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# **GLOBALWORTH REAL ESTATE INVESTMENTS LIMITED**

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## **INTERIM REPORT AND UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2014**

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## CHAIRMAN'S STATEMENT

During the first half of the 2014 year Globalworth has made excellent progress in a number of areas.

Firstly, by acquiring a target portfolio of eight high quality real estate assets in Bucharest and an asset manager platform, the Company successfully completed the first phase of its investment plan aimed at creating shareholder value through the acquisition of high quality assets (existing or to be developed) in its principal target market of Romania at attractive discounts to their market value at the time of the relevant acquisition. These assets are, or are intended to be predominantly leased to multinationals or financial institutions on long, Euro-denominated, annually indexed triple-net leases<sup>1</sup>.

In addition, the Company successfully raised a €65 million short term bridge debt financing from UBS in February 2014 and a total equity of €144 million<sup>2</sup> from a range of investors, including York Capital, Oak Hill Advisors and Ioannis Papalekas (the "Founder"), in an equity capital raising which was completed in April 2014.

Following the completion of the first phase of our investment program, we continued to make significant progress towards closing a number of additional transactions. The first one of these was the successful acquisition of several land plots at a prime location in Bucharest's new Central Business District ("CBD"), at a significant discount to their combined market value at the time of acquisition. The land plots are located next to the Company's BOB/BOC/Upground Towers and over and adjacent to the entrance to the Pipera metro station, which covers the daily transportation needs of thousands of people working at premises located in the new CBD. These land plots will be used for the development of Globalworth Campus, the Company's most significant development project to date.

In addition, in September 2014, the Company successfully closed the acquisition of the TAP property, a light industrial park located in Timisoara, Romania's second largest city. TAP is already fully leased (completed property) or pre-leased (property currently under development) on long term contracts to multinational automotive parts manufacturers Valeo and Continental, respectively.

Moreover, it is also worth noting that during the first quarter of year 2014, amongst other lease agreements the Company signed with high profile multinational companies, a 10 year lease contract was concluded with Vodafone for c.16,000 sqm in Bucharest One, the largest letting transaction in 2014 to date and one of the largest ever in the Bucharest office market. Following receipt of all relevant permits, construction work in Bucharest One is progressing very well and the Company is on track to deliver the asset at the end of next year.

Globalworth in its short period of existence has already established itself as a leading real estate investor in Romania, and we believe that with further high quality investments that are expected to be able to be completed in the near term, we will further enhance our leading position in the Romanian market.

We look forward to an equally productive and successful remainder of the year 2014.

Geoff Miller  
Chairman  
24 September 2014

<sup>1</sup> The structure of this type of lease requires the lessee to pay for service charges, real estate taxes, building insurance and maintenance.

<sup>2</sup> This amount includes the €65 million UBS loan acquired by York Capital and Oak Hill Advisors, which mandatorily converts into equity by 18 December 2014 at €5.90 per Ordinary Share, the issue price of the secondary equity fundraising as announced on 23 April 2014.

## CHIEF EXECUTIVE OFFICER'S STATEMENT

The first six months of the year 2014 was a busy period for the Group, achieving the following key objectives:

- Completed the acquisition of the remaining assets of the portfolio described in the Company's admission document;
- Achieved important portfolio and asset management milestones in the leasing of assets, obtaining permits and obtaining new or extending existing debt facilities;
- Raised new equity capital; and
- Identified new potential acquisitions and progressed with the required due diligence and negotiations with the sellers.

I am pleased to provide below details on the achievements in each of the above mentioned areas.

### Property acquisitions

During the first quarter of year 2014 we completed the acquisitions of TCI, BOB, BOC and Upground Towers properties, which formed part of the Initial Portfolio and Founder Pipeline, as described in the IPO admission document, hence completing the first phase of the Group's investment programme.

The Open Market Value (OMV) of our real estate asset portfolio as of 30 June 2014 of €521.3 million has on an overall basis increased in value by €400 million, as compared to the value as of 31 December 2013 of €121.3 million, mainly as a result of the successful acquisition of the above mentioned properties in Q1 2014, and of several land plots with surface area of c.30,000 sqm in total at the new CBD of Bucharest, on which we plan to develop the Group's most significant new asset, Globalworth Campus, a predominantly office development.

Moreover, in September 2014 we closed the acquisition of the TAP property, the most significant industrial park in the Timisoara area, which is already leased on a long term lease to Valeo (completed part of the property) and on a long term pre-lease to Continental (part of the property currently under development).

### Portfolio and Asset Management

On the asset and portfolio management side, the Company and the asset management team residing within Globalworth Asset Managers S.R.L. ("GAM" or the "Asset Manager") have continued to achieve a number of significant milestones, as follows:

#### Property leases

We have signed some of the most important leasing transactions in the Bucharest market, notably a 10 year lease contract was concluded with Vodafone for c.16,000 sqm in Bucharest One, the largest letting transaction in 2014 to date and one of the largest ever in the Bucharest office market. In addition, during the first half of year 2014 we have agreed Stefanini's relocation (from BOC) and further take-up for a total of 6,200 sqm for c.7 years and concluded negotiations with a new tenant in BOC, Dolce Sport (Romtelecom) for 2,000 sqm. For Globalworth Campus, the Company has won the tender to sign a new 10 year lease agreement with a major multinational for circa 25,000 sqm gross lettable area ("GLA"). The lease agreement is expected to be concluded within September 2014.

#### Building permits

The most important highlight was obtaining the necessary permits to start the construction of Bucharest One, a significant part of which has been pre-leased to Vodafone, as explained above. Bucharest One will be the most iconic office tower in Bucharest and is expected to be a significant contributor to the Company's future NOI and capital appreciation.

## Property under development

Significant progress has been made with the refurbishment works on the interior space of City Offices and its redevelopment from a shopping mall into office space. The refurbishment works will be completed by 2014 year end. In addition, the construction work in Bucharest One is progressing on schedule, with the foundations and basement levels already completed. The completion of the construction of Bucharest One, as originally planned, is expected to take place at the end of the 2015 year.

## **Debt Financing**

We continued to have a moderate Loan to Value ratio at 30 June 2014 of 33.4 per cent, compared to 16.9 per cent at 31 December 2013 and the Group's target of 60 per cent.

Significant achievements during the first half of year 2014 in this area include the securing of a €65 million short-term bridge facility with UBS which has enabled the Company to complete the acquisitions of BOB, BOC and TCI, which were concluded by the end of March 2014. In April 2014, and as part of the Company's c.€144 million capital raising (see below), the UBS facility was transferred to York Capital and Oak Hill Advisors and will convert on a mandatory basis to equity (at €5.90 per Ordinary Share) by 18 December 2014.

In addition, we succeeded in extending the maturities of a total of €162 million of loan facilities for the financing of the BOB/BOC properties to 2018 and for Upground Towers to 2016.

It is also worth noting that we are in advanced negotiations regarding a financing agreement with a major European financial institution for a €30 million long term debt financing of TCI, which is currently debt free.

## **Equity Capital Raising**

In April 2014 we successfully raised €144 million of new equity capital. Of the funds raised, c.€79 million was raised by way of an equity issue of new ordinary shares of no par value in the Company ("Ordinary Shares") at €5.90 per Ordinary Share. In addition, the transfer of the Company's recently signed €65 million facility from UBS to York Capital and Oak Hill Advisors was completed, which is mandatorily convertible into equity capital, at €5.90 per Ordinary Share by 18 December 2014.

## **New property acquisitions**

In addition to the current portfolio, we have made and continue to make significant progress with the required due diligence and / or negotiations with the sellers of a number of other assets.

## **Outlook**

With the funds raised from the recent second equity capital raising the Company is well placed to acquire a number of very attractive, pre-identified investment opportunities in high quality assets in the short term and to progress with our development projects. We are also optimistic about the future prospects of the Romanian economy and real estate market, which we believe will continue to grow.

Ioannis Papalekas  
Chief Executive Officer  
24 September 2014

## PORTFOLIO REVIEW

We provide in the table below a selection of key statistics of each of the Group's properties as of September 2014:

Asset Name	Status	Investment Cost YTD <sup>1</sup> (€ million)	Remaining Development Cost (€ million)	Acquisition/ Development Cost (€ million)	NOI H1 2014 (€ million)	NOI Current / Contracted <sup>2</sup> (€ million)	GLA (sqm)	30 June 2014 Value (€ million)	Remaining lease length to expiration (years)	Contracted occupancy <sup>2</sup>	Parking indoor/ outdoor
BOB	Completed	42.0	-	42.0	0.48	3.3	22,391	49.7	5.8	86.5%	- / 161
BOC	Completed	110.0	-	110.0	2.29	9.7	57,607	140.3	6.4	95.6%	842 / 53
Upground Towers	Completed	58.0	-	58.0	0.22	2.6	67,493	109.3	10.2	95.0% (Retail) / 51.9% (Residential)	563 / 55
TCI	Completed	58.0	-	58.0	1.20	4.7	22,228	76.7	4.9	97.9%	130 / 74
City Offices	Completed/ Redevelopment	40.7	2.8	43.5	0.05	2.0	32,024	56.6	7.2	16.4%	1,019 / -
Herastrau One	Development	6.0	14.0	20.0	-	-	12,166	6.1	-	-	132 / -
Globalworth Campus <sup>4</sup>	Development	17.8	80.3	98.0	-	4.2	105,000	29.1	10.0	23.8%	1,500 in total
Floreasca One	Development	4.1	2.8	6.9	-	-	4,872	3.2	-	-	36 in total
Bucharest One	Development	36.7	63.3	100.0	(0.36)	5.3	53,923	50.3	9.8	37%	528 / 219
<b>TOTAL PORTFOLIO AS AT 30 JUNE 2014</b>		<b>373.3</b>	<b>163.2</b>	<b>536.4</b>	<b>3.88</b>	<b>31.8</b>	<b>377,704</b>	<b>521.3</b>	-	-	-
TAP <sup>3</sup>	Completed/ Development	18.3	16.6	34.8	-	3.0	72,835	21.0	13.0	100.0%	Outdoor area leased / used as parking
<b>TOTAL</b>		<b>391.6</b>	<b>179.8</b>	<b>571.2</b>	<b>3.88</b>	<b>34.8</b>	<b>450,539</b>	<b>542.3</b>	-	-	-

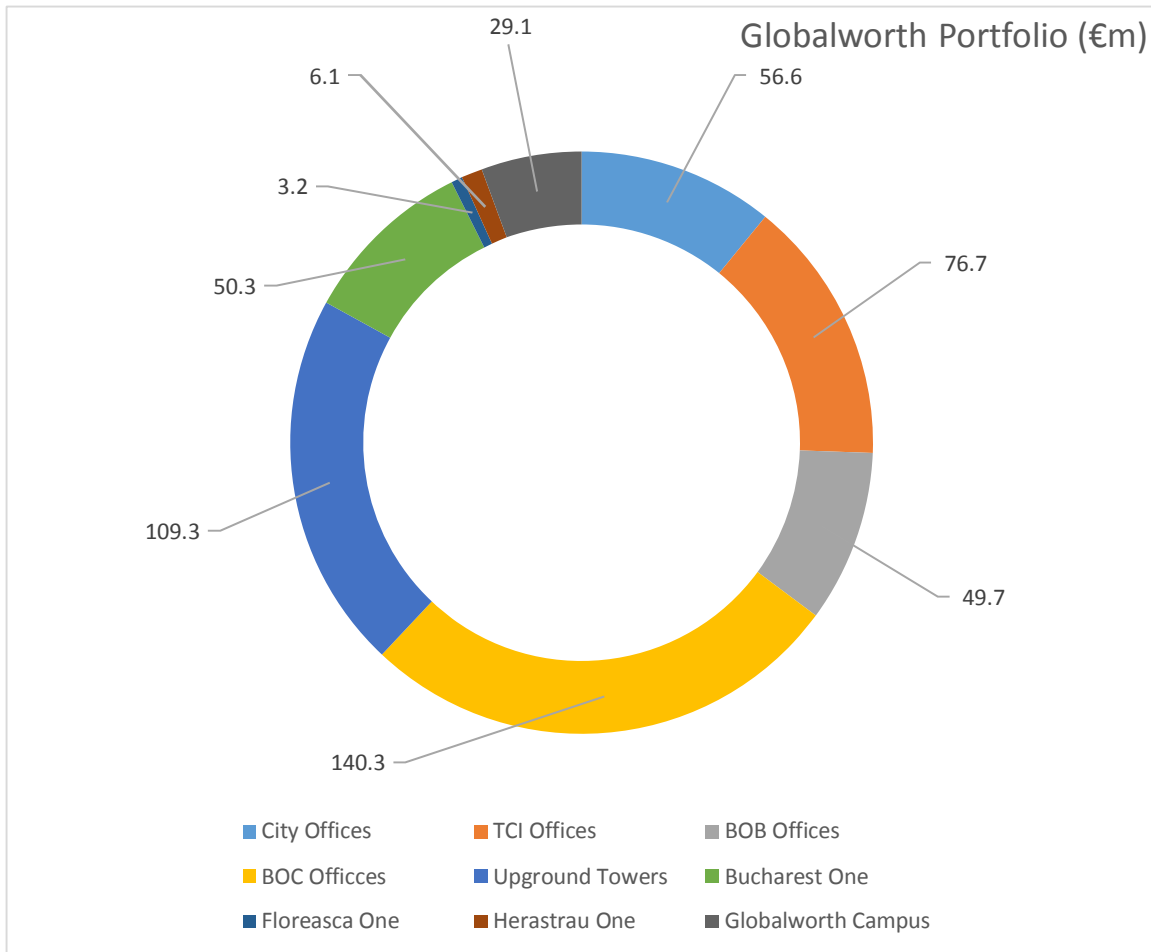
1. Investment Cost YTD represents the total acquisition cost and subsequent capital expenditure spent by Globalworth Group on each investment.

2. Current / Contracted NOI as of September 2014 includes the development of Bucharest One which is expected to be completed in Q1/2016 as well as c.€1.6 million and €1.1 million of pre-lettings associated with the development of TAP and City offices which are expected to be delivered in Q1/2015 and Q4/2014, respectively.

3. Remaining development for TAP includes c.€10.8 million relating to the construction cost for the light industrial premises leased to Continental to be delivered in Q1 2015 and the costs for the second phase of development of Valeo and Continental.

4. For Globalworth Campus, the Company has won the tender to sign a new 10 year lease agreement with a major multinational for circa 25,000 sqm GLA. The lease agreement is expected to be concluded within September 2014.

Globalworth's portfolio valued at €521.3 million as of 30 June 2014





The majority of Globalworth's portfolio is located in the new CBD of Bucharest. The portfolio provides top quality assets that are in high demand in this sought-after district. The new CBD is characterised by attractive, modern, recent office stock, benefitting from the immediate proximity to infrastructure (metro, tram, bus, road) as well as facing main streets, proximity to both national and international airports, natural attractions (parks, lakes), affluent residential clusters, and a new fully-leased mall create an environment conducive to a fast growing business centre.



## Acquisitions during the period

### 1. Tower Center International (“TCI”)

TCI is a landmark class A office building completed in 2012 and located in Bucharest's Central Business District at Victoriei Square. The property was acquired on 18 February 2014 through the acquisition of the share capital of Tower Center International S.R.L. for €26.4 million. It includes tenants such as EY, Hidroelectrica, Deutsche Bank, the Romanian Ministry of European Funds and Cegeka.



<b>Location</b>	Victoria square, Bucharest
<b>Main Use</b>	Office
<b>Status</b>	Completed
<b>Year of completion</b>	2012
<b>GLA/GBA</b>	22,228 sqm / 32,948 sqm
<b>Parking spaces</b>	204 (130 indoor)
<b>Current Value (at 30 June 2014)</b>	€76.7 million
<b>Contracted occupancy (as of September 2014)</b>	97.9%

**2. Upground Towers (“Upground”)**

Upground is a modern residential complex located in the northern part of Bucharest next to the BOB and BOC office buildings. It was acquired on 20 March 2014 through the acquisition of the share capital of Upground Estates S.R.L.



<b>Location</b>	Dimitrie Pompeiu Boulevard, Bucharest (new CBD)
<b>Main Use</b>	Residential & Commercial
<b>Status</b>	Completed
<b>Year of completion</b>	2010
<b>GLA/GBA</b>	67,493 sqm / 94,662 sqm
<b>Parking spaces</b>	618 (563 indoor)
<b>Current Value (at 30 June 2014)</b>	€101.5 million
<b>Contracted occupancy (as of September 2014)</b>	95.0% (Retail) / 51.9% (Residential)

### 3. BOB & BOC

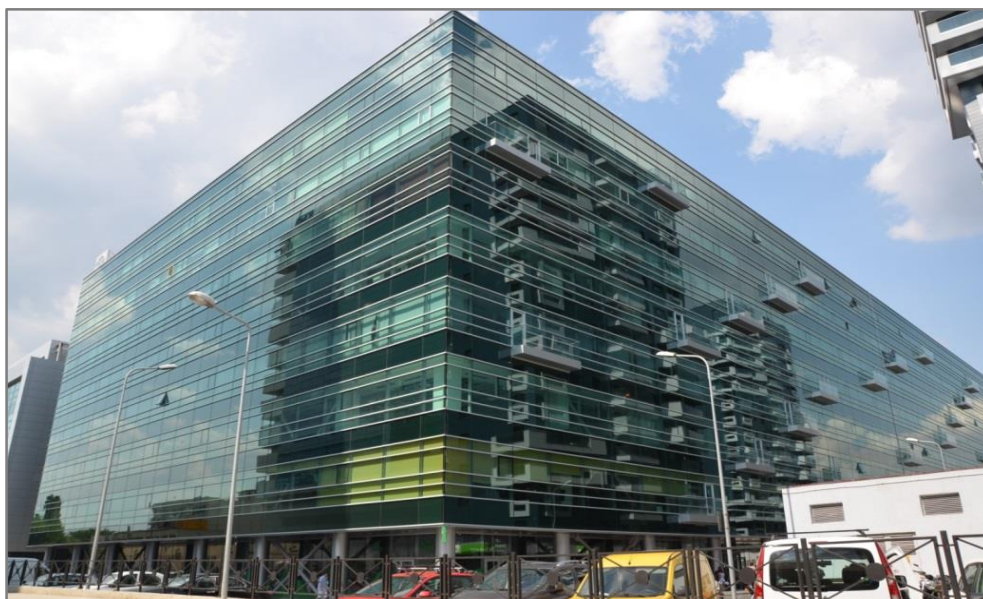
BOB & BOC are both modern class A office buildings located in the Northern part of Bucharest. Completion of the acquisition of the share capital of the corporate entities that own BOB and BOC occurred on 21 March 2014.

#### 3.1. BOB



<b>Location</b>	Dimitrie Pompeiu Boulevard, Bucharest (new CBD)
<b>Main Use</b>	Office
<b>Status</b>	Completed
<b>Year of completion</b>	2008
<b>GLA/GBA</b>	22,391 sqm / 25,040 sqm
<b>Parking spaces</b>	161
<b>Current Value (at 30 June 2014)</b>	€49.7 million
<b>Contracted occupancy (as of September 2014)</b>	86.5%

3.2. BOC



<b>Location</b>	Dimitrie Pompeiu Boulevard, Bucharest (new CBD)
<b>Main Use</b>	Office
<b>Status</b>	Completed
<b>Year of completion</b>	2009
<b>GLA/GBA</b>	57,607 sqm / 84,801 sqm
<b>Parking spaces</b>	895 (842 indoor)
<b>Current Value (at 30 June 2014)</b>	€140.3 million
<b>Contracted occupancy (as of September 2014)</b>	95.6%

**4. Globalworth Campus**

On 20 June 2014, the Company announced the acquisition of various land plots, circa 30,000 square meters in total, which are located next to the Company's BOB/BOC/Upground complex. The total purchase price paid is c. €14.3 million. The land plots are destined for a commercial (office and retail) development “Globalworth Campus”. The Globalworth Campus project is expected to be upon completion one of the largest business parks in Romania, offering 105,000 sqm of gross lettable area across three towers and approximately 1,500 parking spaces.



<b>Location</b>	Dimitrie Pompeiu Boulevard, Bucharest (new CBD)
<b>Main Use</b>	Office
<b>Status</b>	Development
<b>Year of completion (estimated)</b>	2016
<b>GLA</b>	105,000 sqm
<b>Parking spaces</b>	1,500
<b>Current Value (at 30 June 2014)</b>	€29.1 million
<b>Contracted occupancy<sup>1</sup> (as of September 2014)</b>	23.8%

1. For Globalworth Campus, the Company has won the tender to sign a new 10 year lease agreement with a major multinational for circa 25,000 sqm GLA. The lease agreement is expected to be concluded within September 2014.

