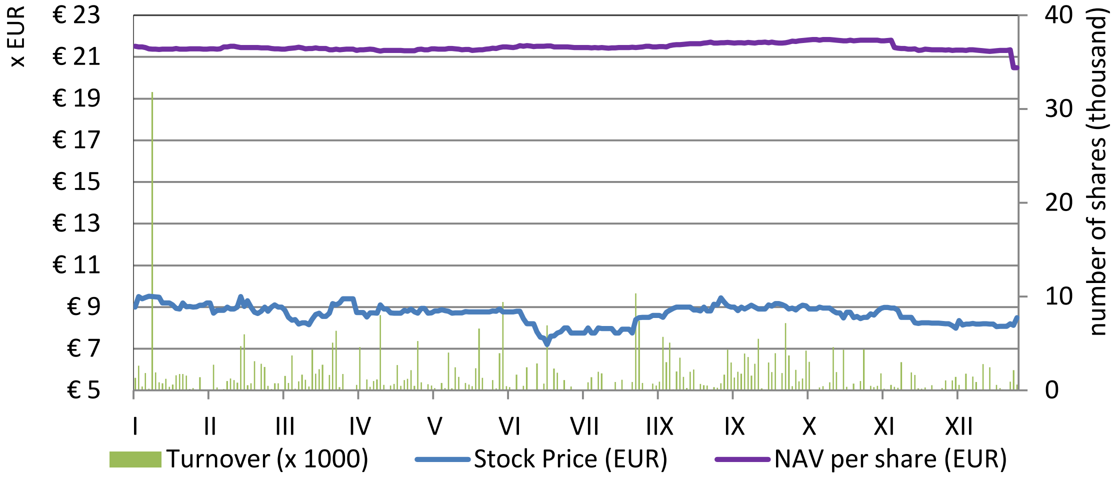
PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

PALMER CAPITAL

ANNUAL REPORT 2013

PCEEPF Net Asset Value per share and Stock Price development in 2013



Source: NYSE EURONEXT

Key figures balance sheet (IFRS)

EUR Thousands	2013	2012	2011	2010	2009
Investment properties	57,068	59,830	63,973	70,518	71,120
Other non-current assets	1,609	2,278	2,683	2,917	3,110
Current assets	1,887	2,394	2,412	4,061	4,765
Total assets	**60,564**	**64,502**	**69,068**	**77,496**	**78,995**
Shareholders' equity	26,814	26,471	23,670	28,594	25,593
Deferred tax liabilities	4,709	4,956	4,018	4,493	4,437
Other non-current liabilities	9,023	10,783	32,935	37,334	38,528
Current liabilities	20,018	22,292	8,445	7,075	10,437
Total equity and liabilities	**60,564**	**64,502**	**69,068**	**77,496**	**78,995**

Key figures results (IFRS)

EUR Thousands	2013	2012	2011	2010	2009
Direct result before tax	1,450	1,081	1,019	1,464	1,250
Indirect result before tax	-/-1,446	147	-/- 6,151	1,889	1,524
Profit before tax	**4**	**1,228**	**-/- 5,132**	**3,353**	**2,774**
Income tax expense	137	809	-/- 499	250	899
Profit after tax	**-/-133**	**419**	**-/- 4,633**	**3,103**	**1,875**

PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

Incorporation

Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) is an investment company with variable capital within the meaning of article 76a of Book 2 of the Dutch Civil Code. The Fund was incorporated on 27 November 2002 by a notarial deed executed before Prof. D.F.M.M. Zaman, civil-law notary in Rotterdam.

Registered Office and entry in Trade Register

Palmer Capital Emerging Europe Property Fund N.V. is registered in Amsterdam and is entered in the Trade Register of the Chamber of Commerce 'Oost Nederland' under number 08110094.

Office Address

Parkweg 4
7411 SH Deventer
the Netherlands
Tel: +31 (0)570 66 58 60
F: +31 (0)570 66 58 61
E-Mail: info@palmercapital.eu
Website: www.palmercapital.nl

Correspondence Address

P.O. Box 211
7400 AE Deventer
the Netherlands

Supervisory Board

The Supervisory Board of The Fund consists of:
Prof. Dr. J.L. Bouma (chairman)
B. Vos M.Sc.

The members of the Supervisory Board have chosen domicile at the offices of The Fund.

J. Bouma is currently also member of the Supervisory Board (chairman) of LIPS CAPITAL B.V. and of Palmer Capital Fondsenbeheer B.V.

