fund Ltd, both of which are admitted to trading on AIM. John is also the Chairman of the NED Committee of the Guernsey Investment Fund Association.

## Akbar Rafiq
### Non-Executive Director

Akbar Rafiq serves as a Managing Director, Co-Head Europe Credit at York Capital Management. He joined York Capital Management in June 2011 and is a Co-Head of European Credit, based in London, and Co-Portfolio Manager of the York European Distressed Credit funds. From 2007 to 2011, Akbar worked as a Vice President and Senior Distressed Debt Analyst at Deutsche Bank AG, London. Previously, Akbar held various positions in the investment banking division at Bear, Stearns and Co. Inc. From 2000 to 2003, Akbar worked as an Associate for a private equity firm, Alta Communications. Akbar received a BA in Economics from the University of Rochester and an MBA from the London Business School.

## Alexis Atteslis
### Non-Executive Director

Alexis Atteslis serves as a Managing Director at Oak Hill with senior responsibility for European investments. He has more than 10 years of experience in the finance industry, having previously worked at Deutsche Bank and PricewaterhouseCoopers. He received an MA from the University of Cambridge and has earned a Chartered Accountant qualification with the Institute of Chartered Accountants in England and Wales.

## Andreea Petreanu
### Non-Executive Director

Andreea Petreanu has over 14 years of experience in the investment markets and banking industry, working as credit risk manager for top tier banks including Morgan Stanley, HSBC, Merrill Lynch and Bank of America. In July 2011, Andreea joined VTB Capital in London where she is currently a Director in charge of Credit Risk Management for the bank's financial institutions clients. Andreea's educational background includes an Executive MBA from University of Cambridge, Judge Business School and an MSc in Insurance and Risk Management from City University, CASS Business School. She is also an Associate of the Chartered Insurance Institute in London.

# OUR TEAM

## Top Management with a strong Track Record in the Real Estate Sector

**Ioannis Papalekas**
Founder & CEO

- 16 yrs (14 yrs in Romania) real estate track record
- Multi-sector real estate experience in Romania and SEE
- Realised return on investments of IRR of 175% and an equity multiple of 4

**Andreas Papadopoulos**
CFO

- Chartered Accountant with c.22 yrs of experience in audit and transactions advisory
- 16 yrs with big 4 audit firms (EY and PwC)
- Joined Globalworth in 2014

**Dimitris Raptis**
Deputy CEO / CIO

- 18 yrs experience in financial services and real estate
- Former MD and European Head of Portfolio Management for DB's RREEF Opportunistic Investments
- Managed a portfolio of 40 investments (GAV >€6 bn)
- Joined Globalworth in 2012

**Adrian Danoiu**
COO

- +20 yrs experience in accounting, finance and business administration
- Part of the Founder's team since 2002

**Stan Andre**
Deputy CIO

- 7 yrs experience with UBS (6 yrs), BAML and Credit Agricole in Leveraged Capital Markets, Special Situations Group, Emerging Markets Lending and DCM
- Joined Globalworth in 2014

**Stamatis Sapkas**
Investment Director

- 10 yrs experience in EMEA real estate and lodging with Citigroup (7 yrs) and Eurobank Properties
- Joined Globalworth in 2013

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Legal Department** (2 people) | **Finance & Accounting** (15 people) | **Investment & Strategy** (6 people) | **Project Management** (5 people) | **Commercial Sales & Leasing / Marketing** (6 people) | **Administrative & Human Resources** (10 people) | **IT&C** (1 person) | **Project Development & Facility Management** (13 people) |

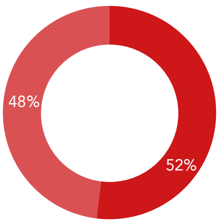
**Experienced top management leading a successful investment team of 58 professionals**

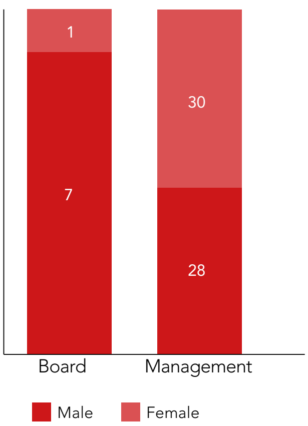
## Diversity

The Group maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. This policy was followed when appointing the 3 new Directors to the Board on 29 September 2014.

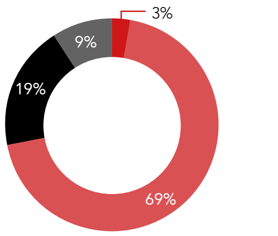
Information about the diversity of the Group's Directors and employees is set out below:

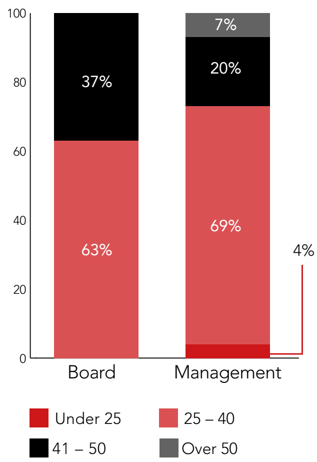
### Gender diversity



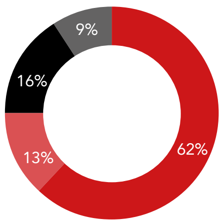



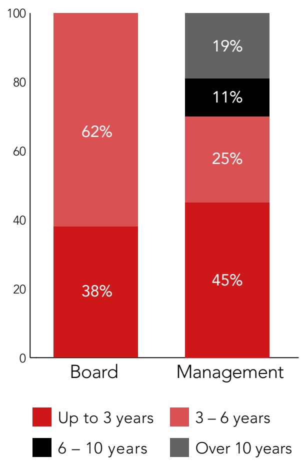

### Age




### Length of service*




*Directors' length of service is measured from the date of their appointment.

# GOVERNANCE



# CORPORATE GOVERNANCE REPORT

## Introduction

The Board of Directors is committed to high standards of corporate governance and has put in place a framework for corporate governance which it believes is appropriate considering its type of activities and size.

## Corporate Governance Principles

The Company is a member of the Association of Investment Companies ('AIC') and has adopted the AIC Code of Corporate Governance (the 'AIC Code') published in February 2013, which addresses all the principles set out in the UK Corporate Governance Code ('the UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The AIC Code contains 21 principles of corporate governance for investment companies, each with detailed recommendations which are designed to provide Boards of its member investment companies with a framework of best practice in respect of the governance of investment companies.

The AIC Code has been endorsed by the Financial Reporting Council which has confirmed that by following the AIC Code, investment company Boards should fully meet their obligations in relation to the UK Code. The Board has considered the principles and recommendations of the AIC Code with reference to the AIC Corporate Governance Guide for Investment Companies, dated February 2013 (the "AIC Guide"). In reporting against the AIC Code, the Company also complies with the corporate governance obligations applicable to Guernsey registered public companies whose shares are quoted on AIM.

The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission ('GFSC') which applies to all companies that are regulated by the GFSC or which are registered or authorised as collective investment schemes. Companies reporting against the AIC Code are deemed to comply with the GFSC Code as well.

The AIC Code and the AIC Guide are available on the AIC's website (www.theaic.co.uk). The UK Code is available on the Financial Reporting Council's website (www.frc.org.uk). The Guernsey Code is available on the GFSC's website (www.gfsc.gg).

The Board considers that it has complied with the AIC Code and as such also covered the provisions of UK Code throughout the year ended 31 December 2014 subject to the exceptions explained below.

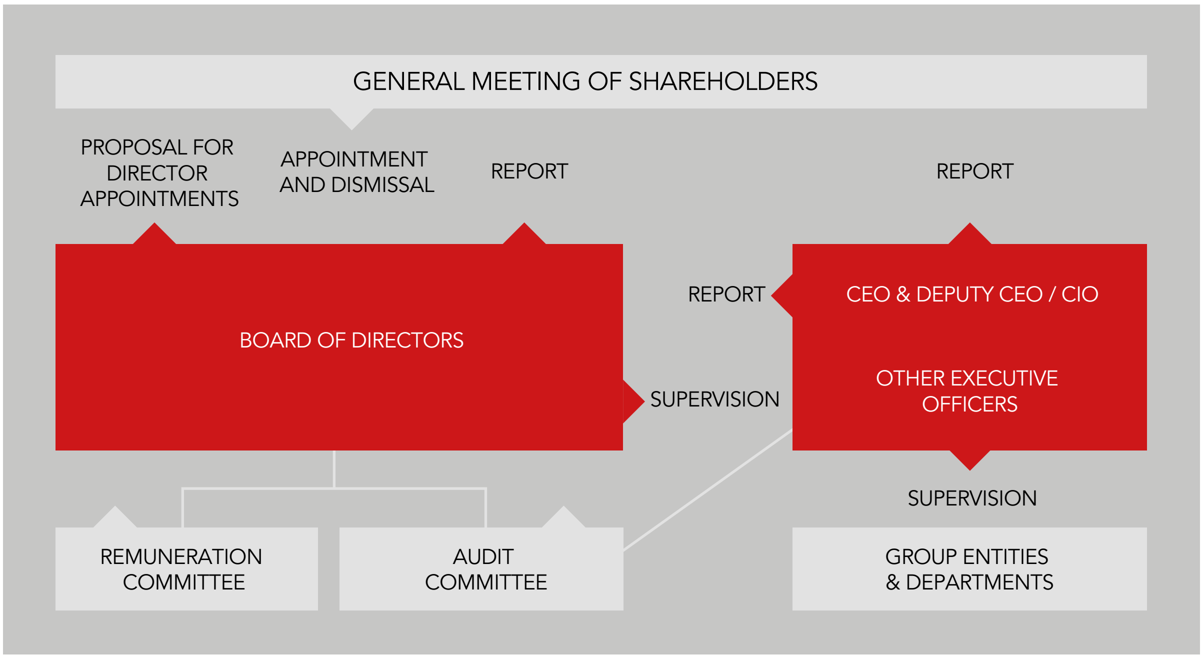
## Board of Directors

### Introduction

The Board comprises the Chairman, who is a Non-Executive Director, 2 Executive Directors And 5 other Non-Executive Directors (3 Non-Executive Directors in total served during the period up to 29 September 2014, at which date 3 additional Non-Executive Directors were appointed).

The articles of incorporation of the Investment Adviser (Globalworth Investment Advisers Limited, a direct wholly owned subsidiary of the Group) provide that the Board of Directors of the Investment Adviser comprises 2 Executive Directors (Ioannis Papalekas and Dimitris Raptis) and 2 Non-Executive Directors (Geoff Miller and John Whittle).

With the exception of the Company and the Investment Adviser, there are no common directorships between members of the Board.



# CORPORATE GOVERNANCE REPORT (CONTINUED)

## Chairman

The Chairman of the Board is Geoff Miller. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence. No appointment of a Senior Independent Director has been made to date.

## Directors

### Directors' Duties and Responsibilities

The Directors are responsible for the determination and oversight of the Company's investing policy and strategy and have overall responsibility for the Company's activities, including the review of its investment activity and performance, and the activities and performance of the Management Team.

Details on the profile, experience and date of appointment of the Executive and Non-Executive Directors are set out on pages 58 – 59.

## Committees of the Board

The committees of the Board comprise the Audit Committee and the Remuneration Committee, with terms of reference briefly summarised below. Further details about the Audit Committee and the Remuneration Committee and on their work during the year are provided in the Audit Committee report and the Remuneration Committee report on pages 71 – 73 and pages 69 – 70 respectively.

## Shareholder Communications

A report on shareholder communications is considered at each Board meeting. A quarterly announcement is published on the Company's website reporting the quarter-end net asset value. Regular trading updates are also posted in the Company's website with commentary on significant events in the evolution of the Company's portfolio and performance.

The Investment Adviser and the Corporate Brokers maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting. The Company Secretary is available to answer general shareholder queries at any time during the year. The Board monitors activity in the Company's shares and the discount or premium to net asset value at which the shares trade both in absolute terms and relative to the Company's peers.

## Board Meetings, Committee Meetings And Directors' Attendance

The number of meetings of the Board of Directors, the Audit Committee and the Remuneration Committee attended by each Director, as applicable, during the year ended 31 December 2014 is set out below.

| | Board Meetings | | Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Ioannis Papalekas | 12 | 9 | n/a | n/a | n/a | n/a |
| Dimitris Raptis | 12 | 11 | n/a | n/a | n/a | n/a |
| Geoff Miller | 12 | 10 | 3 | 3 | 2 | 2 |
| Eli Alroy | 12 | 11 | n/a | n/a | n/a | n/a |
| John Whittle | 12 | 12 | 3 | 3 | 2 | 2 |
| Akbar Rafiq (appointed on 29 September 2014) | 3 | 3 | n/a | n/a | n/a | n/a |
| Alexis Atteslis (appointed on 29 September 2014) | 3 | 3 | n/a | n/a | n/a | n/a |
| Andreea Petreanu (appointed on 29 September 2014) | 3 | 3 | n/a | n/a | n/a | n/a |

In addition to the above, one Board Committee meeting was held during the year which was attended by Geoff Miller and Dimitris Raptis.

## Nomination Committee

The Board as a whole fulfils the function of a Nomination Committee. The size and independence of the Board is such that it is considered that the function of such a committee is best carried out by the Board as a whole. Any proposal for a new Director will be discussed and approved by the Board.

## Management Engagement Committee

No separate Management Engagement Committee has been constituted to date as the monitoring of management is considered a primary function of the Board.

### Performance Evaluation

The Board formally considers on an annual basis its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company. The Chairman evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chairman is reviewed by the other Directors under the leadership of the Chairman of the Audit Committee.

An evaluation of the performance of the Board members who served during the entire year ended 31 December 2014 has been undertaken. The performance of the Chairman of the Board was also evaluated by the other Directors under the leadership of the Chairman of the Audit Committee. The result of the evaluation carried out was that all Directors' performance is in line with the expectations set out at the point of their appointment to the Board.

The performance of the three Non-Executive Directors, who were appointed on 29 September 2014, will be evaluated after they have completed a full year of service. As recommended by the AIC Code, the Company has offered to the newly appointed Non-Executive Directors the opportunity to attend induction courses on the role of Non-Executive Directors organised by the UK Institute of Directors and the UK Financial Times.

### Tenure and Re-election of Directors

In accordance with the Company's Articles of Incorporation, the Company's Non-Executive Directors, except Akbar Rafiq and Alexis Atteslis (who represent York Capital and Oak Hill Advisors, respectively), who have been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them shall retire from office and may offer themselves for election or re-election by the Members. At the next AGM only Andreea Petreanu is required to retire from office and offer herself for re-election.

Moreover, Ioannis Papalekas is not required to submit himself for re-election, being the holder of the executive office of Chief Executive Officer for a fixed term, during the first five years, following Admission, unless required to do so by a two thirds vote of the Company. These arrangements are in line with the term of the Founder's Service Agreement with the Investment Adviser. Dimitris Raptis is also not required to submit himself for re-election, being the holder of the executive office of Deputy Chief Executive Officer and Chief Investment Officer for a fixed term (unless cancelled by the Board with normal majority vote) during the first five years, following the Admission.

## Diversity

The details are provided on page 61.

# DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

**Directors' Indemnities**
The Company has made qualifying third-party indemnity provisions in the form of a Directors' and Officers' insurance policy for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

**Investment Policy**
The Group's investment strategy focuses on generating attractive risk-adjusted returns, made up of a combination of yield and capital appreciation, by investing in a diversified portfolio of properties. Key highlights of the Company's investment policy are presented below:

*Profile of Underlying Investments*
- Focus on commercial assets (existing or to be developed)
- Geographically located in the South-Eastern Europe / Central and Eastern Europe with a primary focus on Romania
- Most of the income to be derived from multinational corporates and financial institutions
- Euro denominated, long-term, triple net and annually indexed leases, with corporate guarantees where possible

*Investment Themes*
- Distressed investments
- Acquisition of unfinished or partially-let commercial buildings at prices below replacement cost
- Restructuring
- Acquisition of real estate owned by financial institutions or others seeking to restructure their balance sheets through monetisation
- Developments with pre-lettings from high quality tenants

The complete investment policy of the Company can be found on its website under Investor Relations / AIM Rule 26 disclosures and on page 112.

**Results and Dividends**
The results for the year are set out in the consolidated statement of comprehensive income on page 75.

The Board of Directors has concluded that at this juncture the Company is best served by retaining its current cash reserves to support its investment strategy. Consequently, the Directors do not recommend the payment of a dividend for the year ended 31 December 2014.

**Going Concern**
As disclosed in note 1 of the consolidated financial statements, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements as the Company expects to have access to adequate financial resources to continue in operational existence for the foreseeable future.

**Ongoing Charges**
In accordance with the recommended methodology set out by the AIC, the ongoing charges ratio of the Group for the year ended 31 December 2014 was 1.09%. (2013: 2.13%), excluding exceptional costs. No performance fees were charged during the year.

**Supply of Information to the Board**
The Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Adviser attends each Board meeting thus enabling the Board to discuss fully and review the Company's operations and performance. Each Director has direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

**Delegation of Functions**
The Board has contractually delegated to external agencies the custodial services and the accounting and company secretarial requirements of the Company and some of its subsidiaries. Each of these contracts were entered into after full and proper consideration of the quality and cost of services offered.

**Investment Adviser**
Under the Investment Advisory Agreement the Company has appointed the Investment Adviser, a wholly owned subsidiary of the Group, subject to the overall control and supervision of the Board of the Company, to act as investment adviser for a fixed 5 year period. The Investment Adviser has no authority to act for or represent the Company (or any other member of the Group) in any other capacity. The appointment is on an exclusive basis and the Company shall not be entitled to take any actions in relation to the Investing Policy other than on the recommendation of the Investment Adviser.

The Investment Adviser is obliged to advise in respect of potential and actual investments of the Company in pursuit of the Company's Investing Policy, subject to any applicable investment restrictions and having regard to any investment guidelines.

Subject to any applicable law, the Investment Adviser complies with all reasonable instructions issued by the Board (so long as these are not outside the Investing Policy as recorded in the admission document or contrary to the exclusivity of the Investment Adviser in relation to the Company's investment activities).

