HB Reavis Holding S.à r.l.

Condensed Consolidated Interim Financial Statements
30 June 2014

Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE 6 MONTHS ENDED 30 JUNE 2014

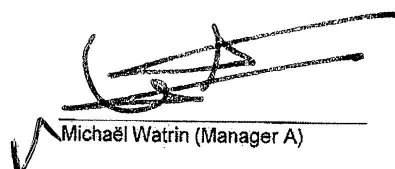
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET 1
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME 2
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY 3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS 4

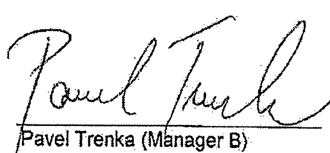
Notes to the Condensed Consolidated Interim Financial Statements

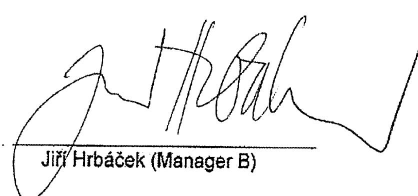
1 THE HB REAVIS GROUP AND ITS OPERATIONS 5
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 6
3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES 19
4 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS 20
5 NEW ACCOUNTING PRONOUNCEMENTS 21
6 SEGMENT ANALYSIS 22
7 BALANCES AND TRANSACTIONS WITH RELATED PARTIES 29
8 PROPERTY, PLANT AND EQUIPMENT 31
9 INVESTMENT PROPERTY 33
10 JOINTLY CONTROLLED ENTITIES 35
11 RECEIVABLES AND LOANS 35
12 OTHER NON-CURRENT ASSETS 36
13 TRADE AND OTHER RECEIVABLES 36
14 ASSETS HELD FOR SALE 39
15 CASH AND CASH EQUIVALENTS 40
16 SHARE CAPITAL 40
17 BORROWINGS 41
18 TRADE AND OTHER PAYABLES 44
19 RENTAL AND SIMILAR INCOME FROM INVESTMENT PROPERTY 45
20 DIRECT OPERATING EXPENSES ARISING FROM INVESTMENT PROPERTY 46
21 REVENUE FROM PUBLIC TRANSPORTATION 46
22 EMPLOYEE BENEFITS 46
23 OPERATING INCOME AND EXPENSES 47
24 RESULTS ON PROPERTY DISPOSALS 48
25 INTEREST INCOME AND EXPENSE 49
26 INCOME TAXES 49
27 FOREIGN EXCHANGE (LOSSES)/GAINS 50
28 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS 51
29 FINANCIAL RISK MANAGEMENT 51
30 MANAGEMENT OF CAPITAL 54
31 FAIR VALUE ESTIMATION 55
32 EVENTS AFTER THE BALANCE SHEET DATE 58

In millions of EUR	Note	30 June 2014 Unaudited	31 December 2013 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	31.1	25.9
Investment property in use or vacant	9	841.7	648.4
Investment property under development	9	500.1	607.9
Intangible assets		1.6	1.7
Receivables and loans due from third parties	11	14.4	13.4
Receivables and loans due from related parties	7, 11	7.8	2.7
Deferred income tax asset	26	13.4	8.0
Other non-current assets	12	2.5	3.6
Total non-current assets		**1,412.6**	**1,311.6**
Current assets			
Non-current assets classified as held-for-sale	14	**53.7**	**122.8**
Inventories		3.8	3.8
Trade and other receivables due from third parties	13	29.8	33.6
Trade and other receivables due from related parties	7, 13	22.2	9.1
Other assets		2.8	1.6
Cash and cash equivalents	15	53.2	47.6
		111.8	**95.7**
Total current assets		**165.5**	**218.5**
TOTAL ASSETS		**1,578.1**	**1,530.1**
EQUITY			
Share capital *(12,500 shares at 1 EUR each)*	16	-	-
Share premium	16	647.2	651.2
Retained earnings		238.0	196.8
Translation reserve	2.3	(7.6)	(8.7)
Equity attributable to the Company's owners		877.6	839.3
Non-controlling interest		18.8	18.3
TOTAL EQUITY		**896.4**	**857.6**
LIABILITIES			
Non-current liabilities			
Borrowings	17	438.3	382.1
Deferred income tax liability	26	51.8	45.2
Other payables due to third parties	18	12.9	12.0
Other payables due to related party	7, 18	0.9	0.9
Total non-current liabilities		**503.9**	**440.2**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	14	**36.7**	**79.5**
Borrowings from third parties	17	88.2	84.3
Borrowings from related parties	7, 17	-	0.6
Trade and other payables due to third parties	18	28.4	36.4
Trade and other payables due to related parties	7, 18	1.1	4.8
Deferred income	18	11.4	13.6
Current income tax payable		12.0	13.1
		141.1	**152.8**
Total current liabilities		**177.8**	**232.3**
TOTAL LIABILITIES		**681.7**	**672.5**
TOTAL LIABILITIES AND EQUITY		**1,578.1**	**1,530.1**

These condensed consolidated interim financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 30 September 2014 by the members of the Board of Managers of HB Reavis Holding S.à r.l. Partners have the power to amend condensed consolidated interim financial statements after issue.


Michaël Watrin (Manager A)


Pavel Trenka (Manager B)


Jiří Hrbáček (Manager B)

In millions of EUR	Note	6 months ended 30 June 2014 Unaudited	30 June 2013 Unaudited
Rental and similar income from investment property	19	35.5	37.5
Direct operating expenses arising from investment property	20	(10.2)	(11.0)
Net operating income from investment property		**25.3**	**26.5**
Revaluation gain/(loss) on investment property	9	37.6	28.1
Results on property disposals	24	3.6	9.2
Revenue from public transportation	21	6.9	7.0
Construction contracts with related parties	7, 23	2.2	1.5
Other operating income - third parties	23	3.0	2.4
Other operating income - related parties	7, 23	0.2	0.3
Employee benefits	7, 22	(7.8)	(7.4)
Fuel costs		(1.3)	(1.6)
Depreciation and amortisation		(1.8)	(1.8)
Other operating expenses	23	(14.7)	(14.7)
Operating profit		**53.2**	**49.5**
Interest income - third parties	25	0.7	0.1
Interest income - related parties	7, 25	0.2	0.3
Interest expense - third parties	25	(11.3)	(7.4)
Foreign exchange (losses)/gains, net	27	1.0	(18.0)
Other finance income		0.9	0.4
Other finance costs		(1.2)	(1.1)
Finance costs, net		**(9.7)**	**(25.7)**
Profit before income tax		**43.5**	**23.8**
Current income tax expense	26	(0.5)	(0.4)
Deferred income tax expense	26	(1.3)	(0.2)
Income tax expense		**(1.8)**	**(0.6)**
Net profit for the year		**41.7**	**23.2**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency	2.3	1.1	(4.0)
Total comprehensive income for the period		**42.8**	**19.2**
Net profit is attributable to:			
- Owners of the Company		41.2	22.7
- Non controlling interest		0.5	0.5
Profit for the year		**41.7**	**23.2**
Total comprehensive income is attributable to:			
- Owners of the Company		42.3	18.7
- Non-controlling Interest		0.5	0.5
Total comprehensive income for the period		**42.8**	**19.2**

		Attributable to owners of the Company						
In millions of EUR	**Note**	**Share capital (Note 16)**	**Share premium (Note 16)**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling Interest**	**Total equity**
Balance at 1 January 2013		-	**660.6**	**117.6**	**0.5**	**778.7**	**17.5**	**796.2**
Profit for the period		-	-	22.7	-	**22.7**	0.5	**23.2**
Other comprehensive income		-	-	-	(4.0)	**(4.0)**	-	**(4.0)**
Total comprehensive income for the period		**-**	**-**	**22.7**	**(4.0)**	**18.7**	**0.5**	**19.2**
Dividends declared		-	(8.6)	-	-	**(8.6)**	-	**(8.6)**
Balance at 30 June 2013		**-**	**652.0**	**140.3**	**(3.5)**	**788.8**	**18.0**	**806.8**
Balance at 1 January 2014		-	**651.2**	**196.8**	**(8.7)**	**839.3**	**18.3**	**857.6**
Profit for the period		-	-	41.2	-	**41.2**	0.5	**41.7**
Other comprehensive income		-	-	-	1.1	**1.1**	-	**1.1**
Total comprehensive income for the period		**-**	**-**	**41.2**	**1.1**	**42.3**	**0.5**	**42.8**
Dividends declared	16	-	(4.0)	-	-	**(4.0)**	-	**(4.0)**
Balance at 30 June 2014		**-**	**647.2**	**238.0**	**(7.6)**	**877.6**	**18.8**	**896.4**

In millions of EUR	Note	6 months 30 June 2014 Unaudited	6 months 30 June 2013 Unaudited
Cash flows from operating activities			
Profit before income tax		43.5	23.8
Adjustments for:			
Depreciation and amortisation		1.8	2.2
Revaluation gains on investment property	9	(37.6)	(28.1)
Results on property disposals	24	(3.6)	(9.2)
Interest expense	25	11.3	7.4
Unrealised foreign exchange (gains)/losses	27(a)	(1.0)	17.6
Operating cash flows before working capital changes		14.4	13.7
Working capital changes:			
Decrease/(increase) in trade and other receivables		6.2	15.2
Increase/(decrease) in trade and other payables		(14.3)	(16.1)
Cash generated from operations		6.3	12.8
Interest paid		(7.7)	(5.6)
Income taxes paid		(0.5)	(0.8)
Net cash from operating activities		**(1.9)**	**6.4**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(7.6)	(2.5)
Construction costs related to investment properties		(49.1)	(44.0)
Proceeds from sales of subsidiaries, net of cash disposed		28.7	44.4
Repayment of borrowings to related parties		(13.0)	(2.2)
Restricted cash		(1.9)	(1.5)
Net cash (used in)/from investing activities		**(42.9)**	**(5.8)**
Cash flows from financing activities			
Proceeds from borrowings		67.8	92.0
Repayment of borrowings		(15.6)	(59.2)
Dividends paid	16	(4.5)	(7.4)
Net cash from/(used in) financing activities		**47.7**	**25.4**
Net (decrease) / increase in cash and cash equivalents		**2.9**	**26.0**
Cash and cash equivalents at the beginning of the 6 months period	15	48.4	47.6
Cash and cash equivalents at the end of the 6 months period		**51.3**	**73.6**
Reconciliation of cash and cash equivalents:			
- Restricted cash		3.4	1.5
- Cash within non-current assets classified as held-for-sale	14	(1.5)	(1.9)
Cash and cash equivalents on the balance sheet at the end of the 6 months period		**53.2**	**73.2**

1 The HB REAVIS Group and its Operations

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim financial reporting" for the 6 months ended 30 June 2014 for HB Reavis Holding S.à r.l. (the "Company") and its subsidiaries (together referred to as the "Group" or "HB REAVIS Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a private limited liability company (société à responsabilité limitée) and was set up in accordance with the Luxembourg regulations on 20 October 2010. The Company is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg no. B 156 287.

HB Reavis Holding S.à r.l. is ultimately controlled by Mr. Ivan Chrenko. The Group's immediate parent as of the date of issuance of these consolidated financial statements is Kennesville Holdings Ltd based in Cyprus.

Principal activity. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, the Czech Republic, Poland, Hungary and the United Kingdom. It is principally involved in the development of properties for its own portfolio, in leasing out investment properties under operating leases, as well as in asset management and is also active in investment management. The Group develops and manages investment properties to earn rentals or for capital appreciation. The Group's current retail portfolio includes shopping centers Aupark in Piešťany and Košice, all of them in Slovakia. The Group's flagship rented and managed office properties include City Business Center I-II completed in 2007, Apollo Business Center II (completed in stages in 2008 and 2009) located in Bratislava. The Group opened River Garden Office I in Prague, the Czech Republic in 2012, Konstruktorska Business Center in Warsaw, Poland in 2013 and Forum Business Center in Bratislava, Slovakia in 2013, River Garden Office II-III project in Prague, the Czech Republic in 2014, Gdanski Business Center I in Warsaw, Poland and Vaci Corner Offices in Budapest, Hungary in 2014. During 2013, the Group made acquisition of an office project King William Street 33 aimed for redevelopment in central London allowing it to diversify its portfolio to other markets. Construction of Metronom project in Prague, the Czech Republic and Postepu project in Warsaw, Poland is ongoing as of the date of preparation of these financial statements. In 2013 the Group obtained new zoning permit allowing it to continue the development of Twin City, a major mixed development including retail, office and bus station properties located in Bratislava. The Group operates several logistical/industrial properties on the outskirts of Bratislava, in Eastern Slovakia, and two industrial properties in the Czech Republic – Lovosice (completed in 2010) and Mošnov (partially completed in 2011).