B. Vos is currently also Chairman of the Supervisory Board of Palmer Capital Fondsenbeheer B.V., MEI-Tsjechië en Slowakije Fonds N.V., Palmer Capital Emerging Europe Equity Fund N.V., Palmer Capital Russian Midcap Fund N.V., Chairman of the Advisory Board of Kempen Capital Management and Vice Chairman of the Supervisory Board of Reesink.

Managing Board

PCEEPF is managed by Palmer Capital Fondsenbeheer B.V. (formerly MEI-Fondsenbeheer B.V., "MFB"). Palmer Capital Fondsenbeheer B.V. ("Managing Board") was incorporated under the name Midden-Europa Fondsenbeheer B.V. (subsequently changed into MFB) on 10 June 2002 by a notarial deed executed before Mr. C.E.M. van Steenderen, public notary in Rijswijk. By a notarial deed executed before Mr. J.G.R.C. Prinsen, public notary in Deventer on 8 June 2012 the name of the Managing Board has been changed into Palmer Capital Fondsenbeheer B.V.

Palmer Capital Fondsenbeheer B.V. is registered in Lochem and is entered in the Trade Register of the Chamber of Commerce 'Oost Nederland' under number 08107686.

Palmer Capital Fondsenbeheer B.V. currently has the following directors:
G.St.J. Barker LLB FRICS
P.H.J. Mars M.Sc.
Drs. P.H. van Kleef RC MRE

The Managing Board has chosen domicile at the office of PCEEPF. More information can be found on the website: www.palmercapital.nl.

Stichting Prioriteit

Stichting Prioriteit (the "Foundation") of the Palmer Capital Emerging Europe Property Fund is managed by a Managing Board consisting of two members:

G.St.J. Barker LLB FRICS
H.H. Visscher

Auditors

KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen
the Netherlands

Legal Advisor

Loyens & Loeff N.V.
Blaak 31
3011 GA Rotterdam
the Netherlands

Listing and Paying Agent

SNS Securities N.V.
Nieuwezijds Voorburgwal 162
1012 SJ Amsterdam
the Netherlands

Administrator

KroeseWevers Accountants B.V.
Pantheon 2, 2nd floor
7500 AC Enschede
the Netherlands

Identification codes

The ISIN code is NL0006311706
The REUTERS code is MERE.AE
The BLOOMBERG code is MERENVFNA

The Management of Palmer Capital Emerging Europe Property Fund N.V.(Palmer Capital Fondsenbeheer B.V.) holds a licence from the AFM under the Act on the Supervision of Investment Institutions (Wet toezicht beleggingsinstellingen), which has since been absorbed into the 'Wet Financieel Toezicht'. This investment involves risks. The price of shares may go down as well as up. Past performance is not a guarantee for future performance. Consult your broker or financial advisor prior to making any investment decisions.

CONTENTS

1 FOREWORD

2013 was the first full year of Palmer Capital's responsibility as fund manager for the Emerging Europe Property Fund NV. In April 2012, as new managers, we presented a transformatory strategy for the Fund to the shareholders. This strategic plan comprised three phases: cost reductions, debt finance restructuring to enable dividend distribution and, ultimately, growth and expansion into new markets.
The cost reduction process began immediately in 2012, focusing on management costs, and the results have impacted positively on the operational results for 2013, countering the negative effects of the devaluation of the Czech crown and the slight decrease in portfolio capital values. The total annual operational costs have decreased to EUR 1.61 million, an overall annual reduction of more than 19.3%. We expect to realise further operational cost reductions in the course of 2014.

In August 2013 the loan from Tatra Banka for the Fund's Slovak portfolio was due to expire. At the time, reflecting liquidity issues in the Slovak market and general financial concerns in the Eurozone, no other banks were prepared to offer replacement financing on adequate terms. Nevertheless, we were able to reach an agreement with Tatra Banka for an extension of the loan to December 2014.

The amortization structures of the senior loans on the Czech and Slovak portfolios absorb over EUR 2 million per year in capital repayments, which equates to some 8% of the total debt. The Loan to Value ratio has now decreased to 47.5%, which management considers is a sustainable percentage for the Fund on a long-term basis. Accordingly, in October 2013 we commenced a process of consultation on the possibilities of refinancing the entire portfolio, with the aim of substantially reducing the amortization payments. The improved free cash flow could then be used for reinvestment in the portfolio and for dividend payments to the shareholders.

The second half of 2013 saw a steady improvement in sentiment in the local financial markets which enabled us to negotiate some competing offers for a refinancing of the Czech portfolio. In December 2013 we agreed terms with Sberbank to replace the existing loan from Raiffeisen Bank and we have subsequently received a formal refinancing offer in Slovakia as a possible alternative to Tatra Banka when their current loan expires in December 2014. This increased appetite for funding of secondary/regional property is a reflection of improving sentiment throughout the region for the asset class.