## Acquisition subsequent to 30 June 2014

### Timisoara Airport Park (“TAP”)

TAP is a light industrial complex located to the northeast of Timisoara close to the Traian Vuia International Airport and the western border of the country. Timisoara is the second largest city in Romania by population, situated in the western part of the country, and represents an important social, economic and educational centre. The close proximity of Timisoara to the western border with Hungary and Serbia has positioned it as one of the main logistics sub-markets of Romania, attracting a number of international companies, especially in the automotive and IT&T sectors.

TAP’s acquisition was completed in September 2014 through the acquisition of the share capital of SEE Exclusive Development S.A. The TAP complex is partially developed, with Valeo, a multinational corporate operating in the automotive industry, and Continental, the German car parts and tyre manufacturer, having let or pre-let c.72,835 sqm of light industrial space, while both companies have the option to develop additional facilities in the property.

Assuming the exercise of these options, TAP will offer a total GLA of c. 113,340 sqm making it one of the largest industrial parks in the country. Valeo currently occupies c.27,474 sqm of light industrial space in the property which was completed in 2011, while Continental has pre-let a c.45,361 sqm of light industrial space which is expected to be delivered in March 2015.

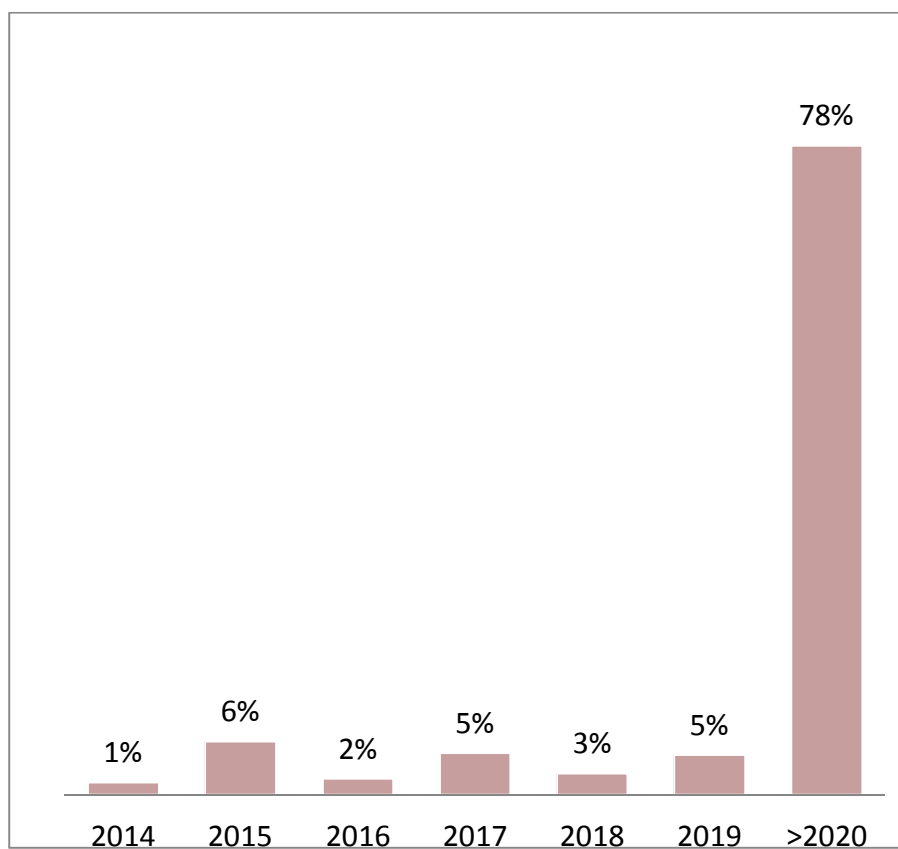


<b>Location</b>	North-East part of Timisoara
<b>Main Use</b>	Industrial
<b>Status</b>	Completed/Under development
<b>Year of completion (existing)</b>	2011
<b>Year of completion (development)</b>	2015
<b>GLA</b>	72,835 sqm
<b>Parking spaces</b>	Outdoor parking area
<b>Current Value (at 30 June 2014)</b>	€21 million
<b>Contracted occupancy (as of September 2014)</b>	100%

**Leasing Activity during the period (as of September 2014)**

Asset	Lease status
1. <b>BOC</b>	<ul style="list-style-type: none"> <li>HP rented additional space of 1,237 sqm and Dolce Sport (Romtelecom) another 2,000 sqm</li> </ul>
2. <b>BOB</b>	<ul style="list-style-type: none"> <li>Stefanini moved to BOB from BOC and expanded its leased premises for a total of 6,200 sqm for c.7 years</li> <li>BRD rented a 145 sqm space located at the ground floor, to be used as a bank branch</li> <li>Clearanswer rented 1,234 sqm of office space and 4 parking units</li> </ul>
3. <b>TCI Tower</b>	<ul style="list-style-type: none"> <li>Ministry of European Funds extended the area occupied by an additional 3,505 sqm</li> <li>Huawei expanded the area occupied by another 602 sqm</li> </ul>
4. <b>City Offices</b>	<ul style="list-style-type: none"> <li>Continuing negotiations regarding leasing of the office space. Currently in advanced stages of negotiations with several high profile multinational tenants</li> </ul>
5. <b>Bucharest One</b>	<ul style="list-style-type: none"> <li>Continuing negotiations regarding pre-leasing, with approximately 37% pre let after the signing in February 2014 of a lease agreement with Vodafone for c.15,800 sqm for a 10 year period, Huawei for 2,500 sqm for a 5 year period, and Mega Image for 1,635 sqm for a 20 year period</li> </ul>
6. <b>Globalworth Campus</b>	<ul style="list-style-type: none"> <li>Won the tender to sign a new 10 year lease agreement with a major multinational for circa 25,000 sqm GLA. The lease agreement is expected to be concluded within September 2014.</li> </ul>
7. <b>Upground Towers</b>	<ul style="list-style-type: none"> <li>Total number of residential units currently rented are 165. Huawei is the largest tenant with 71 apartments in the complex, followed by Rocazare (serviced apartments) with 31. The occupancy of the retail space is almost at 100%.</li> </ul>
8. <b>Herastrau One</b>	<ul style="list-style-type: none"> <li>Currently under negotiation with potential tenants</li> </ul>

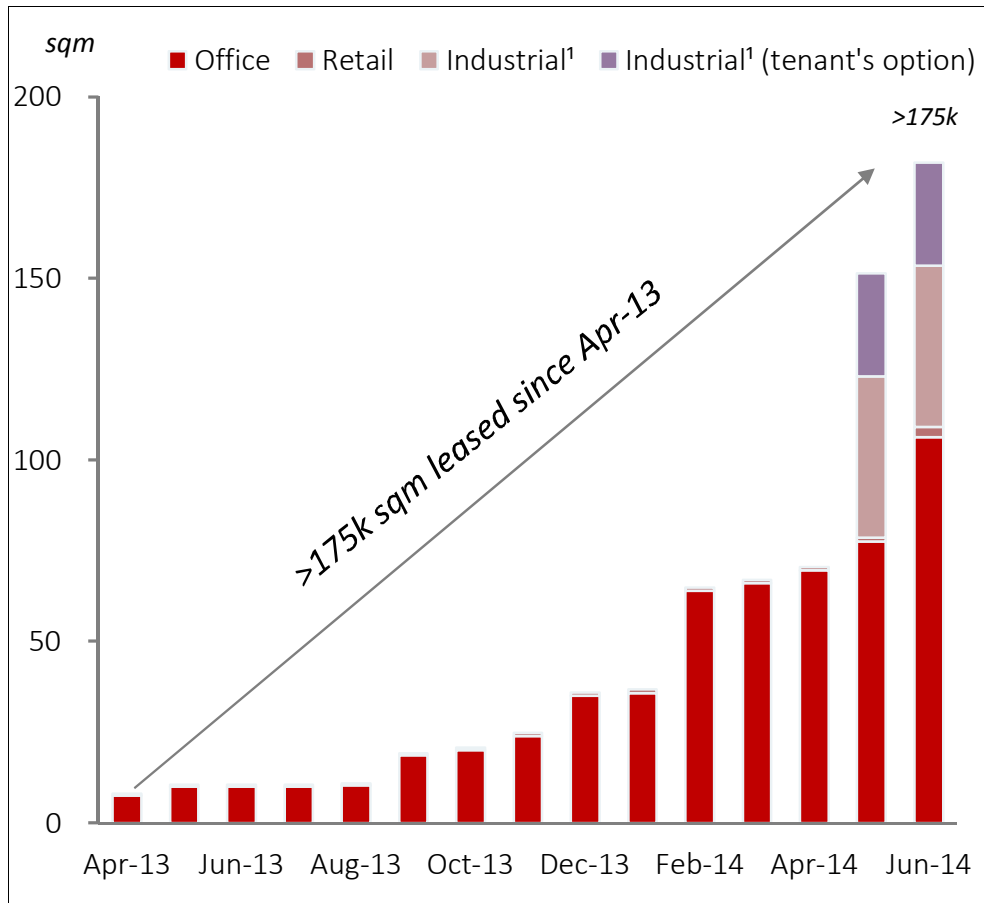
Year of expiry of current lease agreements



Note: Lease expiry based on contracted commercial rental income and calculated on full lease life, not on first break date.



Globalworth's cumulative leased space by month



Note: <sup>1</sup> Include expansions that tenants of the TAP asset are entitled to exercise under their lease agreements

## Development

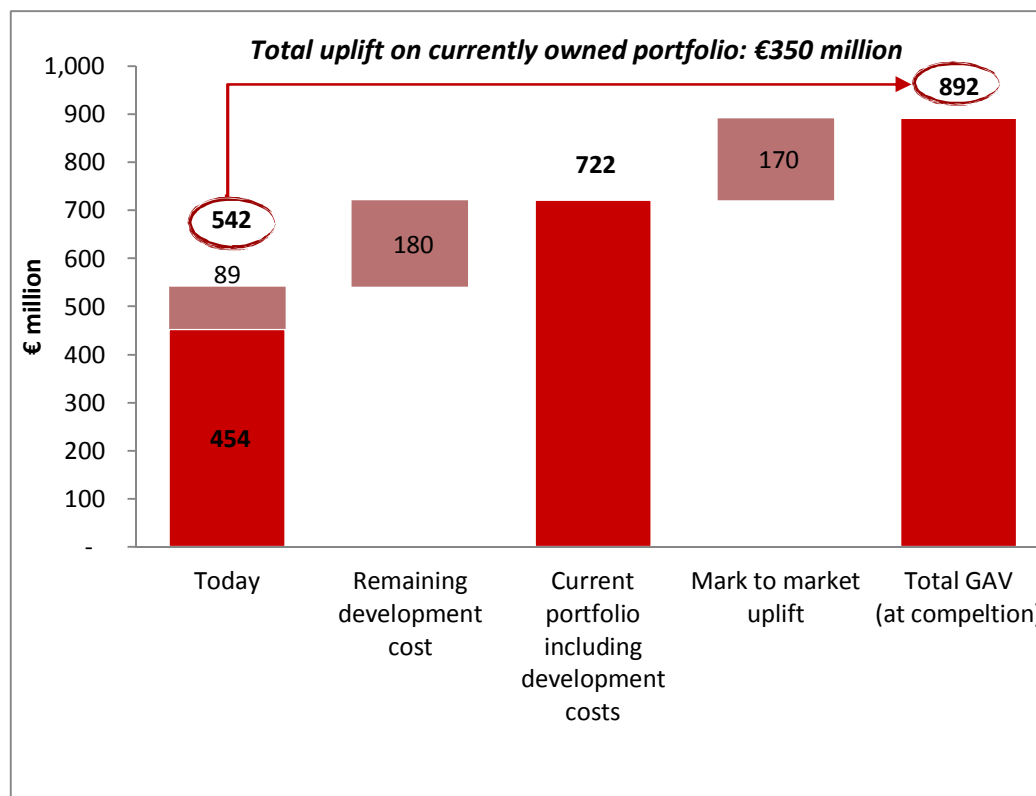
**City Offices** - We are progressing with the redevelopment from a retail mall to a mixed use office, retail and parking asset. The fit-out works in the interior of the building and the redevelopment are expected to be completed by the end of 2014.

**Bucharest One** - The construction of the foundations and basement levels has been completed and the final permit for the construction of the above ground level floors has been obtained.

**Globalworth Campus** - The land plots that were acquired at the new CBD in Bucharest in June 2014 will form part of the Globalworth Campus development. The process of obtaining the required permits enabling the commencement of construction works are in an advanced stage.

**Herastrau One** - The development remains at the conceptual phase pending finalisation of discussions and negotiations with potential tenants for pre-leasing a major part of the office space prior to deciding on the actual date of commencement of the construction works.

### Globalworth portfolio expected value on development finalisation is c. €892 million



- Notes: 1. Valuation as of today of c. €542 million includes property held at 30 June 2014 (valued at c.€521 million as of 30 June 2014) as well as TAP property acquired subsequent to 30 June 2014 (valued at €21 million as of 30 June 2014).  
 2. The expected value on development finalisation for the properties currently under development, presented in the above chart, has been based on the valuations performed by Coldwell Banker as of 30 June 2014.

### Financing

During the first half of year 2014, in May 2014, we have repaid the Marfin facility of €2.9 million, as well as the Unicredit facility of € 3.2 million, prior to its expiry in November 2014.

On TCI we are in advanced negotiations regarding a financing agreement with a major European financial institution for a €30 million long term debt financing of TCI, which is currently debt free.

The short term €65 million facility with UBS that was secured in February 2014 was transferred from UBS to York Capital and Oak Hill Advisors as part of the equity capital fundraising in April 2014. This facility will mandatorily convert (together with fees and accrued interest thereon) to Ordinary Shares by 18 December 2014 at €5.90 per Ordinary Share, and accordingly has now been classified as unpaid share capital, under equity.

We continue to progress with negotiations regarding securing additional debt facilities from international financial institutions for our properties in accordance with our investing policy to use debt financing to improve returns on investments for both developmental and income-generating assets.

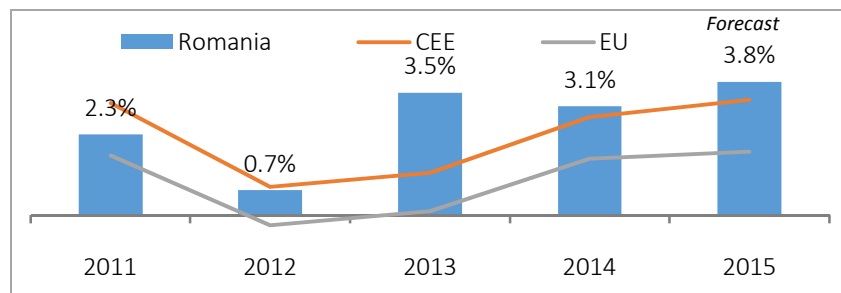
Dimitris Raptis  
Deputy Chief Executive Officer & Chief Investment Officer  
24 September 2014

## ROMANIAN MARKET OVERVIEW

### Economic Overview

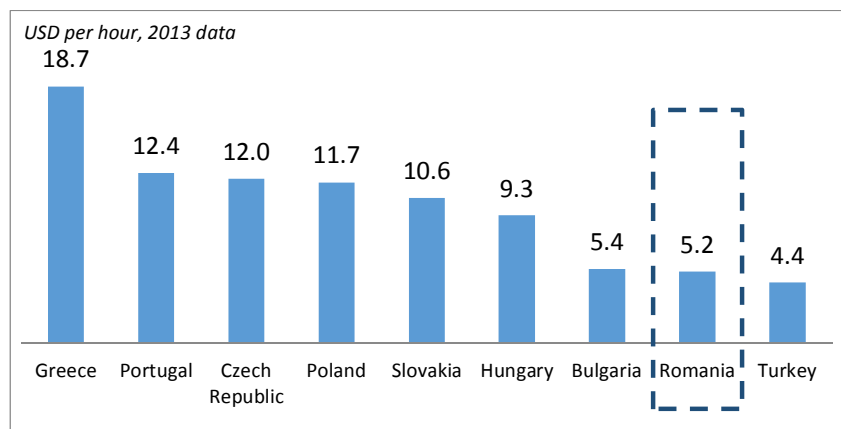
#### Key Highlights

GDP growth above the CEE average



Source: Economist Intelligence Unit

Romania has one of the lowest cost of labour in the EU



Source: Economist Intelligence Unit

High quality infrastructure

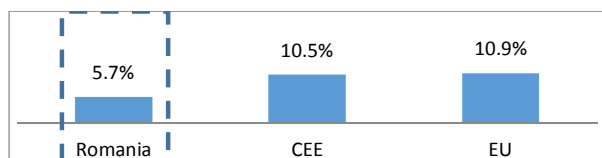
- Increasing highway network
- Modern metro system in Bucharest

Modern regulation

- Further improved certainty of property rights
- Further protection of landlord

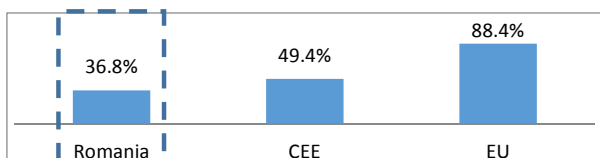
## ROMANIAN MARKET OVERVIEW

Low unemployment rate (2013)



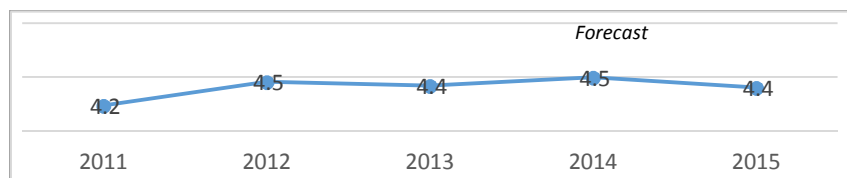
Source: Economist Intelligence Unit

Low Public debt / GDP (2013)



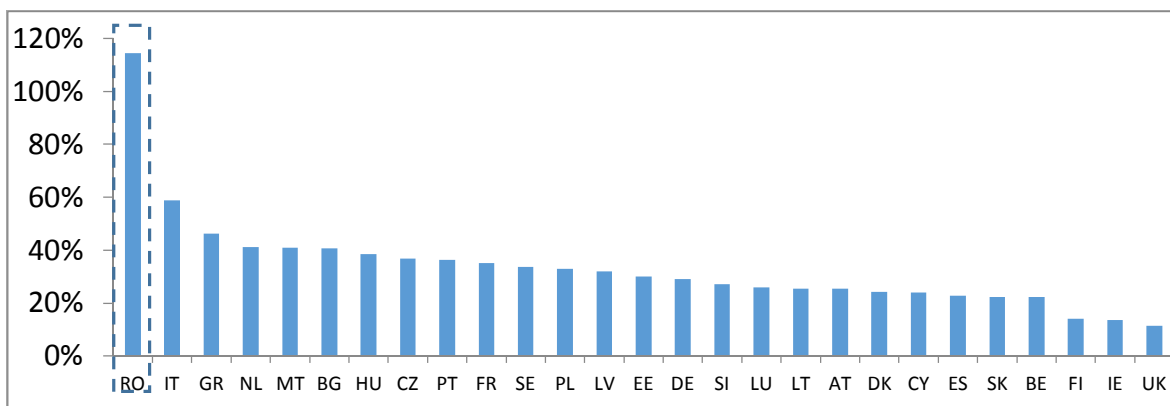
Source: Economist Intelligence Unit

Stable currency (EUR/RON)



Source: Economist Intelligence Unit

A comprehensive program of subsidies from both the national government and the EU provides substantial support to Foreign Direct Investment (FDI) in Romania. A successful track record of absorption of funds positions Romania as a top FDI destination.



Source: Ministry of European Funds of Romania; EIU

Significant new funding is planned for 2014 – 2020 → €43 billion of funding with multiple objectives. Long term commitment to the country is a pre-requisite to access the subsidies.