The Investment Adviser is entitled to a fee which reflects expected expenditure as agreed with the Company, including so as to fund awards to employees of the Investment Adviser under the Management Team performance incentive scheme to be approved by the Remuneration Committee of the Board and any payments to be made to any Executive Director on the termination of his employment with the Investment Adviser. At quarterly Board meetings the Investment Adviser summarises its activities, proposals and achievements and the independent Directors review the performance of the Investment Adviser and the Executive Directors in relation thereto. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Adviser on the terms agreed.

The Investment Advisory Agreement remains in force during the initial fixed 5 year period unless terminated by the Company by a Two Thirds Vote by the Board.

## Substantial Interests

At 31 December 2014, the following shareholders had substantial interests (more than 3%) in the issued share capital of the Company:

| | Number of shares | % of issued share capital of the Company |
|---|---|---|
| Ioannis Papalekas | 22,603,792 | 42.1% |
| York Capital | 11,191,146 | 20.9% |
| Oak Hill Advisors | 7,193,562 | 13.4% |
| Gordel Holdings Limited | 2,660,000 | 5.0% |
| Altshuler Shaham Group | 1,995,703 | 3.7% |

## Directors' Interests

At 31 December 2014 and 2013, Directors held (either directly or through companies controlled by them) the following declarable interests in the Company:

| | Number of shares held | | Number of warrants held | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Ioannis Papalekas | 22,603,792 | 13,186,934 | 4,245,030 | 3,135,846 |
| Dimitris Raptis | 160,848 | 110,000 | 110,000 | 110,000 |
| Geoff Miller | 11,000 | 11,000 | 11,000 | 11,000 |
| Eli Alroy | 358,814 | 130,000 | 260,000 | 260,000 |
| John Whittle | 9,000 | 9,000 | 9,000 | 9,000 |
| Akbar Rafiq | – | – | – | – |
| Alexis Atteslis | – | – | – | – |
| Andreea Petreanu | – | – | – | – |

The Group has granted a number of warrants to Ioannis Papalekas ('the Founder'), Dimitris Raptis, Geoff Miller, Eli Alroy and John Whittle. Pursuant to the warrant agreements, the warrants confer the right to subscribe, at the Placing Price, for a specific number of Ordinary shares. The warrants will vest and become exercisable when the market price of an Ordinary share, on a weighted average basis over 60 consecutive days, exceeds a specific target price.

The Founder warrants are not transferable prior to the earlier of the second anniversary of Admission and vesting, save that they may be transferred to any other member of the Management Team (or any company owned, directly or indirectly, by that member) after the first anniversary of Admission. Subject to vesting, the warrants are exercisable in whole or in part during the period commencing on Admission and ending on the date falling 10 years from the date of Admission.

### Founder Warrant Agreement

On 24 July 2013 the Company entered into a warrant agreement with Ioannis Papalekas and Zorviani Limited under which the Company agreed to issue at, and subject to, Admission to Zorviani Limited 3 tranches of warrants, each representing 5% of the aggregate of the Placing Shares and the Ordinary shares subscribed by Zorviani Limited (or other Founder Companies), pursuant to the Founder Admission Subscription and the Founder Equity for Assets Subscriptions, subject to the market price per Ordinary share being at least €7.50, €10.00 and €12.50 (respectively) as a weighted average over a period of 60 consecutive days (each a "Market Price Vesting Threshold"). In each case, the subscription price will be €5.00.

# DIRECTORS' REPORT (CONTINUED)

**Director Warrant Agreement**

On 24 July 2013 the Company entered into a warrant agreement with Dimitris Raptis, Eli Alroy, Geoff Miller and John Whittle under which the Company agreed to issue to such persons at, and subject to, Admission, warrants over 110,000, 260,000, 11,000 and 9,000 (respectively) Ordinary shares, subject to the market price per Ordinary share being at least €7.50 as a weighted average over a period of 60 consecutive days (the "Market Price Vesting Threshold"). In each case, the subscription price will be €5.00.

**Auditors**

The Auditors, Ernst & Young LLP, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

The Company has the power to buy-back shares in the market, the renewal of which power is sought from shareholders on an annual basis at the Annual General Meeting, and the Board considers on a regular basis the exercise of those powers. The Board did not consider it appropriate to exercise such powers during the year ended 31 December 2014.

**Annual General Meeting**

The Annual General Meeting of the Company will be held on Thursday 27 August 2015 at 10 am British Summer Time at Frances House, Sir William Place, St. Peter Port, Guernsey.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

The Directors are required to prepare consolidated financial statements for each financial year in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), and applicable law.

The consolidated financial statements are required by law to give a true and fair view of the state of affairs at the end of the year and of the profit or loss for that year.

In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the Companies (Guernsey) Law 2008, as amended. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm to the best of their knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's auditor is aware of that information;
- these consolidated financial statements have been prepared in conformity with IFRS, as adopted by the EU, and give a true and fair view of the financial position of the Company; and
- this Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

Approved by the Board of Directors and signed on behalf of the Board on 29 June 2015.

**John Whittle**
Director

# REMUNERATION COMMITTEE REPORT

## Composition of the Committee

During the year ended 31 December 2014, the Remuneration Committee comprised 2 independent Non-Executive Directors: John Whittle (Chairman of the Remuneration Committee) and Geoff Miller. Subsequently, Eli Alroy was appointed a member of the Remuneration Committee on 8 June 2015. The Remuneration Committee has as its remit, amongst other matters, the determination and review of the remuneration of the Executive Directors and the terms of any performance, incentive or bonus plans of the Group, including the setting of performance thresholds and the extent of participation above any such thresholds, the allocation of aggregate entitlements across the Management Team, the allocation of any such entitlements as between shares and cash and the setting of any vesting periods (in each case, taking such independent advice as it considers appropriate in the circumstances). In addition, the Remuneration Committee prepares an Annual Report on the remuneration policies of the Company. The remuneration of the Non-Executive Directors is a matter for the Board. No Director or Manager may be involved in any decisions as to his own remuneration.

The complete details of the Remuneration Committee's formal duties and responsibilities are set out in its terms of reference, which can be found on the Company's website.

## Directors' Remuneration Policy

The level of the Directors' remuneration has been set at the time the Company was admitted to AIM and is disclosed in the IPO admission document. The Directors' remuneration during the year ended 31 December 2014 comprised a fixed level of remuneration, which has not changed since admission to AIM, plus a performance related bonus in the case of the 2 Executive Directors and the provision of furnished accommodation in the case of Ioannis Papalekas. Director remuneration reflects the duties, responsibilities and value of the time spent by the Directors on work for the Company.

During the year ended 31 December 2014 2 meetings of the Remuneration Committee were held.

## Directors' Remuneration

During the year ended 31 December 2014 the remuneration of the Directors was as follows:

| | | Subsidiaries* | | | | Other benefits** | ***Total |
|---|---|---|---|---|---|---|---|
| Amounts in EUR '000 | Company | Fees | Salary**** | Dividends***** | Total | | remuneration |
| Ioannis Papalekas | | – | 2,600 | – | 2,600 | 77 | 2,677 |
| Dimitris Raptis | – | – | 267 | 783 | 1,050 | – | 1,050 |
| Geoff Miller | 63 | 31 | – | – | 31 | – | 94 |
| Eli Alroy | 200 | – | – | – | – | – | 200 |
| John Whittle | 62 | 31 | – | – | 31 | – | 93 |
| Akbar Rafiq | – | – | – | – | – | – | – |
| Alexis Atteslis | – | – | – | – | – | – | – |
| Andreea Petreanu | 13 | – | – | – | – | – | 13 |
| | **338** | **62** | **2,867** | **783** | **3,712** | **77** | **4,127** |

* Globalworth Investment Advisers Limited (GIAL).

** Other benefits represents the estimated value of furnished accommodation as benefit in kind.

*** The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the amounts disclosed in the above table €3.27 m was payable to the Directors as of 31 December 2014. An additional amount of €96,400 was due to the Directors as of December 2014 for out of pocket expenses incurred.

**** For Ioannis Papalekas salary includes a bonus accrual of €2.1 m, which is intended to be settled 50% in cash and 50% in the form of shares in the Company.

***** For Dimitris Raptis dividends include a bonus accrual of €0.7 m, which is intended to be settled 50% in cash and 50% in the form of shares in the Company.

# REMUNERATION COMMITTEE REPORT (CONTINUED)

During the period ended 31 December 2013 the remuneration of the Directors was as follows:

| | Company | Subsidiaries | | | Other benefits | ***Total |
|---|---|---|---|---|---|---|
| Amounts in EUR 000 | Fees | Fees | Salary | Total | | remuneration |
| Ioannis Papalekas | – | – | 250 | 250 | *18 | 268 |
| Dimitris Raptis | – | – | 408 | 408 | **- | 408 |
| Geoff Miller | 45 | 17 | – | 17 | – | 62 |
| Eli Alroy | 114 | – | – | – | – | 114 |
| John Whittle | 33 | 17 | – | 17 | – | 50 |
| David Kanter (resigned on 1 December 2013) | 44 | – | – | – | – | 44 |
| | **236** | **34** | **658** | **692** | **18** | **946** |

* Other benefits represents the estimated value of furnished accommodation as benefit in kind.

** Provided by Upground, which was acquired by the Group subsequent to the period end, on 20 March 2014, consequently the related costs are incurred by the Group from the acquisition date onwards.

*** The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the total Director's remuneration expense for salaries and fees, €283,913 was payable as of 31 December 2013.

**Performance Incentive Scheme**

The Company does not currently operate a performance incentive scheme for the Management Team, comprising the Senior Management Team, and Asset Management Team employed by the Asset Manager, Globalworth Asset Managers S.R.L.

Following the completion of its first full calendar year since admission to AIM, the Remuneration Committee of the Board will consider, in the coming months, the introduction of a suitable performance incentive scheme for the Management Team, based on Total Shareholder Return and benchmarked against a group of other relevant publicly listed real estate companies.

**John Whittle**
Remuneration Committee Chairman

29 June 2015

# AUDIT COMMITTEE REPORT

## Introduction
We present below the Audit Committee (the "Committee") Report for the year ended 31 December 2014.

## Structure and Composition
During the year ended 31 December 2014, the Audit Committee comprised 2 independent Non-Executive Directors: John Whittle (Chairman of the Audit Committee) and Geoff Miller. Subsequently, Andreea Petreanu was appointed a member of the Audit Commitee on 8 June 2015.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of 2 members. All members of the Committee shall be independent Non-Executive Directors with relevant financial experience.

John Whittle is a Chartered Accountant, having worked in the past with Price Waterhouse in London before embarking on a career in business services, predominantly telecoms. He also holds the IoD Diploma in Company Direction. His recent, relevant financial experience includes being a member of the Audit Committee of Advance Frontier Markets Fund Ltd, which is also listed on AIM, as well as a Chairman of the Audit Committees of International Public Partnerships Ltd (a FTSE 250 Company) and Starwood European Real Estate Finance Ltd (listed on the main market of the London Stock Exchange). In addition, he is a Non-Executive Director of several other Guernsey investment funds. He was previously Finance Director of Close Fund Services, a large independent fund administrator, where his responsibilities included the managing of the client financial reporting team.

## Principal Duties of the Committee
The role of the Committee includes the following:

- Financial Reporting:
  - monitoring the integrity of the consolidated financial statements and any formal announcements regarding financial performance;
  - reviewing and reporting to the Board on the significant issues and judgments made in the preparation of the Group's published financial statements, preliminary announcements and other financial information having regard to matters communicated by the independent auditors; and
  - assessing whether the annual report and accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Controls and Safeguards:
  - keeping under review the effectiveness of the Company's internal controls and risk management systems;
  - reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
  - considering annually whether there is a need for the Company to have its own internal audit function.
- External Audit:
  - reviewing the effectiveness of the external audit process and the auditors' independence; and
  - considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website.

## Activities of the Committee
During the year ended 31 December 2014 and up to the date of this report the Committee has been active with the following activities, presented below under the 3 key areas of focus of financial reporting, controls and safeguards and external audit:

## Financial Reporting:
- Reviewed the Annual Reports for the period ended 31 December 2013 and the year ended 31 December 2014 prior to their approval by the Board.
- Reviewed the unaudited interim consolidated financial statements for the quarter ended 31 March 2014.
- Reviewed the Interim Report and unaudited interim consolidated financial statements for the half year ended 30 June 2014.

The Committee has had regular contact with the management during the process of preparation of the Annual Report and consolidated financial statements and the auditor during the audit thereof. In planning its work and reviewing the audit plan with the auditor, the Committee took account of the most significant issues and risks, both operational and financial, likely to impact on the Group's financial statements and selected the following as the most significant issues impacting the Company's financial statements:

- investment property appraisal process;
- accounting for business acquisition and disposals;
- use of the going concern principle as a basis for preparation of the financial statements; and
- compliance with the fair, balanced and understandable principle.

### Investment Property Valuations
Valuations for investment property, property under construction and land bank are concluded by external valuer, CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker). The valuation of the investment property is inherently subjective, requiring significant estimates and assumptions by the valuer. Errors in the valuation could have a material impact on the Group's net assets value. Further information about the portfolio and inputs to the valuations are set out in note 4 of the consolidated financial statements.

The Board and the Committee discuss the outcomes of the valuation process throughout the year and the details of each property on a semi-annual basis. The management liaise with valuers on a regular basis and meet them on a semi-annual basis prior to the finalisation of the portfolio valuation.

The external auditor has access to the external valuer and comments on the key assumptions used in the valuations performed and movements on property values. The Committee receives a detailed written report from EY presented to the Committee upon finalisation of the audit fieldwork.

### Accounting for Acquisitions and Disposals
The Committee notes that there is judgement involved in identifying and valuing the consideration given and the fair value of the assets acquired in a business combination, or in the acquisition of assets. The Committee also notes that there is judgement involved in the accounting for disposals, particularly around the valuation of the consideration receivable. The Committee addressed this matter by challenging the management's judgement on the assumptions and methodology supporting the fair value of net assets acquired for each significant acquisition in the year.

# AUDIT COMMITTEE REPORT (CONTINUED)

**Going Concern Principle**
The Committee has considered the Management's assessment and conclusion of continuing to use the going concern assumption as a basis of preparation of the Company's financial statements, as supported by detailed cash flow projections for the period up to September 2016 and documentation related to non-binding financing offers received by Management. Following their review of the Management's assessment the Committee concurred with Management's conclusion to continue using the going concern assumption as a basis of preparation of the Company's financial statements.

**Fair, Balanced And Understandable Principle**
The Committee has considered the Annual Report and financial statements and, taken as a whole, consider them to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Company initiated a cut-the-clutter project, under which it redesigned the Annual Report for the year ended 31 December 2014 and appointed a professional, London based, design firm to assist with the layout. The changes made enhance the compliance with the 'fair, balanced and understandable' principle by placing appropriate attention to revised regulatory requirements, the accuracy, consistency and clarity of the financial results and language, removal of duplicated information and elements which are no longer required, improved the quality of accounting policy disclosures and removed immaterial notes to the consolidated financial statements.

The Committee has reviewed the Company's Annual Report and financial statements for the year ended 31 December 2014 and has advised the Board that, in its opinion, the Annual Report and financial statements for the year ended 31 December 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, operating model and strategy.

**Controls and Safeguards:**

- Made recommendations to the Board in connection with the urgency of appointment of a Chief Financial Officer to provide oversight of the portfolio financials and facilitate the completion of the annual audit.
- Reviewed the risk matrix used to identify and monitor the significant risks encountered by the Group.
- Reviewed the principal risks and uncertainties identified by Management and presented on pages 53 – 57 of the Annual Report.
- Has considered the requirement to perform an assessment of the internal controls of the Group, however, has decided to postpone the date of performance of such review as the internal controls continue their development, as indicated by the following activities:
  - throughout the year ended 31 December 2014 the Company's governance and internal control functions have continued their development and enhancement considering the recommendations made by EY in the process of preparation for admission to AIM on the financial reporting processes of the Group, as contained in their related long form report, dated 24 July 2013, and in making suitable recommendations to the Board for their implementation. Further discussions were also held with EY following their audit work for the period ended 31 December 2013 on areas requiring further attention. Such areas included the enhancement of the Group's financial reporting team, and the Group proceeded with suitable appointments of a Chief Financial Officer, a Group Reporting Accountant as well as 3 additional accountants to deal with the increasing number of Companies acquired by the Group;
  - the Company also enhanced the Group's monitoring of compliance with terms of loan agreements, including financial covenants. The Group has appointed a loan administrator with prior experience in loan administration and loan covenants compliance at reputable Romanian banks so as to enhance controls in this area;
  - the Company has also appointed an additional Executive, a Deputy Chief Investments Officer, member of the Senior Management Team, with prior significant experience working at a major intentional banking institution in London, so as to assist in the area of investment funding forecasting and in the continuous liaison with multinational financing institutions based in London for the sourcing of suitable debt financing for property acquisitions;
  - the Group has adopted its anti-corruption policy; and
  - the Group is currently at preliminary stages of the implementation of an ERP software for its Romanian subsidiaries, where most operational activity of the Group takes place. During the ERP implementation process changes and further development of internal controls would be required.
- Considered whether there is a need for an internal audit function:
  - The Committee does not consider at present to be a need for an internal audit function, given the size of the Group and the fact that its internal control procedures are still under development so as to align these to the level of continuous development of the Group's activities.

**External Audit:**
Held regular meetings and discussion with the external auditor:

- The Chairman of the Committee held discussions with the auditor at the end of the audit at the reporting stage, before the approval of the Company's consolidated financial statements and Annual Report for the period ended 31 December 2013.
- At the planning stage of the audit for the year ended 31 December 2014 the Chairman of the Committee met the auditor in November 2014. During this meeting the draft audit plan was presented, reviewed and discussed, as well as a discussion was held regarding the principal risks on which the audit would be focusing on. The auditors explained during this meeting that the principal risks the audit would focus on were the following:
  - property portfolio valuation;
  - business combination accounting;
  - loan covenant compliance;
  - taxation compliance; and
  - related party transactions.
- The Chairman of the Committee met in June 2015 with the external auditor and discussed the findings from their audit of the draft Annual Report and their draft audit report for the year ended 31 December 2014, prior to submission of the draft Annual Report to the Board for formal approval.
- The Committee is due to meet shortly with the external auditor to discuss in detail the findings and recommendations based on their audit for the year ended 31 December 2014.

Assessed the independence and objectivity of the external auditor:

Ernst & Young LLP has been appointed the Company's independent auditor from the date of the initial listing on the AIM Market of the London Stock Exchange.