During year 2011, the Group established new sub-structure within its organisational structure. HB Reavis Real Estate SICAV - SIF (the "Fund") a fonds commun de placement – fonds d'investissement spécialisé, was established in Luxembourg on 25 May 2011 for an unlimited duration and is governed by the Luxembourg law dated 13 February 2007 relating to specialized investment funds. On the aforementioned date, the Management Company launched the Fund as well as its first Sub Fund named HB Reavis CE REIF (hereafter "Sub Fund A").The Fund is managed for the account of and in the exclusive interest of its shareholders by HB Reavis Investment Management S.à r.l. (the "Management Company"), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 20, rue de la Poste, L-2346 Luxembourg. While there will be no specific country or real estate segment restrictions posed, the Fund will mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial Sub-Funds portfolio will provide investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments will be made in both capital and regional cities in the entire Central European region. Investments in logistic properties will be restricted to attractive and strategic locations only. The Sub-Fund A seeks to maximize the value via investing in properties which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. The Sub-Fund A seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

The Group also operates a public transportation company and aims to redevelop the acquired bus station in Bratislava, Slovakia as part of the Twin City project.

The Group is also involved in limited construction of real estate for third parties, including related parties.

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 29. Valuation of properties of the Group in the less liquid markets necessarily involves a greater element of judgement as there have been still relatively limited transactions in the real estate market. The critical accounting judgments used in valuation of the Group's investment properties have been further described in Note 3.

Registered address and place of business. The Company's registered address and principal place of business is:

46A, Avenue J. F. Kennedy
L-1855 Luxembourg
Luxembourg

The Group has offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest and London.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of Preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim financial reporting". The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs. The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), which were in force as of 30 June 2014.

Income and cash flow statements

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid are presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are presented in millions of Euro ("EUR") rounded to one decimal place, unless otherwise stated.

The condensed consolidated interim financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property at fair value, financial assets classified as available for sale and derivative financial instruments that have been measured at fair value.

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the condensed consolidated interim financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different revaluation gain or loss on investment properties, net profit or loss for the year, total assets or total liabilities.

2.2. Condensed consolidated interim financial statements

Condensed consolidated interim financial statements. In preparing the condensed consolidated interim financial statements, the individual financial statements of the consolidated entities are aggregated on a line-by-line basis by adding together the like items of assets, liabilities, equity, income and expenses. Transactions, balances, income and expenses between the consolidated entities are eliminated.

Subsidiaries. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

2 Summary of Significant Accounting Policies (Continued)

2.2. Condensed consolidated interim financial statements (Continued)

The entities included within these condensed consolidated interim financial statements are as follows:

				Percentage ownership interest and voting rights held	
		Functional currency	Country of incorporation	30 June 2014	31 December 2013
Number	**Subsidiaries**				
1	HB Reavis Holding S.à r.l. (Parent Company)	EUR	Luxembourg	N/A	N/A
2	HB Reavis Real Estate SICAV-SIF	EUR	Luxembourg	100	100
3	HBR CE REIF LUX1, S.à r.l	EUR	Luxembourg	100	100
4	HBR CE REIF LUX2, S.à r.l	EUR	Luxembourg	100	100
5	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	93	93
6	HB REAVIS GROUP B.V. (Predecessor Holding Company)	EUR	Netherlands	100	100
7	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
8	HBRG Invest B.V.	EUR	Netherlands	100	100
9	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
10	HB Reavis CEE B.V.	EUR	Netherlands	100	100
11	HBR HOLDING LIMITED	EUR	Cyprus	100	100
12	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
13	HBR INVESTORS LTD	EUR	Cyprus	100	100
14	HBR IM HOLDING LTD	EUR	Cyprus	93	93
15	HB REAVIS IM ADVISOR LIMITED	GBP	Jersey	93	93
16	HB REAVIS Croatia, d.o.o.	HRK	Croatia	100	100
17	COMPOS MENTIS GRADNJA, d.o.o.	HRK	Croatia	100	100
18	COMPOS MENTIS DVA, d.o.o.	HRK	Croatia	100	100
19	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
20	Váci Corner Offices Kft. *(until 19.06.2012 as* HB Reavis Projekt Ingatlanfejlesztő Kft.)	HUF	Hungary	100	100
21	HB Reavis Poland Sp.z o. o.	PLN	Poland	100	100
22	POLCOM INVESTMENT II Sp. z o. o.	PLN	Poland	100	100
23	POLCOM INVESTMENT III Sp. z o. o.	PLN	Poland	100	100
24	HB REAVIS CONSTRUCTION PL Sp. z o. o.	PLN	Poland	100	100
25	POLCOM INVESTMENT V Sp. z o. o.	PLN	Poland	100	100
26	POLCOM INVESTMENT VI Sp. z o. o.	PLN	Poland	100	100
27	POLCOM INVESTMENT VII Sp. z o. o.	PLN	Poland	100	100
28	POLCOM INVESTMENT VIII Sp. z o. o.	PLN	Poland	100	100
29	WEST STATION INVESTMENT Sp. z o. o.	PLN	Poland	100	100
30	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
31	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
32	LUGO, s.r.o.	EUR	Slovakia	100	100
33	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
34	HB REM, spol. s r.o.	EUR	Slovakia	100	100
35	HB RE, s.r.o.	EUR	Slovakia	100	100
36	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
37	BUS TRANSPORT s.r.o.	EUR	Slovakia	100	100
38	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
39	AUPARK Košice SC, s. r. o.	EUR	Slovakia	100	100
40	AUPARK KOŠICE, spol. s r.o.	EUR	Slovakia	100	100
41	AUPARK Piešťany SC, s. r. o.	EUR	Slovakia	100	100
42	AUPARK Piešťany, spol. s r.o.	EUR	Slovakia	100	100
43	AUPARK Property Management, s. r. o.	EUR	Slovakia	100	100
44	AUPARK Ružomberok, spol. s r.o.	EUR	Slovakia	100	100
45	AUPARK Tower Košice, s. r. o.	EUR	Slovakia	100	100
46	AUPARK Trenčín, spol. s r .o.	EUR	Slovakia	100	100
47	CBC Development a. s. (*until 10.12.2013* as CBC Development, s.r.o.)**	EUR	Slovakia	-	100
48	CBC III, s. r. o.	EUR	Slovakia	100	100
49	CBC IV, s. r. o.	EUR	Slovakia	100	100
50	BUXTON INVEST a.s.	EUR	Slovakia	100	100
51	Twin City a.s.	EUR	Slovakia	100	100
52	UNI - CC s. r. o.	EUR	Slovakia	100	100
53	Apollo Business Center III, spol. s r.o.	EUR	Slovakia	100	100
54	Apollo Business Center V, spol. s r.o.	EUR	Slovakia	100	100
55	Logistické Centrum Rača a.s.	EUR	Slovakia	100	100

2 Summary of Significant Accounting Policies (Continued)

2.2. Condensed consolidated interim financial statements (Continued)

				Percentage ownership interest and voting rights held	
		Functional currency	Country of incorporation	30 June 2014	31 December 2013
Number	**Subsidiaries**				
56	Logistické Centrum Svätý Jur s.r.o.	EUR	Slovakia	100	100
57	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
58	Logistické centrum Malý Šariš, spol. s r. o.	EUR	Slovakia	100	100
59	General Property Services, a.s.	EUR	Slovakia	100	100
60	ALLPERTON Slovakia, spol. s r.o.	EUR	Slovakia	100	100
61	FORUM BC I s. r. o.	EUR	Slovakia	100	100
62	FORUM BC II s. r. o.	EUR	Slovakia	100	100
63	INLOGIS I, spol. s r.o.	EUR	Slovakia	100	100
64	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	93	93
65	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
66	INLOGIS V s. r. o.	EUR	Slovakia	100	100
67	INLOGIS VI s. r. o.	EUR	Slovakia	100	100
68	INLOGIS LCR a. s.	EUR	Slovakia	100	100
69	INLOGIS VII s. r. o. (*until 12.12.2013* as HB Reavis Management ZB, s.r.o.)	EUR	Slovakia	100	100
70	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
71	CBC I - II a. s.	EUR	Slovakia	100	100
72	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
73	SPC Property III, s. r. o.	EUR	Slovakia	100	100
74	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
75	TC Tower A1 s. r. o. (*until 8.1.2013* as SPC Property V, s. r. o.)	EUR	Slovakia	100	100
76	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
77	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
78	SPC Property Finance IV, s. r. o. (*until 29.4.2013* as SPC Property VIII s. r. o.)	EUR	Slovakia	100	100
79	Slovak lines, a.s.	EUR	Slovakia	56	56
80	Slovak lines Express, a.s.	EUR	Slovakia	56	56
81	Slovak lines Opravy, a.s.	EUR	Slovakia	56	56
82	Slovak lines Služby, a.s.	EUR	Slovakia	56	56
83	ANDAREA s.r.o.	CZK	Czech Rep	100	100
84	AR Consulting, a.s.	CZK	Czech Rep	100	100
85	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
86	AUPARK Hradec Králové, a.s.	CZK	Czech Rep	100	100
87	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
88	AUPARK Ostrava, spol. s r.o.	CZK	Czech Rep	100	100
89	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
90	FORSEA s.r.o.	CZK	Czech Rep	100	100
91	Riga Office East s.r.o. (*until 22.7.2013* as Future Development CZ s.r.o.)***	CZK	Czech Rep	100	100
92	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
93	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
94	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
95	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
96	HYPARKOS, s.r.o.	CZK	Czech Rep	100	100
97	Letecké Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
98	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
99	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
100	Železniční Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
101	MOLDERA, a.s.	CZK	Czech Rep	100	100
102	RiGa Office West a.s.****	CZK	Czech Rep	-	100
103	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
104	Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
105	DII Czech s.r.o.	CZK	Czech Rep	100	100
106	DNW Czech s.r.o.	CZK	Czech Rep	100	100
107	Real Estate Metronom s.r.o.	CZK	Czech Rep	100	100
108	Combar, s.r.o.	CZK	Czech Rep	100	100
109	Phibell s.r.o.	CZK	Czech Rep	100	100
110	RiGa Office West s.r.o. (*until 28.5.2014* as Daestar, s.r.o.)****	CZK	Czech Rep	100	100
111	Temster, s.r.o.	CZK	Czech Rep	100	100

2 Summary of Significant Accounting Policies (Continued)

2.2. Condensed consolidated interim financial statements (Continued)

				Percentage ownership interest and voting rights held	
		Functional currency	Country of incorporation	30 June 2014	31 December 2013
Number	**Subsidiaries**				
112	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
113	Polcom Investment IX Sp. z o.o.	PLN	Poland	100	100
114	PSD Sp. z o.o.	PLN	Poland	100	100
115	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
116	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
117	Polcom Investment XV Sp. z o. o.	PLN	Poland	100	100
118	CHM1 Sp. z o. o.	PLN	Poland	100	100
119	CHM2 Sp. z o. o.	PLN	Poland	100	100
120	CHM3 Sp. z o. o.	PLN	Poland	100	100
121	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
122	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
123	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
124	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
125	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
126	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
127	Polcom Investment XVII Sp. z o.o.	PLN	Poland	100	100
128	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
129	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
130	Polcom Investment XX Sp. z o.o.*	PLN	Poland	100	-
131	Polcom Investment XXI Sp. z o.o.*	PLN	Poland	100	-
132	Polcom Investment XXII Sp. z o.o.*	PLN	Poland	100	-
133	HB REAVIS Finance SK s. r. o. (*until 12.6.2014* as Twin City I s.r.o.	EUR	Slovakia	100	100
134	Twin City II s.r.o.	EUR	Slovakia	100	100
135	Twin City III s.r.o.	EUR	Slovakia	100	100
136	Twin City IV s.r.o.	EUR	Slovakia	100	100
137	Twin City V s.r.o.	EUR	Slovakia	100	100
138	Twin City VI s.r.o.	EUR	Slovakia	100	100
139	Twin City VII s.r.o.	EUR	Slovakia	100	100
140	Twin City VIII s.r.o.	EUR	Slovakia	100	100
141	ALISTON Finance I s. r. o.*	EUR	Slovakia	100	-
142	ALISTON Finance II s.r.o.*	EUR	Slovakia	100	-
143	SPC Property Finance V, s. r. o. (*until 31.10.2013* as ALISTON V s. r. o.)	EUR	Slovakia	100	100
144	HB Reavis UK Ltd.	GBP	UK	100	100
145	HB Reavis Construction UK Ltd.*	GBP	UK	100	-
146	TRITRI House S.à r.l.	GBP	Luxembourg	100	100
147	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi*	TRY	Turkey	100	-
	Joint ventures				
148	PHVH SOLUTIONS, s.r.o.	EUR	Slovakia	50	50
149	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
150	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
151	Hotel Šachtička, a.s.	EUR	Slovakia	50	50
152	Šachtičky, a.s.	EUR	Slovakia	50	50

**Entities established/acquired by the Group during 2014*
*** Entities disposed of in 2014, further information disclosed in Note 24 - Results on Property Disposals*
**** Entities were part of legal merger in 2013, which had no impact on these Consolidated financial statements*
***** Entities were part of legal merger in 2014, which had no impact on these Consolidated financial statements*
Entities number 3 to 4 and 41, 42, 52, 56, 58 and 71 are part of the HB Reavis Real Estate SICAV-SIF established during the year 2011

Business combinations. Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations. Under IFRS 3, ‘Business combinations’, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

2 Summary of Significant Accounting Policies (Continued)

2.2. Condensed consolidated interim financial statements (Continued)

For acquisitions from parties not under common control that meet the definition of a business combination, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs in relation to business combinations are expensed as incurred.