## ROMANIAN MARKET OVERVIEW

### Real Estate Market Overview

#### Key Highlights

##### Office:

- The office market remained the most dynamic segment of the real estate sector in H1 2014 with a lot of activity on the letting side and many new companies opening large offices in Bucharest;
- The demand for office spaces reached 128,500 sqm which outstripped again the new deliveries of 79,000 sqm (for the seventh consecutive half yearly period)
- Allianz (AMOS), Lenovo, Kellogg's are new names that entered on the market;

##### Retail:

- The consumption increased during H1 2014 and there are positive signs that the recovery will continue;
- No new projects were delivered on the market in H1 2014;
- Supermarkets and discount stores continued the aggressive expansion with Mega Image, Lidl and Profi being the most active;

##### Industrial:

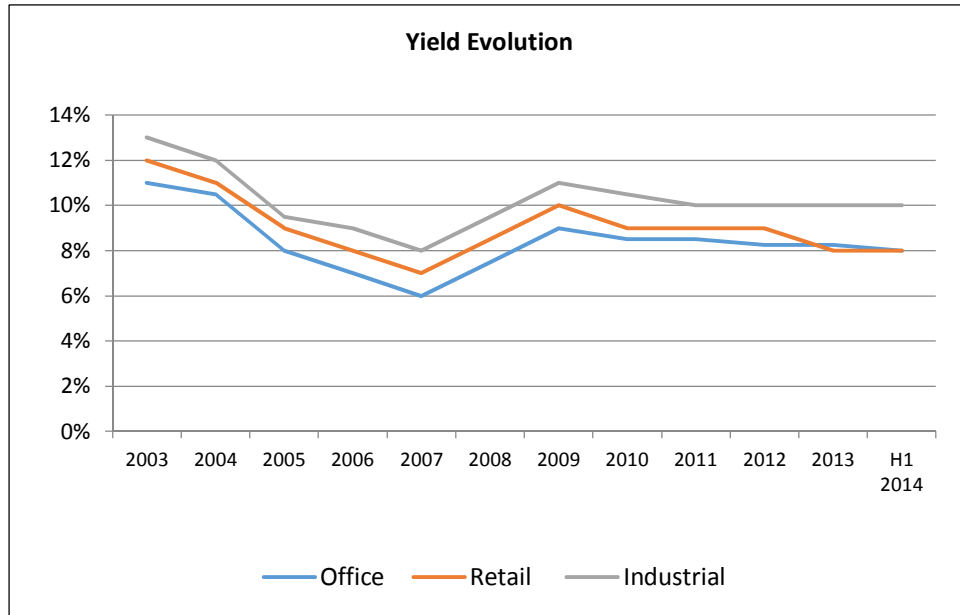
- No new projects delivered on the Bucharest market in H1 2014;
- Automotive companies continued to expand in the country with the largest facilities being inaugurated by Bosch in Cluj and Lear Corporation in Iasi;

##### Residential:

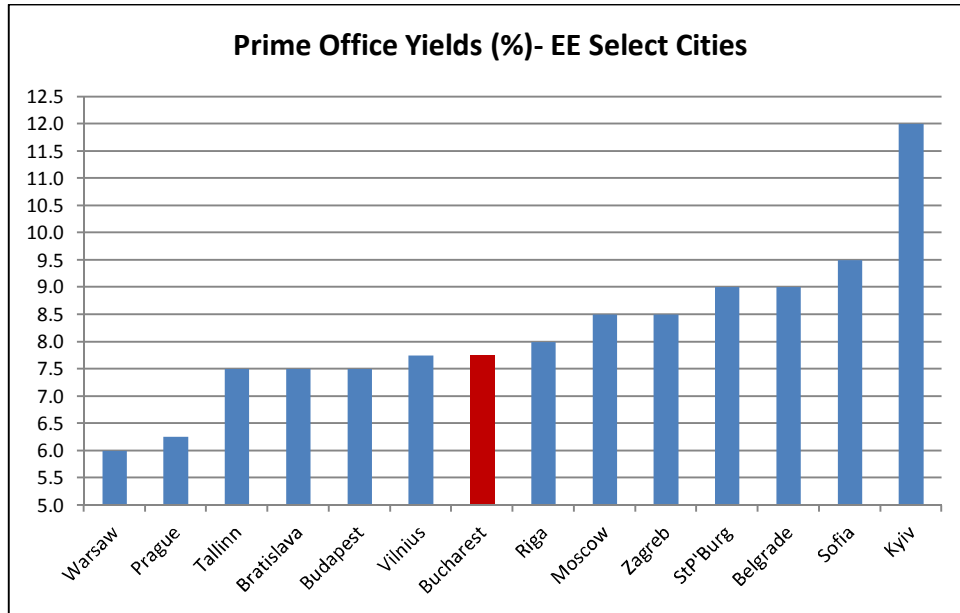
- The Bucharest stock is old and there will be a lot of opportunities in the future;
- The demand for residential units saw an increase supported by the state financing programs: "First House" and "New House";
- Developers started to acquire plots for future projects.

#### Investment

- H1 2014 confirmed the shift towards a more dynamic real estate investment market. The investment volume in H1 2014 was €336 million which marks an increase compared to the entire 2013
- Bucharest is the principal real estate market in Romania. Secondary cities such as Timisoara, Iasi and Cluj Napoca have started to attract the interest of potential investors
- Market is characterized by the availability of product in all asset classes. Office buildings located in the New CBD but also in Victoriei Square and Charles de Gaulle have attracted the most investor interest
- Yields have slightly compressed (to 8% for prime offices) but there is still a positive yield gap of 200-250 base points between Romania and more active markets such as Poland and the Czech Republic
- Positive market outlook driven by improved macroeconomic indicators, demand / supply relationship (where demand exceeds supply) is expected to lead to yield compression and increase in capital values



Source The Advisers / Knight Frank, Colliers, JLL



Source Colliers Investment Report

## ROMANIAN MARKET OVERVIEW

### Office

#### Supply

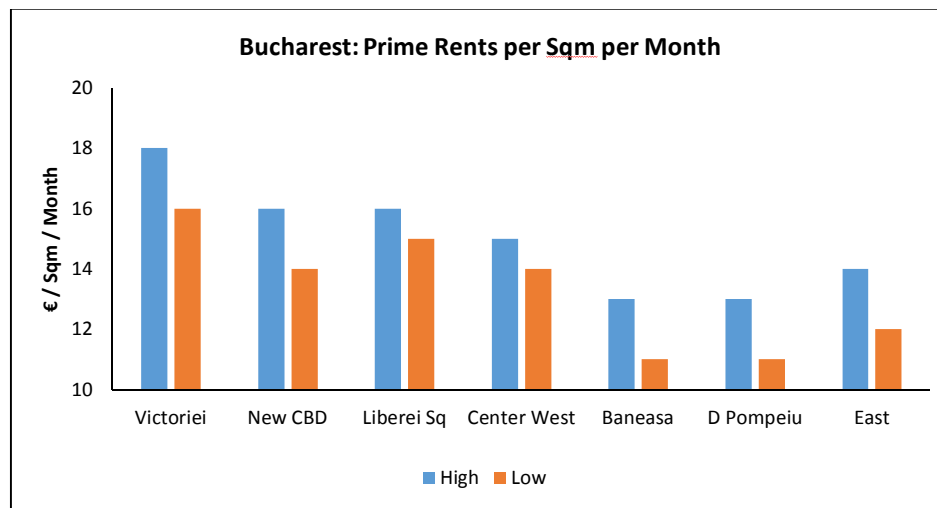
- Bucharest is the principal office market in Romania
- Modern office stock in Bucharest is estimated to c. 1.9 million sqm, significantly lower compared to other capital cities in the region (Warsaw, Prague or Budapest)
- Only 79,000 sqm of new office space was brought to the market in the first half of 2014
- The principal sub-markets in Bucharest are: Victoriei Square, Calea Floreasca / Barbu Vacarescu and Dimitrie Pompeiu (the “New CBD”).
- Major landlords on the market are: Immofinanz, CA Immo, Globalworth, NEPI, Genesys Development, GLL Real Estate, etc.

#### Demand

- Demand is driven by the expansion of IT companies, finance and insurance services
- Take-up reached 128,500 sqm in H1 2014, 3% higher than the same period of 2013 when 125,000 sqm were transacted
- New occupation transactions (including relocations and new entries to the market) continued to be the dominant transaction type in the Bucharest office market with companies such as Kellogg’s, Allianz (AMOS) and Lenovo entering the market
- Take-up has consistently surpassed new supply levels resulting in a positive performance of the office market

#### Rents & Yields

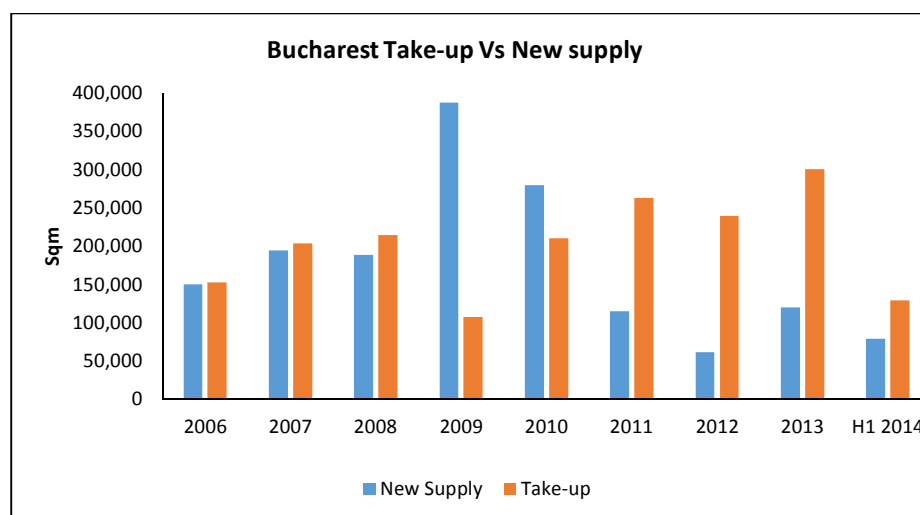
- Rents remained broadly stable throughout H1 2014 and prime rental rates range from €16 to € 18 per sqm per month
- Prime office yields compressed and reached 8%.
- The service charge for Class A office units is between €3.5 – €4.5 per sqm per month



Source The Advisers / Knight Frank, Colliers, JLL



## ROMANIAN MARKET OVERVIEW



Source The Advisers / Knight Frank, Colliers, JLL

### Retail

#### Supply

- The total retail stock in Romania remained at 2.7 million sqm
- Bucharest is the principal shopping centre market of the country accommodating nearly one third of total stock
- The first half of 2014 saw no new delivery of shopping centre even if the year was off to a good start with high consumption and increasing sales performance of the retailers
- 5 projects are under construction (3 in Bucharest and 2 in the countryside), totaling about 220,000 sqm but only 2 are expected to be delivered by the year end: Vulcan Value Center (35,000 sqm) and Shopping City Targu Jiu (27,000 sqm)
- Food retailers and discount stores continue to expand with particular focus in secondary cities in Romania

#### Demand

- Demand has been driven by food operators and international fashion anchors. Inditex Group, H&M, Takko and Deichman continue to expand across Romania
- On the Bucharest high-street segment new entries in the market were Yankee Land and Bel Interieur in Dorobanti Area

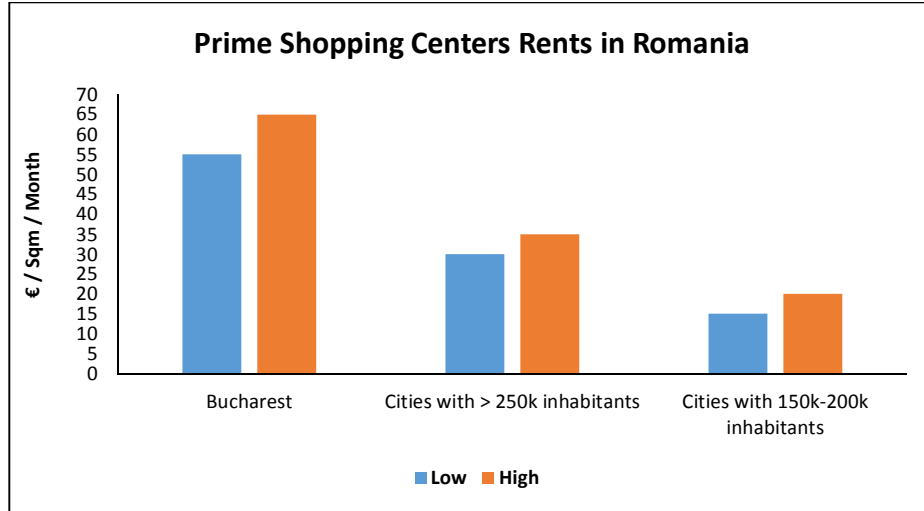
#### Forecast

- More than 350,000 sqm GLA have been announced for delivery in Bucharest over the next few years

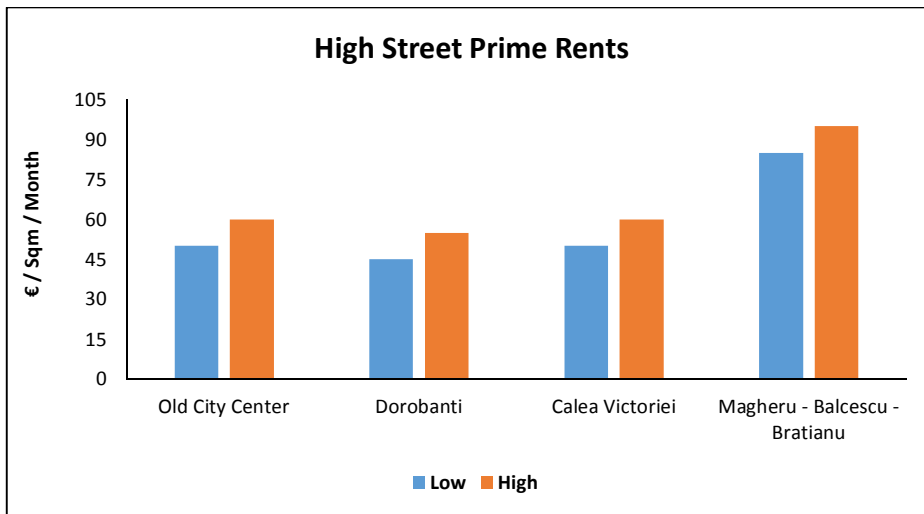
#### Yields

- Retail yields compressed to 8%
- Prime rent for Shopping Center (SC) space in Bucharest ranges between €55 - 65 per sqm per month (for spaces of 100 sqm in good performing centres)
- Service Charges range between €5 - 11 per sqm per month

# ROMANIAN MARKET OVERVIEW



Source The Advisers / Knight Frank, Colliers, JLL



Source: The Advisers / Knight Frank, Colliers, JLL

## FINANCIAL ANALYSIS

Globalworth Real Estate Investments Limited ("Globalworth" or the "Company") is pleased to announce its results as of and for the six month period ended 30 June 2014. The first half of 2014 has been an active period for the Company in the ongoing execution of its investing policy.

### A. Key highlights are as follows:

- Portfolio Open Market Value ("OMV") of €521.3 million
- Bank loans outstanding (nominal value) of €174.2 million
- Loan to Value of 33.4 per cent
- EPRA<sup>3</sup> NAV of €413.3 million
- EPRA NAV/share of €7.70
- Net Operating Income (NOI) of €3.9 million
- EBITDA of €8.6 million
- Earnings before tax of €76.7 million
- Gain on the valuation of investment property of €8.7 million

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<sup>3</sup>“EPRA” The European Public Real Estate Association is a non-profit association representing Europe's publicly listed property companies.

## B. Analysis of operational results for the six month period ended 30 June 2014:

	Note	Six months ended 30 June 2014 €	Six months ended 31 December 2013 €
Rental income and property management fees/asset manager recharges	1	9,072,244	8,109,764
Property operating and asset management expenses	2	(5,165,865)	(2,805,450)
<b>Net Operating Income (NOI)</b>		<b>3,906,379</b>	<b>5,304,314</b>
Gain on acquisition of subsidiaries	6	72,144,268	9,377,342
Fair value gain on investment property	5	8,685,446	1,362,576
Administrative expenses	3	(2,603,392)	(1,856,224)
Acquisition costs	4	(1,493,427)	(107,980)
Share based payments		(72,848)	(43,807)
Foreign exchange gain		50,256	(77,704)
<b>Profit before financing cost</b>		<b>80,616,682</b>	<b>13,958,517</b>
Finance income		24,957	1,803
Finance cost	7	(3,979,391)	(254,997)
<b>Earnings before tax</b>		<b>76,662,248</b>	<b>13,705,323</b>
Income tax expense	8	(1,082,590)	(975,651)
<b>Profit for the period</b>		<b>75,579,658</b>	<b>12,729,672</b>
<b>EBITDA<sup>4</sup></b>		<b>8,577,257</b>	<b>4,581,175</b>

### 1. Rental income and property management fees/asset manager recharges

Rental income and property management fees/asset manager recharges amounted to c.€9 million for the half year ended 30 June 2014. The revenues include rental income of c.€5 million, service charge income of c.€1.6 million, property management fees of c.€0.6 million and property development fees of c.€1.8 million, as compared to c.€8.1 million for the second half of the year ended 2013, which was mainly driven by management fees and property development income of c.€4.9 million and c.€2.9 million, respectively, and partially by rental income c.€0.26 million. Property management fees were earned in 2013 and Q1 2014 by our Asset Manager from services offered to other Group companies for the period prior to their acquisition by the Group, hence they are now of a non-recurring nature. In addition, property development income is related to the revenues received by our Asset Manager from the fit out services offered to new tenants in the Group's properties and depends on the number of new leases and the size of the area leased.

While our Asset Manager, City Offices, Floreasca One and Bucharest One were acquired prior to 1 January 2014, our remaining standing assets were acquired during the first quarter of 2014, and, as a result, the results of Tower Centre International S.R.L ("TCI") were only included from 18 February 2014, Upground Estates S.R.L ("Upground") from 20 March 2014, and BOB Development S.R.L ("BOB") and BOC Real Property S.R.L. ("BOC") from 21 March 2014. Therefore, Q2 2014 revenues are significantly higher than Q1 2014 revenues.

Total income recorded in the first 6 months of 2014 from investment properties acquired during 2014 comprised c.€4.6 million rental income, c.€0.1 million property development fees and c.€1.4 million service charge income.

<sup>4</sup>EBITDA is computed as Profit before financing cost less Gain on acquisition of subsidiaries.

## 2. Property operating and asset management expenses

Property operating and asset management expenses amounted to c.€5.2 million for the six months ended 30 June 2014, as compared to c.€2.8 million during second half of the year 2013. Following the acquisition of the Asset Manager, all asset management and investment advisory functions in relation to the Group's real estate are performed by wholly owned subsidiaries of the Company, and there are no such functions outsourced to related parties.

These expenses represent property management, utilities and insurance expenses of c.€2.6 million (H2 2013: c. €0.3 million), out of which c.€1.6 million was recovered from tenants as service charges, property fit-out works of c.€2.2 million (H2 2013: c.€2.4 million) and property maintenance costs and other operating expenses of c.€0.34 million (H2 2013 : c.€0.06 million).

Out of the total operating expenses incurred during the first half of 2014 of c.€2.9 million, c.€1.9 million were incurred by rental generating properties and c.€1.0 million by properties under development/refurbishment.

The fit out expenses of c.€2.2 million incurred during first half of 2014 related to new tenants of the properties acquired during 2014.

## 3. Administrative expenses

Administrative expenses amounted to c.€2.6 million for the six months ended 30 June 2014, as compared to c.€1.9 million incurred during the second half of the year 2013.

These expenses principally related to:

- Directors' remuneration of c.€0.6 million, which decreased from c.€0.9 million for the second half of the year 2013 due to a one off payment made to one Executive Director for the services provided before the IPO, as stated in the Admission Document, and the resignation of one non-executive Director on 1 December 2013;
- administration expenses and incorporation cost of new subsidiaries of c.€0.40 million, as compared to c.€0.25 million for the second half of the year 2013;
- audit and advisory services fees of c.€0.3 million (H2 2013: c.€0.1 million);
- legal and other professional services fees expenses of c.€0.4 million (H2 2013: c.€0.2 million); and
- salaries and wages expenses of c.€0.7 million, as compared to c.€0.2 million during second half of the year 2013. The salaries costs increased significantly due to the fact that the Group acquired the Asset Manager on 27 September 2013 and the number of employees increased by 30% since the acquisition date.