The recent revisions to the UK Corporate Governance Code introduced a recommendation that the independent audit of FTSE 350 companies be put out to tender every 10 years. Similarly, the EU and the Competition Commission have also issued draft requirements to tender every 10 years and extend for a maximum of further 10 years before mandatory rotation, which is yet to be finalised. The Committee will follow the developments around the Financial Reporting Council ('FRC'), EU and Competition Commission guidance on tendering at the appropriate time.

The auditor has confirmed to the Audit Committee its independence of the Group.

The independence and objectivity of the independent auditor is reviewed by the Committee which also reviews the terms under which the independent auditor is appointed to perform non-audit services.

Services which are permissible in accordance with auditor's independence and other professional standards, such as tax compliance, accounting and disclosure advice, special purpose audits, periodic reviews of financial information, and pre-acquisition due diligence reviews, are normally permitted to be performed by the independent auditor.

**Audit Fees and Non-Audit Services**

The table below summarises the remuneration of Ernst & Young LLP and other entities of EY during the year ended 31 December 2014 and the period ended 31 December 2013:

| | Audit fees €'000 | | Non-audit fees €'000 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Audit of financial statements | **441** | 159 | **–** | – |
| Other assurance services | **–** | – | **160** | – |
| Reporting accountant's fees (AIM admission) | **–** | – | **–** | 42 |
| Non-audit services related to AIM admission | **–** | – | **–** | 406 |
| Other non-audit services | **–** | – | **307** | 217 |
| | **441** | **159** | **467** | **665** |

The Committee has reviewed the level of non-audit fees of the external auditor for the year ended 31 December 2014 and has considered that they are in line with the Group's level of development and concluded that they relate to permissible non-audit services under the auditor's independence and other related professional standards.

Reviewed the effectiveness of the external auditor and recommended its reappointment to the Board:

- For the year ended 31 December 2014 the Committee reviewed the effectiveness of the external auditors. This was facilitated through the completion of a questionnaire by the relevant stakeholders (including members of the Committee and key financial management of the Group); interviews with finance staff; and a review of the audit plan and process for the year. The Committee has also reviewed and considered the findings of the latest Annual Audit Quality Inspection Report of the FRC for Ernst & Young LLP, dated May 2015. In addition, the Chairman of the Audit Committee discussed with the external auditor in June 2015 their findings on the audit of the Annual Report and consolidated financial statements for the year ended 31 December 2014 and their draft audit opinion thereon.
- Local statutory audits of individual subsidiary companies are also required in some jurisdictions in which the Group operates. EY Romania and EY Cyprus carry out these audits in Romania and Cyprus, respectively.
- Following this review the Committee recommended to the Board that Ernst and Young LLP be reappointed as external auditors for the year ending December 2015.

For any questions on the activities of the Committee not addressed in this report, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

**John Whittle**
Audit Committee Chairman

29 June 2015

# FINANCIAL STATEMENTS



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 €'000 | From 14 February to 31 December 2013 €'000 |
|---|---|---|---|
| Revenue | 7 | 22,158 | 8,110 |
| Operating expenses | 8 | (9,265) | (2,805) |
| **Net operating income** | | **12,893** | **5,305** |
| Administrative expenses | 9 | (11,654) | (1,856) |
| Acquisition costs | 23 | (2,476) | (108) |
| Fair value gain on investment property | 3 | 25,003 | 1,363 |
| Bargain purchase gain on acquisition of subsidiaries | 23 | 80,249 | 9,377 |
| Gain on sale of subsidiary | 26 | 198 | – |
| Share based payment expense | 21 | (136) | (44) |
| Foreign exchange loss | | (355) | (78) |
| | | **90,829** | **8,654** |
| **Profit before net financing cost** | | **103,722** | **13,959** |
| Finance cost | 10 | (8,322) | (255) |
| Finance income | | 327 | 2 |
| **Profit before tax** | | **95,727** | **13,706** |
| Income tax expense | 11 | (5,100) | (976) |
| **Profit for the year/period** | | **90,627** | **12,730** |
| Other comprehensive income | | – | – |
| **Total comprehensive income for the year/period** | | **90,627** | **12,730** |
| Attributable to: | | | |
| Equity holders of the parent | 12 | 91,124 | 12,691 |
| Non-controlling interests | | (497) | 39 |
| | | **90,627** | **12,730** |
| Earnings per share (basic and diluted) | 12 | €2.02 | €1.74 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2014

| | Note | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | 3 | 599,257 | 121,335 |
| Goodwill | 24 | 12,349 | 12,616 |
| Advances for investment property | 5 | 14,454 | 8,750 |
| Other long-term assets | | 657 | 172 |
| Prepayments | | 956 | 113 |
| | | 627,673 | 142,986 |
| **Current assets** | | | |
| Trade and other receivables | 17 | 17,029 | 11,043 |
| Income tax receivable | | 299 | 2 |
| Prepayments | | 1,738 | 135 |
| Cash and cash equivalents | 18 | 21,957 | 9,506 |
| Investment property held for sale | | – | 1,876 |
| | | 41,023 | 22,562 |
| **Total assets** | | **668,696** | **165,548** |
| **EQUITY AND LIABILITIES** | | | |
| **Total equity** | | | |
| Issued share capital | 20 | 288,740 | 106,956 |
| Share based payment reserve | 21 | 180 | 44 |
| Retained earnings | | 103,815 | 12,691 |
| Equity attributable to ordinary equity holders of the parent | | 392,735 | 119,691 |
| Non-controlling interests | | 6 | 588 |
| | | **392,741** | **120,279** |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 15 | 143,814 | 165 |
| Deferred tax liability | 11 | 47,111 | 12,432 |
| Guarantees retained from contractors | | 1,052 | – |
| Finance lease liabilities | | 23 | 21 |
| Deposits from tenants | | 983 | 28 |
| | | **192,983** | **12,646** |
| **Current liabilities** | | | |
| Interest bearing loans and borrowings | 15 | 61,187 | 20,296 |
| Trade and other payables | 16 | 21,309 | 11,494 |
| Finance lease liabilities | | 20 | 26 |
| Deposits from tenants | | 433 | 81 |
| Income tax payable | | 23 | 726 |
| | | **82,972** | **32,623** |
| **Total equity and liabilities** | | **668,696** | **165,548** |
| NAV per share | 13 | €7.32 | €5.73 |
| EPRA NAV per share | 13 | €8.09 | €6.03 |

The financial statements on pages 75 to 107 were approved by the Board of Directors on 29 June 2015 and were signed on its behalf by:

**John Whittle**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2014

| | | Equity attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Issued share capital €'000 | Share based payment reserve €'000 | Retained earnings €'000 | Total €'000 | Non-controlling interests €'000 | Total equity €'000 |
| **As at 14 February 2013** | | – | – | – | – | – | – |
| Issue of shares on incorporation by the Founder* | 20 | – | – | – | – | – | – |
| Shares of the Founder redeemed* | 20 | – | – | – | – | – | – |
| Shares issued for cash | 20 | 53,594 | – | – | 53,594 | – | 53,594 |
| Transaction costs on issue of shares | 20 | (4,942) | – | – | (4,942) | – | (4,942) |
| Shares issued for acquisition of subsidiary | 20 | 58,304 | – | – | 58,304 | – | 58,304 |
| Non-controlling interests arising on a business combination | | – | – | – | – | 549 | 549 |
| Fair value of option warrants issued for executive share scheme | 21 | – | 44 | – | 44 | – | 44 |
| Profit of the period | | – | – | 12,691 | 12,691 | 39 | 12,730 |
| **As at 31 December 2013** | | **106,956** | **44** | **12,691** | **119,691** | **588** | **120,279** |
| **As at 1 January 2014** | | | | | | | |
| Shares issued for cash | 20 | 78,735 | – | – | 78,735 | – | 78,735 |
| Transaction costs on issue of shares | 20 | (2,595) | – | – | (2,595) | – | (2,595) |
| Shares issued for acquisition of subsidiary | 23 | 34,459 | – | | 34,459 | – | 34,459 |
| Shares issued for outstanding consideration payable for acquisition of subsidiary | 23.1 | 5,225 | – | – | 5,225 | | 5,225 |
| Shares issued for mandatorily convertible debt | 20 | 65,960 | – | | 65,960 | – | 65,960 |
| Fair value of option warrants issued for executive share scheme | 21 | – | 136 | – | 136 | – | 136 |
| Derecognised on sale of subsidiary | 26 | – | – | – | – | (85) | (85) |
| Profit for the year | | – | – | 91,124 | 91,124 | (497) | 90,627 |
| **As at 31 December 2014** | | **288,740** | **180** | **103,815** | **392,735** | **6** | **392,741** |

* One share valued for €1.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 €'000 | From 14 February to 31 December 2013 €'000 |
|---|---|---|---|
| **Profit before tax** | | **95,727** | **13,706** |
| *Adjustments to reconcile profit before tax to net cash flows* | | | |
| Fair value gain on investment property | 3 | (25,003) | (1,363) |
| Bargain purchase gain on acquisition of subsidiaries | 23 | (80,249) | (9,377) |
| Gain on sale of subsidiaries | 26 | (198) | – |
| Share based payment expense | 21 | 136 | 44 |
| Depreciation on other long-term assets | | 129 | – |
| Foreign exchange loss | | 355 | 78 |
| Net financing costs | | 7,995 | 253 |
| **Operating profit before changes in working capital** | | **(1,108)** | **3,341** |
| (Increase)/decrease in trade and other receivables | | 2,659 | (4,592) |
| (Decrease)/increase in trade and other payables | | (26,578) | 1,518 |
| Interest paid | | (6,698) | (253) |
| Interest received | | 143 | – |
| Income tax paid | | (745) | (10) |
| **Cash flows (used in)/from operating activities** | | **(32,327)** | **4** |
| **Investing activities** | | | |
| Expenditure on investment property under refurbishment and development | | (56,108) | (1,769) |
| Advances for investment property | 5 | (9,251) | (8,000) |
| Payment for acquisition of subsidiaries less cash acquired | 23 | (27,683) | (26,548) |
| Proceeds from sale of subsidiary less cash disposed | 26 | 126 | – |
| Acquisition of other long-term assets | | (60) | – |
| **Cash flows used in investing activities** | | **(92,976)** | **(36,317)** |
| **Financing activities** | | | |
| Proceeds from share issuance | 20 | 78,735 | 53,094 |
| Payment of transaction costs on issue of shares | | (1,945) | (4,442) |
| Proceeds from interest bearing loans and borrowings | | 100,126 | 4,576 |
| Repayment of interest bearing loans and borrowings | | (37,289) | (7,409) |
| Payment of loan arrangement fees | | (1,873) | – |
| **Cash flows from financing activities** | | **137,754** | **45,819** |
| **Net increase in cash and cash equivalents** | | **12,451** | **9,506** |
| Cash and cash equivalents at the beginning of the year/period | 18 | 9,506 | – |
| **Cash and cash equivalents at the end of the year/period** | 18 | **21,957** | **9,506** |

**Non-cash transactions:**

The principal non-cash transactions relate to the issuance of shares as consideration for the acquisitions discussed in note 23.

# SECTION I: BASIS OF PREPARATION

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies and related management's estimates, judgements and assumptions in application of those policies specific to one note and are included with that note. Accounting policies relating to non-material items are not included in these financial statements.

## 1. Basis of Preparation

### Corporate Information

Globalworth Real Estate Investments Limited ('the Company') is a Company with liability limited by shares and incorporated in Guernsey. The Group's registered office address, corporate profile, principal activities and nature of its operations are set out in pages 2 and 3 respectively.

### Basis of Preparation and Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU') and in compliance with the Companies (Guernsey) Law 2008, as amended.

The Directors believe that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The Directors based their assessment on the Group's detailed cash flow projections for the period of 15 months subsequent to the date of approval of the financial statements. The starting point for these projections takes account of the assets acquired and additional financing concluded in June 2015. The projections show that in the 12 months subsequent to the date of approval of the financial statements, the Company has significant resources to continue to fund ongoing operations and asset development without the need to raise any additional debt or equity financing.

The Directors in forming their conclusion to continue to adopt the going concern basis in preparing the consolidated financial statements also considered the Group's mezzanine loan facilities, which were concluded subsequent to 31 December 2014, amounting to EUR 100 million and maturing in July 2016. However, the Group is in continuous negotiations with a number of finance providers and has received non-binding offers to provide sufficient finance to refinance its mezzanine facilities prior to their maturity date. In view of the stage of negotiations, the offered terms and the number and quality of finance providers, the Directors are confident that sufficient new financing will be obtained in due course in order to refinance the Group's mezzanine facilities mentioned above. The Directors have therefore concluded that, although the expiry of loan facilities in July 2016 creates an uncertainty, it is not a material uncertainty that might cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a historical cost basis, except for investment property and derivatives which are measured at fair value. The significant accounting policies adopted are set out in the relevant notes to the financial statements and consistently applied throughout the periods presented except for the new and amended IFRSs, see note 30, which were adopted on 1 January 2014.

These consolidated financial statements are prepared in Euro ('EUR' or '€'), rounded to the nearest thousand, being the functional currency and presentation currency of the Company.

### Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries ('the Group') as of 31 December 2014 and for the year then ended and include comparatives for a period less than a full calendar year, starting from the date of incorporation of the Company, ie 14 February 2013.

Subsidiaries are fully consolidated (refer to note 23) from the date of acquisition, being the date on which the Group obtains control (refer to note 25), and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the period from the date of obtaining control to 31 December, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from net assets and profit and loss attributable to equity holders of the parent.

### Foreign Currency Transactions and Balances

Foreign currency transactions during the year are initially recorded in the functional currency at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies other than the Group's functional currency are retranslated at the rates of exchange prevailing on the statement of financial position date. Gains and losses on translation are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

# SECTION I: BASIS OF PREPARATION (CONTINUED)

**2. Critical Accounting Judgments, Estimates and Assumptions**

The preparation of financial statements in conformity with IFRS requires the management to make certain judgements, estimates and assumptions that effect reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosures of contingent liabilities.

**Selection of Functional Currency**

The Company and its subsidiaries used their judgment, based on the criteria outlined in IAS 21 "The Effects of Changes in Foreign Exchanges Rates", and determined that the functional currency of all the entities is the EUR.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. Consideration in determining the functional currency is given to the denomination of the major cash flows of the entity eg revenues and financing. As a consequence, the Company uses the EUR as the functional currency, rather than the local currency (RON) for the subsidiaries incorporated in Romania, and Pounds Sterling ('GBP') for the Company and the subsidiary incorporated in Guernsey.

Further additional critical accounting judgements, estimates and assumptions are disclosed in the following notes to the financial statements.

- Investment Property, see note 3 and fair value measurement and related estimate and judgements, see note 4
- Commitments (operating leases commitments - Group as lessor), see note 6
- Taxation, see note 11
- Trade and other receivables, see note 17
- Business combinations, see note 23
- Goodwill, see note 24
- Investment in subsidiaries, see note 25

# SECTION II: INVESTMENT PROPERTY

This section focuses on the assets in the balance sheet of the Group which form the core of Globalworth's business activities. This includes investment property and related disclosures on fair valuation inputs, advances for investment properties and commitments for future property developments. This section quantifies the property portfolio valuations and movements for the year.

Further information about each property is described in the portfolio review on pages 22 to 47.

**3. Investment Property**

**Policy**

Investment property comprises completed property, property under construction or refurbishment that is held to earn rentals or for capital appreciation or both and land bank for further development. Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes and professional fees for legal services to bring the property to the condition necessary for it to be capable of operating.

After initial recognition, investment property is carried at fair value. Fair value is based on valuation methods such as discounted cash flow projections and recent market comparables adjusted, if necessary, for differences in the nature, location or condition of the specific asset. Investment property under construction is measured at fair value, if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Valuations are performed as of the statement of financial position date by professional valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. This value corresponds to the price that a third-party investor would be disposed to pay in order to acquire each of the properties making up the portfolio of assets and in order to benefit from their rental income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise. In order to avoid double accounting, the assessed fair value is reduced by the carrying amount of any accrued income (if any outstanding at the statement of financial position date) resulting from the spreading of lease incentives and / or minimum lease payments.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property.

| | Completed investment property €'000 | Investment property under refurbishment €'000 | Investment property under development €'000 | Land bank for further development €'000 | Total €'000 |
|---|---|---|---|---|---|
| **At 14 February 2013** | – | – | – | – | – |
| Business acquisitions | 7,831 | 52,400 | 51,530 | 6,237 | 117,998 |
| Subsequent expenditure | – | 1,811 | 155 | – | 1,966 |
| Capitalised borrowing costs | – | 7 | 1 | – | 8 |
| Fair value adjustment | (106) | 1,682 | (76) | (137) | 1,363 |
| **At 31 December 2013** | **7,725** | **55,900** | **51,610** | **6,100** | **121,335** |
| **As at 1 January 2014** | | | | | |
| Business acquisitions (note 23) | 383,285 | – | 6,930 | – | 390,215 |
| Properties acquired during the year | – | – | 4,560 | 22,024 | 26,584 |
| Subsequent expenditure | 2,105 | 8,406 | 29,194 | 681 | 40,386 |
| Capitalised borrowing costs | – | 141 | 86 | – | 227 |
| Derecognised on sale of subsidiary (note 26) | – | – | (4,221) | – | (4,221) |
| Disposal during the year | (272) | – | – | – | (272) |
| Fair value adjustment | 2,167 | 553 | 3,228 | 19,055 | 25,003 |
| Transfer to completed investment property | 65,000 | (65,000) | – | – | – |
| **At 31 December 2014** | **460,010** | **–** | **91,387** | **47,860** | **599,257** |

### Judgement Used in the Classification of Investment Property

Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. The Group considers that when the property is in a condition which will allow the generation of cash flows from its rental that the property is no longer a property under development or refurbishment but an investment property. If the property is kept for sale in the ordinary course of business then it is classified as inventory property.

## 4. Fair Value Measurement and Related Estimates and Judgements

### Policy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The Group measures non-financial assets such as investment properties at fair value (recurring) at each statement of financial position date and for financial liabilities such as interest bearing loans and borrowings, carried at amortised cost using the effective interest rate method, the fair value of which is disclosed.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the year there were no transfers between financial level 1, level 2 and level 3 categories.

### Investment Property Measured at Fair Value

The Group's investment properties were valued by CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker), independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, using recognised valuation techniques.