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 remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

All the Group companies have 31 December as their year end. Condensed consolidated interim financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the condensed consolidated interim financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these condensed consolidated interim financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these condensed consolidated interim financial statements as adjustment equity.

Jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interests in jointly controlled entities are accounted for by equity method. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of Significant Accounting Policies (Continued)

2.2. Condensed consolidated interim financial statements (Continued)

Purchases of Non Controlling Interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interests sold as capital transaction in the equity.

The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.3. Foreign Currency Transactions and Translation

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'). The functional currency of all Group's entities is the local currency. The condensed consolidated interim financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary assets and liabilities recorded at fair value through profit or loss are recognized in the consolidated statement of comprehensive income as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet date are translated at the closing rates at the date of that balance sheet;
- income and expenses and movements in equity are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2.4. Property, Plant and Equipment

All property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost. Cost includes expenditure that is directly attributable to the acquisition of the items of property plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2 Summary of Significant Accounting Policies (Continued)

2.4. Property, Plant and Equipment (Continued)

***Depreciation*.** The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

Buildings include mainly administrative offices and premises used by the Group management.

Equipment, fixtures and fittings include mainly hardware, servers, telephone exchanges, remote control equipment, office furniture and others.

Motor vehicles include mainly the bus fleet of the Group's public transportation business and the Group's passenger cars.

	Useful lives in years
Buildings	30 years
Machinery, equipment, fixtures and fittings	4 to 6 years
Vehicles and other assets	6 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the conditions expected at the end of their useful life. The residual value of an asset is nil or its scrap value if the Group expects to use the asset until the end of its physical life.

Land and assets under construction are not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Items that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

2.5. Investment Property

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property comprises freehold land, freehold commercial properties (retail, office and logistics) and land plots held under operating and finance leases. Land plots held under operating lease are classified and accounted for as investment property when the definition of investment property is met. In such cases the related operating leases are accounted for as if they were finance leases.

Investment property is initially valued at historical cost including related transaction costs. Costs include the works performed, the costs of staff directly related to technical supervision and project management on the basis of time spent up to the date of completion.

After initial recognition at cost the Investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, without deduction of any transaction costs.

Fair value is based on active market prices, adjusted, if necessary, for any difference 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. Valuation reports as of the balance sheet date are prepared by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. 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.

2 Summary of Significant Accounting Policies (Continued)

2.5. Investment Property (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements. Transaction costs, such as estimated agent's and legal and accounting fees and transfer taxes are not deducted for the purposes of valuation of investment property in these financial statements irrespective whether or not they form part of the described valuations.

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in the consolidated income statement under "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any revaluation gain or loss resulting from a difference between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income as a revaluation surplus or loss of property, plant and equipment under IAS 16.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value.

Where an investment property undergoes a change in use evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

The Group classifies the investment property for the presentation purposes as investment properties in use or vacant and investment properties under development based on the stage of completion of the individual property construction and progress of leasing space to tenants. Consistently with classification for purposes of segmental analysis (see Note 6), the Group classifies a property as "in use or vacant" from the end of the accounting period in which legal requirements have been met. The Group also presents the value of investment properties and related income and expenses by following types of properties – office, retail, and industrial – classified by the prevailing function of the property for its tenants.

2.6. Intangible Assets

Goodwill. See Note 2.2 "Business combinations" for the accounting policy on goodwill.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include (i) externally acquired computer software licences and (ii) public transportation licence acquired in a business combination.

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on the straight-line basis over their useful lives:

	Useful lives in years
Software and software licences	5 years
Licence to operate public transportation	10 years

2 Summary of Significant Accounting Policies (Continued)

2.6. Intangible Assets Continued)

The amortisation of an intangible asset starts in the month when the intangible asset is available for use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Amortisation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

A licence to operate public transportation on the bus line Bratislava, Slovakia to Vienna, Austria has been recognized upon acquisition of SAD, a.s. (currently Slovak lines, a.s.).

2.7. Impairment of Non-Financial Assets

Assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortization and are tested for impairment annually. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

2.8. Financial Instruments

Financial assets. Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and available-for-sale financial assets.

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less.

2 Summary of Significant Accounting Policies (Continued)

2.8. Financial Instruments (Continued)

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in income statement.

Financial liabilities. Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.15 for the accounting policy on Borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.9. Leases

IAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

Operating leases. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Assets leased out under operating leases are shown under investment property heading in the consolidated statement of financial position (Note 9). See Note 2.19 for the Policies on recognition of Rental Income.

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term with the exception of the operating leases for land classified as investment property; such leases are accounted for as finance leases.

Finance leases and property interests held under operating leases. Where the Group is a lessee in a lease (a) which transferred substantially all the risks and rewards incidental to ownership to the Group or (b) the Group elected to classify a property interest held under an operating lease as investment property and therefore accounts for the lease as if it was a finance lease, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the property interest or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the consolidated profit and loss over the lease period using the effective interest method. The investment properties acquired under finance leases are carried at fair value.

2.10. Current and deferred income taxes

Income taxes have been provided for in the condensed consolidated interim financial statements in accordance with applicable legislation enacted or substantively enacted by the balance sheet date and on entity by entity basis. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.10. Current and deferred income taxes (Continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the liability method for tax loss carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax balances are measured at tax rates enacted by law or substantively enacted at the financial position date and are expected to apply to the period when the temporary differences will reverse or the tax losses carry forward will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The carrying value of Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated statement of financial position regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax considerations arising from recovery through sale.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on asset basis.

2.11. Inventories

Inventories represent land expected to be developed into residential property in line with the zoning and other regulatory requirements for the Group's projects and land held for disposal in the normal course of business. Inventories are presented as current because of the term of the operating cycle, but their carrying amount is expected to be recovered after 12 months. Inventories are recorded at the lower of cost and net realisable value. The cost of inventories comprises the cost of acquisition, and any construction and other development costs incurred. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.12. Construction contracts

The Group is involved on an ongoing basis in construction contracts. Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 Summary of Significant Accounting Policies (Continued)

2.13. Share Capital and Share Premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Share premium represents the excess of contributions received and receivable over the nominal value of shares issued.

2.14. Dividends and other distributions to owners

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are declared after the balance sheet date but before the condensed consolidated interim financial statements are authorised for issue.

2.15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, borrowings are carried at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss using the effective interest method. The Group does not capitalise interest related to qualifying assets that are carried at fair value, including investment properties. Accordingly, interest costs on borrowings are expensed as incurred.

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

2.16. Trade and Other Payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17. Provisions for Liabilities and Charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.18. Uncertain Tax Positions

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the balance sheet date.

2.19. Revenue Recognition

Rental and similar income from investment property includes rental income, and service charges and management charges from properties.

Rental income is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. This applies to discounted rent periods, indexation and stepped rents. The resulting receivable is recognised within non–current assets or trade and other receivables depending on expected collection pattern. In determining the fair value of the related investment property, the Group does not double-count assets; the fair value of such investment property excludes accrued operating lease income because it is recognised as a separate asset.

2 Summary of Significant Accounting Policies (Continued)

2.19. Revenue Recognition (Continued)

The contingent payments under lease agreements depending on the agreed level of sales turnover of tenants are recognized as income in the period when earned because the Group is unable to reliably estimate the future sales turnover of tenants in order to be able to recognise such expected contingent rents on a straight line basis over the lease term.

Sales of services and management charges are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT and discounts. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

Revenue from public transportation is recognised when service is provided. Local government subsidies towards the cost of public transportation are recognised as other operating income in the same period as the costs they are intended to compensate.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20. Employee Benefits

Wages, salaries, contributions to the state and private pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Employee benefits include the cost of share based payments made to employees in respect of their services. Cash settled share-based payment obligations to employees are measured at fair value of the liability at the balance sheet date and recognised in profit or loss to the extent that the services were rendered by the employees estimated by reference to the vesting period that passed by the balance sheet date.

Share based payments relate to compensation to certain key members of management of the Group. The benefits were vested as of 31 December 2007, the IFRS transition date, and they are cash-settled. The intrinsic value approximates carrying value of share based payments liabilities. Accordingly, the Group applies IFRS 2, Share Based Payments, to these liabilities. Refer to Note 18 for carrying value of liabilities and Note 22 for expense accrued in the period.

Beginning from 2010, the shareholders of the Group introduced a new scheme for selected senior members of the Group's management. Senior managers are entitled to obtain certain payments from the shareholders based on the net asset value of the Group. As the obligation was incurred by shareholders and not by the Group, the Group did not recognise these employee benefits as its expenses in profit or loss and is unrelated to the entity's share price.

2.21. Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to employee benefits, bus fleet amortisation, spent fuel and other costs of operating public transportation are recognised as other operating income in the consolidated profit and loss in the same period as the costs that they are intended to compensate.

2.22. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of Directors of the Company.

2.23. Other operating expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis).

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the condensed consolidated interim financial statements. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties using income capitalisation method. The fair value estimates of 98.4% of investment properties (31 December 2013: 92%) were determined by the Group having received independent valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates. Due to the nature of the properties and lack of comparable market data, the fair value of investment properties is estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions costs and market developers’ profits. These valuations are regularly compared to actual market data, and actual transactions by the Group and those reported by the market. The Group management and the valuation experts have applied their judgment when assessing the fair values of the properties.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes in these assumptions, are as follows:

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 84.2 million (31 December 2013: EUR 64.9 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 5.00% to 9.25%, or 7.11% on average (31 December 2013: 6.25% to 9.25%, or 7.32% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 44.8 million lower/higher (31 December 2013: EUR 41.6 million lower/higher).

Income taxes The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain, therefore tax liability is recognised for exposures deemed probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The calculation of deferred tax on investment properties is not based on the fact that they might be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

4 Adoption of New International Financial Reporting Standards and Interpretations

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:
Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment has no significant impact on the Consolidated financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendment requires disclosures that enable users of an entity's [consolidated] financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment has no significant impact on the Consolidated financial statements, refer to Note 30 for disclosures required.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Implementation of IFRS 13 had no impact on valuations. Refer to Note 31 for disclosures required by IFRS 13.

The Group has not applied any standard before its effective day.

5 New Accounting Pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This Standard is applicable for annual periods beginning on or after 1 January 2014 and the Group does not expect this new standard to have material impact on the consolidated financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. As this Standard is applicable for annual periods beginning on or after 1 January 2014 the Group will also consider the impact of this new standard in the next financial year.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities. As this Standard is applicable for annual periods beginning on or after 1 January 2014 the Group will also consider the impact of this new standard in the next financial year.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010, December 2011 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' – Investment entities: The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2014. The Group will consider the impact of these amendments in the next financial year.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The standard is not mandatory for the Group until 1 January 2014. The Group will consider the impact of IAS 36 in the next financial year.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

6 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Managers of the Company.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is managing its business operations on the basis of the following segments:

Asset Management – representing management of income generating properties (properties in use or vacant) developed by the Group or acquired with no major development expected.

Development in Realisation – representing management of activities connected with construction, marketing and leasing activities. A property is reclassified from Development in Realisation to Asset Management as the end of the accounting period in which the property has been commissioned for its intended use and an approbation has been carried out. This means that the revenues, costs, including the revaluation gains or losses related to the year when property reaches the described criteria, are included within Development in Realisation, whereas the completed property is shown on the balance sheet as of the last day of such period as property "in use or vacant" under Asset Management business.