## 4. Acquisition costs

Acquisition costs amounted to c.€1.5 million for the six months ended 30 June 2014 and represent the incidental costs incurred in connection with the acquisitions of Oystermouth Holding Limited, Dunvant Holding Limited, BOB Development S.R.L. (BOB), BOC Real Property S.R.L. (BOC), Netron Investment S.R.L. (a dormant subsidiary as of the date of acquisition on 21 March 2014; following acquisition it is the developer of Globalworth Campus property), Upground Estates S.R.L. (Upground Towers), and Tower Center International S.R.L. (TCI Tower).

## 5. Fair value gain on investment property

The Group has recognised an unrealised gain of c.€8.7 million from the revaluation of properties held since their acquisition; the gain resulted mainly from the land acquired during the period for the development of the Globalworth Campus property. The fair value of the Group's real estate assets as of 30 June 2014 and as of 31 December 2013 were determined by Coldwell Banker, an independent real estate valuation expert, using recognised valuation techniques and the principles of IFRS 13 (except for the fair value of Floreasca One, which is based on management's internal assessment).

## 6. Gain on acquisition of subsidiaries

The Group acquired a number of the assets in the Portfolio at discounts to their market valuation at the time of their acquisition. These assets were acquired from entities controlled by, or affiliated with, the Founder, and these discounts were agreed with the Founder as part of the process for the admission of the Company's Ordinary Shares to the AIM market of the London Stock Exchange.

As a result, the Group recorded a significant gain on the net assets acquired as compared to the consideration given to the Founder and/or affiliated vendors. Under IFRS 3 Business Combination any excess between the fair value of net assets acquired and consideration paid is recognised as a "Bargain Purchase Gain on Acquisition of Subsidiaries" in the results of that period. For the six months ended 30 June 2014 the Group recorded a gain of €72 million, as analysed in the following table.

Subsidiaries acquired	Gain on acquisition H1 2014 (€ million)	Gain on acquisition H2 2013 (€ million)
Oystermouth Holding Limited, Dunvant Holding Limited, BOB Development S.R.L., BOC Real Property S.R.L. and Netron Investments S.R.L.	22.4	-
Upground Estates S.R.L.	40.3	-
Tower Center International S.R.L.	9.4	-
Corinthian Five S.R.L.	-	9.4
<b>TOTAL</b>	<b>72.1</b>	<b>9.4</b>

As per IFRS 3 provisions, the finalisation of the purchase price allocation for the above mentioned acquisitions may occur in a period up to 12 months following the acquisition date, hence up to 30 June 2014 the Group has made a provisional assessment of the purchase price allocation for these transactions, which will be completed by the end of year 2014.

### 7. Finance cost

Finance costs amounted to c.€3.9 million for the six months ended 30 June 2014, out of which interest expense on bank loans of c.€2.6 million and finance costs of c.€1.3 million related to the unwinding of the unamortised cost and associated fees in relation to the mandatorily convertible loan, classified as unpaid share capital.

### 8. Income tax expense

Income tax expense amounted to c.€1.1 million for the six months ended 30 June 2014, comprising mostly of deferred income tax expense. The income tax rate applicable to the Company is nil. The tax charge represents an increase in the deferred tax liability from 31 December 2013 to 30 June 2014 and c.€5,665 representing minimum income tax charges arising in Romania for a few subsidiaries, classified as small companies under Romanian Fiscal Rules, at the rate of 3% of their total revenues during the period. Minimum income tax is payable only if total revenues of a Romanian company are less than €65,000, otherwise it is subject to tax at the rate of 16% on taxable profits.

## C. Analysis of financial position as of 30 June 2014:

	Note	30 June 2014 €	31 December 2013 €
<b>ASSETS</b>			
<b>Non-Current assets</b>			
Investment property	1	521,278,500	121,334,700
Goodwill	2	12,893,527	12,616,452
Advance for investment property	3	2,857,190	8,750,000
Other long term assets		665,943	172,445
Long term prepayments		356,250	113,461
		<u>538,051,410</u>	<u>142,987,058</u>
<b>Current assets</b>			
Trade and other receivables	4	13,385,281	11,043,189
Income tax receivable		295,333	1,857
Prepayments		462,158	135,295
Cash and cash equivalents	5	56,550,899	9,505,852
Investment property held for sale	6	-	1,875,800
		<u>70,693,671</u>	<u>22,561,993</u>
<b>Total assets</b>		<b><u>608,745,081</u></b>	<b><u>165,549,051</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Issued share capital	7	223,233,667	106,956,291
Unpaid share capital	8	65,960,369	-
Share based payment reserve		116,655	43,807
Retained earnings		88,419,690	12,690,644
Equity attributable to ordinary equity holders of the parent		<u>377,730,381</u>	<u>119,690,742</u>
Non-controlling interests (NCI)		438,843	588,231
		<b><u>378,169,224</u></b>	<b><u>120,278,973</u></b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	9	149,559,680	165,429
Deferred tax liability	10	41,541,307	12,432,311
Trade and other payables		1,194,774	-
Finance lease liabilities		33,597	20,831
Deposits from tenants		1,085,892	28,474
		<u>193,415,250</u>	<u>12,647,045</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	9	24,009,302	20,296,201
Trade and other payables	11	12,920,213	11,494,264
Finance lease liabilities		22,814	25,527
Income tax payable		5,665	726,059
Deposits from tenants		202,613	80,982
		<u>37,160,607</u>	<u>32,623,033</u>
<b>Total equity and liabilities</b>		<b><u>608,745,081</u></b>	<b><u>165,549,051</u></b>



## 1. Investment property

The value of the Group's assets portfolio as of 30 June 2014 is c.€521 million, as compared to c.€121 million as of 31 December 2013. The significant increase is mainly due to the properties acquired during 2014.

The following acquisitions were carried out during the six month period ended 30 June 2014:

- on 18 February 2014 the TCI office building with an assessed fair value of c.€76.7 million<sup>5</sup>;
- on 20 March 2014 the Upground commercial and residential complex with an assessed fair value of c.€101.5 million<sup>5</sup>; and
- on 21 March 2014 the BOB and BOC office buildings, valued at c.€49.7 million<sup>5</sup> and c.€140.3 million<sup>5</sup>, respectively.

In addition to the above, the Group also acquired land plots located in Bucharest from third parties for €14.3 million in June 2014 that had an assessed fair value of c.€29 million as of 30 June 2014. The Group plans to develop these land plots as part of the "Globalworth Campus" complex, comprising predominantly office space, as well as some retail space.

## 2. Goodwill

The Group acquired the Asset Manager on 27 September 2013 and recorded goodwill on acquisition of c.€12.6 million. The small increase from c.€12.6 million as of 31 December 2013 to c.€12.8 million as of 30 June 2014 is due to the additional consideration payable by the Group to the sellers of the holding company of the Asset Manager, Pieranu Enterprises Limited.

## 3. Advance for investment property

The advance payments made as of 30 June 2014 for investment property acquisitions amount to c.€2.8 million and mainly represent advances for the acquisition of a new entity in Romania, SEE Exclusive Development S.A., holding company of Timisoara Airport Park (TAP) complex and for the possible acquisition of additional plots of land in Bucharest. The Group announced the signing of a share sale and purchase agreement for the acquisition of TAP in early August 2014.

The advance payment as of 31 December 2013 for an amount of €6 million was transferred to Investment Property during the first half of year 2014 on the acquisition of Tower Center International S.R.L. on 18 February 2014.

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<sup>5</sup>Fair value as of 30 June 2014.

### 4. Trade and other receivables

The trade and other receivables as of 30 June 2014 amounted to c.€13.3 million, while as of 31 December 2013 were c.€11 million.

The trade and other receivables as of 31 December 2013 comprised mostly property and asset management fees receivable by the Asset Manager on the disposal of BOB Development S.R.L. (BOB), BOC Real Property S.R.L (BOC) and of the Upground commercial and residential complex for the asset management of these companies, amounting to c.€7.2 million (c.€ 5.6 million of which was due by the Sellers of Oystermouth Holding Limited and was settled in Q1 2014 as part of the acquisition of this entity by the Group), and VAT and other receivables from the State budget of c.€2.3 million.

As of 30 June 2014 the trade and other receivables included State budget receivables of c.€7.8 million, mostly VAT deductible incurred in relation to subsequent expenditure for investment property under construction or refurbishment and new property acquisitions made during the first half of year 2014, and rent and service charges receivable of c.€2.1 million ( 31 December 2013: c.€0.3 million) ; the increase is due to the new properties acquired during the first half of year 2014.

The Group granted a €2 million short term interest bearing loan to Aserat Properties S.A., a company controlled by the Founder, as disclosed in Note 18 of the accompanying unaudited condensed consolidated financial statements for the period ended 30 June 2014.

### 5. Cash and cash equivalents

The cash and cash equivalents as of 30 June 2014 amounted to €56.5 million, while as of 31 December 2013 these amounted to €9.5 million. The variation is due to the additional inflows from the equity capital raise completed in April 2014 and adjusted by outflows mainly due to property acquisitions made in the first six months of 2014.

### 6. Investment property held for sale

Prior to the acquisition of the Asset Manager, this subsidiary signed a pre-sale agreement on 25 September 2013 with a third party for the sale of certain non-core properties at an agreed value of €1,875,800. Therefore, on the date of acquisition of the Asset Manager the Group classified these properties as investment property held for sale and measured these at the price agreed through the pre-sale agreement, and, therefore, no gain or loss was recognised in the consolidated income statement for the period ended 31 December 2013. The sale was concluded during the first six months of year 2014 and no other investment property has been reclassified as held for sale up to 30 June 2014.

### 7. Issued share capital

The issued share capital as of 30 June 2014 amounts to €223 million, while as of 31 December 2013 it amounted to €106 million; the variation is due to the additional share capital issued during the first six months of year 2014 for the acquisition of new subsidiaries (c.2.7 million shares for the TCI acquisition, issued in February 2014, c.2.6 million shares for the Upground acquisition, issued in March 2014, c.1 million shares issued in March 2014 for the acquisition of Oystermouth and Dunvant, c.1 million shares issued for the settlement of the outstanding consideration payable for the acquisition of Pieranu Enterprises Limited, and c.13.3 million shares for the additional equity capital raising completed in April 2014.

### 8. Unpaid share capital

The unpaid share capital as of 30 June 2014 was €65.9 million (Nil as of 31 December 2013) and represents the value of a mandatorily convertible loan, together with associated fees and accrued interest, that was recognised as an equity contribution for the issuance of an expected 11,999,962 shares, to be issued by 18 December 2014 (being the end of the mandatory conversion date) at €5.90 per Ordinary Share; the lenders being York Global Finance Offshore BDH (Luxembourg) S.a.r.l., a private fund affiliated with York Capital, and ESCF Investment S.a.r.l., SPFC Investment S.a.r.l. and Asia CCF Investment S.à.r.l, private funds affiliated to Oak Hill Advisors.

On 24 March 2014 the Group signed a financing agreement with York Capital Management Global Advisors, LLC ("York") and certain affiliates of Oak Hill Advisors (Europe), LLP (together, "Oak Hill Advisors"), under which €95 million committed by an affiliate of York Capital Management Global Advisors, LLC ("York") and certain affiliates of Oak Hill Advisors (Europe), LLP (together, "Oak Hill Advisors"), as follows:

- €65 million through the acquisition of the €65 million facility that the Group signed with UBS Limited (the "UBS Facility") on 14 February 2014 and its mandatory conversion (together with fees and accrued interest thereon) to Ordinary Shares by 18 December 2014 at the fixed price of €5.90 per Ordinary Share.
- €30 million subscribed by way of new Ordinary Shares at €5.90 per Ordinary Share, the issue price of the secondary fundraising announced on 23 April 2014.

### 9. Interest bearing loans and borrowings

As of 30 June 2014, Globalworth had c.€172.7 million (31 December 2013: c.€19.7 million) of outstanding bank borrowings and c.€4.8 million (31 December 2013: c.€14.7 million) of undrawn facilities.

The Group's debt structure is ring fenced on an asset by asset basis. The Loan to Value ratio was 33.3 per cent as of 30 June 2014 (31 December 2013: 16.9 per cent). The debt structure has changed as of 30 June 2014 as compared to 31 December 2013 due to the:

- repayment of two short term loan facilities, namely from Marfin Bank and Unicredit Bank, from equity capital proceeds raised in April 2014;
- long term loans acquired through business combinations: c.€36.7 million in Upground Estates S.R.L. (Upground Towers), c.€85.4 million in BOC Real Properties S.R.L. (BOC) and c.€34.9 million in BOB Development S.R.L. (BOB); and
- drawdown of the Bancpost and Piraeus Bank facilities for capital expenditure incurred during the period on the refurbishment of City Offices and construction works at Floreasca One.

## FINANCIAL ANALYSIS

The table below presents details on the Group's outstanding loan balances as at 30 June 2014 and 31 December 2013:

Group Company	Property	Lender	Base Rate	Margin	Outstanding amount as of 31 December 2013	Outstanding amount as of 30 June 2014	Maturity Date
					€	€	
GAM	City Offices	Bancpost	3M Robor	6.25	220,661	323,907	Nov-14
GAM	City Offices	Bancpost	3M Euribor	6.25	13,139,664	14,441,978	Mar-19
GAM	Upground apartments	Marfin Bank	3M Euribor	6.00	2,963,000	-	May-14
GAM	Upground apartments	Unicredit	3M Euribor	3.00	3,205,000	-	Nov-14
Upground	Upground Towers	National Bank of Greece	3M Euribor	4.75	-	36,757,636	Dec-18
BOC	BOC Offices	National Bank of Greece	3M Euribor	3.20	-	42,678,264	Dec-18
BOC	BOC Offices	Bank of Cyprus	3M Euribor	3.20	-	42,678,264	Dec-18
BOB	BOB Offices	National Bank of Greece	3M Euribor	3.20	-	17,481,033	Dec-18
BOB	BOB Offices	Bank of Cyprus	3M Euribor	3.20	-	17,481,033	Dec-18
Victoria	Floreasca One	Piraeus Bank	3M Euribor	7.00	133,756	748,216	Dec-15
Victoria	Floreasca One	Piraeus Bank	3M Robor	6.00	31,673	179,683	Jun-15
					<b>19,693,754</b>	<b>172,770,014</b>	

The weighted average cost of Globalworth's debt as of 30 June 2014 is 4.03 per cent (31 December 2013: 5.95 per cent) with a weighted average maturity of 4.4 years (31 December 2013: 3.7 years), excluding the mandatorily convertible loan.

### 10. Deferred tax liability

The deferred tax liability balance as of 30 June 2014 amounts to c.€41.5 million, while as of 31 December 2013 this amounted to c.€12.4 million. The variation is due to the deferred tax liability recorded as a result of the acquisition of new properties in during the period and due to the revaluation of investment property at fair value as of 30 June 2014.

### 11. Trade and other payables

The trade and other payables balance as of 30 June 2014 amounts to c.€12.9 million, as compared to c.€11.4 million as of 31 December 2013. The variation is mainly due to the:

- increase in property related payables, for utilities and other services, from c.€1.2 million as of 31 December 2013 to c.€3.8 million as of 30 June 2014 as a result of the increase in the number of income producing properties owned by the Group subsidiaries consolidated (holders of office buildings and residential and commercial properties, which are fully operational);
- increase in the payables to suppliers for construction services and fit out works from c.€1.1 million as of 31 December 2013 to c.€3.7 million as of 30 June 2014 due to the new investment properties the Group has under construction or refurbishment, such as the Bucharest One property;
- increase in payables for administrative services from c.€0.4 million as of 31 December 2013 to c.€1 million as of 30 June 2014 due to the new raise of capital in the first six months of 2014;

and compensated with a:

- decrease in amounts received as advances from customers from c.€2.6 million as of 31 December 2013 to c.€1.4 million as of 30 June 2014; (a) the 31 December 2013 advances received balances included an amount received by GAM from BOC in relation to additional fit out works to be carried out (as BOC was acquired by the Group in 2014, part of the amount received as advances was netted off on consolidation), and (b) the closing advances received balance as of 30 June 2014 mainly represents the advance payments received directly from tenants of BOB, BOC and TCI office buildings and from tenants of the Upground residential and commercial complex; and
- decrease in deferred consideration payable for business acquisition from c.€4.9 million as of 31 December 2013 to c.€1 million as of 30 June 2014; the balance as of 31 December 2013 being settled during the first six months of 2014, while the balance of deferred consideration payable as of 30 June 2014 is in relation to the acquisition of TCI during the first quarter of 2014, which is conditional upon receipt from the State of overpaid property taxes (the related amount of property taxes receivable from the State is presented under other receivables as of 30 June 2014).

### 12. Results and dividends

The results for the period are set out in the consolidated statement of comprehensive income on page 42. 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 an interim dividend for the period ended 30 June 2014.

### 13. Going Concern

The Group has sufficient cash resources for its working capital needs and its committed capital expenditure programme at least for the next 12 months. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, considering the level of available cash resources as well as the ongoing negotiations with major European and International financial institutions on funding the completion of its assets under development, as well as further acquisitions in the Group's pipeline. Accordingly, they continue to adopt the going concern basis in preparing the results as of and for the six months ended 30 June 2014.

### 14. Post Balance Sheet Event

The Group entered into a binding sale and purchase agreement for the acquisition of the company owning Timisoara Airport Park ("TAP"), a light industrial complex located to the northeast of Timisoara close to the Traian Vuia International Airport and the western border of the country on 5 August 2014.

The TAP complex is partially developed, with Valeo, a multinational corporate operating in the automotive industry, and Continental, the German car parts and tyre manufacturer, having let or pre-let c.72,835 square meter (sqm) of light industrial space, while both companies have the option to develop additional facilities in the property. Assuming the exercise of these options, TAP will offer a total GLA of c.113,340 sqm making it one of the largest industrial parks in the country. Valeo currently occupies c.27,474 sqm of light industrial space in the property which was completed in 2011, while Continental has pre-let a c.45,361 sqm of light industrial space which is expected to be delivered in March 2015.

## NET ASSET VALUE (NAV)

### NAV per share

Basic NAV per share amounts are calculated by dividing net assets in the interim condensed consolidated statement of financial position attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at period end 30 June 2014 plus the minimum potential shares that would have been issued, assuming the holder of mandatorily convertible debt had exercised his right of conversion at 30 June 2014.

Diluted NAV per share amounts are calculated by dividing net assets in the interim condensed consolidated statement of financial position attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at period end (30 June 2014) plus the estimated number of shares to be issued by 18 December 2014 (the latter related to the conversion of the UBS Debt to equity).

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

DESCRIPTION	Group 30 June 2014 €	Group 31 March 2014 €	Group 31 December 2013 €
Net assets as per consolidated statement of financial position*	378,169,224	229,555,930	120,278,973
Less:			
Non-controlling interests	(438,843)	(586,849)	(588,231)
NAV attributable to ordinary equity holders of the parent	377,730,381	228,969,081	119,690,742
Number of ordinary shares used to calculate basic NAV per share*	53,122,839	28,300,207	20,905,637
Additional shares to be issued for conversion of UBS Debt to equity**	522,249	-	-
Number of ordinary shares used to calculate NAV per share	53,645,088	28,300,207	20,905,637
<b>Basic NAV per share</b>	<b>7.11</b>	<b>8.09</b>	<b>5.73</b>
<b>Diluted NAV per share</b>	<b>7.04</b>	<b>8.09</b>	<b>5.73</b>

\* In accordance with an agreement signed with York Capital and Oak Hill Advisors in April 2014, the €65 million facility from UBS (the "UBS debt"), obtained in February 2014, was transferred to York Capital and Oak Hill Advisors. This facility is mandatorily convertible (together with fees and accrued interest thereon) to Ordinary Shares by 18 December 2014 at €5.90 per Ordinary Share. The basic NAV attributable to the ordinary equity holders of the parent includes the effects of the conversion of the UBS Debt to equity by taking into account the minimum potential shares that would have been issued, assuming the holders of the mandatorily convertible debt had exercised their right of conversion at 30 June 2014 (11,477,713 Ordinary Shares).

\*\* The diluted NAV attributable to the ordinary equity holders of the parent includes the additional shares that would have been issued, assuming that the mandatorily convertible debt will actually be converted at the mandatory conversion date of 18 December 2014 (total number of 11,999,962 Ordinary Shares).

## FINANCIAL ANALYSIS

### EPRA NAV per share

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.