# SECTION II: INVESTMENT PROPERTY (CONTINUED)

## Our Property Valuation Approach and Process

The Group's investment department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Chief Financial Officer ('CFO'), the Chief Investment Officer ('CIO') and the Chief Executive Officer ('CEO'). Discussions of valuation processes and results are held between the CFO, CIO, CEO, the valuation team and the independent valuers twice in a financial year.

The fair value hierarchy levels are specified in accordance with IFRS 13 "Fair Value Measurement". Some of the inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in the tables below. Any change in valuation technique or fair value hierarchy (from level 2 to level 3 or vice versa) is analysed at each reporting date or as of the date of the event or variation in the circumstances that caused the change.

For each independent valuation performed the investment team along with the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the initial valuation report at acquisition or latest period end valuation report; and
- holds discussions with the independent valuer.

## Valuation Techniques, Key Inputs and Underlying Management's Estimation and Assumptions

As noted under the subsection 'Significant issues considered by the Audit Committee during the year' on page 71, property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate.

Valuation techniques comprise the discounted cash flow, the sales comparison approach and residual value method.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

## 4. Fair Value Measurement and Related Estimates and Judgements continued

Key information about fair value measurements using significant unobservable inputs (Level 3) and observable inputs either directly or indirectly (level 2) are disclosed below:

| | Carrying value | | | | | Range | |
|---|---|---|---|---|---|---|---|
| Class of property | **2014 €'000** | 2013 €'000 | Valuation technique | Fair value hierarchy | Input | **2014** | 2013 |
| Completed investment property | 351,100 | – | Discounted cash flow | Level 3 | Rental value (sqm) | €3.37–€65 | – |
| | | | | | Discount rate | 7.25%–9.25% | – |
| | | | | | Exit yield | 6.75%–8.75% | – |
| | 108,910 | 7,725 | Sales comparison | Level 2 | Sales value (sqm) | €1,190 | €1,185 |
| | 460,010 | 7,725 | | | | | |
| Investment property under refurbishment | – | 55,900 | Discounted cash flows with estimated cost to complete | Level 3 | Rental value (sqm) | – | €12–€26.04 |
| | | | | | Discount rate | – | 8.75%–10.25% |
| | | | | | Exit yield | – | 8.5%–9.5% |
| | | | | | Capex (€m) | – | €6.50 |
| Investment property under development | 91,387 | 51,610 | Residual method | Level 3 | Rental value (sqm) | €2.77–€20.8 | €13.5–€16.5 |
| | | | | | Discount rate | 7.75%–8.25% | 8.25%–9.5% |
| | | | | | Exit yield | 7.25%–8.75% | 7.25%–8.5% |
| | | | | | Capex (€m) | €27.10 | €63.70 |
| Land bank – for further development | 47,860 | 6,100 | Sales comparison | Level 2 | Sales value (sqm) | €1,015–€1,853 | €1,800 |
| **TOTAL** | **599,257** | **121,335** | | | | | |

The fair value gain on investment property recognised in the income statement includes an amount of €5,566 thousand (2013: €1,605 thousand) for fair value measurements as of the statement of financial position date related to investment properties categorised within level 3 of the fair value hierarchy.

Volatility in the global financial system is reflected in commercial real estate markets. In arriving at estimates of market values as at 31 December 2014 and 2013, the independent valuation experts used their market knowledge and professional judgment and did not rely solely on historical transactional comparable. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would have existed in a more active market. Changes in the economic conditions of the Romanian real estate market may not be captured in its totality since valuation dates do not always coincide with financial year end date.

### Sensitivity Analysis on Significant Inputs

The assumptions on which the property valuation reports have been based include, but are not limited to, rental value per sqm, discount rate, exit yield, cost to complete, comparable market transactions for land bank for further development, tenant profile for the rented properties and the present condition of the properties. These assumptions are market standard and in line with the International Valuation Standards (IVS). Generally, a change in the assumption made for the rental value (per sq. metre per annum) is accompanied by a similar change in the rent growth per annum and discount rate (and exit yield) and an opposite change in the other inputs.

A quantitative sensitivity analysis, in isolation, of the most sensitive inputs used in the independent valuations, performed, as of the statement of financial position date are set out below:

| | | €0.5 change in rental value per month, per sqm | | 25 bps change in market yield | | 5% change in Capex | | €50 change in sales prices per sqm | |
|---|---|---|---|---|---|---|---|---|---|
| Class of property | Year | Increase €'000 | Decrease €'000 | Increase €'000 | Decrease €'000 | Increase €'000 | Decrease €'000 | Increase €'000 | Decrease €'000 |
| Completed investment property | **2014** | 11,900 | (11,900) | (8,000) | 8,500 | – | – | – | – |
| | 2013 | – | – | – | – | – | – | – | – |
| Investment property under refurbishment | **2014** | – | – | – | – | – | – | – | – |
| | 2013 | 1,500 | (1,400) | (1,000) | 1,100 | (400) | 300 | – | – |
| Investment property under development | **2014** | 5,380 | (5,490) | (5,120) | 5,330 | (4,032) | 4,122 | – | – |
| | 2013 | – | – | – | – | – | – | – | – |
| Land for further development | **2014** | – | – | – | – | – | – | 1,840 | (1,960) |
| | 2013 | – | – | – | – | – | – | – | – |

### Other Disclosures Related to Investment Property

Interest bearing loans and borrowings are secured on investment property, see note 15 for details. Further information about individual properties is disclosed in the portfolio review on page 22 to 47.

## 5. Advances for Investment Property

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Advances for acquisition of properties under business combination | 6,100 | 6,750 |
| Advances for land and other property acquisitions | 5,151 | 2,000 |
| Advances to contractors for investment properties under development | 3,203 | – |
| | **14,454** | **8,750** |

As of 31 December 2014 the Group has paid advances for the acquisition of Green Court-Building "A", a prestigious newly built A-class office property development in amount of €4,100 thousand and Unicredit Headquarters building, a modern A-class office building strategically located in the north part of Bucharest close to Free Press Square, in amount of €2,000 being acquisition of new subsidiaries under business combinations, other advances for acquisition of future lands and properties and advances to contractors for ongoing construction works related to properties under development.

# SECTION II: INVESTMENT PROPERTY (CONTINUED)

## 6. Commitments

### Commitments for Investment Property Under Construction

As at 31 December 2014 the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property under construction of €48,140 thousand (2013: €4,532 thousand), and had committed with tenants to incur fit out works of €621 thousand (2013: €150 thousand).

### Commitments for Acquisition of Investment Property

As at 31 December 2014 the Group also had commitments for the acquisition of investment property (through the acquisition of the related asset holding entities, namely for Green Court-Bulding "A", Nusco Tower and the Unicredit Headquarters buildings and through acquistion of asset deals), for a total of c.€78,700 thousand (2013: €21,173 thousand).

### Operating Leases Commitments– Group as Lessor

Policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases, see note 7 for policies on revenue recognition for properties under operating leases and related costs.

### Judgements Made for Properties Under Operating Leases

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the investment properties leased to third parties, therefore, accounts for these leases as operating leases. The duration of these leases is 2 years or more (2013: 3 years or more) and rentals are subject to annual upward revisions based on the consumer price index.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Not later than 1 year | 20,990 | 1,309 |
| Later than 1 year and not later than 5 years | 108,376 | 4,202 |
| Later than 5 years | 45,531 | 1,644 |
| | **174,897** | **7,155** |

# SECTION III: FINANCIAL RESULTS

This section includes the results and performance of the Group, including the net asset value and EPRA net asset value. This section also includes details of the Group tax credits in the year and deferred tax assets and liabilities held at the year end.

The section quantifies the financial impact of the operations for the year, further analysis on operations is described in the financial review on page 48.

## 7. Revenue

### Policy

#### a) Rental income

Rental income is measured at the fair value of the consideration received or receivable, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. The value of rent free periods and all similar lease incentives is spread on a straight line basis over the term of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. If the annual lease rent increases as a result of a price index to cover inflationary cost, then the policy is not to spread the amount but to recognise them when the increase takes place (applied prospectively when the right to receive it arises).

#### b) Service charge income

Income arising from service charges and expenses recoverable from tenants is recognised in the period in which the compensation becomes receivable.

#### c) Rendering of services

Revenue from property and asset management fees is recognised at the time the service is provided. Revenue from rendering property development services is recognised by reference to the stage of completion.

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Rental income | 15,140 | 260 |
| Service charge income | 4,435 | 14 |
| Property and asset management fees | 586 | 4,891 |
| Property development services | 1,997 | 2,945 |
| | **22,158** | **8,110** |

The total contingent rents recognised as income during the year amount to €191 thousand (2013: €nil).

In order to determine if the Group is acting as principal or agent it assess the primary responsibility for providing the goods or services, inventory risk, discretion in establishing prices and who bears the credit risk. The Group has concluded that it is acting as a principal in all of the above mentioned revenue arrangements.

## 8. Operating Expenses

### Policy

#### a) Service costs

Services costs paid, as well as those borne on behalf of the tenants, are included under direct property expenses. Their reclaiming from the tenants is presented separately under revenue.

#### b) Works carried out on properties

Works carried out which are the responsibility of the building's owner and which do not add any extra functionality to or enhance significantly the standard of comfort of the building are considered as current expenditure for the period and recorded in the income statement as expenses.

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Property management, utilities and insurance | 6,516 | 337 |
| Property development services costs | 2,433 | 2,410 |
| Property maintenance costs and other non-recoverable costs | 316 | 58 |
| | **9,265** | **2,805** |

| **Operating expenses analysis by revenue and non-revenue generating properties** | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Property expenses arising from investment property that generate rental income | 6,768 | 174 |
| Property expenses arising from investment property that did not generate rental income | 64 | 221 |
| Property development services costs | 2,433 | 2,410 |
| **Total operating expenses** | **9,265** | **2,805** |

# SECTION III: FINANCIAL RESULTS (CONTINUED)

### 9. Administrative Expenses

**Policy**

Administrative expenses are expensed as incurred with the exception of expenditure on long-term developments, see note 3, and subsidiary acquisition costs, see note 23.

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Directors' remuneration | 5,238 | 928 |
| Salaries and wages | 2,743 | 193 |
| Incorporation and administration costs | 926 | 211 |
| Legal, audit and other advisory services | 1,682 | 360 |
| Travel and accommodation | 510 | 74 |
| Marketing and advertising services | 361 | 14 |
| Post, telecommunication and office supplies | 104 | 21 |
| Stock exchange expenses | 50 | 10 |
| Bank charges | 40 | 45 |
| | **11,654** | **1,856** |

### 10. Finance Cost

**Policy**

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. Where borrowings are associated with specific developments, the amount capitalised is the gross interest less finance income (if any) incurred on those borrowings. Interest is capitalised as from the commencement of the development work until the date of practical completion. Arrangement fees are amortised over the term of the borrowing facility. All other borrowing costs are expensed in the period in which they occur.

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Interest on bank loans | 6,982 | 254 |
| Interest on loans from minority interest holders | 2 | 1 |
| Debt issue cost amortisation | 1,338 | – |
| | **8,322** | **255** |

### 11. Taxation

**Policy**

Current Income Tax

Current income tax is the tax payable on the taxable income for the year using tax rates applicable at the statement of financial position date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which the determination is made. Tax is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Deferred Income Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the income tax rate applicable at the reporting date, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill, or of an asset, or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred tax assets are only recognised to the extent that it is foreseeable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

| Income tax expense | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Current income tax expense | 64 | 778 |
| Deferred income tax expense | 5,036 | 198 |
| | **5,100** | **976** |

The subsidiaries in Romania, Netherlands and Cyprus are subject to income taxes in respect of local sources of income. The income tax rate applicable to the Company in Guernsey is nil. The current income tax charge of €64 thousand (2013: €778 thousand) represents tax charges on profit arising in Romania and Cyprus in a few subsidiaries. Tax charges on profit arising in Romania, Netherlands and Cyprus are subject to corporate income tax at the rate of 16%, 25% (20% for tax on profit up to €200 thousand), and 12.5%, respectively.

The Group subsidiaries registered in Cyprus and Netherlands need to comply with the Cyprus and Netherlands tax regulations, however, the Group does not expect any taxable income, other than dividend and interest income, which are the most significant future sources of income of the Group companies registered in these countries. Dividend income is exempt or taxed at 0% in Cyprus and Netherlands, respectively, however, interest income is subject to corporate income tax at the rate of 12.5% in Cyprus and ranges from 20% to 25%, depending on total taxable profit (20% for tax on profit up to €200 thousand), in the Netherlands.

### Judgements and Assumptions Used in the Computation of Current Income Tax Liability

Uncertainties exist, particularly in Romania where the Group has significant operations, with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. In Romania, the tax position is open to further verification for 5 years and no subsidiary in Romania has had a corporate income tax audit in the last 5 years.

### Reconciliation Between Applicable and Effective Tax Rate

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's income tax rate for the year ended 31 December 2014 and the period ended 31 December 2013 is as follows:

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Profit before tax | 95,727 | 13,706 |
| At Company's income tax rate 0% (2013: 0%) | – | – |
| **Effect of higher tax rates in foreign jurisdictions** | | |
| Tax in Romania | 5,038 | 976 |
| Tax in Cyprus | 51 | – |
| Tax in the Netherlands | 11 | – |
| **Tax expense reported in the income statement** | **5,100** | **976** |
| **Effective tax rate (%)** | **5.3%** | **7.1%** |

| | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
|---|---|---|---|---|
| Deferred tax liability | **2014 €'000** | 2013 €'000 | **2014 €'000** | 2013 €'000 |
| Acquired under business combinations (note 23): | 29,674 | 12,220 | – | – |
| Recognised unused tax losses | (1,062) | – | – | – |
| Deferred tax liability | 30,736 | 12,220 | – | – |
| Valuation of investment property at fair value | 17,550 | – | 5,118 | 198 |
| Deductible temporary differences | (292) | – | (292) | – |
| Discounting of tenant deposits and long-term deferred costs | 210 | 212 | 210 | – |
| Share issue cost recognised in equity | (7) | – | – | – |
| Derecognised on subsidiary disposal | (24) | – | – | – |
| | **47,111** | **12,432** | **5,036** | **198** |

In Romania, the Group has unused assessed tax losses carried forward of €40,035 thousand (2013: €1,802 thousand) that are available for offsetting against future taxable profits of the respective entity in Romania, in which the losses arose, within 7 years from the year of origination. As of the statement of financial position date the Group had recognised deferred tax assets of €1,062 (2013: Nil) out of the total available deferred tax assets of €6,401 thousand (2013: €289 thousand) calculated at the corporate income tax rate of 16%.

| Expiry year | 2016 | 2017 | 2017 | 2018 | 2019 | 2020 | 2021 | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Fiscal year | 2009 | 2010* | 2010* | 2011 | 2012 | 2013 | 2014 | |
| **Available deferred tax assets** | 210 | 626 | 436 | 352 | 2,033 | 1,745 | 999 | **6,401** |

* 2010 had two fiscal years.

**11. Taxation** continued

**Judgements, Estimates and Assumptions Used For Assessed Tax Losses and Related Deferred Tax Assets**

At each statement of financial position date, the Group assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits.

**12. Earnings Per Share**

The following table reflects the data used in the calculation of basic and diluted earnings per share:

| Date | Event | Note | Number of shares issued (in thousand) | % of the period | Weighted average (in thousand) |
|---|---|---|---|---|---|
| 14 February 2013 | Incorporation of the Company* | | - | 100 | - |
| 25 July 2013 | Shares issued for cash at Initial Public Offer | | 10,719 | 50 | 5,343 |
| 27 September 2013 | Acquisition of Pieranu Enterprises Limited | | 6,200 | 30 | 1,854 |
| 24 December 2013 | Acquisition of Corinthian Five S.R.L | | 3,987 | 2.5 | 99 |
| **31 December 2013** | **Shares in issue at period end** | | **20,906** | | **7,296** |
| **1 January 2014** | **At the beginning of the year** | | **20,906** | **100** | **20,906** |
| 18 February 2014 | Acquisition of Tower Center International S.R.L. | 23 | 2,733 | 87 | 2,373 |
| 20 March 2014 | Acquisition of Upground Estates S.R.L. | 23 | 2,600 | 79 | 2,043 |
| 21 March 2014 | Acquisition of Oystermouth Holding Limited and Dunvant Holding Limited | 23 | 1,072 | 78 | 839 |
| 24 March 2014 | Shares issued for outstanding consideration payable for acquisition of Pieranu Enterprises Limited | 23.1 | 989 | 77 | 764 |
| 24 April 2014 | Shares issued for cash | 20 | 13,345 | 69 | 9,202 |
| 18 December 2014 | Shares issued for mandatorily convertible debt | 20 | 12,000 | 75 | 8,962 |
| **31 December 2014** | **Shares in issue at year end** | | **53,645** | | **45,089** |

* One share was issued for €1 which was redeemed in July 2013.

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Profit attributable to equity holders of the parent for basic and diluted earnings per share | 91,124 | 12,691 |

| | Number (in thousand) | Number (in thousand) |
|---|---|---|
| Weighted average number of ordinary shares for basic and diluted earnings per share | 45,089 | 7,296 |
| **Earnings per share (basic and diluted)** | **€2.02** | **€1.74** |

As there are no dilutive instruments outstanding at year end, basic and diluted earnings per share are identical.

There were no shares issued after the reporting year end that would have changed the number of Ordinary shares outstanding at the end of the year, had the related transactions occurred before the end of the reporting year.

## 13. Net Assets Value Per Share (NAV)

### NAV Per Share

The following reflects the net assets and number of shares data used in the NAV per share computations:

| | Note | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| Net assets attributable to equity holders of the parent | | 392,735 | 119,691 |
| | | Number (in thousand) | Number (in thousand) |
| Ordinary shares outstanding at the end of the year | 12 | 53,645 | 20,906 |
| **NAV per share** | | **€7.32** | **€5.73** |

### EPRA NAV Per Share

The following reflects the net assets and number of shares data used in the EPRA NAV per share computations:

| | | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| Net assets attributable to equity holders of the parent | | 392,735 | 119,691 |
| **Exclude:** | | | |
| Deferred tax liability | 11 | 47,111 | 12,432 |
| Goodwill as a result of deferred tax | | (5,697) | (5,965) |
| **EPRA NAV attributable to equity holders of the parent** | | **434,149** | **126,158** |
| | | Number (in thousand) | Number (in thousand) |
| Ordinary shares outstanding at the end of the year | 12 | 53,645 | 20,906 |
| **EPRA NAV per share** | | **€8.09** | **€6.03** |

EPRA NAV includes properties and other investment interests at fair value and excludes certain items not expected to crystallise in a long-term investment property business model.