The expectation is that the debt restructuring process to achieve the aims stated above will require additional funding of up to EUR 6 million. This additional funding will be largely used to replace elements of the existing senior debt, thus reducing the amortization payments, and to repay the outstanding loan to the Dutch Fund parent vehicle from SNS Bank which is necessary before dividend payments can be commenced. Management currently intends to complete this process in the course of Q3 2014.

2014 will also see additional resources dedicated to improving the occupancy rates within the portfolio. Particularly in the Prague office market a short-term increase in supply of speculative Class A office space is increasing competition for tenants and putting downward pressure on rents, which requires, on the part of the Fund, additional investment in the buildings to retain existing tenants and to attract new ones.

The third and last phase of the revised strategy announced in 2012 was the commencement of periodic dividend payments to shareholders and the expansion of the Fund in size and geographical spread. The successful conclusion of the debt restructuring process in 2014 will create the possibility of dividend payments. The subsequent expansion of the Fund can then be realised in the course of 2015 by the acquisition of portfolios of assets in our target markets of Poland and the Czech Republic. The financing of this expansion will be through a combination of bonds and new share issuance undertaken with a minimal dilution of intrinsic value per share.

We anticipate that with the steps outlined above the way is clear for substantial growth of the Fund and for value creation for the shareholders, which should be reflected in the pricing of the Funds stock moving closer to the underlying net asset value.

2 SUMMARY

Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) is an investment company with variable capital incorporated under Dutch law and registered in Amsterdam. The shares have been listed on the NYSE Euronext Amsterdam since 2003. PCEEPF invests in commercial real estate in Central an Eastern Europe. Since local laws, regulations and various administrative requirements make direct investments in real estate in those countries difficult for most investors, Palmer Capital Nederland ("PCN") took the initiative to incorporate PCEEPF.

PCEEPF offers several important features that distinguish it from other real estate funds:
- The focus on Central and Eastern Europe;
- Local representation of Palmer Capital with its own offices in Prague (Czech Republic), Cluj-Napoca (Romania), Moscow (Russia) and Sofia (Bulgaria) with its own highly qualified staff and specific know-how;
- Access to regional property management knowledge and facilities;
- The managers long term experience in Central and Eastern Europe (since 1992).

Palmer Capital Fondsenbeheer B.V. ("PCFB") is a management company of investment funds and has its seat in Deventer. PCFB was established in 2006.

PCFB manages three Equity Funds which are listed on the NYSE Euronext Amsterdam:
- MEI-Tsjechië en Slowakije Fonds N.V. ("TSF");
- Palmer Capital Emerging Europe Equity Fund N.V. ("PCEEEF");
- Palmer Capital Russian Midcap Fund N.V. ('PCRMF").

PCFB also manages two non-listed Private Equity and Project Development Funds:
- Middle Europe Opportunity Fund II N.V. ("MEOF II");
- Middle Europe Opportunity Fund III N.V. ("MEOF III").

Portfolio and historical returns

As at 31 December 2013, PCEEPF's real estate portfolio comprised 17 properties, located in two cities in the Czech Republic and three cities in the Slovak Republic. The majority of the rentable space is designated as good secondary office space and the remainder is mostly retail and ho(s)tel space. The fair value of the real estate portfolio as at 31 December 2013 was EUR 57.07 million, a 4.6% decrease compared to EUR 59.83 million ultimo 2012. This decrease was primarily attributable to a 9.2% depreciation of the Czech Crown against the Euro and secondarily to a slightly lower valuation of the real estate portfolio.

Table 1 – Development of the annual return on Net Asset Value per share

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Return (%)	-3.2	2.9	-17.2	11.0	5.6	-17.3	11.6	11.3	8.7

3 PROFILE

The Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) invests in the established and emerging real estate markets of Central and Eastern Europe. The Fund currently specialises in commercial real estate investments in the Czech Republic and the Slovak Republic. The Fund invests in principle through local companies on the basis of local legislation.

Palmer Capital Fondsenbeheer B.V. (PCFB) is located in Deventer, the Netherlands. Palmer Capital also has offices in London, Munich, Hong Kong, Singapore, Prague, Cluj-Napoca, Sofia, Warsaw and Moscow.

Objective

PCEEPF offers institutional and private investors the possibility to invest in a real estate portfolio in the emerging markets of Central and Eastern Europe. It uses the expertise of in-company and external commercial real estate specialists, who operate in the local markets concerned. The Fund's investment policy is to deliver a high income return from commercial real estate whilst preserving capital value.