DESCRIPTION	Group 30 June 2014 €	Group 31 March 2014 €	Group 31 December 2013 €
NAV attributable to ordinary equity holders of the parent	377,730,381	228,969,081	119,690,742
Exclude:			
Deferred tax liability	41,541,307	40,423,187	12,432,311
Goodwill as a result of deferred tax	(5,965,217)	(5,965,217)	(5,965,217)
EPRA NAV attributable to ordinary equity holders of the parent	413,306,471	263,427,051	126,157,836
Number of ordinary shares used to calculate EPRA NAV per share*	53,645,088	28,300,207	20,905,637
<b>EPRA NAV per share</b>	<b>7.70</b>	<b>9.31</b>	<b>6.03</b>

\* The EPRA NAV per share is calculated by taking into account the estimated maximum number of additional shares to be issued by 18 December 2014 (11,999,962 Ordinary Shares), related to the conversion of the UBS Debt to equity.



**GLOBALWORTH REAL ESTATE INVESTMENTS LIMITED**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2014**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Rental income and property management fees/asset manager recharges	5	9,072,244	-
Property operating and asset management expenses	6	(5,165,865)	-
<b>Net operating income</b>		<b>3,906,379</b>	<b>-</b>
Administrative expenses		(2,603,392)	(141)
Acquisition costs	4	(1,493,427)	-
Fair value gain on investment property	10	8,685,446	-
Bargain purchase gain on acquisition of subsidiaries	4	72,144,268	-
Share based payments	15	(72,848)	-
Foreign exchange gain		50,256	-
		<b>76,710,303</b>	<b>(141)</b>
<b>Profit before financing cost</b>		<b>80,616,682</b>	<b>(141)</b>
Finance cost	7	(3,979,391)	-
Finance income		24,957	-
<b>Earnings before tax</b>		<b>76,662,248</b>	<b>(141)</b>
Income tax expense	8	(1,082,590)	-
<b>Profit / (loss) for the period</b>		<b>75,579,658</b>	<b>(141)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>75,579,658</b>	<b>(141)</b>
Attributable to:			
Equity holders of the parent	9	75,729,046	(141)
Non - controlling interests		(149,388)	-
		<b>75,579,658</b>	<b>(141)</b>
Basic weighted average earnings/(loss) per share	9	2.06	(141)
Diluted weighted average earnings/(loss) per share	9	2.05	(141)

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2014 (Unaudited)</b>	<b>31 December 2013 (Audited)</b>
<b>Non-Current assets</b>		<b>€</b>	<b>€</b>
Investment property	10	521,278,500	121,334,700
Goodwill	11	12,893,527	12,616,452
Advance for investment property		2,857,190	8,750,000
Other long term assets		665,943	172,445
Long term prepayments		356,250	113,461
		<u>538,051,410</u>	<u>142,987,058</u>
<b>Current assets</b>			
Trade and other receivables		13,385,281	11,043,189
Income tax receivable		295,333	1,857
Prepayments		462,158	135,295
Cash and cash equivalents	12	56,550,899	9,505,852
Investment property held for sale		-	1,875,800
		<u>70,693,671</u>	<u>22,561,993</u>
<b>Total assets</b>		<b><u>608,745,081</u></b>	<b><u>165,549,051</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Issued share capital	13	223,233,667	106,956,291
Unpaid share capital	14	65,960,369	-
Share based payment reserve	15	116,655	43,807
Retained earnings		88,419,690	12,690,644
Equity attributable to ordinary equity holders of the parent		<u>377,730,381</u>	<u>119,690,742</u>
Non-controlling interests (NCI)		438,843	588,231
		<b><u>378,169,224</u></b>	<b><u>120,278,973</u></b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	16	149,559,680	165,429
Deferred tax liability	8	41,541,307	12,432,311
Trade and other payables		1,194,774	-
Finance lease liabilities		33,597	20,831
Deposits from tenants		1,085,892	28,474
		<u>193,415,250</u>	<u>12,647,045</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	16	24,009,302	20,296,201
Trade and other payables		12,920,213	11,494,264
Finance lease liabilities		22,814	25,527
Income tax payable		5,665	726,059
Deposits from tenants		202,613	80,982
		<u>37,160,607</u>	<u>32,623,033</u>
<b>Total equity and liabilities</b>		<b><u>608,745,081</u></b>	<b><u>165,549,051</u></b>

Approved by the Board of Directors on 24 September 2014 and signed on behalf of the Board.

John Whittle  
Director

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Equity attributable to ordinary equity holders of the parent					Non-Controlling Interests	Total Equity
		Issued share capital	Share based payment reserve	Unpaid share capital	Retained earnings	Total		
		€	€	€	€	€	€	€
<b>As at 1 January 2014 (audited)</b>		<b>106,956,291</b>	<b>43,807</b>	<b>-</b>	<b>12,690,644</b>	<b>119,690,742</b>	<b>588,231</b>	<b>120,278,973</b>
Shares issued for acquisition of subsidiary	4.1	14,704,724	-	-	-	14,704,724	-	14,704,724
Shares issued for acquisition of subsidiary	4.2	13,988,000	-	-	-	13,988,000	-	13,988,000
Shares issued for acquisition of subsidiary	4.3	5,766,257	-	-	-	5,766,257	-	5,766,257
Shares issued for outstanding consideration payable for acquisition of subsidiary	4.4	5,224,850	-	-	-	5,224,850	-	5,224,850
Issue of share capital following the additional equity capital raising	13	78,735,022	-	-	-	78,735,022	-	78,735,022
Transactions costs	13	(2,141,477)	-	-	-	(2,141,477)	-	(2,141,477)
Mandatorily convertible debt transferred to equity	14	-	-	65,960,369	-	65,960,369	-	65,960,369
Fair value of option warrants issued for Executive Share Scheme	15	-	72,848	-	-	72,848	-	72,848
Profit for the period		-	-	-	75,729,046	75,729,046	(149,388)	75,579,658
<b>As at 30 June 2014 (unaudited)</b>		<b>223,233,667</b>	<b>116,655</b>	<b>65,960,369</b>	<b>88,419,690</b>	<b>377,730,381</b>	<b>438,843</b>	<b>378,169,224</b>
<b>As at 14 February 2013</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of shares on incorporation by Founder		1	-	-	-	1	-	1
Transaction costs		(3,371,288)	-	-	-	(3,371,288)	-	(3,371,288)
Loss for the period		-	-	-	(141)	(141)	-	(141)
<b>As at 30 June 2013 (unaudited)</b>		<b>(3,371,287)</b>	<b>-</b>	<b>-</b>	<b>(141)</b>	<b>(3,371,428)</b>	<b>-</b>	<b>(3,371,428)</b>

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Profit /(loss) before tax		76,662,248	(141)
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Fair value gain on investment property	10	(8,685,446)	-
Bargain purchase gain on acquisition of subsidiaries	4	(72,144,268)	-
Share based payments	15	72,848	-
Foreign exchange gain		(50,256)	-
Net financing costs		3,954,434	-
<b>Operating profit before changes in working capital</b>		<b>(190,440)</b>	<b>(141)</b>
Decrease in trade and other receivables		5,390,873	-
Increase / (decrease) in trade and other payables		(18,832,226)	141
Interest paid		(3,306,085)	-
Interest received		24,957	-
Income tax paid		(730,874)	-
<b>Cash flows used in operating activities</b>		<b>(17,643,795)</b>	<b>-</b>
<b>Investing activities</b>			
Expenditure on investment property under refurbishment and development		(24,723,154)	-
Advances for investment property		(107,190)	-
Payment for acquisition of subsidiaries less cash acquired	4	(19,653,313)	-
Acquisition of other long term assets		(65,947)	-
<b>Cash flows used in investing activities</b>		<b>(44,549,604)</b>	<b>-</b>
<b>Financing activities</b>			
Proceeds from share issuance	13	78,735,022	1
Payment of share capital issue cost charged to equity		(1,406,408)	-
Proceeds from interest bearing loans and borrowings		67,563,479	-
Repayment of interest bearing loans and borrowings		(34,330,818)	-
Payment of loan arrangement fees		(1,322,829)	-
<b>Cash flows from financing activities</b>		<b>109,238,446</b>	<b>1</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,045,047</b>	<b>1</b>
Cash and cash equivalents at the beginning of the period		9,505,852	-
<b>Cash and cash equivalents at the end of the period</b>	12	<b>56,550,899</b>	<b>1</b>

Non-cash transactions

The principal non-cash transactions relate to the issuance of shares as consideration for the acquisitions discussed in Note 4.

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

## 1 CORPORATE INFORMATION

Globalworth Real Estate Investments Limited ('the Company') was incorporated in Guernsey as a non-cellular company with liability limited by shares on 14 February 2013, with registered number 56250. The Company is domiciled in Guernsey and listed on the Alternative Investment Market of the London Stock Exchange (AIM). The registered office of the Company is at Frances House, Sir William Place, P.O. Box 156, St. Peter Port, GY1 4EU, Guernsey.

The Company and its subsidiaries (together, "the Group") have been formed to take advantage of investment opportunities in real estate assets situated in the SEE and CEE region, with primary focus on properties located in Romania.

### Directors

The Directors of the Company are:

- Ioannis Papalekas, *Chief Executive Officer*
- Dimitris Raptis, *Deputy Chief Executive Officer and Chief Investment Officer*
- Geoff Miller, *Non-executive, Chairman of the Board*
- Eli Alroy, *Non-executive*
- John Whittle, *Non-executive, Chairman of the Audit Committee and the Remuneration Committee*

The Group has 45 employees as of 30 June 2014 (35 as of 31 December 2013).

These unaudited interim condensed consolidated financial statements have been authorised by the Board of Directors of Globalworth Real Estate Investments Limited on 24 September 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been consistently applied throughout the periods presented.

### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements and notes thereto for the period ended 31 December 2013.

The preparation of unaudited interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates which requires management to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim financial statements have been set out in Note 2.4 of the unaudited interim condensed consolidated financial statements for the period ended 30 June 2014 and Note 3 of the annual audited consolidated financial statements for the period ended 31 December 2013.

## 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2013, except for the adoption of following new standards, amendments to existing standards and new interpretations that are effective for the financial years beginning on or after 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised);
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32;
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosures of Interests in Other Entities;
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12);
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39;
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36.

Management has assessed that the new standards and amendments have no impact on the Group's financial position and performance.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 2.3 Summary of selected significant accounting policies

### Business combinations

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 non-controlling interest subsequently changes at the proportionate share of the change in the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The consideration transferred for the acquisition of a subsidiary is the fair value 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 business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at acquisition date and any resulting gain or loss is recognised in profit or loss. Under IFRS 3 Revised, acquisitions of additional shares from non-controlling shareholders are regarded as equity transactions and therefore no additional goodwill is recognised.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in the income statement or as a charge to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill 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, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement.

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

Where goodwill has been allocated to a cash-generating unit 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 cash-generating unit retained.

### **Property acquisitions and business combinations**

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 2.4.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

### **Goodwill**

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, the goodwill is carried at cost and is subject to regular reviews by the Group and impairment test at least once per year or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash generating units expected to benefit from the acquisition. The recoverable amount of a cash generating unit is determined using the most appropriate method, most commonly the discounted cash flows method, and is applied to the full cash generating unit rather than each legal entity.

Goodwill may arise on acquiring an asset via a share deal, where the Group inherits the fiscal basis of the assets.



As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference may appear that is reflected in the goodwill. The impairment of this goodwill is calculated according to the amounts of tax optimisation existing at the date of reporting.

Where goodwill is generated by the recognition, on the acquisition of a business, of deferred tax liabilities in excess of the fair value of such liabilities (deferred tax liabilities are measured on a nominal basis), the post-tax discount rate is adjusted in order to determine the appropriate pre-tax discount rate used to determine the value in use for impairment testing purposes.

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 in the case of a bargain purchase, the difference is recognised directly in the income statement.

Where goodwill has been allocated to a cash-generating unit 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 cash-generating unit retained.

### **Functional currency and presentation currency**

The consolidated financial statements are presented in Euro ("EUR" or "€"), which is the Group's functional and presentation currency. 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 (the "functional currency"). Consideration in determining the functional currency is given to the denomination of the major cash flows of the entity e.g. revenue and financing. As a consequence, the Group uses the EUR as its functional currency, rather than the local currency (Romanian Lei or "RON") for the entities incorporated in Romania, and Pounds Sterling ("GBP") for the entities incorporated in Guernsey.

### **Investment property**

Investment property comprises completed property and property under construction or refurbishment that is held to earn rentals or for capital appreciation or both. Residential property is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

After initial recognition, investment property is carried at fair value. 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.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. 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.

These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The disposal of an investment property is usually subject to the payment to the public authorities of transfer taxes or a value added tax if it is sold as a property as compared to sale of shares in a business which is exempt from corporate tax and value added tax.

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 shall be reduced by the carrying amount of any accrued income (if any outstanding at period end 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.

Any owner occupied investment property is transferred to the line "other tangible assets" in the statement of financial position. Its fair value at the time of transfer becomes its so-called acquisition cost. If the Company only occupied a small part of the building, the whole building is recognised as "Investment Property" in the statement of financial position and continues to be carried at fair value.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

### **Fair value measurement**

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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.

### **Segment reporting**

The Board of Directors is of the opinion that the Group is engaged mainly in two segments of business, being offices investment property and residential investment property, 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 received no revenues from external customers during the period ended 30 June 2014, nor held any non-current assets as of 30 June 2014, in any geographical area other than Romania.

### **Revenue recognition**

Revenue is recognised when the amount of revenue and associated costs can be reliably measured, it is probable that economic benefits associated with the transaction will be realised, and the stage of completion of the transaction can be reliably measured. This concept is applied to the key-revenue generating activities of the Group as follows:

#### **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.

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 realised.

Fixed or determinable rental increases which can take the form of actual amounts or agreed percentages are recognised on a straight-line basis over the term of the lease. If the increases are related to a price index to cover inflationary cost increases, 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).

The value of rent free periods and all similar lease incentives is spread on a straight-line basis over the term of the lease.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when the right to receive them arises.

**b) Rendering of services**

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

**c) Service charges and expenses recoverable from tenants**

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service charges and other such receipts are netted of with the related costs in expenses.

**d) Sale of completed property**

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

The Group assesses its revenue arrangements against the following specific criteria in order to determine if it is acting as principal or agent:

- Has primary responsibility for providing the goods or services
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has concluded that it is acting as a principal in all of its revenue generating arrangements.

**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.

**Borrowing costs**

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 incurred on those borrowings less any investment income arising on their temporary investment. Otherwise, the interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Interest is capitalised as from the commencement of the development works until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Share capital

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.

## Financial instrument classified as equity

A financial instrument is classified as an equity instrument if, and only if, both conditions (a) and (b) below are met.

- (a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- (b) If the instrument will or may be settled in the issuer's own equity instruments, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

## 2.4 Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the management to make certain critical accounting estimates, judgement and assumptions that affect carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the Group financial statements, and the carrying amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from management's estimates. Revisions to accounting estimates are reviewed periodically and, as adjustments become necessary, they are recognised in the period in which the estimate is revised and in any future periods affected.

### Critical judgments in applying the entity's accounting policies

#### Judgments other than estimates

In the process of applying the Group's accounting policies, the management makes the following judgments and estimates which have a significant effect on the classification and measurement of the financial statement elements:

#### *Selection of functional currency*

The Group used its judgment, based on the criteria outlined in IAS 21, and determined that the functional currency of the Group is the EUR. The EUR is also the presentation currency of the financial statements. Management believes that the functional currency used by the Group is the EUR, based on the following considerations:

- a) Valuations for determining the fair value of investment property are expressed in EUR;
- b) All sales are denominated in EUR (rentals, inventory sales, income from re-charge of expenses). In Romania the entities invoice and receive payment in RON, and bear the exchange rate risk between the invoice date and the payment date;
- c) Receipts from customers are mainly retained in EUR;

- d) Borrowings are denominated in EUR;
- e) Acquisitions of investment property are carried out in EUR;
- f) Other purchases are mixed: RON and EUR, depending on the currency defined in the contract. Property management services that are provided are in EUR.

#### *Classification of investment property*

The Group is required to determine whether a property qualifies as investment property or inventory property.

Investment property comprises land and buildings (principally offices, residential property and retail property) 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 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 but an investment property.

### **Critical accounting estimates and assumptions**

#### **Estimates and assumptions**

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.

#### *Valuation of property*

The fair value of investment property as of 30 June 2014<sup>6</sup> and as of 31 December 2013 has been determined by Coldwell Banker, independent real estate valuation expert, using recognised valuation techniques and the principles of IFRS 13. These techniques comprise the sales comparison approach, the income capitalisation approach, the discounted cash flow analysis and residual value method and require certain estimates and assumptions such as discount rates and exit yield.

The **Sales Comparison Approach** compares the subject property with quoted prices of similar properties in the same or similar location. These values are adjusted for differences in key attributes such as property size, location, quality of interior fittings (for residential), opening and visibility of land plot, development coefficient of land plot, building permit status. The most significant input into this valuation approach is price per square metre. In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices.

For income generating properties, various methods are used to indicate value, all of which share the common characteristic that the value is based on actual or estimated income that is or could be generated by a potential owner.

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<sup>6</sup> Except for the valuation of Floreasca One, which is based on management's internal assessment.

The **Income Capitalisation Method** 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. This method, often known as the all risks yield method, cannot be reliably used where the income is expected to change in future periods to an extent greater than that generally expected in the market.

The **Discounted Cash-Flow Analysis ("DCF")** method 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. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outflows. A series of periodic net operating income, along with an estimate of the exit value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Discounted cash flow projections based on significant unobservable inputs taking into account the costs to complete and completion date. These inputs include:

Future rental cash inflows	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;
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	taking into account assumptions regarding maintenance costs, vacancy rates and market rents.
Costs to complete	these are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin.
Completion dates	properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.
Stabilised vacancy	represents the reasonably estimated vacancy rate registered by the building with the proper marketing, management and maintenance conditions.

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

Under the **Residual Value Method**, the value is estimated as 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. All the key information is based on market data analysis. Under this method, first the market value of the future building is estimated, once completed and then from this value the costs (i.e. hard, soft, financing, etc.) which are related to the development of the building(s) and the reasonable profit margin expected by the developer are deducted.

Volatility in the global financial system is reflected in commercial real estate markets. In arriving at estimates of market values as at 30 June 2014 and as at 31 December 2013, the independent valuation experts used their market knowledge and professional judgment and did not rely solely on historical transactional comparables. 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 their totality since valuation dates do not always coincide with the financial period end date.

#### *Impairment of Goodwill on acquisitions*

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 five years approved by management and do not include restructuring activities that the Group is not yet committed to or 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 its 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.

#### *Taxes*

Uncertainties exist 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. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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.



*Share-based payments*

The share options granted to directors are equity settled and, therefore, the Group measures their cost by reference to the fair value of the warrants instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected vesting period, volatility and dividend yield and making assumptions about them.

*Trade receivables*

The Group is required to judge 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.

### 3 INVESTMENT IN SUBSIDIARIES

*Holding companies*

The Group has set up the following subsidiaries to deal with the investments, financing and holding of the Group's activities:

- Globalworth Real Estate Investments Limited, the Company (Parent of the Group)
- Globalworth Investment Advisers Limited (the "Investment Adviser"), incorporated on 14 February 2013 in Guernsey, Channel Islands (100% owned by the Parent)
- Globalworth Finance Guernsey Limited, incorporated in Guernsey on 6 September 2013 (100% owned by the Parent)
- GWI Finance B.V., incorporated in Netherlands on 23 September 2013 (100% owned by the Parent)
- Globalworth Holdings Cyprus Limited, ("GHCL") incorporated in Cyprus on 14 August 2013 (100% owned by the Parent)
- Zaggatti Holdings Limited, incorporated in Cyprus on 4 December 2013 (100% owned by GHCL)
- Tisarra Holdings Limited, incorporated in Cyprus on 11 November 2013 (100% owned by GHCL)
- Ramoro Limited, incorporated in Cyprus on 11 November 2013 (100% owned by GHCL)
- Vaniasa Holdings Limited, incorporated in Cyprus on 2 June 2014 (100% owned by GHCL)
- Serana Holdings Limited, incorporated in Cyprus on 5 May 2014 (100% owned by GHCL)
- Kifeni Investments Limited, incorporated in Cyprus on 2 May 2014 (100% owned by GHCL)
- Casalia Holdings Limited, incorporated in Cyprus on 5 May 2014 (100% owned by GHCL)
- Globalworth Holding B.V., incorporated in Netherlands on 25 June 2014 (100% owned by the Parent)

Subsequent to period end, the Group also incorporated the following subsidiaries:

- GW Real Estate Finance B.V., incorporated in the Netherlands on 8 July 2014 (100% owned by GWI Finance B.V.)
- Mycre Investment S.A., incorporated in Greece on 9 July 2014 (100% owned by Globalworth Holding B.V.)