# SECTION IV: FINANCIAL ASSETS AND LIABILITIES

This section focuses on financial instruments, together with the working capital position of the Group and financial risk management of the risks that the Group is exposed to at year end.

## 14. Financial Instruments

### Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the instrument. The Group determines the classification of its financial assets and financial liabilities at initial recognition.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial instruments are measured according to the category to which they are assigned.

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if, and only if, the Group 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.

### Financial Assets

Financial assets of the Group mainly include cash and cash equivalents and trade and other receivables.

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 rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of change in value. Such investment includes cash in hand and cash balances at banks and short-term bank deposits with maturity of 3 months or less.

#### Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost including, where relevant and material, an adjustment for the time value of money less any impairment provision. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

If, in a subsequent year, the amount of the provision for impairment loss changes because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by recording a gain or loss in the income statement.

Trade and other receivables together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If collection is expected in more than one year, they are classified as non-current assets.

### Financial Liabilities

Financial liabilities of the Group mainly comprise interest bearing loans and borrowings, trade and other payables, finance lease payables and tenant security deposits.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

## 15. Interest Bearing Loans and Borrowings

This note describes information on the material contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to market risk, currency risk and liquidity risks, see note 19.

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| **Current** | | |
| Current portion of secured bank loans | 61,187 | 19,528 |
| Unsecured loans from minority interest holders | – | 768 |
| | **61,187** | **20,296** |
| **Non-current** | | |
| Secured bank loans | 143,814 | 165 |
| | **205,001** | **20,461** |

Terms and conditions of outstanding loans were as follows:

| | | | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|---|
| | Currency | Nominal interest rate | Maturity date | Face value €'000 | Carrying value €'000 | Face value €'000 | Carrying value €'000 |
| Secured bank loan 1 | EUR | EURIBOR 3M+ margin | May 2014 | – | – | 2,963 | 2,963 |
| Secured bank loan 2 | EUR | EURIBOR 3M+ margin | Nov 2014 | – | – | 3,205 | 3,205 |
| Secured bank loan 3 | RON | ROBOR 3M+ margin | Jan 2015 | 485 | 485 | 221 | 221 |
| Secured bank loan 4 | EUR | EURIBOR 3M+ margin | Dec 2015 | – | – | 134 | 134 |
| Secured bank loan 5 | RON | ROBOR 3M+ margin | Jun 2015 | – | – | 32 | 32 |
| Secured bank loan 6 | EUR | EURIBOR 3M+ margin | Mar 2019 | 14,848 | 14,515 | 13,824 | 13,138 |
| Secured bank loan 7 | EUR | EURIBOR 3M+ margin | Dec 2016 | 37,000 | 36,820 | – | – |
| Secured bank loan 8 | EUR | EURIBOR 3M+ margin | Dec 2018 | 34,508 | 34,508 | – | – |
| Secured bank loan 9 | EUR | EURIBOR 3M+ margin | Dec 2018 | 84,388 | 84,388 | – | – |
| Secured bank loan 10 | EUR | EURIBOR 3M+ margin | Dec 2020 | 4,588 | 4,588 | – | – |
| Secured bank loan 11 | EUR | EURIBOR 3M+ margin | Oct 2032 | 26,192 | 25,697 | – | – |
| Secured bank loan 12 | EUR | EURIBOR 3M+ margin | Oct 2015 | 4,000 | 4,000 | – | – |
| **Total** | | | | **206,009** | **205,001** | **20,379** | **19,693** |

Secured bank loans are secured by investment properties with a carrying value of €477,217 thousand (2013: €65,975 thousand) and also carry pledges on rent receivable balance €1,996 thousand (2013: €380 thousand), tenant deposits €1,416 thousand (2013: €109 thousand), VAT receivable balance €13,371 thousand (2013: €2,315 thousand) and a moveable charge on the bank accounts, see note 18.

During the year ended 31 December 2014 the Group acquired under business combination secured bank loan from 7 to 10, refer to note 23 for more information, repaid secured bank loan 1 and 2, derecognised secured bank loan 4 and 5 on sale of subsidiary, see note 26, and signed an agreement for the new secured bank loan 11 for a total amount of €30,000 thousand and for the new secured bank loan 12 for an amount of €4,000 thousand. The Group also obtained a short-term loan facility of €65,000 thousand mainly in order to finance few business acquisitions (note 23). The facility was subsequently transferred into mandatory convertible debt, see note 20 for details.

The bank loans are subject to certain financial covenants, which are calculated based on the individual financial statements of the respective subsidiaries of the Group (see more details in note 22).

Financial covenants mainly include the loan-to-value ratio (LTV) which ranges from: 60 – 80% and the debt service cover ratio ('DSCR') that ranges from 100%-120%. LTV is calculated as the loan value divided by the market value of the relevant property (for a calculation date), and DSCR (historical and / or projected, as the case may be, for a 12-month period) is calculated as net operating income divided by the debt service.

As of 31 December 2014, the Group had total undrawn floating rate borrowing facilities of €4,000 thousand (2013: €14,690 thousand). The facilities will expire within one year and have been arranged to finance the ongoing projects for the properties under construction.

# SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

## 16. Trade and Other Payables

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Payable for property service charges | 1,534 | 1,241 |
| Payable to suppliers for properties under development | 4,605 | 1,145 |
| Guarantees retained from contractors | 2,155 | 356 |
| Payable for properties acquired | 2,428 | 4,948 |
| Advances from customers | 1,430 | 2,671 |
| Directors' remuneration payable | 4,453 | 284 |
| Salaries and related payables | 1,251 | 27 |
| Accruals for administrative expenses | 1,613 | 369 |
| Other taxes payable | 726 | 194 |
| Other short-term payable | 1,114 | 259 |
| | **21,309** | **11,494** |

Other short-term payable include, in comparative period, a balance due to related party, see note 28.

## 17. Trade and Other Receivables

| | Note | 2014 €'000 | 2013 €'000 |
|---|---|---|---|
| Rent and service charges receivable | | 1,996 | 380 |
| VAT and other taxes receivable | | 13,371 | 2,315 |
| Loan receivable from subsidiary disposed | 26 | 1,170 | – |
| Property management fees receivable | | – | 7,254 |
| Consideration receivable from the seller | 23 | 290 | 136 |
| Advances to suppliers for fit-out works | | – | 550 |
| Guarantees receivable | | 72 | 107 |
| Sundry debtors | | 130 | 301 |
| | | **17,029** | **11,043** |

### Rent and Service Charges Receivable

Rent and service charges receivable are non-interest bearing and are typically due within 30-90 days (see more information on credit risk and currency profile in note 19). For the terms and conditions related to related party receivables, see note 28.

## 18. Cash and Cash Equivalents

| | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Cash at bank and in hand | 18,590 | 9,439 |
| Short-term deposits | 3,367 | 67 |
| | **21,957** | **9,506** |

Details of cash and cash equivalents denominated in foreign currencies are disclosed in note 19.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at rates ranging from 1% to 2% per annum. Cash and cash equivalents as at 31 December 2014 include restricted cash balances of €2,759 thousand (2013: €129 thousand).

## 19. Financial Risk Management – Objective and Policies

The Group is exposed to the following risks from its use of financial instruments:

- market risk (including currency risk, interest rate risk);
- credit risk; and
- liquidity risk.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

### i) Currency risk

The Group has entities registered in several EU countries, with the majority of operating transactions arising from its activities in Romania. Therefore the Group is exposed to foreign exchange risk, primarily with respect to the Romanian Leu (RON). Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the Group. The Group's exposure to foreign currency risk was as follows (based on nominal amounts):

| | **2014** | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **RON** | **GBP** | **USD** | RON | GBP | USD |
| All amounts are presented in €'000 equivalent value | **denominated** | | | denominated | | |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 6,163 | 20 | – | 310 | 87 | 2 |
| Trade and other receivables | 15,548 | – | – | 9,960 | – | – |
| Income tax receivable | 299 | – | – | 2 | – | – |
| **Total** | **22,010** | **20** | **–** | **10,272** | **87** | **2** |
| **LIABILITIES** | | | | | | |
| Interest bearing loans and borrowings | 485 | – | – | 252 | | |
| Trade and other payables | 6,306 | 58 | – | 2,995 | 4 | – |
| Income tax payable | 1 | – | – | 726 | – | – |
| Deposits from tenants | 979 | – | – | 90 | – | – |
| **Total** | **7,771** | **58** | **–** | **4,063** | **4** | **–** |
| **Net exposure** | **14,239** | **(38)** | **–** | **6,209** | **83** | **2** |

#### Foreign Currency Sensitivity Analysis

As of the statement of financial position date, the Group is exposed to foreign exchange risk in respect of the exchange rate of the RON, USD and GBP. The following table details the Group's sensitivity (impact on income statement before tax and equity) to a 5% devaluation in RON, USD and GBP exchange rates against the EUR, on the basis that all other variables remain constant.

The 5% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% appreciation in the EUR against other currencies.

| | **2014** | | 2013 | |
|---|---|---|---|---|
| All amounts in €'000 | Profit and loss | Equity | Profit and loss | Equity |
| RON | (712) | (712) | (261) | (261) |
| GBP | 2 | 2 | (4) | (4) |
| USD | – | – | – | – |

A 5% devaluation of the EUR against the above currencies would have had an equal but opposite impact on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### ii) Interest rate risk

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flows risk is the risk that the interest cost will fluctuate over time.

The Group's interest rate risk principally arises from interest bearing loans and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and, therefore, has no significant exposure to fair value interest rate risk. However, the Group purchased an interest rate cap for a credit facility, see details on page 95, during the year ended 31 December 2014.

An increase or decrease of 25 basis points in the EURIBOR or ROBOR will result in an increase or decrease (net of tax) in the result for the year of €498 thousand (2013: €38 thousand), with a corresponding impact on equity for the same amount. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

**19. Financial Risk Management – Objective and Policies** continued

**Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group's policy is to trade with recognised and creditworthy third parties. The Group's exposure is continuously monitored and spread amongst approved counterparties.

The Group's maximum exposure to credit risk, by class, of financial asset is equal with their carrying values at the statement of financial position date.

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Trade receivables – net of provision | 1,996 | 7,634 |
| Other receivables | 1,572 | 437 |
| VAT and other taxes receivable | 13,670 | 2,317 |
| Cash and cash equivalents | 21,957 | 9,506 |
| | **39,195** | **19,894** |

### Trade Receivables – Net of Provision

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants, a few of which are part of multinational Groups, internationally dispersed, as disclosed in the subsection "Portfolio review" on page 22. For related parties it is assessed that there is no significant risk of non-recovery.

### Estimates and Assumptions Used for Impairment of Trade Receivables

The Group assess when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts. The movements in the provision for impairment of receivables during the respective periods were as follows:

| | **2014 €'000** | 2013 €'000 |
|---|---|---|
| Opening balance | 35 | – |
| Provision balance acquired under business combination (note 23) | 2,265 | – |
| Impairment during the year/period | 12 | 35 |
| **Closing balance** | **2,312** | **35** |

The analysis by credit quality of financial assets, cumulated for rent, service charge and property management, is as follows:

| | Neither past due nor impaired | Past due but not impaired < 90 days | Past due but not impaired < 120 days | Past due but not impaired <365 days | TOTAL |
|---|---|---|---|---|---|
| **2014 (€'000)** | 1,545 | 195 | 92 | 164 | **1,996** |
| 2013 (€'000) | 7,595 | – | 39 | – | **7,634** |

The customer balances which were overdue but not provisioned are due to the fact that the related customers committed and started to pay the outstanding balances subsequent to the year end. Further deposits payable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

### Other Receivables

This balance relates to sundry debtors of €112 thousand, consideration receivable for the seller of €290 thousand and loan receivable from subsidiary disposed of €1,170 thousand. Management has made due consideration of the credit risk associated with these balances resulting in no impairment being made.

### VAT and Other Taxes Receivable

This balance relates to corporate income tax paid in advance, VAT and other taxes receivable from the Romanian tax authorities. The balances are not considered to be subject to significant credit risk as all the amounts receivable from Government authorities are secured under sovereign warranty.

### Cash and Cash Equivalents

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks in different countries. The most significant part of cash and cash equivalents balance is generally kept at the parent ('the Company') level with an internationally reputable bank, having at least A-2 rating in a country with an "AAA" rating. The funds are only transferred to subsidiaries as and when required to meet specific obligations or commitments.

### Liquidity Risk

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the management. The Company manages liquidity risk by maintaining adequate cash reserves and planning and close monitoring of cash flows. The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, further equity raises, undrawn committed borrowing facilities and, in the medium-term, debt refinancing.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| All amounts in €'000 | Contractual payment | | | | | Difference | |
|---|---|---|---|---|---|---|---|
| 2014 | <3 months | 3 months – 1 year | 1–5 years | >5 years | Total | from carrying amount | Carrying amount |
| Interest bearing loans and borrowings | 3,885 | 62,385 | 139,723 | 27,825 | 233,818 | (28,817) | 205,001 |
| Deposits from tenants | 171 | 328 | 474 | 930 | 1,903 | (487) | 1,416 |
| Finance lease liabilities | 5 | 17 | 24 | – | 46 | (3) | 43 |
| Trade payables (excluding advances from customers) | 7,125 | 11,640 | – | – | 18,765 | – | 18,765 |
| Income tax payable | 23 | – | – | – | 23 | – | 23 |
| Other payables | 28 | 1,086 | – | – | 1,114 | – | 1,114 |
| **Total** | **11,237** | **75,456** | **140,221** | **28,755** | **255,669** | **(29,307)** | **226,362** |

| All amounts in €'000 | Contractual payment | | | | | Difference | |
|---|---|---|---|---|---|---|---|
| 2013 | <3 months | 3 months – 1 year | 1–5 years | >5 years | Total | from carrying amount | Carrying amount |
| Interest bearing loans and borrowings | 304 | 21,357 | 177 | – | 21,838 | (1,377) | 20,461 |
| Deposits from tenants | – | 28 | 81 | – | 109 | – | 109 |
| Finance lease liabilities | 8 | 19 | 22 | – | 49 | (2) | 47 |
| Trade payables (excluding advances from customers) | 272 | 3,604 | – | – | 3,876 | – | 3,876 |
| Income tax payable | 726 | – | – | – | 726 | – | 726 |
| Other payables | 4,948 | – | – | – | 4,948 | – | 4,948 |
| **Total** | **6,258** | **25,008** | **280** | **–** | **31,546** | **(1,379)** | **30,167** |

The tables above present the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, and includes both interest and principal cash flows. As the amount of contractual undiscounted cash flows related to bank borrowings is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the year end, that is, the actual spot interest rates effective at the end of year are used for determining the related undiscounted cash flows.

### Financial Instruments for which Fair Values are Disclosed

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of their fair values.

| | | | Fair value hierarchy | | | |
|---|---|---|---|---|---|---|
| All amounts in €'000 | Year | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Interest bearing loans and borrowings (note 15) | **2014** | 205,001 | – | 205,001 | – | 205,001 |
| | 2013 | 20,461 | – | 20,461 | – | 20,461 |
| Finance lease obligations | **2014** | 43 | – | 43 | – | 43 |
| | 2013 | 47 | – | 47 | – | 47 |

The fair value of financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. When determining the fair values of interest bearing loans and borrowings and finance lease obligations, the Group used the DCF method with inputs such as discount rate that reflects the issuer's borrowing rate as at the statement financial position date. The own non-performance risk at the statement of financial position date was assessed to be insignificant.

On 30 October 2014, in accordance with the Group's secured bank loan 11 (note 15) carrying interest at a floating rate, the Group purchased an interest rate cap instrument, for €115 thousand, with maturity date on 15 October 2019, under which the Group capped EURIBOR at 1.25% for 50% of the loan facility. This derivative financial instrument is fair valued (level 2) at each reporting date and any change in fair value is recognized in the consolidated statements of income within finance cost. The change in the fair value during the year ended 31 December 2014 was a loss of €11 thousand.

The Group assessed that the fair values of other financial assets and financial liabilities, such as trade and other receivables, cash and cash equivalents, income tax receivable and payables, trade and other payables and deposits from tenants, approximate their carrying amounts largely due to short-term maturities and low transaction costs of these instruments as of the statement of financial position date.

# SECTION V: SHARE CAPITAL AND RESERVES

The disclosures in this section focus on the issued share capital, the share schemes in operation and the associated share-based payment charge to profit or loss. Other mandatory disclosures, such as details of capital management can also be found here.

## 20. Issued Share Capital

**Policy**

Ordinary shares are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

| | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | Note | €'000 | Number (in thousand) | €'000 | Number (in thousand) |
| Opening balance/issue of shares on incorporation* | | 106,956 | 20,906 | – | – |
| Shares issued for cash | | 78,735 | 13,345 | 53,594 | 10,719 |
| Transaction costs on issue of shares | | (2,595) | – | (4,942) | – |
| Shares issued on acquisition of subsidiaries | 23 | 34,459 | 6,405 | 58,304 | 10,187 |
| Shares issued for settlement of acquisition obligation | 23.1 | 5,225 | 989 | – | |
| Shares issued for mandatorily convertible debt | | 65,960 | 12,000 | – | |
| **Balance at 31 December** | | **288,740** | **53,645** | **106,956** | **20,906** |

* One share was issued for €1 which was redeemed in July 2013.

Ordinary shares carry no right to fixed income but are entitled to dividends as declared from time to time. Each Ordinary share is entitled to one vote at meetings of the Company. There is no limit on the authorised share capital of the Company. The Company can issue no par value and par value shares as the shareholders see fit for the 5 year period following the incorporation of the Company (unless renewed, revoked or varied by a general meeting). This authority has not been revoked by the members.

Under Guernsey Company Law there is no distinction between distributable and non-distributable reserves, requiring instead that a Company passes a solvency test in order to be able to make distributions to shareholders. Similarly, share premium for issuance of shares above their par value per share is recognised directly under share capital and no separate share premium reserve account is recognised.