Development in Preparation – representing management of activities including acquisition of land and concept design and permitting until the construction permit. . A property is reclassified from Development in Preparation to Development in Realisation at the end of the accounting period in which the construction of the property started.

Investment management – representing management of activities related to management of third party investment in properties managed by the Group.

Non-Core – representing management of land bank items designated as Non-Core properties as well as management of the public transportation business of the Group.

Cash – representing management of entities that are set up for concentration of cash for its further investments and providing loans to other entities within consolidated group.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different activities of the Group. They are managed separately because each business unit requires different skill sets, product and market, procurement and human resource strategies.

Segment financial information reviewed by the Board of Managers includes rental and similar income from Asset Management business less directly attributable costs associated with properties that equal to Net Operating Income (NOI). The Board of Managers also reviews the change in fair value of properties.

With respect to Development in Preparation segment, the Board reviews acquisition opportunities and submitted bids for land and properties and oversees property design, permitting and zoning.

With respect to Development in Realisation segment, the Board reviews construction budgets and property marketing and letting activities at the end of the development cycle.

With respect to Investment Management segment, Management reviews opportunities for transfer of further subsidiaries into this segment that would contribute to development and extend of portfolio offered for external investors.

Management reviews and approves the budgets, plans and financial results of the public transportation business as well as the use of the land bank items and revaluation designated as non-core properties.

Management prepares and reviews the budgets and plans as regarding cash-flows and cash management.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board reviews financial information prepared based on International Financial Reporting Standards as adopted by the European Union.

The Board evaluates performance of each segment based on profit before tax.

The Group allocates costs to segments based on specific identification of entities that belong to particular segments. Direct operating expenses arising from investment property are allocated on a basis of appropriate cost driver (e.g. MWh of electricity spent for electricity related costs). Transactions of the subsidiaries are allocated to relevant segment based on the substance of the transactions (e.g. expenses of subsidiary that supply utilities to other subsidiaries are allocated to segment for which the utility was purchased) unless it is not possible to allocate them to explicit segment category and they remain unallocated.

6 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

The segment profit and loss information for 6 months ended 30 June 2014 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property	19								
- Office		12.9	3.9	-	4.6	-	-	-	**21.4**
- Retail		6.3	-	0.5	1.8	-	-	-	**8.6**
- Industrial		3.6	-	-	1.9	-	-	-	**5.5**
		22.8	**3.9**	**0.5**	**8.3**	**-**	**-**	**-**	**35.5**
Direct operating expenses arising from investment property	20								
- Office		(4.9)	(0.3)	-	(1.0)	-	-	-	**(6.2)**
- Retail		(1.8)	-	(0.3)	(0.6)	-	-	-	**(2.7)**
- Industrial		(0.8)	-	-	(0.5)	-	-	-	**(1.3)**
		(7.5)	**(0.3)**	**(0.3)**	**(2.1)**	**-**	**-**	**-**	**(10.2)**
Net operating income from investment property		**15.3**	**3.6**	**0.2**	**6.2**	**-**	**-**	**-**	**25.3**
Revaluation gain/(loss) on investment property	9								
- Office		0.5	7.5	33.1	(0.4)	-	-	-	**40.7**
- Retail		(0.5)	-	(0.9)	(0.1)	0.2	-	-	**(1.3)**
- Industrial		(0.1)	-	(0.3)	(0.6)	(0.7)	-	-	**(1.7)**
- Other		-	-	-	-	(0.1)	-	-	**(0.1)**
		(0.1)	**7.5**	**31.9**	**(1.1)**	**(0.6)**	**-**	**-**	**37.6**
Interest expense	25	(5.1)	(1.7)	(1.6)	(2.8)	(0.1)	-	-	**(11.3)**
Other (expenses)/revenues		(2.7)	(5.4)	(5.7)	(0.3)	1.3	0.1	-	**(12.7)**
Segment result		**7.4**	**4.0**	**24.8**	**2.0**	**0.6**	**0.1**	**-**	**38.9**
Unallocated other (expenses)/revenues		-	-	-	-	-	-	4.6	**4.6**
Profit before income tax		**7.4**	**4.0**	**24.8**	**2.0**	**0.6**	**0.1**	**4.6**	**43.5**

6 Segment Analysis (Continued)

The segment information on assets and liabilities as of 30 June 2014 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		480.8	185.1	223.5	104.4	-	-	-	**993.8**
- Retail		125.8	-	41.5	30.7	0.1	-	-	**198.1**
- Industrial		71.7	-	6.7	28.3	42.3	-	-	**149.0**
- Non core		-	-	-	-	0.9	-	-	**0.9**
- related to Assets Held for Sale	14	47.2	-	-	-	-	-	-	**47.2**
Other unallocated assets		-	-	-	-	-	-	189.1	**189.1**
Total assets		**725.5**	**185.1**	**271.7**	**163.4**	**43.3**	**-**	**189.1**	**1,578.1**
Borrowings									
- non-current	17	(232.4)	(27.3)	(33.3)	(132.4)	(12.9)	-	-	**(438.3)**
- current	17	(82.6)	-	-	(4.7)	(0.9)	-	-	**(88.2)**
- related to Assets Held for Sale	14	(30.9)	-	-	-	-	-	-	**(30.9)**
Other unallocated liabilities		-	-	-	-	-	-	(124.3)	**(124.3)**
Total liabilities		**(345.9)**	**(27.3)**	**(33.3)**	**(137.1)**	**(13.8)**	**-**	**(124.3)**	**(681.7)**
Segment net asset value		**379.6**	**157.8**	**238.4**	**26.3**	**29.5**	**-**	**64.8**	**896.4**

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	-	5.5	-	-	-	**-**	**5.5**
Construction costs related to investment property	9	2.0	38.1	3.2	0.3	-	-	**-**	**43.6**
Total investments		**2.0**	**38.1**	**8.7**	**0.3**	**-**	**-**	**-**	**49.1**
Sale of investment property	**9**	-	-	-	-	(4.5)	-	**-**	**(4.5)**
Total divestments		**-**	**-**	**-**	**-**	**(4.5)**	**-**	**-**	**(4.5)**

6 Segment Analysis (Continued)

The geographical profit and loss information for 6 months ended 30 June 2014 and geographical information about selected assets as of 30 June 2014 is as follows:

Geographical information

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Other countries	Unallocated	Total
Rental and similar income	19	26.6	3.0	1.9	-	4.0			35.5
Direct operating expenses	20	(8.8)	(0.4)	(0.9)	(0.1)	-	-	-	**(10.2)**
Net operating income from investment property		**17.8**	**2.6**	**1.0**	**(0.1)**	**4.0**	**-**	**-**	**25.3**
Revaluation gain	9	(5.7)	3.9	27.4	5.4	6.6	-	-	**37.6**
Interest expense	25	(4.5)	(1.0)	(4.6)	-	-	(1.2)	-	**(11.3)**
Other (expenses)/revenues		(0.2)	(1.7)	(3.0)	(0.9)	(0.5)	(0.4)	-	**(6.7)**
Unallocated other (expenses)/revenues		-	-	-	-	-	-	(1.4)	**(1.4)**
Profit before income tax		**7.4**	**3.8**	**20.8**	**4.4**	**10.1**	**(1.6)**	**(1.4)**	**43.5**
Investment property in use or vacant	9	511.9	89.7	212.3	27.8	-	-	-	**841.7**
Investment property under development	9	171.0	63.9	174.3	-	90.9	-	-	**500.1**
Property plant and equipment	8	25.9	0.2	4.5	0.1	0.1	0.3	-	**31.1**
Intangible assets		1.6	-	-	-	-	-	-	**1.6**
Receivables and loans	11	12.4	1.9	2.5	-	-	5.4	-	**22.2**
Deferred income tax asset		7.6	1.9	3.7	0.2	-	-	-	**13.4**
Other non-current assets	12	1.6	0.1	-	-	-	0.8	-	**2.5**
Non-current assets classified as held-for-sale	14	-	53.7	-	-	-	-	-	**53.7**
Total non-current assets and non-current assets classified as held-for-sale		**732.0**	**211.4**	**397.3**	**28.1**	**91.0**	**6.5**	**-**	**1,466.3**
Purchases of investment property	9	5.5	-	-	-	-	-	-	**5.5**
Construction costs related to investment property	9	2.9	16.0	18.9	3.9	1.9	-	-	**43.6**
Total investments		**8.4**	**16.0**	**18.9**	**3.9**	**1.9**	**-**	**-**	**49.1**
Sale of investment property	9	(4.5)	-	-	-	-	-	-	**(4.5)**
Total divestments		**(4.5)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.5)**

6 **Segment Analysis (Continued)**

The segment profit and loss information for 6 months ended 30 June 2013 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property	19								
- Office		12.7	-	0.1	5.3	-	-	-	**18.1**
- Retail		11.3	-	0.4	1.9	-	-	-	**13.6**
- Industrial		3.9	-	-	1.9	-	-		**5.8**
		27.9	**-**	**0.5**	**9.1**	**-**	**-**	**-**	**37.5**
Direct operating expenses arising from investment property	20								
- Office		(3.9)	(0.3)	(0.1)	(1.2)	-	-	-	**(5.5)**
- Retail		(3.4)	-	(0.2)	(0.6)	-	-	-	**(4.2)**
- Industrial		(0.9)	-	-	(0.4)	-	-	-	**(1.3)**
		(8.2)	**(0.3)**	**(0.3)**	**(2.2)**	**-**	**-**	**-**	**(11.0)**
Net operating income from investment property		**19.7**	**(0.3)**	**0.2**	**6.9**	**-**	**-**	**-**	**26.5**
Revaluation gain/(loss) on investment property	9								
- Office		(3.1)	32.6	11.8	(0.3)	-	-	-	**41.0**
- Retail		(9.1)	-	(0.4)	(0.6)	-	-	-	**(10.1)**
- Industrial		(2.6)	-	-	-	(0.1)	-	-	**(2.7)**
- Non core		(0.1)	-	-	-	-	-	-	**(0.1)**
		(14.9)	**32.6**	**11.4**	**(0.9)**	**(0.1)**	**-**	**-**	**28.1**
Interest expense	25	(3.3)	(1.3)	(0.1)	(2.7)	-	-	-	**(7.4)**
Other (expenses)/revenues		(2.7)	(6.2)	(2.2)	(0.6)	0.6	0.6	-	**(10.5)**
Segment result		**(1.2)**	**24.8**	**9.3**	**2.7**	**0.5**	**0.6**	**-**	**36.7**
Unallocated other (expenses)/revenues		-	-	-	-	-	-	**(12.9)**	**(12.9)**
Profit before income tax		**(1.2)**	**24.8**	**9.3**	**2.7**	**0.5**	**0.6**	**(12.9)**	**23.8**

In 2013 the Group changed the internal reporting of segment analysis to provide more accurate business presentation of each segment result. The Group identified several transactions (e.g. foreign exchange gains/(losses)) which are not possible to be allocated to specific segment category and classified them as a new unallocated category. For comparative purposes the Group changed also the presentation of prior year.