*Property companies and Asset Management Company*

The acquisitions carried out from the Company's incorporation up to 30 June 2014 are as follows:

- On 27 September 2013, the Group acquired Pieranu Enterprises Limited, the holding company of Globalworth Asset Managers S.R.L. (99.991% shareholding), which in turn is the parent of Victoria Ventures S.A. with ownership of 60%. Globalworth Asset Managers S.R.L. is the owner of City Offices and Herastrau One, 31 Upground Towers apartments, and a 60% shareholder of Victoria Ventures S.A., which in turn owns the Floreasca One property.
- On 24 December 2013, the Group acquired Corinthian Five S.R.L. (the owner of Bucharest One property).
- On 18 February 2014, the Group acquired Tower Center International S.R.L. (the owner of Tower Center International Offices).
- On 20 March 2014, the Group acquired Upground Estates S.R.L. (the owner of Upground residential and commercial Towers)
- On 13 December 2013, the Company signed Share Sale and Purchase Agreements (together with the aforementioned Share Sale and Purchase Agreements, the "Acquisition Agreements") for the acquisition of 100% of the shares of Oystermouth Holding Limited and Duvant Holding Limited, holding companies of BOB Development S.R.L. (owner of BOB Offices), BOC Real Property S.R.L. (owner of BOC Offices) and Netron Investment S.R.L. On 21 March 2014, the Group completed the acquisition of these companies and further details are disclosed in the business combinations note (Note 4.3).

#### 4 BUSINESS COMBINATIONS

##### 4.1 Acquisition of Tower Center International S.R.L.

On 18 February 2014, the Group acquired 100% of the shares of Tower Center International S.R.L. ("TCI") an unlisted holding company based in Romania.

Tower Center International S.R.L. operates in the real estate management and development business and currently owns an office building "Tower Center International" (formerly known as "Bucharest Tower Center") in Bucharest. The existing strategic management function and associated processes were acquired with the property and, as such, the management considers this transaction the acquisition of a business, rather than an asset acquisition.

In accordance with IFRS 3, the Group has not yet finalised the purchase price allocation for the acquisition of TCI, including the bargain purchase gain and, therefore, the identifiable net assets acquired, disclosed in the Group's financial statements for the period ended 30 June 2014, are subject to change. The provisional fair values of the identifiable assets and liabilities of TCI as at the date of acquisition were:

	<b>Fair value recognised on acquisition €</b>
Completed investment property	76,000,000
Trade and other receivables	2,224,418
Cash and cash equivalents	141,870
<b>ASSETS</b>	<b>78,366,288</b>
Interest bearing loans and borrowings	22,044,846
Payables to former shareholders of the subsidiary	10,000,000
Deferred tax liability	7,103,152
Deposits from tenants	363,313
Trade and other payables	3,123,199
<b>LIABILITIES</b>	<b>42,634,510</b>
<b>Total identifiable net assets at fair value (provisional)</b>	<b>35,731,778</b>
Bargain purchase gain arising on acquisition (provisional)	(9,360,962)
<b>Purchase consideration transferred (provisional)</b>	<b>26,370,816</b>
 <i><b>Purchase consideration transferred (provisional)</b></i>	
Shares issued, at fair value	14,704,724
Cash paid	11,666,092
<b>TOTAL</b>	<b>26,370,816</b>

The fair value of trade receivables was €609,775. The gross contractual amount for trade receivables due was €609,775, of which no balance was expected to be uncollectible.

At 18 February 2014 a deferred tax liability of €7,103,152 has been recognised, which 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 of €9,360,962 represents the purchase price discount on the value of the property acquired in accordance with the TCI Share Sale and Purchase Agreement.

***Cash flow on acquisition:***

	€
Cash paid for the acquisition of subsidiaries*	(11,666,092)
Cash acquired under the acquisition of subsidiaries	141,870
<b>Net cash outflow on acquisition</b>	<b><u>(11,524,222)</u></b>

\* Includes an advance of €6,000,000 that was paid in 2013.

***Fair value of shares issued***

The Group issued 2,733,220 ordinary shares as consideration for the 100% interest in Tower Center International S.R.L. as of 18 February 2014. In accordance with IFRS, the shares assigned as consideration for net assets acquired as business should be valued at market price on that date when control over net assets was transferred, therefore, the shares assigned under this acquisition are valued at the price of €5.38 per share at 18 February 2014. The fair value of the consideration in the form of shares was, therefore, assessed at €14,704,724.

The fair value of the consideration given is subject to change pending the final purchase price computation on the date control over the assets acquired was taken over and liabilities were assumed.

The revenue included in the interim condensed consolidated statement of comprehensive income since 18 February 2014 which was contributed by Tower Center International S.R.L. was €1,663,365. Tower Center International S.R.L. contributed a profit of €947,164 over the same period. If the combination had taken place at the beginning of the year 2014, the profit after tax of the Group would have amounted to €76,036,635 and the revenue of the Group would have amounted to €9,616,318.

#### 4.2 Acquisition of Upground Estates S.R.L.

On 20 March 2014, the Group acquired 100% of the shares of Upground Estates S.R.L, an unlisted holding company based in Romania.

Upground Estates S.R.L. operates in the real estate management and development business and currently owns a fully completed and partially rented residential and retail complex in Bucharest. The existing strategic management function and associated processes were acquired with the property and, as such, the management considers this transaction the acquisition of a business, rather than an asset acquisition.

In accordance with IFRS 3, the Group has not yet finalised the purchase price allocation of Upground Estates S.R.L., including the bargain purchase gain and, therefore, the identifiable net assets acquired, disclosed in the Group's financial statements for the period ended 30 June 2014 are subject to change. The provisional fair value of the identifiable assets and liabilities of Upground Estates S.R.L. as at 20 March 2014 were:

	Fair value recognised on acquisition €
Completed investment property	101,035,200
Other non-current assets	393,115
Trade and other receivables	1,906,558
Cash and cash equivalents	245,623
<b>ASSETS</b>	<b>103,580,496</b>
Interest bearing loans and borrowings	38,764,355
Deferred tax liability	4,899,987
Trade and other payables	4,113,780
<b>LIABILITIES</b>	<b>47,778,122</b>
<b>Total identifiable net assets at fair value (provisional)</b>	<b>55,802,374</b>
Bargain purchase gain arising on acquisition (provisional)	(40,304,374)
<b>Purchase consideration transferred (provisional)</b>	<b>15,498,000</b>
<b>Purchase consideration transferred (provisional)</b>	<b>€</b>
Shares issued, at fair value	13,988,000
Cash paid	1,510,000
<b>TOTAL</b>	<b>15,498,000</b>

The identifiable net assets acquired do not include loans payable to former shareholders (including interest) with a nominal value of €53,227,251, 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 includes the price paid both for the shares of the acquiree and for such loans from former shareholders.

The fair value of trade receivables was €997,353. The gross contractual amount for trade receivables due was €1,448,369, of which €451,016 was expected to be uncollectible.

On 20 March 2014, the Group recognised a deferred tax liability of €4,899,987, which 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 of €40,304,374 comprises the discount received from the sellers on the property value agreed in the respective share sale and purchase agreement.

**Cash flow on acquisition:**

	€
Cash paid for the acquisition of subsidiaries	(1,510,000)
Cash acquired under the acquisition of subsidiaries	245,623
<b>Net cash outflow on acquisition</b>	<b><u>(1,264,377)</u></b>

**Fair value of shares issued**

The Group assigned 2,600,000 ordinary shares as consideration for the 100% interest in Upground Estates S.R.L. In accordance with IFRS, the shares assigned as consideration for the net assets acquired as business should be valued at market price on that date when control over the net assets was transferred, therefore, the shares assigned under this acquisition are valued at the price of €5.38 per share at 20 March 2014. The fair value of the consideration given in the form of shares was, therefore, assessed at €13,988,000.

The revenue included in the interim condensed consolidated statement of comprehensive income since 20 March 2014 which was contributed by Upground Estates S.R.L. was €696,236. Upground Estates S.R.L. contributed a gain of €198,166 over the same period. If the combination had taken place at the beginning of the year 2014, the profit after tax of the Group would have amounted to €74,782,216 and the revenue of the Group would have amounted to €9,701,642.

#### 4.3 Acquisition of Oystermouth Holding Limited and Dunvant Holding Limited

On 21 March 2014, the Group acquired 100% of the shares of Oystermouth Holding Limited and Dunvant Holding Limited, both unlisted holding companies based in Cyprus. 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 in Netron Investment S.R.L., all unlisted companies based in Romania.

BOB Development S.R.L. and BOC Real Property S.R.L. operate in the real estate management and development business and currently own fully completed and partially rented office buildings in Bucharest. The existing strategic management function and associated processes were acquired with the property and, as such, the management considers this transaction the acquisition of a business, rather than an asset acquisition. Netron Investment S.R.L. at the time of acquisition was substantially a dormant company.

In accordance with IFRS 3, the Group has not yet finalised the purchase price allocation of Oystermouth Holding Limited and Dunvant Holding Limited, including the bargain purchase gain and, therefore, the identifiable net assets acquired, disclosed in the Group's financial statements for the period ended 30 June 2014 are subject to change. The provisional fair value of the identifiable assets and liabilities of Oystermouth Holding Limited, Dunvant Holding Limited, BOB Development S.R.L. and BOC Real Property S.R.L. as at 21 March 2014 were:

	Fair value recognised on acquisition €
Completed investment property	189,500,000
Other non-current assets	520,457
Trade and other receivables	4,350,065
Cash and cash equivalents	6,135,286
<b>ASSETS</b>	<b><u>200,505,808</u></b>
Interest bearing loans and borrowings	124,873,740
Deferred tax liability	16,028,933
Guarantees received	613,965
Trade and other payables	11,743,981
<b>LIABILITIES</b>	<b><u>153,260,619</u></b>
<b>Total identifiable net assets at fair value (provisional)</b>	<b>47,245,189</b>
Bargain purchase gain arising on acquisition (provisional)	<u>(22,478,932)</u>
<b>Purchase consideration transferred (provisional)</b>	<b><u>24,766,257</u></b>
<b><i>Purchase consideration transferred (provisional)</i></b>	
Shares issued, at fair value	5,766,257
Cash paid	<u>19,000,000</u>
<b>TOTAL</b>	<b><u>24,766,257</u></b>

The identifiable net assets acquired do not include loans payable to former shareholders (including interest) with a nominal value of €127,581,955, 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 includes the price paid both for the shares of the acquiree and for such loans from former shareholders.

The fair value of trade receivables was €2,802,930. The gross contractual amount for trade receivables due was €4,615,851, of which €1,812,921 was expected to be uncollectible.

At 21 March 2014, the Group recognised a deferred tax liability of €16,028,933, which 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 of €22,478,932 comprises the discount received from the sellers on the property value agreed in the respective share sale and purchase agreement.

***Cash flow on acquisition:***

	€
Cash paid for the acquisition of subsidiaries	(19,000,000)
Cash acquired under the acquisition of subsidiaries	6,135,286
<b>Net cash outflow on acquisition</b>	<b><u>(12,864,714)</u></b>

***Fair value of shares issued***

The Group assigned 1,071,795 ordinary shares as consideration for the 100% interest in Oystermouth Holding Limited and Dunvant Holding Limited. In accordance with IFRS, the shares assigned as consideration for net assets acquired as business should be valued at market price on the date when control over the net assets transferred was assumed, therefore, the shares assigned under this acquisition are valued at the price of €5.38 per share at 21 March 2014. The fair value of the consideration in the form of shares was, therefore, assessed at €5,766,257.

The revenue included in the interim condensed consolidated statement of comprehensive income since 21 March 2014 which was contributed by Oystermouth Holding Limited (and its subsidiaries) and Dunvant Holding Limited was €3,791,595. Oystermouth Holding Limited and Dunvant Holding Limited contributed a profit of €590,999 over the same period. If the combination had taken place at the beginning of the year 2014, the profit after tax of the Group would have amounted to €76,018,536 and the revenue of the Group would have amounted to €10,663,837.

**4.4 Information on prior year acquisition - settlement of the outstanding purchase price consideration for the acquisition of Pieranu Enterprises Limited**

On 24 March 2014, the Group settled the outstanding purchase price consideration of €4,947,775 on the acquisition of Pieranu Enterprises Limited with the issuance of further 989,555 ordinary shares. In accordance with IFRS, these additional shares assigned as consideration for net assets acquired as 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 €5,224,850.

**4.5 Acquisition costs**

The incidental costs of €1,493,427, incurred in connection with the above disclosed acquisitions have been expensed and are included in the operating results under the line "Acquisition costs".



**5 RENTAL INCOME AND PROPERTY MANAGEMENT FEES / ASSET  
MANAGER RECHARGES**

	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Rental income	5,115,224	-
Service charge income	1,594,222	-
Property management fee	579,788	-
Property development	1,783,010	-
	<u>9,072,244</u>	<u>-</u>

**6 PROPERTY OPERATING AND ASSET MANAGEMENT EXPENSES**

	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Property management, utilities and insurance	2,637,325	-
Property fit out works	2,185,888	-
Property maintenance cost and other	342,652	-
	<u>5,165,865</u>	<u>-</u>

**7 FINANCE COST**

	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Interest on bank loans	2,679,257	-
Interest due to minority interest holders	1,092	-
Finance cost	1,299,042	-
	<u>3,979,391</u>	<u>-</u>

Finance cost represents the unwinding of the unamortised costs and associated fees incurred in relation to UBS loan (Note 14) on its conversion into equity from interest bearing loans.

**8 TAXATION**

	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Current income tax expense	5,665	-
Deferred income tax expense related to origination and reversal of deferred taxes	1,076,925	-
<b>Income tax expense reported in the income statement</b>	<u>1,082,590</u>	<u>-</u>

The income tax rate applicable to the Company is nil. Tax charges on profit arising in Romania, Netherlands and Cyprus are subject to corporate income tax at the rate of 16%, 20% and 25%, and 12.5%, respectively.

	<b>30 June 2014</b> <b>(Unaudited)</b> €	<b>31 December 2013</b> <b>(Audited)</b> €
<b>Deferred tax liability</b>		
Unused tax losses (asset)	(1,062,603)	-
Deposit from tenants at discounted value	53,470	-
Valuation of investment property at fair value	42,550,440	12,432,311
	<u><b>41,541,307</b></u>	<u><b>12,432,311</b></u>

The increase in deferred tax liability of the Group during the period included €28,032,072, recognised under business combinations as disclosed in Note 4.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Under the Romanian legislation, the tax losses since 2009 can be carried forward over a period of seven years. In Romania, the tax position is open to further verification for 5 years and no subsidiary in Romania had a corporate income tax audit in the last 5 years.

The Group companies registered in Cyprus and Netherland need to comply with the Cyprus and Netherland 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 zero per cent in Cyprus and Netherlands, respectively, however, interest income is subject to corporate income tax at the rate of 12.5% in Cyprus and 20% and 25% in the Netherlands, respectively. These subsidiaries are only holding companies and do not hold any tangible non-current assets.

## 9 BASIC AND DILUTED WEIGHTED AVERAGE EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, taking into account the minimum number of shares to be issued at 30 June 2014 for the mandatorily convertible debt.

Diluted earnings per share amounts are calculated by dividing net assets in the interim condensed consolidated statement of financial position attributable to ordinary equity holders of the parent, after the assumed conversion of mandatory convertible debt at 30 June 2014, by the number of ordinary shares outstanding at period end (30 June 2014) plus the additional number of shares to be issued by 18 December 2014.

The following reflects the income and number of shares data used in the basic and diluted earnings per share computations:

	Six months ended 30 June 2014 (Unaudited) €	Period 14 February 2013 to 30 June 2013 (Unaudited) €
Profit (loss) attributable to ordinary equity holders of the parent for basic and diluted earnings	75,729,046	(141)
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>36,617,288</b>	<b>1</b>
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>36,897,168</b>	<b>1</b>

### *Shares in issue during the period from 14 February 2013 to 30 June 2013:*

Date	Event	Number of shares issued	% of the period	Weighted average
14 February 2013	Incorporation of the Company	1	100%	1
30 June 2013	Shares in issue at period end	<u>1</u>		<u>1</u>

### *Shares in issue during the six month period ended 30 June 2014:*

Date	Event	Number of shares	% of the period	Weighted average
1 January 2014	Shares in issue at the beginning of the period	20,905,637	100%	20,905,637
18 February 2014	Acquisition of Tower Center International S.R.L. (Note 4.1)	2,733,220	73%	2,008,388
20 March 2014	Acquisition of Upground Estates S.R.L. (Note 4.2)	2,600,000	57%	1,479,558
21 March 2014	Acquisition of Oystermouth Holding Limited and Duvant Holding Limited (Note 4.3)	1,071,795	56%	603,995
24 March 2014	Shares issued for outstanding consideration payable for acquisition of Pieranu Enterprises Limited (Note 4.4)	989,555	54%	535,781
24 April 2014	Shares issued following the additional fund raising (Note 13)	13,344,919	38%	5,013,561
		<u>41,645,126</u>		

Date	Event	Number of shares	% of the period	Weighted average
26 March 2014	Shares to be issued on conversion of principal debt on instrument date (Note 14) <sup>7</sup>	11,179,724	54%	5,991,344
26 March - 30 June 2014	Further shares to be issued for holder's right not to exercise before 30 June 2014 <sup>8</sup>	297,989	27%	79,025
<b>30 June 2014</b>	<b>Number of ordinary shares used to calculate basic earnings per share</b>	<b>53,122,839</b>		<b>36,617,288</b>

**Shares in issue for diluted earnings per share for the six month period ended 30 June 2014:**

Date	Event	Number of shares	% of the period	Weighted average
<b>30 June 2014</b>	<b>Shares in issue at period end</b>	<b>53,122,839</b>		<b>36,617,288</b>
26 March 2014	Further shares to be issued upon debt to equity conversion on 18 December 2014 (Note 14) <sup>9</sup>	522,249	54%	279,879
<b>30 June 2014</b>	<b>Diluted shares at period end</b>	<b>53,645,088</b>		<b>36,897,168</b>

**Shares issued subsequent to 30 June 2014:**

There were no shares issued after the reporting period end that would have changed the number of ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

## 10 INVESTMENT PROPERTY

The investment properties that are owned by the Group are offices, commercial space and residential units.

	Note	30 June 2014 € (Unaudited)	31 December 2013 € (Audited)
Completed investment property	10.1	375,988,500	7,724,700
Investment property under refurbishment	10.2	56,600,000	55,900,000
Investment property under development	10.3	82,590,000	51,610,000
Land for further development	10.2	6,100,000	6,100,000
<b>Carrying value at end of period</b>		<b>521,278,500</b>	<b>121,334,700</b>

<sup>7</sup> IAS 33.23 Earnings per Share sets out that all potential shares that will be issued upon the conversion of a mandatory convertible loan must be accounted for as issued shares and included in the calculation of basic and diluted earnings per share. The number of outstanding shares is therefore increased by the maximum potential shares that would be issued, assuming that the mandatorily convertible debt will actually be converted at the mandatory conversion date of 18 December 2014.

<sup>8</sup> Assume to be outstanding on a daily basis, related to interest for the period from 26 March 2014 to 30 June 2014.

<sup>9</sup> IAS 33 Earnings per Share sets out that all potential shares that will be issued upon the conversion of a mandatory convertible loan must be accounted for as issued shares and included in the calculation of diluted earnings per share if the holder has not exercised the right for early conversion. The number of outstanding shares is therefore increased by the additional shares that would have been issued, assuming that the mandatorily convertible debt will actually be converted at the mandatory conversion date of 18 December 2014.