### Shares Issued for Cash

On 24 April 2014, an additional 13,345 thousand Ordinary shares were issued at €5.90 each (€78,735 thousand) following the completion of the secondary fundraising, which was announced on 23 April 2014.

### Shares Issued for Mandatorily Convertible Debt

On 18 December 2014, the Company issued €12,000 thousand shares on conversion of the mandatorily convertible debt for the principal and accrued interest into Ordinary shares at the fixed price of €5.90 per Ordinary share.

On 14 February 2014 the Group signed a short-term bank loan facility with UBS Limited for an amount of €65,000 thousand. On 20 May 2014, York Global Finance Offshore BDH (Luxembourg) S.à r.l., a private fund affiliated with York Capital Management Global Advisors, LLC, ('York') and ESCF Investment S.à r.l., SPFC Investment S.à r.l. and Asia CCF Investment S.à r.l, private funds affiliated to Oak Hill Advisors (Europe), LLP ('Oak Hill Advisors'), acquired from UBS Limited its rights as original lender under the €65,000 thousand Secured Term Bridge Facility Agreement dated 14 February 2014 made between, amongst others, the Company and UBS Limited (the 'Facility Agreement').

The balance, together with associated fees and accrued interest thereon, outstanding under the Facility Agreement as of the agreed date of the take-over of this liability (ie on 20 May 2014) by York and Oak Hill Advisors, of 26 March 2014, amounted to €65,960 thousand were mandatorily converted on 18 December 2014 into an aggregate of €12,000 thousand Ordinary shares in the Company, which have been issued by the Company to York and Oak Hill Advisors in proportion to their outstanding amounts under the Facility Agreement being 6,947 thousand Ordinary shares and 5,053 thousand Ordinary shares respectively.

## 21. Share Based Payment Reserve

**Policy**

The Directors of the Group have received remuneration in the form of share options, in recognition of the services performed. The share options granted to the Directors of the Group are equity settled.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other reserves in equity (share based payment reserve), over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. The expense recorded in the income statement for the year represents the movement in cumulative share based payment reserve in equity as at the beginning and end of that year and is recognised in share based payments expense.

Equity-settled transactions where vesting is conditional upon a market or non-vesting condition, are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all service conditions are satisfied.

| Share based payments reserve movement | 2014 €'000 | 2013 €'000 |
|---|---|---|
| Opening balance | 44 | – |
| Share based payments expense during the year/period | 136 | 44 |
| **Closing balance** | **180** | **44** |

During 2013, the Group granted warrants to the Founder and the Directors which entitle each holder to subscribe for Ordinary shares in the Company at an exercise price of €5.00 per share if the market price of an Ordinary share, on a weighted average basis over 60 consecutive days, exceeds a specific target price and the holder is employed on such date. The contractual term of each warrant granted is 10 years. There are no cash settlement alternatives and the Group does not have the intention to offer cash settlement for these warrants. Further details are disclosed in the Remuneration Report on pages 69 and 70.

The fair value of the warrants was estimated at the grant date (ie July 2013) at €0.073 per share using a binomial option pricing model, taking into accounts the terms and conditions upon which the warrants were granted. There have been no cancellations or modifications to any of the plans during the year.

| Number of options warrants movement | 2014 Number (in thousand) | 2013 Number (in thousand) |
|---|---|---|
| Opening balance for the year/period | 3,526 | – |
| Warrants granted during the year/period | 1,109 | 3,526 |
| Closing balance | **4,635** | **3,526** |

As disclosed in note 23, the Group acquired the remaining Founder's pipeline (see note 28) during the year ended 31 December 2014, which entitled the Founder, under the Founder warrants agreement dated July 2013, to receive additional 1,109 thousand Ordinary shares under similar conditions as existing warrants. No warrants were exercisable as of 31 December 2014 (2013: nil). The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 is 8.58 years (2013: 9.58 years).

## 22. Capital Management

The Company is a closed-ended investment company and it has no legal capital regulatory requirement. The Group's policy is to maintain a strong equity capital base so as to maintain investor, creditor and market confidence and to sustain the continuous development of its business. The Board considers from time to time whether it may be appropriate to raise new capital by a further issue of shares.

The Group monitors capital primarily using a loan-to-value ratio, which is calculated as the amount of outstanding debt divided by the open market value of its investment property portfolio as certified by external valuers. As at 31 December 2014 the loan-to-value ratio was 34.4% (2013: 16.9%).

As of 31 December 2014, one subsidiary of the Group has a secured bank loan 6 facility for a total of €14,848 thousand (2013: €13,824 thousand). This facility was obtained for the acquisition and refurbishment of the City Offices building (conversion from a shopping centre to an offices building) which was completed in November 2014. Consequently, during the year ended 31 December 2014 and the period ended 31 December 2013 the offices space could not generate revenue as the refurbishment works were in progress.

This loan facility contains a debt service cover ratio covenant, to be calculated on 12-months period, which can only be met following the completion of the refurbishment works and commencement of the revenue generating activity of the City Offices building. This fact was confirmed by the lender with its formal agreement to postpone the commencement of their monitoring of the debt service cover ratio covenant to February 2016. However, as a result of IAS 1 requirements, the balance on this loan as of 31 December 2013 and 31 December 2014 has been presented under current liabilities.

As of 31 December 2014, another subsidiary of the Group has a secured bank loan 7 facility for a total of €37,000 thousand (2013: nil). The Management has notified the financing bank prior to 31 December 2014 that an instalment of €3,000 thousand which was due on 31 December 2014 would not be paid as the Management was in ongoing discussions with the same financing bank for the provision of financing for the development of another property. This instalment was settled in full in February 2015 and March 2015, however, as a result of IAS 1 requirements, the balance on this loan as of 31 December 2014 has been presented under current liabilities.

# SECTION VI: BUSINESS COMBINATIONS AND RELATED DISCLOSURES

This sections includes details about Globalworth's subsidiaries, new businesses acquired, subsidiary disposed, goodwill and related impact on the income statement and cash flows.

## 23. Business Combinations

### Policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The Group continues to measure the non-controlling interest at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs, transfer duties, legal fees and other ancillary costs are expensed as incurred and included in acquisition costs.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement as bargain purchase gain on business combination. Goodwill is measured in accordance with the policy set out in note 24.

### Judgements and Assumptions used for Business Combinations

At the time of acquisition, the Group considers whether each acquisition represents an acquisition of a business or an acquisition of an asset. Where an integrated set of activities are acquired in addition to the property more specifically the consideration is made of the extent to which significant processes are acquired, the transaction is accounted for as a business combination.

When the acquisition of subsidiary or property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at acquisition date and no goodwill or deferred tax is recognised.

The Group acquired a 100% interest in the following entities during the year. The existing strategic management functions and associated processes were acquired with the properties and, as such, the management considered these transactions as acquisitions of a business rather than an asset acquisitions except for Aserat Properties S.A. (the owner of Luterana land) which was judged as an asset deal on acquisition date as per above criteria for a gross cash consideration of €3,628 thousand (€3,359 thousand for assignable loans and €269 thousand for shares). The details about the nature of their activities and respective acquisition date are presented below:

| Acquiree | Tower Center International S.R.L. ('TCI') | Upground Estates S.R.L. ('Upground') | Oystermouth Holding Limited and Dunvant Holding Limited* ('Oystermouth and Dunvant') | SEE Exclusive Development S.R.L. ('SEE') | Aserat Properties S.A. |
|---|---|---|---|---|---|
| **Acquisition date** | 18 February 2014 | 20 March 2014 | 21 March 2014 | 29 July 2014 | 23 December 2014 |
| **Activity** | Office building | Residential and retail complex | 2 office buildings | Industrial facility | Land |
| **Location** | Bucharest, Romania | Bucharest, Romania | Bucharest, Romania | Timisoara, Romania | Bucharest, Romania |

* Oystermouth Holding Limited and Dunvant Holding Limited had investments of 78% and 22%, respectively, in BOB Development S.R.L, BOC Real Property S.R.L and Netron Investment S.R.L., all unlisted companies based in Romania.

The revenue and profit contributed by each subsidiary, acquired as business since acquisition date, and the impact on the Group's results had these companies been acquired at the beginning of the year are disclosed below:

| All amounts in €'000 | TCI | Upground | Oystermouth and Dunvant | SEE | Total |
|---|---|---|---|---|---|
| **Subsidiary's contribution** | | | | | |
| Revenue | 4,638 | 2,073 | 11,021 | 796 | 18,528 |
| Profit/(Loss) after tax | 1,449 | (940) | 2,701 | (900) | 2,310 |
| | | | | | |
| **Pro forma Group's results** | | | | | |
| Consolidated revenue | 22,722 | 22,698 | 26,293 | 24,062 | 29,299 |
| Consolidated profit after tax | 91,084 | 89,938 | 89,297 | 90,896 | 89,333 |

The following table describes the fair value of assets acquired, liabilities assumed and the consideration paid for these companies at the respective date of acquisition for each subsidiary:

| All amounts in €'000 | TCI | Upground | Oystermouth and Dunvant | SEE | TOTAL |
|---|---|---|---|---|---|
| Completed investment property | 76,000 | 101,035 | 189,500 | 23,680 | **390,215** |
| Other non-current assets | – | 394 | 520 | – | **914** |
| Gross trade receivables | 610 | 1,168 | 4,616 | 155 | **6,549** |
| Provision for doubtful trade receivables | – | (450) | (1,813) | (2) | **(2,265)** |
| Other receivables | 1,614 | 1,180 | 1,548 | 86 | **4,428** |
| Cash and cash equivalents | 142 | 475 | 6,135 | 5 | **6,757** |
| **ASSETS** | **78,366** | **103,802** | **200,506** | **23,924** | **406,598** |
| Interest bearing loans and borrowings | 22,045 | 38,745 | 124,874 | 5,210 | **190,874** |
| Payables to former shareholders of the subsidiary | 10,000 | – | – | – | **10,000** |
| Deferred tax liability | 7,103 | 5,021 | 16,029 | 1,521 | **29,674** |
| Deposits from tenants | 363 | – | 614 | – | **977** |
| Trade and other payables | 3,123 | 4,077 | 11,744 | 1,271 | **20,215** |
| **LIABILITIES** | **42,634** | **47,843** | **153,261** | **8,002** | **251,740** |
| Total identifiable net assets at fair value | 35,732 | 55,959 | 47,245 | 15,922 | **154,858** |
| Bargain purchase gain arising on acquisition | (9,660) | (40,461) | (22,479) | (7,649) | **(80,249)** |
| **Purchase consideration transferred** | **26,072** | **15,498** | **24,766** | **8,273** | **74,609** |
| **Purchase consideration transferred:** | | | | | |
| Shares issued at fair value | 14,705 | 13,988 | 5,766 | – | **34,459** |
| Cash paid | 11,517 | 1,510 | 19,000 | 8,413 | **40,440** |
| Consideration receivable from the seller | (150) | – | – | (140) | **(290)** |
| **TOTAL** | **26,072** | **15,498** | **24,766** | **8,273** | **74,609** |
| **Shares issued at fair value:** | | | | | |
| Number of shares issued (in thousand) | 2,733 | 2,600 | 1,072 | – | **6,405** |
| Market share price at each acquisition date (per share) | €5.38 | €5.38 | €5.38 | – | **€5.38** |
| Fair value of share issued (€'000) | €14,705 | €13,988 | €5,766 | – | **34,459** |
| **Cash flows on acquisition:** | | | | | |
| Cash paid | (11,517)* | (1,510) | (19,000) | (8,413) | **(40,440)** |
| Cash acquired under the acquisition of subsidiaries | 142 | 475 | 6,135 | 5 | **6,757** |
| **Net cash outflow on acquisition** | **(11,375)** | **(1,035)** | **(12,865)** | **(8,408)** | **(33,683)** |

* Includes €6,000 thousand paid in cash as advance in 2013.

### Judgements and Assumptions used for the Fair Value Assessment Of Assets Acquired And Liabilities Assumed

The fair value of investment property at acquisition date was determined based on the most recent independent valuation available at acquisition date. The Group concluded that the fair value of the investment property did not change since the last revaluation was performed by the independent valuer and, therefore, the Group recognised it at fair value at acquisition date under IFRS 3 "Business Combinations".

The deferred tax liability disclosed in the above table for each subsidiary comprises the tax effect of the difference between the tax base and the fair value of the property at acquisition date.

The bargain purchase gain represents the purchase price discount on the value of the property acquired in accordance with the respective Share Sale and Purchase Agreement. The identifiable net assets acquired do not include loans payable to former shareholders (including interest) with a nominal value of €180,807 thousand which were assigned to the Company. For purchase price allocation purposes such loans payable are considered to be part of the equity of the acquiree. Therefore, the purchase consideration, as disclosed above, includes the price paid both for the shares of the acquiree and for such loans assigned by former shareholders to the Company.

# SECTION VI: BUSINESS COMBINATIONS AND RELATED DISCLOSURES (CONTINUED)

**23. Business Combinations** continued

Acquisition Costs

Incidental costs of €2,476 thousand, incurred in connection with the business acquisitions, have been expensed and are included in the operating results under the line acquisition costs.

**23.1 Deferred consideration payable for business acquisition**

On 24 March 2014, the Group settled the outstanding purchase price consideration of €4,948 thousand on the acquisition of Pieranu Enterprises Limited with the issuance of further 989 thousand Ordinary shares. In accordance with IFRS, these additional shares assigned as consideration for net assets acquired as a business should be valued at market price on the date they were granted, therefore, the shares assigned under this acquisition are valued at the price of €5.28 per share at 24 March 2014. The fair value of the consideration in the form of shares was, therefore, assessed at €5,225 thousand.

**24. Goodwill**

**Policy**

Goodwill only arises upon a business combination, and is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, after recognising the acquiree's identifiable assets, liabilities and contingent liabilities.

Subsequently, goodwill is carried at cost and is subject to reviews for impairment at each year end or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units (CGU) that are expected to benefit from the combination. The recoverable amount of a CGU, for the purpose of impairment testing, is determined using the discounted cash flows method and is applied to the full CGU rather than each legal entity. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill arises as result of deferred tax liabilities, recognised under a business combination on acquisition date, the impairment of this goodwill is calculated according to the amounts of tax optimisation existing at the date of reporting.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

| **Movement in goodwill balance** | Note | **2014 €'000** | 2013 €'000 |
|---|---|---|---|
| Opening balance | | 12,616 | – |
| Movement during the year/period | | – | 12,616 |
| Derecognised on the sale of subsidiary | 26 | (267) | – |
| **Closing balance** | | **12,349** | **12,616** |

Goodwill is allocated to the Group's CGUs which represented individual properties acquired under business combinations. The goodwill balance arose from deferred tax liabilities, recognised at acquisition date of a subsidiary (Globalworth Asset Managers S.R.L.), and its property management activities.

Key Estimates and Assumptions used for Goodwill Impairment Testing

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next 5 years approved by management and significant future investments that will enhance the asset base of the cash generating unit being tested. These calculations require the use of estimates which mainly include the assumptions on the financial performance of CGU's operations.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The goodwill tested for impairment is related to the property management activity with a carrying value of €6,651 thousand (2013: 6,651 thousand). No impairment charge arose as a result of the impairment test at year end. Management believes that as of 31 December 2014 no reasonable change in the main assumptions could result in an impairment charge (31 December 2013: same). The value-in-use of the property management activity was determined based on the following main assumptions as at 31 December 2014, which were similar to those used as at 31 December 2013:

1. Budgets for 3 years which include existing contracts and ,in addition, contracts which were in advanced stages of negotiation at the date of acquisition of the property management entity;
2. Discount rate of 12.4% pa as of 31 december 2014 (2013: 13.3% pa); and
3. Extrapolation in perpetuity from 2017 onwards, considering a growth rate of 1.0% pa (2013: 2.0% pa).

The goodwill related to deferred tax liabilities recognised on acquisition was not tested for impairment as there were no changes in the tax circumstances of the relevant entities or other events that would indicate an impairment thereof.

## 25. Investment in Subsidiaries

### Policy

The Group assess whether it has control over a subsidiary or an investee, in order to consolidate the assets, liabilities, income and expenses of the subsidiary or the investee in the Group consolidated financial statements, based on certain judgements and assumptions.

### Key Judgements and Assumptions used to Determine the Control over an Entity:

- Power over the investee (ie existing rights, directly or indirectly, in the investee that give it the current ability to direct the relevant activities of the investee). If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns (such as appointment of administrator or director in the subsidiary or investee)

Details on all direct and indirect subsidiaries of Globalworth Real Estate Investments Limited, over which the Group has control and are consolidated in these financial statements, are disclosed in below table. There are no other subsidiaries which were not consolidated.

| Subsidiary | Principal activities | Place of incorporation | Interest (%) 2014 | Interest (%) 2013 |
|---|---|---|---|---|
| Globalworth Investment Advisers Limited | Holding | Guernsey, Channel Islands | 100 | 100 |
| Globalworth Finance Guernsey Limited | Holding | Guernsey, Channel Islands | 100 | 100 |
| GWI Finance B.V. | Holding | Netherlands | 100 | 100 |
| Globalworth Holding B.V.* | Holding | Netherlands | 100 | – |
| GW Real Estate Finance B.V.* | Holding | Netherlands | 100 | – |
| Globalworth Holdings Cyprus Limited | Holding | Cyprus | 100 | 100 |
| Zaggatti Holdings Limited | Holding | Cyprus | 100 | 100 |
| Tisarra Holdings Limited | Holding | Cyprus | 100 | 100 |
| Ramoro Limited | Holding | Cyprus | 100 | 100 |
| Vaniasa Holdings Limited* | Holding | Cyprus | 100 | – |
| Serana Holdings Limited* | Holding | Cyprus | 100 | – |
| Kusanda Holdings Limited* | Holding | Cyprus | 100 | – |
| Kifeni Investments Limited* | Holding | Cyprus | 100 | – |
| Casalia Holdings Limited* | Holding | Cyprus | 100 | – |
| Pieranu Enterprises Limited | Holding | Cyprus | 100 | 100 |
| Dunvant Holding Limited** | Holding | Cyprus | 100 | – |
| Oystermouth Holding Limited** | Holding | Cyprus | 100 | – |
| Mycre Investment S.A.* | Holding | Greece | 100 | – |
| Globalworth Asset Managers S.R.L. | Asset Holding & Property Manager | Romania | 99.99 | 99.99 |
| Victoria Ventures S.A.*** | Asset Holding | Romania | – | 60 |
| Corinthian Five S.R.L. | Asset Holding | Romania | 100 | 100 |
| Tower Center International S.R.L.** | Asset Holding | Romania | 100 | – |
| Upground Estates S.R.L.** | Asset Holding | Romania | 100 | – |
| BOB Development S.A.** | Asset Holding | Romania | 100 | – |
| BOC Real Property S.R.L.** | Asset Holding | Romania | 100 | – |
| Netron Investment S.R.L.** | Asset Holding | Romania | 100 | – |
| SEE Exclusive Development S.A.** | Asset Holding | Romania | 100 | – |
| Aserat Properties S.A.** | Asset Holding | Romania | 100 | – |

* Incorporated in 2014.
** Acquired in 2014.
*** Disposed on 18 November 2014 (see note 26).