6 Segment Analysis (Continued)

The segment information on assets and liabilities as of 31 December 2013 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		286.5	210.4	305.3	104.7	-	-	-	**906.9**
- Retail		126.1	-	36.8	30.7	1.0	-	-	**194.6**
- Industrial		71.6	-	7.0	28.8	46.5	-	-	**153.9**
- Non core		-	-	-	-	0.9	-	-	**0.9**
- related to Assets Held for Sale	14	98.6	-	-	-	-	-	-	**98.6**
Other unallocated assets		-	-	-	-	-	-	175.2	**175.2**
Total assets		**582.8**	**210.4**	**349.1**	**164.2**	**48.4**	**-**	**175.2**	**1,530.1**
Borrowings									
- non-current	7, 17	(128.6)	(63.9)	(53.8)	(129.4)	(6.4)	-	-	**(382.1)**
- current	17	(78.8)	-	-	(4.6)	(1.5)	-	-	**(84.9)**
- related to Assets Held for Sale	14	(65.9)	-	-	-	-	-	-	**(65.9)**
Other unallocated liabilities		-	-	-	-	-	-	(139.6)	**(139.6)**
Total liabilities		**(273.3)**	**(63.9)**	**(53.8)**	**(134.0)**	**(7.9)**	**-**	**(139.6)**	**(672.5)**
Segment net asset value		**309.5**	**146.5**	**295.3**	**30.2**	**40.5**	**-**	**35.6**	**857.6**

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	-	77.6	-	-	-	**-**	**77.6**
Construction costs related to investment property	9	6.5	98.4	4.9	1.4	0.5	-	**-**	**111.7**
Total investments		**6.5**	**98.4**	**82.5**	**1.4**	**0.5**	**-**	**-**	**189.3**
Sale of investment property	9	(164.2)	-	-	-	(1.4)	-	**-**	**(165.6)**
Total divestments		**(164.2)**	**-**	**-**	**-**	**(1.4)**	**-**	**-**	**(165.6)**

6 Segment Analysis (Continued)

The geographical profit and loss information for 6 months ended 30 June 2013 and geographical information about selected assets as of 31 December 2013 is as follows:

Geographical information

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Other	Unallocated	Total
Rental and similar income	19	34.5	2.8	0.2	-	-	-	-	**37.5**
Direct operating expenses	20	(10.2)	(0.5)	(0.2)	-	-	(0.1)	-	**(11.0)**
Net operating income from investment property for 6 months ended 30 June 2013		**24.3**	**2.3**	**-**	**-**	**-**	**(0.1)**	**-**	**26.5**
Revaluation gain	9	(9.7)	5.7	32.4	(0.3)	-	-	-	**28.1**
Interest expense	25	(4.8)	(0.7)	(0.8)	-	-	(1.1)	-	**(7.4)**
Other (expenses)/revenues		(1.5)	(1.7)	(0.6)	(0.2)	-	(0.5)	-	**(4.5)**
Unallocated other (expenses)/revenues		-	-	-	-	-	-	(18.9)	**(18.9)**
Profit before income tax for 6 months ended 30 June 2013		**8.3**	**5.6**	**31.0**	**(0.5)**	**-**	**(1.7)**	**(18.9)**	**23.8**
Investment property in use or vacant	9	513.6	36.4	98.4	-	-	-	-	**648.4**
Investment property under development	9	171.4	96.4	241.8	19.3	79.0	-	-	**607.9**
Property plant and equipment	8	20.6	0.3	4.6	0.2	-	0.2	-	**25.9**
Intangible assets		1.7	-	-	-	-	-	-	**1.7**
Receivables and loans	11	7.1	1.7	2.2	-	-	5.1	-	**16.1**
Deferred income tax asset		6.7	0.6	0.6	0.1	-	-	-	**8.0**
Other non-current assets	12	3.5	0.1	-	-	-	-	-	**3.6**
Non-current assets classified as held-for-	14	68.3	54.5	-	-	-	-	-	**122.8**
Total non-current assets and non-current assets classified as held-for-sale as of 31 December 2013		**792.9**	**190.0**	**347.6**	**19.6**	**79.0**	**5.3**	**-**	**1,434.4**
Purchases of investment property	9	-	-	-	-	77.6	-	-	**77.6**
Construction costs related to investment	9	19.9	28.3	50.7	12.8	-	-	-	**111.7**
Total investments as of 31 December 2013		**19.9**	**28.3**	**50.7**	**12.8**	**77.6**	**-**	**-**	**189.3**
Sale of investment property	9	(164.2)	(1.4)	-	-	-	-	-	**(165.6)**
Total divestments as of 31 December 2013		**(164.2)**	**(1.4)**	**-**	**-**	**-**	**-**	**-**	**(165.6)**

7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or has joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent is disclosed in Note 1.

Key management of the Group consists of 14 senior managers (2013: 16). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2014 are detailed below.

At 30 June 2014, the outstanding balances with related parties were as follows:

In millions of EUR	**Note**	**Entities under common control**	**Key management personnel**	**Total**
Trade and other receivables	13	15.1	7.1	**22.2**
Loans and receivables – non-current	11	2.8	5.0	**7.8**
Trade and other payables current	18	(0.7)	(0.4)	**(1.1)**
Other payables non-current	18	(0.9)	-	**(0.9)**

The income and expense items with related parties for 6 months ended 30 June 2014 were as follows:

In millions of EUR	**Note**	**Entities under common control**	**Key management personnel**	**Total**
Revenue from services rendered		0.2	-	**0.2**
Revenue from construction contracts	23	-	2.2	**2.2**
Other services		(0.7)	(0.1)	**(0.8)**
Short-term employee benefits (salaries)		-	(1.1)	**(1.1)**
Long-term employee benefits (social security costs)		-	(0.2)	**(0.2)**
Interest income	25	0.1	0.1	**0.2**

The compensation of the Board of Managers of the Parent Company amounted to EUR 0.5 million during the 6 months of 2014 (6 months of 2013: EUR 0.4 million).

The Group also had outstanding loans receivable from the members of the Board of Directors of the Group as at 30 June 2014 amounting to EUR 0.1 million (2013: EUR 0.8 million).

Dividends paid by Group during the period 6 months ended 30 June 2014 and 30 June 2013 respectively are described in Note 16.

7 Balances and Transactions with Related Parties (Continued)

At 31 December 2013, the outstanding balances with related parties were as follows:

In millions of EUR	Note	Entities under common control	Key management personnel	Total
Trade and other receivables	13	3.9	5.2	**9.1**
Loans and receivables – non-current	11	2.5	0.2	**2.7**
Borrowings	17	(0.6)	-	**(0.6)**
Trade and other payables current	18	(4.2)	(0.6)	**(4.8)**
Other payables non-current	18	(0.9)	-	**(0.9)**

The income and expense items with related parties for 6 months ended 30 June 2013 were as follows:

In millions of EUR	Note	Entities under common control	Key management personnel	Total
Revenue from services rendered		0.3	-	**0.3**
Revenue from construction contracts	23	-	1.5	**1.5**
Other services		(0.7)	-	**(0.7)**
Short-term employee benefits (salaries)		-	(1.0)	**(1.0)**
Long-term employee benefits (social security costs)		-	(0.2)	**(0.2)**
Interest income	25	0.2	0.1	**0.3**

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment for the 6 months ended 30 June 2014 were as follows:

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
At December 2013					
Cost	**15.5**	**3.8**	**34.4**	**0.1**	**53.8**
Accumulated depreciation and impairment charges	**(6.1)**	**(2.9)**	**(18.9)**	**-**	**(27.9)**
Net book value	**9.4**	**0.9**	**15.5**	**0.1**	**25.9**
6 months ended 30 June 2014					
Opening net book value	9.4	0.9	15.5	0.1	**25.9**
Additions	-	-	-	7.6	**7.6**
Transfers to IP	-	-	-	-	**-**
Transfers from IP - own offices	-	-	-	-	**-**
Transfers	-	0.3	6.9	(7.2)	**-**
Disposals	-	-	(0.1)	-	**(0.1)**
Depreciation charge	(0.1)	(0.2)	(2.0)	-	**(2.3)**
Closing net book value	**9.3**	**1.0**	**20.3**	**0.5**	**31.1**
At June 2014					
Cost	15.5	4.1	41.2	0.5	**61.3**
Accumulated depreciation and impairment charges	(6.2)	(3.1)	(20.9)	-	**(30.2)**
Net book value	**9.3**	**1.0**	**20.3**	**0.5**	**31.1**

As at 30 June 2014, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee).

As at 30 June 2014, property, plant and equipment carried at EUR 3.9 million (at 31 December 2013: EUR 0 million) has been pledged to third parties as collateral with respect to borrowings.

8 Property, Plant and Equipment (Continued)

Movements in the carrying amount of property, plant and equipment for the 6 months ended 30 June 2013 were as follows:

In millions of EUR	**Land and buildings**	**Machinery, equipment**	**Vehicles and other assets**	**Capital work in progress including advances (CIP)**	**Total**
At December 2012					
Cost	**24.8**	**3.9**	**25.5**	**1.0**	**55.2**
Accumulated depreciation and impairment charges	(5.5)	(2.4)	(15.8)	-	**(23.7)**
Net book value	**19.3**	**1.5**	**9.7**	**1.0**	**31.5**
6 months ended 30 June 2013					
Opening net book value	19.3	1.5	9.7	1.0	**31.5**
Additions	-	-	-	2.5	**2.5**
Transfers to IP	(0.7)	-	-	-	**(0.7)**
Transfers from IP - own offices	6.9	-	-	-	**6.9**
Transfers	0.4	0.8	1.7	(2.9)	**-**
Disposals	-	(0.4)	(0.6)	-	**(1.0)**
Depreciation charge	(0.3)	(0.1)	(1.5)	-	**(1.9)**
Closing net book value	**25.6**	**1.8**	**9.3**	**0.6**	**37.3**
At June 2013					
Cost	31.4	4.3	26.6	0.6	**62.9**
Accumulated depreciation and impairment charges	(5.8)	(2.5)	(17.3)	-	**(25.6)**
Net book value	**25.6**	**1.8**	**9.3**	**0.6**	**37.3**

9 Investment Property

	30 June 2014		31 December 2013	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**607.9**	**648.4**	**515.6**	**691.2**
Direct acquisitions of investment property	46.8	-	181.4	-
Acquisitions of subsidiaries other than through business combinations	-	-	0.8	-
Subsequent expenditure on investment property	-	2.3	-	7.9
Transfers from under development to in use	(191.3)	191.3	(150.9)	150.9
Transfers from property, plant and equipment (Note 8)	-	-	0.7	-
Transfers to property, plant and equipment (Note 8)	-	-	-	(6.5)
Transfers to disposal groups classified as held for sale (Note 14)	-	-	-	(98.6)
Disposals	(4.5)	-	(1.4)	(86.3)
Fair value gains/(losses) – properties completed during the year	7.8	-	(3.8)	-
Fair value gains/(losses) - other properties*	31.0	(0.3)	75.1	(2.6)
Effect of translation to presentation currency	2.4	-	(9.6)	(7.6)
Fair value at 30 June 2014 and 31 December 2013	**500.1**	**841.7**	**607.9**	**648.4**

*Immediately prior to the disposal of an asset which was as of 31 December 2013 classified as Non-current asset held for sale the asset was revalued to fair value and a revaluation loss of EUR 0.9 million was recorded.

	30 June 2013		31 December 2012	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**515.6**	**691.2**	**298.6**	**697.6**
Direct acquisitions of investment property	39.3	-	183.3	-
Acquisitions of subsidiaries other than through business combinations	-	-	38.2	-
Subsequent expenditure on investment property	-	4.0	-	11.9
Transfers from other non-current assets (Note 12)	-	0.8	-	-
Transfers from under development to in use	(158.4)	158.4	(65.2)	65.2
Transfers from property, plant and equipment (Note 8)	0.4	0.3	-	-
Transfers to property, plant and equipment (Note 8)	-	(6.9)	-	-
Transfers to disposal groups classified as held for sale (Note 14)	-	(83.8)	-	(73.2)
Disposals	-	-	(4.9)	(0.3)
Fair value gains/(losses) – properties completed during the year	19.2	-	1.0	-
Fair value gains/(losses) - other properties*	24.7	(9.4)	55.5	(11.0)
Effect of translation to presentation currency	(18.8)	(2.6)	9.1	1.0
Fair value at 30 June 2013 and 31 December 2012	**422.0**	**752.0**	**515.6**	**691.2**

The Group classified certain operating leases as investment properties. Such operating leases are accounted for as if they were finance leases. The carrying value of such investment property as of 30 June 2014 was EUR 14.9 million (31 December 2013: EUR 18.2 million).

The investment properties are valued semi-annually at fair value, with benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations (30 June 2014: 98.4% of properties were valued by independent, professionally qualified valuation expert, 2013: 93.3%). The methods and significant assumptions applied in determining the fair value are described in Notes 2.5 and 3.

At 30 June 2014, investment properties carried at EUR 747.7 million (at 31 December 2013: EUR 640.6 million) have been pledged to third parties as collateral with respect to borrowings.

9 Investment Property (Continued)

Valuations obtained for investment properties were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities and with respect to cost to complete of properties valued on "As If Complete" basis. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	Note	30 June 2014	31 December 2013
Valuations obtained		**1,378.7**	**1,404.7**
Less: land classified as inventory (residential projects and land for resale) – value ascribed by valuer (in inventory at cost)		(8.8)	(8.8)
Less: property classified as property plant and equipment (own use)		(4.0)	(20.5)
Less: land not under common control		(2.6)	(2.6)
Less: future construction costs and developer's profit (properties valued on "as if complete" basis)		(10.0)	(4.5)
Less: lease incentive receivables	11(a)	(11.5)	(11.0)
Less: transfers to disposal groups classified as held for sale	14	-	(101.0)
Fair value at 30 June 2014 and 31 December 2013		**1,341.8**	**1,256.3**

10 Jointly Controlled Entities

In 2012, the Group sold 25% of its economic interest in its jointly controlled entity Hotel Šachtička, a.s. At 30 June 2014, the Group retains 50% of economic interest in Hotel Šachtička, a.s. and accounted for it using equity method.