## 10.1 Completed investment properties

All amounts in €

Property owning company	Globalworth Asset Managers S.R.L.	Tower Center International S.R.L.	Upground Estates S.R.L.	BOB Development S.R.L.	BOC Real Property S.R.L.	TOTAL
Asset Name	Upground apartments	TCI Tower	Upground Towers	BOB	BOC	
<b>Carrying value 14 February 2013</b>	-	-	-	-	-	-
<i>Additions resulting from:</i>						
Business acquisitions	7,830,700	-	-	-	-	7,830,700
Subsequent expenditure	-	-	-	-	-	-
Fair value adjustment	(106,000)	-	-	-	-	(106,000)
<b>Carrying value at 31 December 2013 (audited)</b>	<b>7,724,700</b>	-	-	-	-	<b>7,724,700</b>
<i>Additions resulting from:</i>						
Business acquisitions (Note 4)	-	76,000,000	101,035,200	50,500,000	139,000,000	366,535,200
Subsequent expenditure	-	154,518	-	-	241,766	396,284
Fair value adjustment	-	545,482	528,600	(800,000)	1,058,234	1,332,316
<b>Fair value at 30 June 2014 (unaudited)</b>	<b>7,724,700</b>	<b>76,700,000</b>	<b>101,563,800</b>	<b>49,700,000</b>	<b>140,300,000</b>	<b>375,988,500</b>

## 10.2 Investment property under refurbishment/ Land for further development

All amounts in €

Property owning company	Globalworth Asset Managers S.R.L.		TOTAL
	City Offices	Herastrau One	
	<i>Under refurbishment</i>	<i>Land for development</i>	
<b>Carrying value 14 February 2013</b>	-	-	-
<i>Additions resulting from:</i>			
Business acquisitions	52,400,000	6,237,096	58,637,096
Subsequent expenditure	1,810,600	-	1,810,600
Capitalised borrowing costs	7,386	-	7,386
Fair value adjustment	1,682,014	(137,096)	1,544,918
<b>Carrying value at 31 December 2013 (audited)</b>	<b>55,900,000</b>	<b>6,100,000</b>	<b>62,000,000</b>
<i>Additions resulting from:</i>			
Business acquisitions (Note 4)	-	-	-
Subsequent expenditure	2,716,953	-	2,716,953
Capitalised borrowing costs	35,958	-	35,958
Land acquired during the period	-	-	-
Fair value adjustment	(2,052,911)	-	(2,052,911)
<b>Fair value at 30 June 2014 (unaudited)</b>	<b>56,600,000</b>	<b>6,100,000</b>	<b>62,700,000</b>
<b>Expected value on finalisation</b>	<b>62,400,000</b>	<b>29,000,000</b>	

### 10.3 Investment property under development

All amounts in €

Property owning company	Netron Investment S.R.L.	Victoria Ventures S.A.	Corinthian Five S.R.L.	TOTAL
Asset Name	Globalworth Campus	Floreasca One	Bucharest One	
<b>Carrying value 14 February 2013</b>	-	-	-	-
<i>Additions resulting from:</i>				
Business acquisitions	-	3,460,000	48,070,000	51,530,000
Subsequent expenditure	-	155,809	-	155,809
Capitalised borrowing costs	-	533	-	533
Fair value adjustment	-	(76,342)	-	(76,342)
<b>Carrying value at 31 December 2013 (audited)</b>	<b>-</b>	<b>3,540,000</b>	<b>48,070,000</b>	<b>51,610,000</b>
<i>Additions resulting from:</i>				
Business acquisitions (Note 4)	-	-	-	-
Subsequent expenditure	-	515,049	6,567,739	7,082,788
Capitalised borrowing costs	-	14,915	-	14,915
Land acquired during the period	14,476,256	-	-	14,476,256
Fair value adjustment	14,623,744	(869,964)	(4,347,739)	9,406,041
<b>Fair value at 30 June 2014 (unaudited)</b>	<b>29,100,000</b>	<b>3,200,000</b>	<b>50,290,000</b>	<b>82,590,000</b>
<b>Expected value on finalisation</b>	<b>230,200,000</b>	<b>7,500,000</b>	<b>140,000,000</b>	

The Group's investment properties were valued at 30 June 2014<sup>10</sup> and 31 December 2013 by CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker Valuation), 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.

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 at least once in a financial year.

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;
- holds discussions with the independent valuer.

<sup>10</sup> Except for the valuation of Floreasca One, which is based on management's internal assessment.

### **Investment properties acquired under business acquisition**

On 18 February 2014, the Group acquired the TCI office building through a business acquisition at fair value of €76,000,000, as disclosed in Note 4.1. The investment property acquired is a completed property with recurring rental revenues. The fair value at acquisition date was determined based on the independent valuation performed by CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker Valuation) at 31 December 2013. At the acquisition date the investment team of the Group performed an internal analysis and concluded that the fair value of the investment property had not changed from the 31 December 2013 valuation performed by the independent valuer and the Group recognised it as fair value at acquisition date under IFRS 3 Business Combinations.

On 20 March 2014, the Group acquired Upground residential complex through a business acquisition at fair value of €101,035,200, as disclosed in Note 4.2. The investment properties acquired are completed properties with recurring rental revenues. The fair value at acquisition date was determined based on the independent valuation performed by CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker Valuation) at 31 December 2013. At acquisition date the investment team of the Group performed an internal analysis and concluded that the fair value of the investment property had not changed from the 31 December 2013 valuation performed by the independent valuer and the Group recognised it as fair value at acquisition date under IFRS 3 Business Combinations.

On 21 March 2014, the Group acquired BOC and BOB office buildings through a business acquisition at fair value of €189,500,000, as disclosed in Note 4.3. The investment properties acquired are completed properties with recurring rental revenues. The fair value at acquisition date was determined based on the independent valuation performed by CBAR Research & Valuation Advisors S.R.L. (Coldwell Banker Valuation) at 31 December 2013. At acquisition date the investment team of the Group performed an internal analysis and concluded that the fair value of the investment property had not changed from the 31 December 2013 valuation performed by the independent valuer and the Group recognised these as fair value at acquisition date under IFRS 3 Business Combinations.

**Valuation techniques underlying management's estimation of fair value**

**Discounted Cash Flow (“DCF”)**

Information about fair value measurements using the DCF method, as defined in Note 2.4 Critical accounting judgements, estimates and assumptions, is classified as Level 3. The significant unobservable inputs are disclosed in the table below:

Investment property	City Offices		TCI Tower		BOB		BOC	
	30-Jun-14	31-Dec-13	30-Jun-14	Acquisition date	30-Jun-14	Acquisition date	30-Jun-14	Acquisition date
<b>Rental Value (€ per sq. meter)</b>	Retail 1*- 16.15 Retail 2**-26.41 Office - 12	Retail 1*- 16.15 Retail 2**-26.04 Office - 12	17.9	17.6	13.05	13.46	13.3	13.2
<b>Discount rate %</b>	8.75*/ 9.75**	8.75 - 9.25*/ 9.75 - 10.25**	7.25	8 - 7.25	7.75	8.25 - 7.75	7.75 - 7.50	8.0 - 7.5
<b>Capitalisation rate for terminal value %</b>	8.5* - 9.5**	8.5* - 9.5**	7	7	7.50	7.50	7.25	7.25
<b>Cost to complete (€ million)</b>	5.8*	6.5*	-	-	-	-	-	-
<b>Vacancy rate (Weighted avg.)</b>	Retail 1*- 10% Retail 2**- 10% Office - 15%	Retail 1*- 10% Retail 2**- 10% Office - 15%	-	24%	4.7%	43.60%	3.1%	4.7%
<b>Carrying Value € million 30-Jun-14</b>	56.6	-	76.7	-	49.7	-	140.3	-
<b>Carrying Value € million 31-Dec-13/ At acquisition</b>	-	55.9	-	76.0	-	50.5	-	139.0

\*City offices building  
\*\*City parking building

Changes in Level 2 and 3 fair values are analysed at valuation discussions between the CFO, CIO, CEO and the valuation team. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.



### Sensitivity analysis

Significant increases/ (decreases) in the discount rate and the exit yield in isolation would result in a significantly higher/(lower) fair value measurement.

A quantitative sensitivity analysis for the most sensitive inputs in the independent valuations performed as of 30 June 2014 is disclosed in the table below:

Property Name	Estimate		Impact €'000					
			Change in exit yield					
			-0.25%	0%	+0.25%	-0.25%	0%	+0.25%
Valuation date			30 June 2014			31 December 2013		
City Offices	Change in discount rate	-0.25%	2,100	700	(600)	1,600	600	(400)
		+0%	1,500	-	(1,200)	1,000	-	(1,000)
		+0.25%	800	(600)	(1,800)	300	(700)	(1,700)
BOC Offices*	Change in discount rate	-0.25%	4,900	1,300	(2,100)	-	-	-
		+0%	3,600	-	(3,300)	-	-	-
		+0.25%	1,900	(1,500)	(4,800)	-	-	-
BOB Offices*	Change in discount rate	-0.25%	1,800	600	(600)	-	-	-
		+0%	1,200	-	(1,100)	-	-	-
		+0.25%	700	(400)	(1,600)	-	-	-
TCI Tower*	Change in discount rate	-0.25%	2,700	700	(1,500)	-	-	-
		+0%	1,900	-	(2,200)	-	-	-
		+0.25%	1,100	(800)	(2,900)	-	-	-

\*BOC Offices, BOB Offices and TCI Tower were acquired subsequent to the year ended 31 December 2013 therefore no sensitivity analysis is disclosed in comparatives.

### Residual value method

Information about fair value measurements using the Residual method, as defined in Note 2.4 Critical accounting judgements, estimates and assumptions, is classified as Level 3. The significant unobservable inputs are disclosed in the table below:

Investment property	Floreasca One		Bucharest One		TOTAL
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13	
Sales Value (€ per sq. meter)	942	-	-	-	-
Rental Value (€ per sq. meter)	-	13.5	16.50	16.50	-
Discount rate	-	9.5%	7.75%	8.25%	-
Capitalisation rate for terminal value	-	8.5%	7.25%	7.25%	-
Cost to complete (€ million)	-	3.2	63.2	63.7	-
Vacancy rate (Weighted avg.)	-	-	3%	5%	-
Carrying Value € 30-Jun-14	3,200,000		50,290,000	-	<b>53,490,000</b>
Carrying Value € 31-Dec-13 / At acquisition		3,540,000		48,070,000	<b>51,610,000</b>

### Sensitivity analysis

Significant increases/ (decreases) in the sales value (per sq. meter per annum) and exit yield in isolation would result in a significantly higher/(lower) fair value measurement. Generally, a change in the assumption made for the sales value (per sq. meter per annum) is accompanied by:

- A similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long term vacancy rate

A quantitative sensitivity analysis for the most sensitive inputs in the independent valuations performed as of 30 June 2014 is disclosed in the table below:

Valuation date	Bucharest One	
	30 June 2014	31 December 2013
<b>Sensitivity on management's estimates</b>	Cost to completion increase or decrease by 3% per square meter	
Impact from decrease in estimate €'000	1,230	1,240
Impact from increase in estimate €'000	(1,490)	(1,330)
<b>Change in exit yield</b>		
-0.25%	5,700	5,000
0.25%	(5,300)	(4,800)

### Sales Comparison Approach

Information about fair value measurements using the Sales Comparison method, as defined in Note 2.4 Critical accounting judgements, estimates and assumptions, is classified as Level 2. The significant unobservable inputs are disclosed in the table below:

Investment property	Sales Value (€ per sq. meter)		Carrying Value 30-Jun-14	Carrying Value 31-Dec-13	Carrying Value At acquisition
	30-Jun-14	31-Dec-13/ At Acquisition	€	€	€
Upground Apartments	1,185	1,185	7,724,700	7,724,700	-
Globalworth Campus*	996	-	29,100,000	-	14,476,256
Upground Towers	1,185, **13.4	1,185, **12.9	101,563,800	-	101,035,200
Herastrau One	1,809	1,800	6,100,000	6,100,000	-
<b>Total</b>			<b>144,488,500</b>	<b>13,824,700</b>	<b>115,511,456</b>

\* Globalworth Campus was acquired subsequent to the year ended 31 December 2013, therefore, no sensitivity analysis is disclosed in comparatives. The carrying value at acquisition reflects the acquisition cost of the related land plots.

\*\*Average rent per square meter per month for retail space.

### Sensitivity analysis

Significant increases/ (decreases) in the rental value (per sq. meter per annum) in isolation would result in a significantly higher/(lower) fair value measurement. Generally, a change in the assumption made for the rental value (per sq. meter per annum) is accompanied by:

- A similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long term vacancy rate

A quantitative sensitivity analysis for the most sensitive inputs in the independent valuations performed as of 30 June 2014 is disclosed in the table below:

Sensitivity on management's estimates					
Property Name	Estimate	Impact from decrease in estimate €'000	Impact from increase in estimate €'000	Impact from decrease in estimate €'000	Impact from increase in estimate €'000
Valuation date		30 June 2014		31 December 2013	
Upground apartments	Sales price per square meter increase by €40 or decrease by €35	(241)	288	(240)	268
Herastrau One	Sales price per square meter increase or decrease by €100	(340)	340	(340)	340
Upground Towers* - Residential units	Combination of apartment sales price per square meter increase by €40 or decrease by €35, storage space sales price per square meter increase by €20 or decrease by €10, underground parking sales price per unit increase by €600 or decrease by €600, and aboveground parking sales price per unit increase by €1,000 or decrease by €500	(2,924)	3,491	-	-
Upground Towers* - Commercial units	Change in rent per square meter by €0.5 per month	(428)	429	-	-

\*Upground Towers was acquired subsequent to the year ended 31 December 2013, therefore, no sensitivity analysis is disclosed in comparatives.

The Group considers that Upground Towers are in a condition which will allow the generation of cash flows from their rental.

### Other disclosures

Interest bearing loans and borrowings are secured on investment property to the carrying value of €172,266,424 (31 December 2013: 65,974,900).

Revenues are derived from a large number of tenants and one of the tenants contributes more than 10% of the Group's rental revenues for the period ended 30 June 2014 (30 June 2013: Nil).

Net losses recorded in the income statement during six months ended 30 June 2014 of €6,466,898 (30 June 2013: Nil) for fair value measurements categorised within Level 3 of the fair value hierarchy and are presented in the consolidated income statement under the line item "Fair value gain on investment property".

## 11 GOODWILL

	30 June 2014 (Unaudited) €	31 December 2013 (Audited) €
Opening balance at the beginning of the period	12,616,452	-
Movement during the period (Note 4.4)	277,075	12,616,452
<b>Carrying amount at period end</b>	<b>12,893,527</b>	<b>12,616,452</b>

Goodwill is allocated to the Group's cash-generating units (CGUs), which were determined to be individual properties owned by subsidiaries acquired by the Group for the goodwill arising from deferred tax liabilities, and respectively the property management activities of Globalworth Asset Managers S.R.L.

No impairment charge arose as a result of the impairment test at period end. The goodwill tested for impairment is related to the property management activity (with a carrying value of €6,928,310 as of 30 June 2014), the value-in-use of the property management activity was determined based on the following main assumptions as at 30 June 2014, which were similar to those used as at 31 December 2013:

- budgets for 3 years which include besides the existing contracts additional contracts which were in advanced stages of negotiation as of 30 June 2014 / 31 December 2013
- discount rate of 13.3% p.a. (same at 30 June 2014 / 31 December 2013)
- extrapolation in perpetuity from 2017 onwards, considering a growth rate of 2.0% p.a. (same at 30 June 2014 / 31 December 2013)

The management believes that as of 30 June 2014 and as of 31 December 2013 no reasonable change in the main assumptions could result in an impairment charge (31 December 2013: same).

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.

## 12 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2014 (Unaudited) €	31 December 2013 (Audited) €
Cash at bank and in hand	53,569,214	9,439,384
Short term deposits	2,981,685	66,468
	<b>56,550,899</b>	<b>9,505,852</b>

Cash and cash equivalents as at 30 June 2014 include restricted cash balances of €1,975,982 (31 December 2013 €128,980).

### 13 ISSUED SHARE CAPITAL

	30 June 2014 (Unaudited) €	31 December 2013 (Audited) €
<b>Ordinary shares issued and fully paid</b>		
At the beginning of the period	106,956,291	1
Issued during the period	118,418,853	111,897,912
Cost incurred on share issue	(2,141,477)	(4,941,622)
<b>At period end</b>	<b>223,233,667</b>	<b>106,956,291</b>

There is no limit on the authorised share capital of the Company. The Company can issue no par value and par value shares at €5 per share as the shareholders see fit for the five 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. 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.

- On 18 February 2014, an additional 2,733,220 ordinary shares were issued at €5.38 each (€14,704,724) as consideration for the acquisition of subsidiaries, as disclosed in Note 4.1.
- On 20 March 2014, an additional 2,600,000 ordinary shares were issued at €5.38 each (€13,988,000) as consideration for the acquisition of subsidiaries, as disclosed in Note 4.2
- On 21 March 2014, an additional 1,071,795 ordinary shares were issued at €5.38 each (€5,766,257) as consideration for the acquisition of subsidiaries, as disclosed in Note 4.3
- On 24 March 2014, an additional 989,555 ordinary shares were issued at €5.28 each (€5,224,850) as consideration for the acquisition of subsidiaries, as disclosed in Note 4.4
- On 24 April 2014, an additional 13,344,919 ordinary shares were issued at €5.90 each (€78,735,022) following the completion of the secondary fundraising, which was announced on 23 April 2014.

### 14 UNPAID SHARE CAPITAL

On 14 February 2014 the Group signed a short-term loan facility with UBS Limited for an amount of €65 million. Out of the total facility, approximately €32 million was borrowed by Tower Center International S.R.L, when it acceded the loan agreement on 18 February 2014, in order to refinance the existing bank loan and repay certain other liabilities, and the remaining facility of approximately €33 million was borrowed by Globalworth Holdings Cyprus Limited so as to complete the acquisition of Oystermouth Holding Limited and Dunvant Holding Limited.

On 20 May 2014, York Global Finance Offshore BDH (Luxembourg) S.a.r.l., a private fund affiliated with York Capital ("New Lender 1"), and ESCF Investment S.a.r.l., SPFC Investment S.a.r.l. and Asia CCF Investment S.à.r.l, private funds affiliated to Oak Hill Advisors ("New Lender 2"), signed an agreement with UBS Limited (the "Original Lender") under which the existing UBS facility was transferred from the Original Lender to the New Lender 1 and New Lender 2 and was transformed into a short term loan mandatorily convertible, together with associated fees and accrued interest thereon, to Ordinary Shares of the Company by 18 December 2014 at €5.90 per Ordinary Share. The balance of the loan, together with associated fees and accrued interest thereon, as of the agreed date of the take-over of this liability by New Lender 1 and New Lender 2, of 26 March 2014, amounted to €65,960,369.

The short term mandatorily convertible debt is unsecured and carries the same interest as per initial facility agreement signed with UBS Limited on 14 February 2014, 6 month Euribor plus 9.5%. However both the principal and accrued interest will be converted into ordinary shares by the mandatory conversion date of 18 December 2014, at the fixed price of €5.90 per Ordinary Share. The New Lenders have the right to opt for early conversion to the extent of principal and accrued interest up to the date of early conversion at the fixed price of €5.90 per Ordinary Share.

As of 20 May 2014 UBS Limited discharged the Group from all encumbrances. Subsequent to the signing of the above mentioned agreement, the outstanding loan balance, together with associated fees and accrued interest until 26 March 2014, was recognised as an equity contribution for the issuance of 11,999,962 shares, expected to be issued in the period up to the mandatory conversion date of 18 December 2014 and, therefore, was classified as unpaid share capital under equity as of 30 June 2014.

## 15 SHARE BASED PAYMENTS

During 2013, the Group granted a number of warrants to the Founder and the Directors. Pursuant to the warrant agreements, the warrants confer the right to subscribe, at the €5.00 placing price on the relevant grant date, 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 and the Directors are employed on such date.

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. For the Founder the vesting period is 30 months and for other executive and non-executive Directors is 6 years, over which period the fair value of the warrants will be amortised in the income statement on a straight line basis.

Subject to vesting, the warrants are exercisable in whole or in part during the period commencing on Admission and ending on the date falling ten years from the date of Admission. There are no cash settlement alternatives. The Group does not have the intention to offer cash settlement for these warrants. There have been no cancellations or modifications to any of the plans during the period.

The fair value of the warrants was estimated at the grant date using a binomial option pricing model, taking into accounts the terms and conditions upon which the warrants were granted. The contractual term of each warrant granted is ten years. The fair value of warrants as of 30 June 2014 is €336,152 (31 December 2013: €258,509), out of which €72,848 was recorded as an expense for the six month period ended 30 June 2014 (30 June 2013: nil) with a corresponding credit to equity as share based payment reserve.