# SECTION VI: BUSINESS COMBINATIONS AND RELATED DISCLOSURES (CONTINUED)

### 26. Gain on Sale of Subsidiary

**Policy**

When the Group ceases to have control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain / loss is recognised in the income statement.

On 18 November 2014 the Group disposed its full (60%) shareholding in Victoria Ventures S.A. for total consideration of €380 thousand, in cash, and ceases to have control on the entity by transferring the title of the shares to the buyer. Following table presents the amount of the assets and liabilities in the disposed subsidiary on the disposal date, summarised by each major category.

| Assets | €'000 | Liabilites | €'000 |
|---|---|---|---|
| Investment property under construction | 4,221 | Interest bearing loans and borrowings | 3,185 |
| Other non-current assets | 37 | Loan payable to the Group | 1,170 |
| Trade and other receivables | 422 | Deferred tax liability | 24 |
| Cash and cash equivalents | 254 | Trade and other payables | 556 |
| **Total assets** | **4,934** | **Total liabilities** | **4,935** |

| | €'000 |
|---|---|
| Net assets of the subsidiary on disposal date (total assets minus total liabilities per the above table) | (1) |
| Goodwill recognised on acquisition date | 268 |
| Total assets disposed | 267 |
| Attributable to non-controlling interest at disposal date | (85) |
| Total assets attributable to the parent | 182 |
| Disposal consideration | (380) |
| **Gain on sale** | **(198)** |

# SECTION VII: OTHER DISCLOSURES

This section includes segmental disclosures highlighting the core areas of Globalworth's operations in the office, residential and other (industrial and corporate). There were no significant transactions between segments except for management services provided by the offices segment to the residential and other (industrial) segments.

The transactions with related parties, new standards and amendments adopted by the EU in 2014 that have no impact on the Group's financial position and performance, contingencies that existed at the year end and details on significant events which occurred subsequent to the date of the financial statements..

## 27. Segmental Information

### Policy

The Board of Directors is of the opinion that the Group is engaged mainly in 3 segments of business, being offices investment property, residential investment property and other, in one geographical area, Romania. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Directors.

The Group is domiciled in Guernsey. The Group earns revenue and holds non-current assets (investment properties) in Romania only, the geographical area of its operations.

For investment property, discrete financial information is provided on a property-by-property basis (including those under construction / refurbishment) to members of executive management, which collectively comprise the Executive Directors of the Group. The information provided is net rental income 'NOI' (gross rental income less property expenses) and property valuation gains / losses. The individual properties are aggregated into segments with similar economic characteristics, such as the nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating into the office, residential and other segments.

Consequently, the Group is considered to have 3 reportable operating segments, the offices segment (acquires, develops, leases and manages offices and spaces), the residential segment (builds, acquires, develops and leases apartments) and the other segment (acquires, develops, leases and manages industrial spaces and corporate holding offices). Share based payments expense is not allocated to individual segments as underlying instruments are managed at group basis.

Segment assets and liabilities reported to the Executive management on a segmental basis are set out below:

| | **2014** | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segments** | Office €'000 | Residential €'000 | Other €'000 | Inter-segment eliminations €'000 | Total €'000 | Office €'000 | Residential €'000 | Other €'000 | Inter-segment eliminations €'000 | Total €'000 |
| Revenue | 19,686 | 2,283 | 796 | (607) | 22,158 | 8,070 | 40 | – | – | 8,110 |
| Operating expenses | (7,727) | (1,464) | (81) | 7 | (9,265) | (2,668) | (130) | (7) | – | (2,805) |
| **Segment NOI** | **11,959** | **819** | **715** | **(600)** | **12,893** | **5,402** | **(90)** | **(7)** | **–** | **5,305** |
| Administrative expenses | (2,989) | (923) | (8,342) | 600 | (11,654) | (370) | – | (1,486) | – | (1,856) |
| Acquisition costs | (1,026) | – | (1,450) | – | (2,476) | – | – | (108) | – | (108) |
| Change in fair value of investment property | 26,204 | 382 | (1,583) | – | 25,003 | 1,469 | (106) | – | – | 1,363 |
| Bargain purchase gain on acquisition of subsidiary | 32,139 | 40,461 | 7,649 | – | 80,249 | 9,377 | – | – | – | 9,377 |
| Foreign exchange gain/ (loss) | (331) | (16) | (8) | – | (355) | (77) | – | (1) | – | (78) |
| Finance cost | (9,276) | (1,754) | 2,708 | – | (8,322) | (255) | – | – | – | (255) |
| Finance Income | 229 | 31 | 67 | – | 327 | 2 | – | – | – | 2 |
| **Segment results** | **56,909** | **39,000** | **(244)** | **–** | **95,665** | **15,548** | **(196)** | **(1,602)** | **–** | **13,750** |
| Share based payment expense | – | – | (136) | – | (136) | – | – | (44) | – | (44) |
| Gain on sale of subsidiary | 198 | – | – | – | 198 | – | – | – | – | – |
| **Profit before tax** | **57,107** | **39,000** | **(380)** | **–** | **95,727** | **15,548** | **(196)** | **(1,646)** | **–** | **13,706** |

Revenues are derived from a large number of tenants and no tenant contributes more than 10% of the Group's rental revenues for the year ended 31 December 2014 (2013: One).

# SECTION VII: OTHER DISCLOSURES (CONTINUED)

## 27. Segmental Information continued

| Segments | 2014 Office €'000 | 2014 Residential €'000 | 2014 Other €'000 | 2014 Inter-segment eliminations €'000 | 2014 Total €'000 | 2013 Office €'000 | 2013 Residential €'000 | 2013 Other €'000 | 2013 Inter-segment eliminations €'000 | 2013 Total €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment non-current assets | 473,167 | 109,855 | 44,651 | – | 627,673 | 135,261 | 7,725 | – | – | 142,986 |
| **Total assets** | 499,660 | 111,830 | 59,297 | (2,091) | 668,696 | 147,982 | 8,248 | 9,318 | – | 165,548 |
| **Total liabilities** | 210,751 | 44,678 | 22,617 | (2,091) | 275,955 | 32,959 | 6,731 | 5,579 | – | 45,269 |
| **Additions to non-current assets** | 55,388 | – | 11,809 | – | 67,197 | 1,974 | – | – | – | 1,974 |

None of the Group's non-current assets are located in Guernsey except for goodwill (there are no employment benefit plan assets, deferred tax assets or rights arising under insurance contracts) recognised on business combination.

## 28. Transactions with Related Parties

The Group's related parties are Ioannis Papalekas, the Company's other Directors, as well as all companies controlled by them or under their joint control, or under significant influence by Ioannis Papalekas.

The Group's major shareholder is Mr Ioannis Papalekas ('the Founder') who at 31 December 2014 owned 42.1% (2013: 63.1%) of the Company's Ordinary shares. The remaining 57.9% (2013: 36.9%) of the Ordinary shares are held by several shareholders, see further information in the Directors' Report on page 67.

The related party transactions are set out in the table below:

| | Nature of transactions/balance amounts | Sales/(purchases) for the year/period 2014 €'000 | Sales/(purchases) for the year/period 2013 €'000 | Amounts owing (to)/from related parties at year/period ended 2014 €'000 | Amounts owing (to)/from related parties at year/period ended 2013 €'000 |
|---|---|---|---|---|---|
| ***Income statement*** | | | | | |
| BOB Development S.R.L.[1] | Disposal fees, management services and fit out works | 1,508 | 3,434 | | |
| BOC Real Property S.R.L.[1] | Disposal fees, management services and fit out works | 138 | 4,059 | | |
| | Lessor for operating lease | (63) | (63) | | |
| Netron Investment S.R.L. | Rent expenses | 3 | – | | |
| Upground Estates S.R.L[1] | Disposal fees, management services and fit out works | 404 | 202 | | |
| | Rent and utilities | (6) | (8) | | |
| Tower Center International S.R.L. | Management services and fit out works | 53 | – | | |
| Globalworth Limited | Other expenses | – | (257) | | |
| ***Balance sheet*** | | | | | |
| Bakaso Holdings S.R.L. | Other receivables | | | – | 280 |
| BOB Development S.R.L.[1] | Trade receivables | | | – | 2,228 |
| | Other receivable | | | – | 408 |
| BOC Real Property S.R.L.[1] | Trade receivables | | | – | 4,146 |
| | Other receivable | | | – | 433 |
| | Other payable | | | – | (246) |
| Upground Estates S.R.L.[1] | Trade receivables | | | – | 629 |
| | Other receivable | | | – | – |
| | Other payable | | | – | (3) |
| Ioannis Papalekas | Other payable | | | – | (250) |
| Risunam Enterprises Limited | Payable for properties acquired during the year | | | (2,345) | – |
| Malanis Holdings Limited | Payable for properties acquired during the year | | | (83) | – |

1 These represent only transactions for the pre-acquisition period incurred with the companies that were acquired by the Group during the year.

Prior to the acquisitions of subsidiaries as disclosed in note 23, the Group's major shareholder Mr Ioannis Papalekas had interest in the acquirees (ie 100% interest in Dunvant Holding Limited, which owned 22% interest of BOB Development S.R.L, BOC Real Property S.R.L and Netron Investment S.R.L, 50% interest in Tower Center International S.R.L, 22.5% interest in Upground Estates S.R.L and 99% interest in Aserat Properties S.A.

Transactions with Directors are disclosed in Directors' Report on page 67 and the remuneration of the Executive and Non-Executive Directors are disclosed in Remuneration Committee Report on page 69.

## 29. Subsequent Events

### 31 March 2015: Acquisition of Subsidiaries

The Group acquired 100% shareholding and control of the Bog'art Offices S.R.L.and Nusco Tower S.R.L., unlisted companies based in Romania. The existing strategic management function and associated processes were acquired with the properties and, as such, the Board considers these transactions the acquisition of a business, rather than an asset acquisition. These companies operate in the real estate management and development business and currently own Unicredit Building and Nusco Tower, fully completed and rented office buildings in Bucharest, respectively.

The Unicredit Building, a Class A office building located in Bucharest and entirely leased to Unicredit Tiriac Bank has been acquired for cash consideration of approximately €43 m. The asset has been independently valued at approximately €48 m and will add approximately €3.8 m to the NOI of the Company.

The Nusco Tower, a modern office building strategically located in Bucharest's new central business district ('CBD') has been acquired for cash consideration of approximately €46 m. It is approximately 91% leased to well-known multinational tenants like Oracle, Bayer and Volksbank. The asset has been independently valued at approximately €60 m and will add approximately €4.3 m to the NOI of the Company.

### Pro Forma Financial Information

The preliminary fair values of the identifiable assets and liabilities of the following new subsidiaries as at acquisition date were:

| | Bog'art Offices S.R.L €'000 | Nusco Tower S.R.L €'000 | **Total €'000** |
|---|---|---|---|
| Assets | 49,059 | 62,310 | **111,369** |
| Liabilities | 31,808 | 34,841 | **66,649** |
| **Total identifiable net assets at preliminary fair value** | 17,251 | 27,469 | **44,720** |
| Goodwill | 2,548 | – | **2,548** |
| Bargain purchase gain arising on acquisition | – | (9,161) | **(9,161)** |
| **Preliminary purchase consideration** | **19,799** | **18,308** | **38,107** |

As part of the sale and purchase agreement, the purchase consideration transferred on acquisition date may change as a result of final assessment of the fair values of the identifiable assets acquired and the liabilities assumed on acquisition date the purchase consideration transferred may increase or decrease resulting in additional outflow or inflow of the funds for the Group. The Group is currently in the process of assessing the final fair values of the identifiable assets and liabilities of above subsidiaries as at the date of acquisition.

### 31 March 2015: Securing a €55 m Short-Term Facility

The Group concluded a €55 m short-term holding company level secured debt facility ("the facility") in order to fund the equity portion of above 2 acquisitions (of Nusco Tower SRL and Bog'Art Offices SRL). The Facility has been provided by subsidiaries of funds managed by Oak Hill Advisors, L.P. and certain of its advisory affiliates ('Oak Hill') for €36,667 thousand of the facility, and York Capital Management Global Advisors, LLC, through York Global Finance Offshore BDH (Luxembourg) S.à r.l. ('York' and, together with Oak Hill, the 'Lenders') for €18,333 thousands of the facility.

### 8 June 2015: Securing a €9.1 m Long-Term Facility and Extending a c.€8 m Facility

A subsidiary of the Group, SEE, concluded a 7 year, €9.1 m loan facility in order to refinance part of the equity injected into this subsidiary for the development of the TAP-Continental property. At the same time two existing facilities of the same subsidiary with outstanding balance of c.€8 m in total were extended so as to have the same maturity date as the new 7 year €9.1 m loan facility.

### 26 June 2015: Securing an Additional €45 m Loan Facility and Extending an Existing €55 m Facility

The Group concluded an addendum to above mentioned €55 m facility agreement in order to obtain additional €45 m funding and extended the maturity of entire €100 m facility to July 2016. The proceeds from this loan will be used to fund the Company existing on going property development activities.

# SECTION VII: OTHER DISCLOSURES (CONTINUED)

### 30. New and Amended Standards

During the year the Group adopted the following new and amended standards and interpretations. The new standards and amendments had no impact on the Group's financial position and performance.

| Narrow scope amendments | Issued date | Effective date |
|---|---|---|
| IAS 32 Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | Dec-11 | Jan-14 |
| Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) | Oct-12 | Jan-14 |
| IFRIC 21 Levies | May-13 | Jan-14 |
| IFRS 11 Joint Arrangements (amendments to IAS 28) | Jun-13 | Jan-14 |
| Recoverable Amount Disclosures for Non-Financial Assets (IAS 36) | May-13 | Jan-14 |
| Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) | Jun-13 | Jan-14 |

Standards issued but not yet effective and not early adopted by the Group are presented in the table below, the management believe that there will be no significant impact (for IFRS 15 "Revenue from Contracts with Customers", the Group is in process of assessing the impact) in the Group's consolidated financial statements:

| Narrow scope amendments | Issued date | Effective date |
|---|---|---|
| Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) | Nov-13 | 1-Jul-14 |
| **Annual Improvements 2010–2012:** | | |
| IFRS 2 Share-based Payment: Definition of vesting condition | Dec-13 | Jul-14 |
| IFRS 3 Business Combination: Accounting for contingent consideration in a business combination | | |
| IFRS 8 Operating Segments: Aggregation of operating segments; Reconciliation of the total of the reportable segments' assets to the entity's assets | | |
| IFRS 13 Fair Value Measurement: Short-term receivables and payables | | |
| IAS 16 Property, Plant and Equipment: Revaluation method—proportionate restatement of accumulated depreciation | | |
| IAS 24 Related Party Disclosures: Key management personnel services | | |
| IAS 38 Intangible Assets: Revaluation method—proportionate restatement of accumulated amortisation | | |
| **Annual Improvements 2011-2013:** | | |
| IFRS 1 First-time Adoption of International Financial Reporting Standards: Meaning of 'effective IFRSs' | Dec-13 | Jul-14 |
| IFRS 3 Business Combinations: Scope exceptions for joint ventures | | |
| IFRS 13 Fair Value Measurement: Scope of paragraph 52 (portfolio exception) | | |
| IAS 40 Investment Property: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property | | |
| IFRS 14 Regulatory Deferral Accounts | Jan-14 | Jan-16 |
| IFRS 15 Revenue from Contracts with Customers | May-14 | Jan-17 |
| Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | May-14 | Jan-16 |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | May-14 | Jan-16 |
| Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | Jun-14 | Jan-16 |
| IFRS 9 Financial Instruments | Jul-14 | Jan-18 |
| Equity Method in Separate Financial Statements (Proposed amendments to IAS 27) | Aug-14 | Jan-16 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28) | Sep-14 | Jan-16 |

| Narrow scope amendments | Issued date | Effective date |
|---|---|---|
| **Annual Improvements 2012-2014:** | | |
| IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal | Sep-14 | Jan-16 |
| IFRS 7 Financial Instruments: Disclosures: Servicing contracts; Applicability of the amendments to IFRS 7 to condensed interim financial statements | | |
| IAS 19 Employee Benefits : Discount rate: regional market issue | | |
| IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report' | | |
| Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | Dec-14 | Jan-16 |
| Disclosure Initiative (Amendments to IAS 1) | Dec-14 | Jan-16 |

## 31. Contingencies

### Policy

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

### Taxation

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The Romanian tax system undergoes a consolidation process and is being harmonised with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, and related regulations these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State.

The Group believes that it has paid in due time and in full all applicable taxes, penalties and penalty interests in the applicable extent.

### Transfer Pricing

According to the applicable relevant Romanian tax legislation, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (ie based on the "arm's-length principle").

It is likely that transfer pricing reviews will be undertaken in the future in order to assess whether the transfer pricing policy observes the "arm's-length principle" and therefore no distortion exists that may affect the taxable base of the Romanian tax payer.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBALWORTH REAL ESTATE INVESTMENTS LIMITED

**Opinion on Financial Statements**
In our opinion the financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

**What we have audited**
We have audited the consolidated financial statements of Globalworth Real Estate Investments Limited and its subsidiaries (the "Group") for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditor**
As explained more fully in the Statement of Directors' responsibilities set out on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the Audit of the Financial Statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Our Assessment of Risks of Material Misstatement**
We identified the following risks that we believed would have the greatest effect on our overall audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team:

ii) Valuation of investment properties, because valuation of investment property requires significant judgement and investment property is the Group's most significant asset;
ii) Accounting for business combinations, particularly, fair value assessment of the assets transferred, the equity interests issued, bargain purchase gain and contingent consideration measurement because the Group has concluded significant transactions during the year and the accounting is complex and requires significant judgement;
iii) Going concern assessment because of the matters set out in the going concern section of note 1 to the financial statements regarding the company's loan facilities.