Hotel Šachtička, a.s. is 100% owner of Šachtičky, a.s., which is the legal owner of the hotel property.

The following amounts represent the Group's share of the assets and liabilities, and revenue and results of the joint ventures, which are included in the balance sheet and statement of comprehensive income:

In millions of EUR	**30 June 2014**	**31 December 2013**
Assets:		
Long-term assets	5.3	5.3
Current assets	0.4	0.3
Liabilities:		
Long-term liabilities	(0.1)	(0.1)
Current liabilities	(1.3)	(1.3)
Net assets	**4.3**	**4.2**

	6 months ended 30 June 2014	**6 months ended 30 June 2013**
Rental income	0,2	0,2
Investment property revaluation (loss) / gain	(0.1)	(0.2)
Other income	0.1	-
Other expenses	(0.1)	-
Profit/(loss) for the year	**0.1**	**-**

The joint ventures had no contingent liabilities or significant capital commitments as of 30 June 2014 or 31 December 2013.

11 Receivables and Loans

In millions of EUR	**Note**	**30 June 2014**	**31 December 2013**
Lease incentive receivables	(a)	11.5	11.0
Loans to related parties – non-current (Note 7)	(b)	7.8	2.7
Loans to third parties		2.9	2.4
Total receivables and loans		**22.2**	**16.1**

Description and analysis by credit quality of receivables and loans is as follows:

(a) Lease incentive receivables of EUR 11.5 million (31 December 2013: EUR 11.0 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.9 and 2.19. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 7.8 million as of 30 June 2014 (31 December 2013: EUR 2.7 million). These receivables are neither past due nor impaired. Loans outstanding as of 30 June 2014 are provided under the following conditions – interest rates amount to 4.0% to 10.9%.

12 Other Non-Current Assets

In millions of EUR	Note	30 June 2014	31 December 2013
Other non-current assets	(a)	2.5	3.6
Total other non-current assets		**2.5**	**3.6**

(a) As at 30 June 2014, EUR 1.6 million relates to advance payments paid for plots of land in Slovakia to be acquired in financial year 2014 (31 December 2013: EUR 1.6 million) and EUR 0.8 million relates to Earn-out receivable arising from the arrangement in relation to property that was sold in 2013 (31 December 2013: EUR 1.6 million).

13 Trade and Other Receivables

In millions of EUR	Note	30 June 2014	31 December 2013
Trade receivables due from third parties		10.2	15.3
Accrued rental income		1.2	3.0
Other receivables		0.1	0.1
Earn out		2.0	1.2
Less impairment loss provision		(1.6)	(1.0)
		11.9	**18.6**
Other financial receivables		9.8	2.7
		21.7	**21.3**
Trade and other receivables from related parties		1.9	6.1
Loans to related parties	(a)	20.3	3.0
Trade and other receivables – related parties	7	**22.2**	**9.1**
Total financial assets		**43.9**	**30.4**
VAT receivable		5.6	10.3
Prepayments		2.5	2.0
Total trade and other receivables		**52.0**	**42.7**

(a) Loans are provided under following conditions – interest rates 3.5% - 7.5% (2013: 3.5% - 7.5%).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

In millions of EUR	30 June 2014	31 December 2013
EUR	38.0	26.5
CZK	0.8	4.9
PLN	13.5	9.7
HUF	0.5	0.4
HRK	0.2	0.2
GBP	0.6	2.0
Less impairment provision	(1.6)	(1.0)
Total trade and other receivables	**52.0**	**42.7**

13 Trade and Other Receivables (Continued)

Movements in the impairment provision for trade receivables are as follows:

In millions of EUR	2014	2013
Provision for impairment at 1 January	**1.0**	**1.1**
Additional provision for receivables impairment	0.6	(0.1)
Provision for impairment at 30 June 2014 and 31 December 2013	**1.6**	**1.0**

The Management applies judgement in allocating classes of assets and groups of financial instruments into classes that are appropriate taking into account the characteristics and risks of those financial instruments. At minimum, management distinguishes instruments measured at amortised cost from those measured at fair value and also treats as separate classes those financial instruments that are outside the scope of IFRS 7, Financial Instruments: Disclosures.

13 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables as of 30 June 2014 is as follows:

In millions of EUR	Trade receivables including accrued rental income	Other financial receivables including loans to related parties	Trade receivables– related parties	Total
Neither past due nor impaired – exposure to:				
Receivables secured and not secured by bank or other financial guarantees	3.7	30.1	1.9	**35.7**
Earn-Out and Final price Adjustment	2.0	-	-	**2.0**
Total current and not impaired	**5.7**	**30.1**	**1.9**	**37.7**
Individually determined to be impaired				
- less than 30 days overdue	3.9	-	-	**3.9**
- 30 to 90 days overdue	0.6	-	-	**0.6**
- 90 to 180 days overdue	0.6	-	-	**0.6**
- 180 to 360 days overdue	0.6	-	-	**0.6**
- over 360 days overdue	2.1	-	-	**2.1**
Total individually impaired	**7.8**	**-**	**-**	**7.8**
Less impairment provision	**(1.6)**	**-**	**-**	**(1.6)**
Total	**11.9**	**30.1**	**1.9**	**43.9**

Analysis by credit quality of trade and other receivables as of 31 December 2013 is as follows:

In millions of EUR	Trade receivables including accrued rental income	Other financial receivables including loans to related parties	Trade receivables– related parties	Total
Neither past due nor impaired – exposure to:				
Receivables secured by bank or other financial guarantees	4.3	-	-	**4.3**
Receivables not secured	6.4	5.7	6.1	**18.2**
Earn-out receivable	1.2	-	-	**1.2**
Total neither past due nor impaired	**11.9**	**5.7**	**6.1**	**23.7**
Individually determined to be impaired				
- less than 30 days overdue	4.8	-	-	**4.8**
- 30 to 90 days overdue	0.3	-	-	**0.3**
- 90 to 180 days overdue	0.4	-	-	**0.4**
- 180 to 360 days overdue	0.8	-	-	**0.8**
- over 360 days overdue	1.4	-	-	**1.4**
Total individually impaired	**7.7**	**-**	**-**	**7.7**
Less impairment provision	**(1.0)**	**-**	**-**	**(1.0)**
Total	**18.6**	**5.7**	**6.1**	**30.4**

13 Trade and Other Receivables (Continued)

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status. As a result, the Group presents above an ageing analysis of trade and other receivables that are individually determined to be impaired.

Certain trade receivables are secured by either bank guarantee or deposit. The unsecured trade receivables are from a wide variety of tenants and the Group has the ability to evict non-paying tenants. Trade receivables due from related parties are due from key members of the Group management as is the majority of other financial receivables.

The carrying amount of trade and other receivables was not substantially different from their fair value.

There is no significant concentration of credit risk with respect to other trade receivables as the Group has a large number of customers as well as to members of key management personnel.

14 Assets Held for Sale

As of 30 June 2014, the Group classified assets and liabilities of one subsidiary as held for sale. The transaction was completed in August 2014.
As of 31 December 2013, the Group classified assets and liabilities of the two subsidiaries as held for sale. As of 31 December 2013, negotiations with a potential buyer were at an advanced stage. The sale of one subsidiary was finalised in March 2014 and of the other one in August 2014.

Major classes of assets classified as held for sale:

In millions of EUR	**30 June 2014**	**31 December 2013**
Property, plant and equipment	2.4	15.1
Investment property	47.2	98.6
Other non-current assets	1.5	2.4
Trade and other receivables	-	1.3
Deferred income tax asset	1.1	3.1
Cash and cash equivalents	1.5	2.3
Total assets classified as held for sale	**53.7**	**122.8**

The investment properties are valued semi-annually at fair value, with benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 2.5, 3 and 31.

Major classes of liabilities directly associated with assets classified as held for sale:

In millions of EUR	**30 June 2014**	**31 December 2013**
Borrowings long term	(30.2)	(63.5)
Deferred income tax liability	(4.3)	(10.9)
Trade and other payables long term	(0.4)	(1.0)
Borrowings short term	(0.7)	(2.4)
Trade and other payables	(1.1)	(1.7)
Total liabilities directly associated with assets classified as held for sale	**(36.7)**	**(79.5)**

At 30 June 2014, investment properties carried at EUR 47.2 million (at 31 December 2013: EUR 98.6 million), property, plant and equipment carried at EUR 2.4 million (at 31 December 2013: EUR 15.1 million) and the receivables of EUR 0.0 million (at 31 December 2013: EUR 1.3 million) have been pledged to third parties as collateral with respect to borrowings.

15 Cash and Cash Equivalents

In millions of EUR	30 June 2014	31 December 2013
Cash at bank and in hand	48.8	44.2
Short-term bank deposits	4.4	3.4
Total cash and cash equivalents	**53.2**	**47.6**

Short term deposits have original maturities of less than three months.

The effective interest rate on short term bank deposits is from 0.15% to 2.30% (2013: from 0.15% to 1.77%) and on average 1.58% (2013: 1.24%) and these deposits have an average maturity of 3.5 days (2013: 1 day).

At 30 June 2014, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 3.4 million (31 December 2013: EUR 1.5 million).

All the bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	30 June 2014		31 December 2013	
In millions of EUR	Cash at bank	Short-term bank deposits	Cash at bank	Short-term bank deposits
Rating by the Company				
- Banks rated 1	20.3	1.1	24.9	1.1
- Banks rated 2	3.6	3.3	9.2	2.3
- Banks rated 3	-	-	-	-
- Banks unrated	24.4	-	9.7	-
Total	**48.3**	**4.4**	**43.8**	**3.4**

Note: The Company classifies banks based on ratings as follows:

Banks rated 1: Rating by Moody's A1, A2, A3 or rating by Fitch A+, A, A-
Banks rated 2: Rating by Moody's Baa1, Baa2, Baa3 or Fitch BBB+, BBB, BBB-
Banks rated 3: Rating by Moody's Ba1, Ba2, Ba3 or Fitch BB+, BB, BB-

The carrying amounts of cash and cash equivalents as of 30 June 2014 and 31 December 2013 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited by the carrying value of cash and cash equivalents.

16 Share Capital

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 30 June 2014	12,500	12,500	647,197,500	**647,210,000**

The total authorised number of ordinary shares is 12,500 shares with a par value of EUR 1 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. 12,500 shares were issued on 20 October 2010.

The terms of external borrowings drawn by the Group impose certain limitations on the ability of the subsidiaries to pay dividends. These limitations are typically linked to financial covenants such as debt service coverage ratio or loan to value ratio.

16 Share Capital (Continued)

Dividends declared and paid during the 6 months of respective year ended on 30 June were as follows:

In millions of EUR, except dividends per share amount	2014	2013
Dividends payable at 1 January	**0.5**	**-**
Dividends declared during the year	4.0	9.4
Dividends paid during the year	(4.5)	(8.9)
Dividends payable at 30 June 2014 and 31 December 2013	**-**	**0.5**
Per share dividends declared during the year in EUR	320.0	751.2

17 Borrowings

In millions of EUR		30 June 2014	31 December 2013
Non-current			
Bank borrowings		372.4	328.3
Other indebtedness	(a)	32.6	27.1
Issued bonds	(b)	33.3	26.7
		438.3	**382.1**
Current			
Bank borrowings		88.2	84.3
Loans provided by related parties (Note 7)		-	0.6
		88.2	**84.9**
Total borrowings		**526.5**	**467.0**

(a) Contribution from third parties to the Fund (Note 1) that are for the purposes of these condensed consolidated interim financial statements classified as debt.

(b) The bonds represent debt instrument denominated in PLN (PLN 111 million) which were issued in Warsaw in November 2013 with a four-year maturity bearing an interest of 3M WIBOR + 3.95%. The bonds are listed on the Catalyst market. Entering into a EUR cross currency interest rate swap arrangement the issue was swapped into EUR and the interest rate was fixed at 4.75%. The second tranche amounting to EUR 6.6 million with fixed interest rate of 4.95% was issued in June 2014.

All of the Group's borrowings with the exception of the first tranche of bonds are denominated in EUR.

The carrying amounts and fair values of the non-current borrowings are set out below:

	Carrying amounts at		Fair values at	
In millions of EUR	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Bank borrowings	372.4	328.3	369.5	325.4
Other indebtedness	32.6	27.1	32.6	27.1
Issued bonds	33.3	26.7	33.3	26.7
Non-current borrowings	**438.3**	**382.1**	**435.4**	**379.2**

Assumptions used in determining fair value of borrowings are described in Note 31.