*Granted during the period:*

As disclosed in Note 4, the Group acquired the remaining Founder's pipeline during the period ended 31 March 2014, which entitled the Founder, under founder warrants agreement, to subscribe to a further 1,109,184 Ordinary Shares under similar conditions as existing warrants.

	<b>30 June 2014 (Unaudited) Number of shares</b>	<b>Weighted average value €</b>
Outstanding at beginning of the period	3,525,846	5
Granted during the period	1,109,184	5
<b>Outstanding at period end</b>	<b>4,635,030</b>	<b>5</b>

	<b>2013 Number of shares</b>	<b>2013 Weighted average value</b>
Outstanding at 14 February 2013 and 30 June 2013	-	-
Granted during the period from 1 June 2013 to 31 December 2013	3,525,846	5
<b>Outstanding at 31 December</b>	<b>3,525,846</b>	<b>5</b>

No shares were exercisable as of 30 June 2014 (31 December 2013: nil).

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 9.08 years (31 December 2013: 9.58 years). The weighted average fair value of options granted during the period was €0.073 per share (31 December 2013: 0.073 per share).

16 INTEREST BEARING LOANS AND BORROWINGS

	30 June 2014 (Unaudited) €	31 December 2013 (Audited) €
<b>Current</b>		
Interest bearing bank loans	23,210,334	19,528,325
Due to minority interest holders	798,968	767,876
	<u>24,009,302</u>	<u>20,296,201</u>
<b>Non-Current</b>		
Interest bearing bank loans	149,559,680	165,429
	<u>173,568,982</u>	<u>20,461,630</u>

The table below summarises the key features of the Group's bank debt facilities, as of 30 June 2014:

	Maturity Date	Undrawn amount €	Interest rates	Nominal amount €	Carrying amount €
<b>Current</b>					
Bancpost S.A. Facility C	Nov 2014	676,093	ROBOR+ margin	323,907	323,907
Bancpost S.A. Facility A	March 2019	1,694,046	EURIBOR+ margin*	14,805,954	14,441,978
National Bank of Greece-Upground	Dec 2016	-	EURIBOR+ margin	5,000,000	5,000,000
National Bank of Greece-BOB	Dec 2018	-	EURIBOR+ margin	540,395	540,395
National Bank of Greece-BOC	Dec 2018	-	EURIBOR+ margin	1,181,830	1,181,830
Bank of Cyprus-BOB	Dec 2018	-	EURIBOR+ margin	540,395	540,395
Bank of Cyprus-BOC	Dec 2018	-	EURIBOR+ margin	1,181,830	1,181,830
				<u>23,574,311</u>	<u>23,210,335</u>
<b>Non-Current</b>					
Piraeus Bank	Dec 2015	2,251,784	EURIBOR+ margin	748,216	748,216
Piraeus Bank	June 2015	220,317	ROBOR +margin	179,683	179,683
National Bank of Greece-Upground	Dec 2016	-	EURIBOR+ margin*	32,000,000	31,757,635
National Bank of Greece-BOB	Dec 2018	-	EURIBOR+ margin	16,940,638	16,940,638
National Bank of Greece-BOC	Dec 2018	-	EURIBOR+ margin	41,496,435	41,496,435
Bank of Cyprus-BOB	Dec 2018	-	EURIBOR+ margin	16,940,638	16,940,638
Bank of Cyprus-BOC	Dec 2018	-	EURIBOR+ margin	41,496,435	41,496,435
<b>TOTAL</b>		<u>4,842,240</u>		<u>149,802,045</u>	<u>149,559,680</u>

\* the facilities are amortised at effective interest rate considering the upfront fees paid to secure the loan.

All the Group's bank borrowings are at floating rates of interest. Interest costs may increase or decrease as a result of changes in the interest rates.



### **Bancpost S.A.**

The facilities were originally obtained by Globalworth Asset Managers S.R.L. during 2013 to finance the City Offices refurbishment cost and related VAT receivable balance.

The facilities are secured by a mortgage on the City Offices Building (currently under refurbishment), the VAT receivable balance and a pledge over the bank balance kept with the Bank for an amount of €10,363 and a moveable charge on the bank accounts and carry the financial covenants of loan to value ratio of a maximum of 62% and debt service ratio of a minimum of 120%.

### **Piraeus Bank S.A.**

The facilities were originally obtained by Victoria Ventures S.A. during 2013 to finance the construction of the Floreasca One office building and related VAT receivable balance.

The facilities are secured over the Floreasca One property, VAT receivable balance and bank accounts opened with the bank. The facility carries no financial loan covenants.

### **NBG Bank Malta Limited - Upground facility**

This represents a long term credit facility executed between Upground and NBG Bank Malta Limited during the period ended 31 December 2008. The said facility carries interest at the rate of 3 months EURIBOR plus a margin; payable semi-annually in arrears and the repayment date of the loan agreement is 31 December 2016.

NBG has a first rank aggregate mortgage on the land at 6A Dimitrie Pompeiu Boulevard and on the building erected on it, pledge over the bank accounts, pledge over the future and past assets and assignment of receivables arising from lease agreements, insurance policies and others.

### **National Bank of Greece S.A., London Branch and Bank of Cyprus – BOB facility**

This represents a long term credit facility signed between BOB Development S.R.L. and NBG Bank Malta Limited, National Bank of Greece S.A., London Branch and Bank of Cyprus, in equal amounts with a repayment date of 31 December 2018. The said facility carries interest at the rate of 3 months EURIBOR plus a margin, along with principle instalments in amount €218,000, payable quarterly in arrears.

NBG and Bank of Cyprus have a first rank aggregate mortgage on the land at 6A Dimitrie Pompeiu Boulevard and on the building erected on it, pledge over the bank accounts, pledge over the future and past assets and assignment of receivables arising from lease agreements, insurance policies and others. It also carries the financial covenants of loan to value ratio of a maximum of 80%.

### **NBG Bank Malta Limited and Bank of Cyprus –BOC facility**

It represents a long term credit facility with NBG Bank Malta Limited and Bank of Cyprus, in equal amounts with a repayment date of 31 December 2018. The said facility carries interest at the rate of 3 months EURIBOR plus a margin, payable quarterly in arrears along with principle instalments in amount €463,500, payable at the end of each quarter until the final repayment date.

NBG and Bank of Cyprus have first and second rank aggregate mortgages on the land at 6A Dimitrie Pompeiu Boulevard and on the building erected on it, a pledge over the bank accounts, a pledge over the future and past assets and an assignment of receivables arising from lease agreements, hedging arrangements, insurance policies and others. It also carries the financial covenants of loan to value ratio of a maximum of 80%.

As of 30 June 2014, the Group had total undrawn floating rate borrowing facilities of €4,842,240 (31 December 2013: €14,690,225). The facilities will expire within one year and have been arranged to finance the ongoing refurbishment plan of the City Offices building, the construction of the Floreasca One office building, and to finance the proposed expansion of the Group's activities in Romania.

## 17 SEGMENTAL INFORMATION

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the Executive Directors of the Group. The information provided is net rental income (including gross rent and 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 and residential segments.

Consequently, the Group is considered to have two reportable operating segments, as follows:

- Office segment — acquires, develops and leases offices and manage other properties
- Residential segment — builds, acquires, develops and leases apartments

There are no significant sales between segments.

Segment assets for the investment property segments represent investment property (including those under construction/refurbishment) as these are the only assets reported to the executive management on a segmental basis.

Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the executive management on a segmental basis.

	<b>Six months ended 30 June 2014 (Unaudited)</b>		
	<b>Office</b>	<b>Residential</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Rental income and service charge income	6,013,210	696,236	6,709,446
Property development	2,362,798	-	2,362,798
Property operating and asset management expenses	(4,690,742)	(475,123)	(5,165,865)
Change in fair value of investment property	-	-	-
<b>Segment results</b>	<b>3,685,266</b>	<b>221,113</b>	<b>3,906,379</b>
Administrative expenses	(2,427,452)	(175,940)	(2,603,392)
Acquisition costs	(1,493,427)	-	(1,493,427)
Fair value gain on investment property	8,156,846	528,600	8,685,446
Bargain purchase gain on acquisition of subsidiary	31,839,894	40,304,374	72,144,268
Share based payments	(72,848)	-	(72,848)
Foreign exchange gain	(182,351)	232,607	50,256
Finance cost	(3,439,731)	(539,660)	(3,979,391)
Finance Income	24,301	656	24,957
<b>Earnings before tax</b>	<b>36,090,498</b>	<b>40,571,750</b>	<b>76,662,248</b>

At 30 June 2014 (Unaudited)

	Office €	Residential €	Total €
Investment property	411,990,000	109,288,500	521,278,500
Advances for acquisition of investment property	2,857,190	-	2,857,190
Investment property held for sale	-	-	-
<b>Segment Assets</b>	<b>414,847,190</b>	<b>109,288,500</b>	<b>524,135,690</b>
Goodwill	12,354,702	538,825	12,893,527
Other long term assets	598,507	423,686	1,022,193
Current assets	67,906,338	2,787,333	70,693,671
<b>Total assets</b>	<b>495,706,737</b>	<b>113,038,344</b>	<b>608,745,081</b>
Interest bearing loans and borrowings	136,811,346	36,757,636	173,568,982
Deferred tax liability	36,097,093	5,444,214	41,541,307
Other long term liabilities	2,062,852	251,411	2,314,263
Current liabilities	12,082,638	1,068,668	13,151,306
<b>Total liabilities</b>	<b>187,053,929</b>	<b>43,521,929</b>	<b>230,575,858</b>
Additions to non-current assets	24,723,154	-	24,723,154

Period 14 February 2013 to 30 June 2013  
(Unaudited)

	Office €	Residential €	Total €
Rental income and service charge income	-	-	-
Property development	-	-	-
Property management fees	-	-	-
Property operating and asset management expenses	-	-	-
Change in fair value of investment property	-	-	-
<b>Segment results</b>	<b>-</b>	<b>-</b>	<b>-</b>
Administrative expenses	(141)	-	(141)
Acquisition costs	-	-	-
Bargain purchase gain on acquisition of subsidiary	-	-	-
Share based payments	-	-	-
Foreign exchange gain	-	-	-
Finance cost	-	-	-
Finance Income	-	-	-
<b>Earnings before tax</b>	<b>(141)</b>	<b>-</b>	<b>(141)</b>

	At 31 December 2013 (Audited)		
	Office	Residential	Total
	€	€	€
Investment property	113,610,000	7,724,700	121,334,700
Advances for acquisition of investment property	8,750,000	-	8,750,000
Investment property held for sale	1,875,800	-	1,875,800
<b>Segment Assets</b>	<b>124,235,800</b>	<b>7,724,700</b>	<b>131,960,500</b>
Goodwill	12,093,717	522,735	12,616,452
Other long term assets	-	-	285,906
Current assets	20,685,470	723	20,686,193
<b>Total assets</b>	<b>157,014,987</b>	<b>8,248,158</b>	<b>165,549,051</b>
Interest bearing loans and borrowings	14,293,630	6,168,000	20,461,630
Deferred tax liability	11,909,576	522,735	12,432,311
Other long term liabilities	-	-	49,305
Current liabilities	12,287,033	39,799	12,326,832
<b>Total liabilities</b>	<b>38,490,239</b>	<b>6,730,534</b>	<b>45,270,078</b>
Additions to non-current assets	1,974,328	-	1,974,328

The Group is domiciled in Guernsey but does not generate revenue there. The Group's revenue is generated from property assets which are held by Group companies domiciled in Romania. Therefore, all revenue reported above is generated in Romania.

None of the Group's non-current assets are located in Guernsey. The total of non-current assets other than goodwill (there are no employment benefit assets, deferred tax assets and rights arising under insurance contracts) are located in other countries.

## 18 TRANSACTIONS WITH RELATED PARTIES

The Group's related parties are Ioannis Papalekas and 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 interim condensed consolidated financial statements include all of the companies in the Group's scope of consolidation (Note 3 Investment in subsidiaries). The Group's ultimate controlling party is Mr. Ioannis Papalekas who at 30 June 2014 owned 54.3% (31 December 2013: 63.1%) of the Company's Ordinary Shares. The remaining 45.7% (31 December 2013: 36.9%) of the Ordinary Shares are closely held.

### As at 30 June 2014 (Unaudited)

Description	Receivables €	Payables €	Advances paid/ (received) €	Guarantees paid/ (received) €
Bakaso Holdings Limited	280,254	-	-	-
Aserat Properties S.A.	2,002,082	-	-	-

As at 31 December 2013 (Audited)

Description	Receivables €	Payables €	Advances paid/ (received) €	Guarantees paid/ (received) €
BOB Development S.R.L.	2,228,436	-	407,921	-
BOC Real property S.R.L.	4,145,586	246,343	369,380	63,237
Upground Estates S.R.L.	629,098	2,979	107	-
Bakaso Holdings Limited	280,254	-	-	-

**Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group granted a €2 million short term interest bearing loan to Aserat Properties S.A., a company controlled by the Founder, in order to secure a potential property acquisition for the Group. If the acquisition does not proceed, Aserat Properties S.A. will repay the outstanding amount.

During the period ended 30 June 2014, the Group recorded €614,245 (30 June 2013: Nil) as remuneration expenses for the executive and non-executive members of the Board of Directors.

**19 FINANCIAL RISK MANAGEMENT**

**Objective and policies**

The Group's activities expose it to a variety of financial risks in relation to the financial instruments it uses: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: security deposits held, trade and other receivables, cash and cash equivalents, trade and other payables, security deposits payable to tenants, finance lease liabilities and interest bearing loans payable.

The Group's financial assets are categorised as either receivables or at fair value through profit or loss in accordance with IAS 39. Cash and cash equivalents, security deposits held, trade and other receivables are categorised as other receivables.

The Group's financial liabilities are categorised as either liabilities or fair value through profit or loss in accordance with IAS 39. Security deposits payable to tenants, interest bearing loans payable, finance lease liabilities and trade and other payables are categorised as liabilities.

**19.1 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, (b) interest-bearing assets and liabilities, and (c) Romanian real estate market risk, to the extent that these are exposed to general and specific market movements.

Management sets limits on the exposure to currency and interest rate risk that may be accepted, which are monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

**a) Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the Romania RON. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

**b) 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 flow risk is the risk that the interest cost will fluctuate over time.

The Group's interest rate risk principally arises from long-term 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.

**c) Romanian real estate market risk**

Volatility in the global financial system is reflected in commercial real estate markets. In arriving at estimates of market values as at 30 June 2014 and 31 December 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.

**19.2 Credit risk management**

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, 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 balance sheet date.

**19.3 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.

**19.4 Fair values of financial instruments**

Financial instruments in the statement of financial position include trade and other receivables, income tax receivable, cash and cash equivalents, interest bearing loans and borrowings, deposits from tenants, finance lease obligations, trade and other payables and income tax payable. The estimated fair values of these instruments do not differ significantly from their current carrying amounts, especially when they are short-term in nature or their interest rates are changing in line with the change in the current market conditions.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

**30 June 2014 (Unaudited)**

	<b>Carrying amount 30 June 2014</b>	<b>Fair value 30 June 2014</b>
	€	€
<b>Financial assets</b>		
Trade and other receivables	13,034,779	13,034,779
Income tax receivable	295,333	295,333
Cash and cash equivalents (Note 12)	56,550,899	56,550,899
<b>Financial liabilities</b>		
Interest bearing loans and borrowings (Note 16)	173,568,982	173,568,982
Deposits from tenants	1,288,505	1,288,505
Finance lease obligations	56,411	56,411
Trade and other payables	12,717,789	12,717,789
Income tax payable	5,665	5,665

**31 December 2013 (Audited)**

	<b>Carrying amount 31 December 2013</b>	<b>Fair value 31 December 2013</b>
	€	€
<b>Financial assets</b>		
Trade and other receivables	10,376,610	10,376,610
Income tax receivables	1,857	1,857
Cash and cash equivalents (Note 12)	9,505,852	9,505,852
<b>Financial liabilities</b>		
Interest bearing loans and borrowings (Note 16)	20,461,630	20,461,630
Deposits from tenants	109,456	109,456
Finance lease obligations	46,358	46,358
Trade and other payables	8,823,696	8,823,696
Income tax payable	726,059	726,059

The trade and other receivables, income tax receivable, cash and cash equivalents, interest bearing loans and borrowings, deposits from tenants, finance lease obligations, trade and other payables and income tax payable are carried at amortised cost; due to the short term maturities of these instruments the management assessed that their carrying values are a reasonable approximation of fair value.

Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Group. Trade and other payables and borrowings represent contract amounts and obligations due by the Group.

The following tables analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 30 June 2014 (31 December 2013) but for which fair value is disclosed.

30 June 2014 (Unaudited)

<b>Assets</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
	€	€	€	€
Trade and other receivables	13,034,779	-	-	13,034,779
Income tax receivable	295,333	-	-	295,333
Cash and cash equivalents	56,550,899	-	-	56,550,899
<b>TOTAL</b>	<b>69,881,011</b>	-	-	<b>69,881,011</b>
<b>Liabilities</b>				
Interest bearing loans and borrowings	-	173,568,982	-	173,568,982
Deposits from tenants	1,288,505	-	-	1,288,505
Finance lease obligations	-	56,411	-	56,411
Trade and other payables	12,717,789	-	-	12,717,789
Income tax payable	5,665	-	-	5,665
<b>TOTAL</b>	<b>14,011,959</b>	<b>173,625,393</b>	-	<b>187,637,352</b>

31 December 2013 (Audited)

<b>Assets</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
	€	€	€	€
Trade and other receivables	10,376,610	-	-	10,376,610
Income tax receivable	1,857	-	-	1,857
Cash and cash equivalents	9,505,852	-	-	9,505,852
<b>TOTAL</b>	<b>19,884,319</b>	-	-	<b>19,884,319</b>
<b>Liabilities</b>				
Interest bearing loans and borrowings	-	20,461,630	-	20,461,630
Deposits from tenants	109,456	-	-	109,456
Finance lease obligations	-	46,358	-	46,358
Trade and other payables	8,823,696	-	-	8,823,696
Income tax payable	726,059	-	-	726,059
<b>TOTAL</b>	<b>9,659,211</b>	<b>20,507,988</b>	-	<b>30,167,199</b>



## 20 CAPITAL MANAGEMENT

The Company is a closed-ended investment company and thus has a fixed capital for investment. 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 30 June 2014 the loan-to-value ratio was 33.4% (31 December 2013: 16.9%).

As of 30 June 2014, Globalworth Asset Managers S.R.L. has a long term loan facility, obtained from Bancpost S.A., for a total of €16,500,000, of which €14,805,954 was drawn as of 30 June 2014 (31 December 2013: €13,823,685). This facility was obtained for the acquisition and refurbishment of the City Offices building, which as of 31 December 2013 and 30 June 2014 was still under refurbishment (conversion from a shopping centre to an offices building). Consequently, during the period ended 31 December 2013 and the six months ended 30 June 2014 the offices space could not generate revenue as the refurbishment works were in progress. These works are anticipated to be completed within 2014.

This loan facility from Bancpost contains a service cover ratio covenant, 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 is acknowledged by the lender as depicted by the fact that no adverse notification has been made to Globalworth Asset Managers S.R.L. following its semi-annual review of compliance with loan covenants (in September and March), as provided in the loan agreement. However, as a result of IAS 1 requirements, the balance on this loan as of 31 December 2013 and 30 June 2014 has been presented under short term liabilities.

## 21 COMMITMENTS

As at 30 June 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 €54,095,706 (31 December 2013: €4,531,880), and had committed with tenants to incur fit out works of €450,961 (31 December 2013: €150,000).

The Group did not have any commitments for the acquisition of investment property as of 30 June 2014 (31 December 2013: €21,172,550).

## 22 SUBSEQUENT EVENTS

In early August 2014, the Group signed a binding share sale and purchase agreement for the acquisition of SEE Exclusive Development S.A., the company owning Timisoara Airport Park ("TAP"), a light industrial complex located to the northeast of Timisoara, close to the Traian Vuia International Airport and the western border of the country.

The TAP complex is partially developed having let or pre-let c.72,835 sqm of light industrial space, with an option to develop additional facilities in the property for existing tenants. Assuming the exercise of these options, TAP will offer a total Gross Leasable Area of c.113,340 sqm making it one of the largest industrial parks in the country.

The total size of the investment is estimated to be approximately €35 million, of which approximately €18 million is the upfront acquisition cost with the remaining to be spent on the development of the various phases of the project.

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