**Our Application of Materiality**
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatements on the audit and of uncorrected misstatements, if any, on financial statements and in forming our audit opinion.

We determined materiality for the Company to be €3.9 million, which is approximately 1% of equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 50% of materiality, namely €1.95 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €195,000 , as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

**An Overview of the Scope of our Audit**
We adopted a risk-based approach in determining our audit strategy. This approach focuses audit effort towards higher risk areas, such as management judgements and estimates and on locations that are considered significant based upon size, complexity and risk.

Our group audit scope focused on six key locations in Romania. They were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Together with the Group functions, which are also subject to audit, these locations represent the principal business units of the Group and account for 80% of the Group's total assets. All locations within the scope were subject to audit procedures and the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations. For the remaining locations, we performed other procedures, particularly relating to valuation of investment property, to ensure there were no significant risks of material misstatements in the consolidated financial statements.

In assessing the risk of material misstatement to the financial statements, our audit scope focused on the completeness and accuracy of the disclosures in the financial statements. Our response to the risk of material misstatement identified above included the following procedures:

i) We addressed the risk relating to valuation of the Group's investment properties by:
   - Agreeing the values to third party valuation reports to assess the appropriateness and suitability of the reported values;
   - Engaging our own internal valuation experts to test the valuation of all properties by assessing the reasonableness of the valuation methodologies used and the key inputs and assumptions by reference to published market data and evidence of comparable transactions; and
   - Assessing the independence and qualifications of the third party valuation experts and internal valuation experts.

ii) We addressed the risk of inappropriate accounting for the acquisitions made in the year by:
   - Reading acquisition documents and assessing whether the accounting implications have been properly assessed by management;
   - Evaluating the assumptions used by management in arriving at the fair value of the assets and liabilities acquired,
   - Assessing the methodology applied, and the significant judgements and estimates made in relation to the acquisitions, their classification and the calculation of bargain purchase gains.

iii) We addressed the going concern risk, particularly management's view that it does not give rise to a material uncertainty, by:
   - Assessing cashflow forecasts, including the available headroom, and their sensitivity to various events, particularly to downside risks of tenant failure and expense or development cost overruns;
   - Reading non-binding offer terms and other correspondence with potential finance providers, discussing the stage of development of negotiations and evaluating management's assessment that it is sufficiently likely that one of the offers will be successfully concluded so that the uncertainty is not material . We also assessed other resources available to the Group in the event that financing negotiations are unsuccessful.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

As the Company has chosen to voluntarily apply the UK Corporate Governance Code by applying the AIC Code, we are required to review:

- the directors' statement, set out on page 66, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

**Ernst & Young LLP**

Guernsey
Channel Islands
29 June 2015

# SCHEDULE OF PROPERTIES

| Property name | Location | Address | Year of completion | Acquisition date | Ownership % |
|---|---|---|---|---|---|
| **STANDING** | | | | | |
| BOB | Bucharest | 6A Dimitrie Pompeiu Blvd, Bucharest 2 | 2008 | Q1, 2014 | 100 |
| BOC | Bucharest | 3 George Constantinescu St., Bucharest 2 | 2009 | Q1, 2014 | 100 |
| City Offices | Bucharest | 2 – 4A Oltenitei Street., Bucharest 4 | 2014 | Q3 2013 | 100 |
| TCI | Bucharest | 15-17 Ion Mihalache Blvd, Bucharest 1 | 2012 | Q1, 2014 | 100 |
| Unicredit HQ | Bucharest | 1F Expozitiei Blvd, Bucharest 1 | 2012 | Q1, 2015 | 100 |
| Nusco Tower | Bucharest | 42 Pipera Road, Bucharest 2 | 2010 | Q1, 2015 | 100 |
| Green Court - Building "A" | Bucharest | 4 Gara Herastrau, Bucharest 2 | 2014 | Q3, 2015E | 100 |
| **DEVELOPMENT** | | | | | |
| Bucharest One | Bucharest | 201 Barbu Vacarescu Street, Bucharest 2 | 2015e* | Q3, 2013 | 100 |
| Gara Herastrau | Bucharest | 4B Gara Herastrau Street, Bucharest 2 | 2016e* | Q2, 2014 | 100 |
| Globalworth Campus | Bucharest | 4-6 Dimitrie Pompeiu Blvd, Bucharest 2 | 2016e* | Q1, 2014 | 100 |
| **INDUSTRIAL** | | | | | |
| Completed<br>*TAP - completed** | Timisoara | Lipovei way, Giarmata, Timis | 2011/2015e* | Q3, 2014 | 100 |
| Development<br>*TAP - (development)** | Timisoara | Lipovei way, Giarmata, Timis | 2015e* | Q3, 2014 | 100 |
| **COMMERCIAL/ RESIDENTIAL** | | | | | |
| Upground Towers | Bucharest | 9B Fabrica de Glucoza Street, Bucharest 2 | 2011 | Q1, 2014 | 100 |
| **LAND BANK - FOR FURTHER DEVELOPMENT** | | | | | |
| Luterana | Bucharest | 7-13 Luterana Street, Bucharest 1 | 2017e* | Q3, 2014 | 100 |
| Herastrau One | Bucharest | 48-50 Soseaua Nordului, Bucharest 1 | - | Q3, 2013 | 100 |

* Estimated.

| | GLA m² | Occupancy % | Contracted rent € m | WALL years | "As Is" valuation €'000 | "Completion" valuation €'000 |
|---|---|---|---|---|---|---|
| **STANDING** | | | | | | |
| | 22,391 | 86.2 | 3.3 | 5.8 | 50,500 | 50,500 |
| | 56,647 | 94.4 | 9.4 | 5.9 | 142,500 | 142,500 |
| | 35,968 | 9.0 | 0.9 | 5.9 | 65,000 | 65,000 |
| | 22,228 | 100.0 | 4.9 | 4.4 | 76,400 | 76,400 |
| | 15,500 | 100.0 | 3.8 | 7.3 | 47,600 | 47,600 |
| | 22,972 | 91.5 | 4.3 | 2.1 | 59,600 | 59,600 |
| | 19,168 | 100.0 | 3.5 | 6.7 | 45,600 | 45,600 |
| | **194,874** | **83.0** | **30** | | **487,200** | **487,200** |
| **DEVELOPMENT** | | | | | | |
| | 49,277 | 40.4 | 4.3 | 10.7 | 67,600 | 157,500 |
| | 10,737 | - | - | - | 6,580 | 26,800 |
| | 87,808 | 28.5 | 4.2 | 10.0 | 29,800 | 188,000 |
| | **147,822.0** | **34.5** | **8.5** | | **103,980.0** | **372,300.0** |
| **INDUSTRIAL** | | | | | | |
| | 39,474 | 100 | 1.9 | 13.5 | 16,700 | 19,900 |
| | 84,864 | 98.4 | 3.0 | - | 17,206 | 35,700 |
| | **124,338** | **99.2** | **4.9** | | **33,906** | **55,600** |
| **COMMERCIAL/ RESIDENTIAL** | | | | | | |
| | 59,879 | 99.0/ 44.7 | 2.3 | 9.5/ 1.0 | 108,911 | 108,911 |
| | **59,879** | **99.0/ 44.7** | **2.3** | **9.5/ 1.0** | **108,911** | **108,911** |
| **LAND BANK - FOR FURTHER DEVELOPMENT** | | | | | | |
| | - | - | - | - | 12,200 | 12,200 |
| | - | - | - | - | 5,860 | 5,860 |
| | | | | | **18,060** | **18,060** |
| | **526,913** | **-** | **-** | **-** | **752,057** | **1,042,071** |

# INVESTING POLICY

## Investing strategy

The Company's primary focus is to invest in a diversified portfolio of real estate opportunities situated in Romania and the wider South and Central Eastern European regions. The Directors believe its primary market of investment represents an attractive real estate investment proposition over the medium-to-long term.

By investing in income-generating properties, asset repositioning and development opportunities, and seeking to derive most of its income from multinational corporate groups and institutional financial tenants on long, triple net leases, the Company intends to provide investors with an attractive, risk-adjusted combination of yield and capital appreciation.

Globalworth is internally managed, with all investment advisory and portfolio management services exclusively provided by Globalworth Investment Advisers Ltd ("GIAL"), a wholly owned subsidiary of the Company. Asset management services to the Company's real estate portfolio are provided by Globalworth Asset Managers ("GAM"), another wholly-owned subsidiary of Globalworth, which employs a team of 53 professionals.

## Assets or companies in which the Company can invest

Investments made by the Company may take the form of, but are not limited to, single real estate assets, real estate portfolios and companies, joint ventures, loan portfolios and equity and debt instruments.

## Strategy through which the investing policy is achieved

The Company's strategy is to focus on acquiring underperforming or undervalued properties (due to financial distress, mismanagement or otherwise) and, through active asset management, to transform these into performing and marketable assets. Most of the current or expected income from these assets is derived from multinational corporate groups and institutional financial tenants on long, triple net and annually indexed leases.

## Investment approach

The Company assumes a proactive approach to every real estate investment in the Company's portfolio and pursues various asset management initiatives according to the most appropriate business plan for each investment. These initiatives may include: repositioning of existing assets (including re-letting, refurbishment or re-development); development of new assets, corporate restructuring and reorganisation; portfolio break-ups (for example, "wholesale" to "retail" trades); and optimising capital structure.

## Holding period for investments

The typical holding period for any investment is expected to be five to seven years. The decision to exit a particular investment will be taken by the Company's board of directors ("the Board") following the recommendation of the Investment Adviser, and may be less or greater than the expected holding period. Such a decision may result from a variety of factors, including the need to optimise the risk/return of the investment, responding to asset or market dynamics, or taking advantage of an unsolicited enquiry, but always with a view to ensuring that returns to shareholders are maximised.

## Gearing and cross holdings policies

The Company is permitted, directly or indirectly, to borrow for working capital, investment and any other purpose. Debt financing is expected to be an important component of the structuring and execution of the Company's investments, to improve returns for both developmental and income-generating assets. Borrowings may be undertaken by the Company itself or by any of its subsidiaries or project companies. The amount of leverage employed in respect of an investment is dependent on the nature of the opportunity, however, it is expected that the maximum loan-to-value for the Group will not exceed 60 per cent.

## Hedging instruments

In connection with third party debt, the Company may enter into one or a series of interest rate hedging products (including, among others, swaps, caps, collars or options) to protect the returns of the relevant investment against adverse interest rate fluctuations. Although it is anticipated that all rentals and debt finance will be in Euro, the Company may also enter into one or a series of currency hedging instruments (including, among others, swaps, caps, collars or options) to protect the returns of the relevant investment against adverse currency fluctuations.

## Investing restrictions

Unless the Board (at its absolute discretion) approves otherwise, the Company will not acquire or invest in commercial properties which do not satisfy the minimum pre-letting commitment targets and will not acquire any asset where any such acquisition would result in more than 50 per cent. of the Company's net asset value (at the time of investment) being attributable to assets located outside Romania. The Company's minimum pre-letting commitment is as follows:

- for any logistics or warehouse property, pre-letting commitments for a minimum of 60 per cent. of the gross leasable area of such property; and
- for any other commercial property, pre-letting commitments for minimum of 50 per cent. of the gross leasable area of such property.

These above restrictions will not preclude the Company making investments in short-dated cash or near-cash equivalent securities, which form part of its cash management practices.

## Nature of returns that the Company seeks to deliver to Shareholders

To support shareholder dividends, the Directors anticipate that a sustainable cash flow will be generated through stable and recurring rental income, increased where appropriate through active asset management. The determination as to whether or not to reinvest some of the proceeds of the disposal of an asset, and the declaration of dividends, is at the absolute discretion of the Board. It is intended that 90 per cent. of the Company's distributable profits represented by recurring net free cash flow will be distributed to shareholders of the Company on a semi-annual basis.

# GLOSSARY

**Accounting Return**
It is the growth in EPRA NAV plus dividend paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

**AIC Code**
The Association of Investment Companies Code of Corporate Governance.

**Bargain Purchase Gain**
Any excess between the fair value of net assets acquired and consideration paid, in accordance with IFRS 3 "Business Combination".

**BREEAM**
Building Research Establishment Assessment Method, which assesses the sustainability of the buildings against a range of criteria.

**CAPEX**
Represents the estimated Capital Expenditure to be incurred for the completion of the development projects.

**Capitalisation Rates**
Based on actual location, size and quality of the properties and taking into account market data at the valuation date.

**CBD**
Central Business District

**Commercial Properties**
Comprises the office, light-industrial and retail properties or areas of the portfolio.

**Completed Investment Property**
Completed developments consist of those properties that are in a condition which will allow the generation of cash flows from its rental.

**Completion Dates**
The date when the properties under development will be completed and ready to generate rental income after obtaining all necessary permits and approvals.

**Costs to Complete**
It represents additional costs to complete the property under development.

**Debt Service Cover Ratio ('DSCR')**
It is calculated as net operating income for the year as defined in specific loan agreements with the respective lenders, divided by the principal plus interest due over the same year.

**Discount Rates**
The discount rate is the interest rate used to discount a stream of future cash flows to their present value.

**Discounted Cash Flow Analysis ('DCF')**
Valuation method that implies income projections of the property for a discrete period of time, usually between 5-10 years. The DCF method involves the projection of a series of periodic cash flows either to an operating property or a development property. Discounted cash flow projections based on significant unobservable inputs taking into account the costs to complete and completion date.

**Earnings Per Share ('EPS')**
Profit after tax divided by the basic / diluted weighted average number of shares in issue during the year.

**EBITDA**
Earnings before interest, tax, depreciation and amortisation of other long term assets.

**EPRA**
European Public Real Estate Association: the industry body for European REITs.

**EPRA NAV Per Share**
EPRA NAV divided by the basic / diluted number of shares at the period end.

**EPRA Net Assets ('EPRA NAV')**
Balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations excluding goodwill.

**Estimated Rental Value ('ERV')**
ERV is the external valuers' opinion as to the open market rent which, on the date of valuations, could reasonably be expected to be obtained on a new letting or rent review of a property.

**Estimated Vacancy Rates**
Represent vacancy rates computed based on current and expected future market conditions after expiry of any current lease.

**EURIBOR**
The Euro Interbank Offered Rate: the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

**Financial Year**
Period starting 1 January to 31 December.

**Future Rental Cash Inflows**
Future rental cash inflows computed based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

**GLA**
Gross leasable area as of 31 December 2014.

**IFRS**
International Financial Reporting Standards as adopted by the European Union.

**Income Capitalisation Method**
Valuation method that takes into consideration the income that a property is expected to generate if leased out assuming a stabilised occupancy level, and applying to that income a capitalisation rate reflecting the investors' interest in a property of this kind.

**Investment Property Under Development**
Properties that are in development process that do not meet all the requirements to be transferred to completed investment property.

# GLOSSARY (CONTINUED)

**Investment Property Under Refurbishment**
Properties that are in the process of being refurbished and it does not meet all the requirements to be transferred to completed investment property.

**IPO**
Admission to the AIM Market of the London Stock Exchange.

**Land Bank for Further Development**
Land bought for further development but for which the Group did not obtain all the legal documentations and authorisation permits in order to start the development process.

**Like-for-like Property Value ('LTLV')**
LTLV is the change in fair value over a period of one year on the standing and underdevelopment investment properties.

**Loan to Value (LTV)**
Calculated as the total outstanding debt excluding amortised cost as at 31 December 2014 divided by the appraised value of owned assets as at 31 December 2014.

**Maintenance Costs**
Including necessary investments to maintain functionality of the property for its expected useful life.

**Net Assets Value (NAV)**
Equity attributable to shareholders of the Company and / or net assets value.

**Net Asset Value (NAV) Per Share**
Equity attributable to owners of the Company divided by the number of Ordinary shares in issue at the period end.

**Net Operating Income (NOI)**
Net operating income (being the gross operating income less operating expenses that are not paid by or rechargeable to tenants, excluding funding costs, depreciation and capital expenditure).

**Non-Controlling Interest (NCI)**
The equity in a subsidiary not attributable, directly or indirectly, to the parent.

**Occupancy Rate**
The estimated rental value of let sqm as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes spaces under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date).

**Passing Rent**
It is the gross rent, less any ground rent payable under the head leases.

**Property Valuation "As Is"**
Represents the appraised value for standing and operational properties (owned and announced), properties under development and land, performed by Coldwell Banker as at 31 December 2014.

**Property Valuation on "Completion"**
Represents the appraised value for standing and operational properties (owned and announced), properties under development and land, performed by Coldwell Banker as at 31 December 2014, assuming that the properties under development were completed as of the date of valuation. The estimated appraised values on completion are subject to risks and uncertainties that could cause actual outcomes to differ materially from those expressed or implied by the relevant statements; they are not guarantees of future performance and there can be no assurance that these estimated values on completion can or will be achieved.

**Residual Value Method**
Valuation method that estimated the difference between the market value of the building upon completion that can be built on the plot of land and all the building's construction costs, as well as the developer's profit. This method relies on the contribution concept by estimating from the future income of the building, the amount that can be distributed to the land.

**Sales Comparison Approach**
Valuation method that compares the subject property with quoted prices of similar properties in the same or similar location.

**SEE**
South-Eastern Europe, in alphabetical order, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Kosovo, Moldova, Macedonia, Montenegro, Romania, Serbia, Slovenia and Turkey.

**SPA**
Share sale purchase agreement.

**SQM**
Square metres.

**Stabilised Vacancy**
It represents the reasonably estimated vacancy rate registered by the building with the proper marketing, management and maintenance conditions.

**Terminal Value**
The value of an asset at a specified, future valuation date, taking into account factors such as discount rates and the current value of the asset, and assuming a stable growth rate. Terminal value refers to the value of an entire property at a specified future valuation date. The common approach used to evaluate the terminal value of an asset is the "exit approach."

**The Company or the Group**
Globalworth Real Estate Investments Limited and its subsidiaries.

**WALL**
Represents the remaining weighted average lease length of the contracted leases as of 31 December 2014, until the lease contracts full expiration.

**Weighted Average Interest Rate**
The average of the interest rate charged on the Group's loans, weighted by the relative outstanding balance of each loan at year-end.

# COMPANY DIRECTORY

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