17 Borrowings (Continued)

The carrying values of current borrowings approximate their fair values.

i) Bank borrowings

In millions of EUR	**30 June 2014**	**31 December 2013**
Current	88.2	84.3
Repayable between 1 and 2 years	115.6	29.9
Repayable between 2 and 5 years	194.1	287.4
Repayable over 5 years	62.7	11.0
	372.4	**328.3**
Total bank borrowings	**460.6**	**412.6**

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates at balance sheet dates are as follows:

In millions of EUR	**30 June 2014**	**31 December 2013**
6 months or less	367.2	344.0
6 – 12 months	21.0	21.4
Fix	72.4	47.2
Total bank borrowings	**460.6**	**412.6**

The Group has the following undrawn borrowing facilities:

In millions of EUR	**30 June 2014**	**31 December 2013**
Floating rate:		
- Expiring within one year	-	10.8
- Expiring beyond one year	136.9	98.0
Total undrawn facilities	**136.9**	**108.8**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 407.3 million (2013: EUR 399.7 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 70% (2013: 65% to 70%) and minimum debt service coverage ratios ranging from 1.10 to 1.25 (2013: 1.01 to 1.25).

During 6 months ended 30 June 2014 and up to date of authorisation of these condensed consolidated interim financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 30 June 2014 and up to date of authorisation of these condensed interim financial statements for issue, the Group refinanced EUR 10.9 million from borrowings as at 30 June 2014 (31 December 2013: EUR 3.0 million) and repaid EUR 20.0 million.

17 Borrowings (Continued)

ii) Other loans provided by related parties and the key management members

In millions of EUR	Note	30 June 2014	31 December 2013
Current		-	0.6
Repayable between 1 and 2 years		-	-
Repayable between 2 and 5 years		-	-
Repayable over 5 years		-	-
		-	**-**
Total other loans provided by related parties and the key management members	**7**	**-**	**0.6**

Interest rates for loans provided by related parties amounted to 7% during the year 2013.

iii) Other indebtedness and issued bonds

In millions of EUR	30 June 2014	31 December 2013
Current	-	-
Repayable between 1 and 2 years	32.6	27.1
Repayable between 2 and 5 years	33.3	26.7
Total other loans	**65.9**	**53.8**

18 Trade and Other Payables

In millions of EUR	Note	30 June 2014	31 December 2013
Non – current			
Finance lease payable[1]		5.4	5.3
Total financial payables – non-current		**5.4**	**5.3**
Other long term payables		7.5	6.7
Other long term payables – related parties	7	0.9	0.9
Other payables – non-current		**13.8**	**12.9**
Current			
Trade payables		5.8	7.1
Liabilities for construction of investment properties		11.6	20.0
Accrued liabilities		2.0	1.5
Other payables		3.7	3.8
Derivatives and other financial instruments		1.0	-
Financial payables due to third parties – current		**24.1**	**32.4**
Trade payables to related parties		0.8	4.3
Other payables to related parties		0.3	0.5
Financial payables due to related parties – current	***7***	**1.1**	**4.8**
Total financial payables – current		**25.2**	**37.2**
Deferred income		11.4	13.6
Accrued employee benefit costs		1.8	1.6
Other taxes payable		1.0	0.5
Prepayments for rent and other prepayments		1.5	1.9
Total trade and other payables – current		**40.9**	**54.8**
Total trade and other payables		**54.7**	**67.7**

(1) The finance lease liabilities fall due as follows:

In millions of EUR	30 June 2014	31 December 2013
Current	-	-
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	5.4	5.3
Repayable over 5 years	-	-
Total	**5.4**	**5.3**

18 Trade and Other Payables (Continued)

Trade payables are denominated in the following foreign currencies:

In millions of EUR	30 June 2014	31 December 2013
Non – current		
EUR	7.8	7.2
CZK	5.7	5.5
PLN	0.2	0.2
HUF	0.1	-
Current		
EUR	27.1	33.5
CZK	4.2	6.2
PLN	6.8	9.7
HUF	1.3	2.4
GBP	1.5	3.0
Trade and other payables	**54.7**	**67.7**

The fair value of trade payables, finance lease liabilities, liabilities for construction of investment property, accrued liabilities, dividends payable, liabilities to shareholders, other trade payables to related parties and of other liabilities is not significantly different from their carrying amount.

19 Rental and Similar Income from Investment Property

In millions of EUR	6 months ended 30 June 2014	6 months ended 30 June 2013
Rental income – Office	21.4	18.1
Rental income – Retail	8.6	13.6
Rental income – Industrial	5.5	5.8
Total revenue	**35.5**	**37.5**

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

In millions of EUR	30 June 2014	30 June 2013
Not later than 1 year	39.6	37.1
Later than 1 year and not later than 5 years	112.8	117.4
Later than 5 years	68.7	66.0
Total operating lease payments receivable	**221.1**	**220.5**

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total contingent payments receivable recognised as income during first 6 months ended 30 June 2014 under the Group's operating leases were EUR 0.0 million (during first 6 months ended 30 June 2013: EUR 0.0 million).

Contingent payment receivable is calculated based on the expected revenues of the related tenants multiplied by contractually agreed percentage. Historical knowledge about the development of tenant`s revenue as well as currently expected progress of revenues is taken into account in the calculation of the receivable.

20 Direct Operating Expenses arising from Investment Property

In millions of EUR	**6 months ended 30 June 2014**	**6 months ended 30 June 2013**
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	(0.2)	(0.3)
Repairs and maintenance services	(0.6)	(0.5)
Utilities costs	(4.7)	(5.7)
Services relating to investment property	(4.2)	(3.8)
Real estate tax	(0.5)	(0.5)
Other costs	-	(0.2)
Total	**(10.2)**	**(11.0)**

21 Revenue from Public Transportation

In millions of EUR	**6 months ended 30 June 2014**	**6 months ended 30 June 2013**
Revenue from public transportation - ticket sales	6.9	7.0
Total revenue from public transportation	**6.9**	**7.0**

The Group acquired and operates a public bus transportation business.

22 Employee Benefits

In millions of EUR	**6 months ended 30 June 2014**	**6 months ended 30 June 2013**
Wages and salaries	(7.4)	(6.7)
Share based payments	-	(0.4)
Pension costs – defined contribution plans	(0.4)	(0.3)
Total employee benefits	**(7.8)**	**(7.4)**

Number of employees in the core real estate operations and in the public transportation business of the Group was as follows (on full time equivalent basis):

	30 June 2014	**31 December 2013**
Real estate	372	350
Bus transport	490	490
Total number of employees	**862**	**840**

23 Operating Income and Expenses

In millions of EUR		**6 months ended 30 June 2014**	**6 months ended 30 June 2013**
Construction services		(2.8)	(1.8)
Other services		(8.3)	(9.0)
Energy costs		(0.1)	(0.1)
Material consumption		(0.7)	(1.1)
Other taxes		(0.6)	(0.6)
Cost of sold inventories		(0.4)	(0.3)
Cost of sold fuel		(0.4)	(0.4)
Audit fees		-	(0.1)
Other		(1.4)	(1.3)
Total operating expenses		**(14.7)**	**(14.7)**
Construction services with related parties		2.2	1.5
Fit-outs for customers		0.8	1.0
Sales of services		1.4	0.7
Sale of fuel		0.4	0.5
Sales of inventories		0.3	0.2
Other operating income		0.2	0.2
Income from public transportation - regional government subsidies	(a)	0.1	0.1
Total other operating income		**5.4**	**4.2**
Total operating expenses less other operating income		**(9.3)**	**(10.5)**

(a) The regional government subsidies relate to the compensation of the costs incurred by the Group as a result of operations of the public transportation based on the contracts with Bratislava Regional Government.

In millions of EUR	**2014**	**2013**
Regional government subsidies - gross	4.4	3.6
Expenses related to regional government subsidies:		
- Other operating expenses (incl. Fuel costs)	(2.1)	(1.9)
- Employee benefits	(1.5)	(1.2)
- Depreciation and amortization	(0.7)	(0.4)
Total Income from public transportation - regional government subsidies	**0.1**	**0.1**

24 Results on Property Disposals

The Group sold shares in 1 subsidiary during 6 months ended 30 June 2014. During 6 months ended 30 June 2014, the gain on divestments of subsidiaries comprised:

Extract of the subsidiaries' balance sheets at the moment of the transaction:

In millions of EUR	
Investment property in use	**64.4**
Deferred tax liability	**(4.7)**
External debt	**(34.2)**
Net working capital	**1.4**
- of which: Cash and cash equivalents	**1.8**
Net assets value	**26.9**
Gain on divestments of subsidiaries*	**3.6**
Proceeds from sale of subsidiaries	**30.5**
Less cash in subsidiaries at the date of transaction	**(1.8)**
Cash received in as of 30 June 2014	**28.7**

The Group sold shares in 1 subsidiary during 6 months ended 30 June 2013. During 6 months ended 30 June 2013, the gain on divestments of subsidiaries comprised:

Extract of the subsidiaries' balance sheets at the moment of the transaction:

In millions of EUR	
Investment property in use	**70.0**
Deferred tax liability	**(7.6)**
External debt	**(23.3)**
Net working capital	**0.8**
- of which: Cash and cash equivalents	**2.1**
Net assets value	**39.9**
Gain on divestments of subsidiaries*	**7.5**
Earn-Out:	**1.7**
Proceeds from sale of subsidiaries	**49.1**
Less cash in subsidiaries at the date of transaction	**(2.1)**
Cash received in as of 30 June 2013	**44.4**
Earn Out & Final Price Adjustment receivables	**2.6**

*IFRS require to recognize and present different tax liabilities undiscounted and in full.

25 Interest Income and Expense

Interest income and expense comprise the following:

In millions of EUR	Note	6 months ended 30 June 2014	6 months ended 30 June 2013
Interest income – third parties		0.7	0.1
Interest income – related parties	7	0.2	0.3
Total interest income		**0.9**	**0.4**
Interest expense – third parties		(11.3)	(7.4)
Total interest expense		**(11.3)**	**(7.4)**
Total interest expense less income		**(10.4)**	**(7.0)**

26 Income Taxes

Income tax expense comprises the following:

In millions of EUR	6 months ended 30 June 2014	6 months ended 30 June 2013
Current tax	(0.5)	(0.4)
Deferred tax	(1.3)	(0.2)
Income tax expense for the period	**(1.8)**	**(0.6)**

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of EUR	2014	2013
Profit before tax	**43.5**	**23.8**
Theoretical tax charge at applicable rate (2014: 20.78%; 2013: 23%)	(9.0)	(5.5)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	6.6	4.0
- Non-temporary taxable items	(0.2)	-
Utilisation of tax losses	0.8	0.9
Income tax expense for the period	**(1.8)**	**(0.6)**

The Group uses 20.78% (2013:23%) as the applicable tax rate to calculate its theoretical tax charge which is calculated as a weighted average of the rates applicable in the Slovak Republic (22%), Czech Republic and Poland (19%), United Kingdom (21%) where majority of the Group's operations are located.

26 Income Taxes (Continued)

Differences between IFRS and applicable statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In millions of EUR	**1 January 2014**	**Charged/ (credited) to profit or loss**	**30 June 2014**
Tax effect of deductible/(taxable) temporary differences			
Investment properties	(39.9)	(6.6)	(46.5)
Unrealized foreign exchange (gains)/losses	(1.4)	0.2	(1.2)
Tax losses carried forward	6.2	5.1	11.3
Property, plant and equipment	(1.6)	0.3	(1.3)
Other	(0.5)	(0.2)	(0.7)
Net deferred tax (liability)	**(37.2)**	**(1.2)**	**(38.4)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies. Accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The tax effect of the movements in the temporary differences for the 6 months ended 30 June 2013 is set below:

In millions of EUR	**1 January 2013**	**Charged/ (credited) to profit or loss**	**Transfer to assets held for sale**	**30 June 2013**
Tax effect of deductible/(taxable) temporary differences				
Investment properties	(68.5)	(5.4)	10.1	(63.7)
Unrealized foreign exchange (gains)/losses	(1.4)	1.1	-	(0.3)
Tax losses carried forward	13.9	3.6	(1.5)	16.0
Property, plant and equipment	(1.3)	-	-	(1.3)
Other	(0.5)	0.5	-	-
Net deferred tax (liability)	**(57.8)**	**(0.2)**	**8.6**	**(49.3)**

The Group expects that EUR 35.2 million (2013: EUR 49.3 million) of the deferred tax liability shall crystallise after more than 12 months from the balance sheet date.

27 Foreign exchange (losses)/gains

In millions of EUR	**6 months period ended 30 June 2014**	**6 months period ended 30 June 2013**
Foreign exchange (losses)/gains	**1.0**	**(18.0)**
Of which:		
Bank borrowings – unrealised as at 30 June *(27a)*	0.6	(4.0)
Inter-company borrowings not denominated in EUR– unrealised as at 30 June *(27a)*	1.5	(11.6)
Trade and other receivables and payables – realised during period	-	(0.4)
Trade and other receivables and payables – unrealised as at 30 June *(27a)*	(1.1)	(2.0)

28 Contingencies, Commitments and Operating Risks

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 36.5 million at 30 June 2014 (31 December 2013: EUR 48.3 million) out of that amount of EUR 36.5 million will be financed by external loans. The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

29 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks: credit risk, market risk (including changes in foreign currency exchange rates, interest rate and price risk), liquidity risks, operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Condensed Consolidated Interim Financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's consolidated annual financial statements as at 31 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's rental income on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is as follows:

In millions of EUR	30 June 2014	31 December 2013
Receivables and loans (Note 11)		
Receivables and loans due from third parties	14.4	13.4
Loans to related parties	7.8	2.7
Other current assets	2.8	1.6
	25.0	**17.7**
Trade and other receivables (Note 13)		
Trade receivables including accrued rental income and other receivables	9.9	17.6
Other financial receivables including financial receivables – related parties	30.1	5.5
Trade receivables and other receivables – related parties	1.9	6.1
Earn-out	2.0	1.2
	43.9	**30.4**
Cash and cash equivalents (Note 15)		
Cash at bank and on hand	48.8	44.2
Short-term bank deposits	4.4	3.4
	53.2	**47.6**
Derivatives and other financial assets	-	-
Total maximum exposure to credit risk	**122.1**	**95.7**

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual review.

Management has additional policies in place to secure trade receivables from rental business. The Group uses system of required bank guarantees or financial deposits to secure its receivables from rental business based on the rating of tenant.

29 Financial Risk Management (Continued)

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 13.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. The Group did not issue any financial guarantees nor grant any loan commitments.

Credit risks concentrations

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 22 banks but majority of cash balances as of 30 June 2014 are held with 6 major banks. The Group`s management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 15.

(ii) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements.

Currency risk. Due to continuous expansion to CEE countries, Management acknowledges elevated exposure of the Group to foreign exchange risk arising from various currency exposures, primarily with respect to Czech Koruna, Polish Zloty, Hungarian Forint and British Pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currency that is not the entity's functional currency. Therefore internal objectives, policies and processes for its management have been set. Management has set up a policy to require group companies to manage their foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with the help of group treasury. As a result, the Group has invested into hedge instruments that are set up to minimize foreign exchange losses. Additionally, the Group`s cash pool should contribute to proper cash management and avoidance of losses by keeping cash split into several countries. Payables resulting from derivatives amount to EUR 1.0 million (2013: payables of EUR 0.1 million).

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of EUR	**Less than 12 months**	**Over 12 months**	**Total**
30 June 2014			
Total monetary financial assets	99.9	22.2	**122.1**
Total monetary financial liabilities	(485.8)	(71.3)	**(557.1)**
Net interest sensitivity gap at 30 June 2014	**(385.9)**	**(49.1)**	**(435.0)**
31 December 2013			
Total monetary financial assets	79.6	16.1	**95.7**
Total monetary financial liabilities	(450.4)	(59.1)	**(509.5)**
Net interest sensitivity gap at 31 December 2013	**(370.8)**	**(43.0)**	**(413.8)**

(iii) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 30 June 2014 and 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the consolidated balance sheet amount is based on discounted cash flows.

29 Financial Risk Management (Continued)

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 30 June 2014 is as follows:

In millions of EUR	**Demand and less than 12 month**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal – Note 17)	88.2	115.6	259.2	63.5	**526.5**
Borrowings (future interest charges)	15.3	15.2	21.2	3.9	**55.6**
Finance leases (Note 18)	-	-	5.4	-	**5.4**
Financial payables - current (Note 18)	25.2	-	-	-	**25.2**
Total future payments, including future principal and interest payments	**128.7**	**130.8**	**285.8**	**67.4**	**612.7**

The maturity analysis of financial liabilities as at 31 December 2013 is as follows:

In millions of EUR	**Demand and less than 12 month**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal – Note 17)	84.9	30.0	341.1	11.0	**467.0**
Borrowings (future interest charges)	13.4	14.0	20.2	0.9	**48.5**
Finance leases (Note 18)	-	-	5.3	-	**5.3**
Financial payables - current (Note 18)	37.2	-	-	-	**37.2**
Total future payments, including future principal and interest payments	**135.5**	**44.0**	**366.6**	**11.9**	**558.0**

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis (excluding the public transportation business). The forecast for second half of 2014 and first half of 2015 shows positive cash flow from property rental after property expenses and general operating expenses of the Group of approximately EUR 4.3 million. This, together with existing cash balances, would be sufficient to meet the Group’s financial obligations as shown above. Moreover, the Group has been able to issue corporate bonds in the amount of EUR 30.0 million and raise additional EUR 42.5 million of new bank financing since 30 June 2014 and as of date of authorisation of these condensed consolidated interim financial statements for issue still kept further EUR 129.7 million in signed but undrawn credit lines. The Board of Managers is confident that the Group’s cash position allows it to keep pursuing new opportunities in its chosen markets.

30 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other companies in the industry, the Group monitors capital on the Net Asset Value (adjusted) basis. The Group calculates the Net Asset Value (adjusted) on the following basis:

In millions of EUR	Note	30 June 2014	31 December 2013
Equity attributable to the owners of HB Reavis Holding S.à r.l.		877.6	839.3
Adjusted for			
Add: Deferred income tax liabilities	14, 26	41.6	45.0
Add: Borrowings and trade and other payables from related party entities under common control	7	-	-
Less: Receivables and Loans provided to related party entities under common control	7	(1.7)	(2.4)
Net Asset Value (adjusted)		**917.5**	**881.9**

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties excluding other indebtedness (Note 17a) less Cash and Group total assets. During 2014, the Group's strategy was to steer the net debt leverage ratio within 25-35% range. As is shown in the table below, the Group's ratio was in the range of the targeted level as of 30 June 2014. The Group management believe that this position places the Group well in their pursuit of new development opportunities.

In millions of EUR	30 June 2014	31 December 2013
Bank borrowings less cash	470.1	455.9
Total assets	1,578.1	1,530.1
Net debt leverage ratio	**29.8%**	**29.8%**

31 Fair Value Estimation

IFRS 13 requires the use of valuation techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used.

For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

i) Investment properties

The following table presents the group's investment properties that are measured at fair value at 30 June 2014.

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – Valuations obtained	-	-	1,378.7	**1,378.7**
Total assets	**-**	**-**	**1,378.7**	**1,378.7**

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition (cost) for assets which were either acquired very close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation technique for level 3 is further described in Note 3.

Quantitative information about fair value measurements using unobservable inputs:

Asset Management including Investment Management

Segment	Valuation technique	Fair value at 30 June 2014 (in millions of EUR)	Input	Range
Slovakia				
Office	Discounted cash flow	230.1	Average annual rent in EUR per sqm Discount rate p.a. Capitalisation rate for terminal value	121.0 – 197.0 7.75% - 9.5% 7.25% - 9.0%
Office	Direct capitalisation method	65.2	Average annual rent in EUR per sqm Capitalisation rate	145.0 – 176.0 6.89% - 8.29%
Retail	Discounted cash flow	31.6	Average annual rent in EUR per sqm Discount rate p.a. Capitalisation rate for terminal value	247.0 8.25% 7.75%
Retail	Direct capitalisation method	128.3	Average annual rent in EUR per sqm Capitalisation rate	289.0 7.08%
Logistics	Discounted cash flow	63.8	Average annual rent in EUR per sqm Discount rate p.a. Capitalisation rate for terminal value	49.0 – 53.0 8.75% - 10.0% 8.25% - 9.25%
Total		**519.0**		
Czech republic				
Office	Direct capitalisation method	53.1	Average annual rent in EUR per sqm Capitalisation rate	183.0 6.9%
Logistics	Direct capitalisation method	38.5	Average annual rent in EUR per sqm Capitalisation rate	56.0 – 61.0 8.5% - 9.5%
Total		**91.6**		
Poland				
Office	Direct capitalisation method	218.2	Average annual rent in EUR per sqm Capitalisation rate	189.0 – 225.0 6.5% - 8.0%
Total		**218.8**		
Hungary				
Office	Direct capitalisation method	27.7	Average annual rent in EUR per sqm Capitalisation rate	135.0 8.0% - 9.0%
Total		**27.7**		
Total for segment		**857.1**		

31 Fair Value Estimation (Continued)

Development in realisation and in preparation

Segment	Valuation technique	Fair value at 30 June 2014 (in millions of EUR)	Input	Range
Slovakia				
Office, Office/Retail	Residual Method	132.7	Capitalised net revenues less cost to completion	292.0
			Capitalisation rate	7.25%-8.5%
Retail	Comparative Method	1.0	-	
	At cost	5.5	-	
Total		**139.2**		
Czech republic				
Office	Residual Method	39.2	Capitalised net revenues less cost to completion	48.0
			Capitalisation rate	7.25%-7.5%
Retail	Residual Method	14.1	Capitalised net revenues less cost to completion	29.9
			Capitalisation rate	7.0%
	At cost	3.7	-	-
Logistics	Direct capitalisation method	1.8	Average annual rent in EUR per sqm	55.0
			Capitalisation rate	8.5%
	Comparative method	4.9	-	-
Total		**63.7**		
Poland				
Office	Residual Method	182.5	Capitalised net revenues less cost to completion	217.0
			Capitalisation rate	6.00%-7.5%
Office	At cost	1.9		
Total		**184.4**		
United Kingdom				
Office	Residual Method	90.9	Capitalised net revenues less cost to completion	67.0
			Capitalisation rate	5.0%
Total		**90.9**		
Total for segment		**478.2**		

Non-core

Segment	Valuation technique	Fair value at 30 June 2014 (in millions of EUR)	Input	Range
Logistics	Comparative methodology	42.3	Price in EUR per sqm	7.4 - 25.4
Other	Comparative methodology	1.1	Price in EUR per sqm	0.4 - 20.1
Total for segment		**43.4**		

Sensitivity of measurement to variance of significant unobservable inputs

A decrease in the estimated annual rent will decrease the fair value. An increase in the discount rates and the capitalisation rates (used for terminal value of DCF and for the direct capitalisation method) will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. Please refer to Note 3 for the quantitative sensitivity analysis.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by independent and qualified valuers.

31 Fair Value Estimation (Continued)

These reports are based on both:

- information provided by the company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgment and market observation. Generally for income producing assets a DCF and Direct capitalisation methods are used, for assets under construction Residual method is used and comparative methodology is used for non-core and land bank assets.

The information provided to the valuers and the assumptions and the valuation models used by the valuers are reviewed by the controlling department and the Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

In general, there are four types of methodologies towards delivering FV of the underlying asset. Comparative methodology, Residual methodology, Hard Core (direct capitalization) and DCF.

Comparative methodology is used mostly for the land, where the market evidences (price per sqm) are the most important for measurement of the market value. This methodology could be used only on the markets with various and huge number of comparative transactions.

Residual methodology could be applicable where the assets has had already granted permit, in respect of GBA / GLA (pipeline) or assets under development / construction.

Hard Core (direct capitalization) methodology is static methodology used for assets under management. This methodology is generally suitable for the assets which are not fully let (less than 70% of GLA under NOI).

DCF (discounted cash flow) methodology can be applicable where more than 70% of GLA is under NOI, and the cash flow of the asset is secured and predictable.

ii) Financial Instruments

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Considering that Borrowings has variable rate of interest and that own credit risk of the Group did not change, the carrying value under amortised cost approximate its fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 3.25% p.a. (2013: 3.09% p.a.). Refer to Note 17 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

32 Events After the Balance Sheet Date

In August 2014 the Group sold its share in the project company RiGa Office West a.s. related to office building in Prague, Czech Republic. The transaction was finalised in August 2014 (refer to Note 14).

The Group has been able to raise additional EUR 72.5 million of new financing since 30 June 2014. EUR 30.0 million of this amount is represented by bonds issued on Bratislava stock exchange. In addition, since 30 June 2014 the Group refinanced EUR 10.9 million and repaid EUR 20.0 million of its borrowings.

Apart from the above stated matters, there were no material events which occurred after the end of the 6 months ended 30 June 2014 which have a bearing on the understanding of these condensed interim financial statements.