Fund Structure

On 4 January 2012 PCEEPF became active as a closed-end investment institution. From 5 January 2012 daily share trades as a closed-end investment fund are done through NYSE Euronext Amsterdam.

Management

Palmer Capital Fondsenbeheer B.V. is the management company of the Fund. On 24 January 2006 it obtained from AFM a permit under the Act on the Supervision of Investment Institutions. Since 1 January 2007 PCEEPF has operated under the Wft.

Investment Policy

PCEEPF invests in commercial real estate in Central and Eastern Europe in accordance with predetermined investment criteria. The company aims at a diversified real estate portfolio, spreading risk across sectors and locations. Positions will be analysed regularly and adjusted where necessary.

PCEEPF uses the local organisation of Palmer Capital and selected property management organisations with a good regional presence to identify, acquire and manage its real estate holdings. As a result, the Fund is able to invest effectively in A, B and C-class real estate, which, if effectively and actively managed, can generate a higher relative return on investment. The result is a diversified real estate portfolio with a good risk/return ratio.

Investment Criteria

The managing board pursues an investment policy that takes the following investment criteria into consideration:

- PCEEPF will invest in commercial real estate in Central and Eastern Europe, direct and indirect;
- In principle no more than 60% of the book value of the total real estate portfolio will be financed with borrowed capital;
- PCEEPF is allowed to invest in securities or place money on deposit to have enough cash available;
- Investments are diversified at the following levels:
    - Countries, regions and cities in Central and Eastern Europe;
    - Commercial sectors, including offices, retail, industry, logistics;
    - Property classes: A-/ B-/ C-class;
    - Size of individual projects.

PCEEPF may use financial instruments to hedge the currency risks. The Fund actively manages its portfolio, using its thorough knowledge of the local real estate markets and its experience in various Central and Eastern European countries to identify new investment opportunities. Existing assets will be assessed regularly, to determine whether they should be retained in the portfolio or be sold.

Financing policy

PCEEPF finances a substantial portion (31-12-2013: 47.5%) of the real estate portfolio with long-term external debt, although a Loan-to-Value percentage of up to 60% is possible. The Management has regard to the need for flexibility, in particular the ability to sell real estate from the portfolio without incurring high debt finance breakage costs. PCEEPF prefers to use several financiers, so as not to be dependent on just one party.

Investor relations

PCEEPF strives to achieve open, timely and clear communication with private and institutional investors, asset managers and other interested parties, and endeavours to configure its public and investor relations' policy accordingly. Currently PCEEPF's investors are largely private investors and asset/wealth managers.

Corporate Governance

Clarity and transparency in supervision and accounting is considered by PCEEPF to be the cornerstone of good management and entrepreneurship. The Fund acknowledges a sound system of good corporate governance. Such as is demonstrated in this annual report, the objectives are clearly defined and PCEEPF has a clear strategy.

Fund governance

Palmer Capital Fondsenbeheer B.V. endorses the DUFAS Principles of fund governance, as formulated by the Dutch Fund and Asset Management Association (DUFAS). Following these Principles, Palmer Capital Fondsenbeheer B.V. will act in the interests of investors of the funds Palmer Capital Fondsenbeheer B.V. manages. In case of a possible conflict of interest, transactions will be submitted to the Supervisory Board for approval.

DUFAS principles of fund governance are presented on the website of DUFAS: www.dufas.nl.

Table 2 – Key data per 31-12-2013 and 31-12-2012

	31-12-2013	31-12-2012
Total Assets (EUR x 1,000)	60,707	64,502
Shareholders' Equity (EUR x 1,000)	26,814	26,471
Total Liabilities (EUR x 1,000)	33,893	38,031
Bank Debts (EUR x 1,000)	27,099	29,945
LTV (%)*	47.5	49.3
Net Asset Value per share (EUR)	20.42	21.09
Share price (EUR)**	8.49	9.50
Occupancy (%)	73.7	75.3
Gross Income (EUR x 1,000)	7,563	8,106

* defined as Bank Debts / Investment property and other investments
** Euronext

4 PRE-ADVICE OF THE SUPERVISORY BOARD

This annual report of the Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January until 31 December 2013.

The financial statements are audited and have been approved by KPMG Accountants N.V. The auditor's report is presented on pages 107-108. The Supervisory Board has received notice of this approval.

The Supervisory Board recommends the financial statements for the year 2013 to the General Meeting for approval. The proposal by the Managing Board not to pay a dividend for the year 2013 has been approved by the Supervisory Board.

During 2013, the Supervisory Board had five meetings. During these meetings, the Supervisory Board discussed the (administrative) organization, the investment strategy, the commercial strategy and financial reporting. These meetings were attended by the Managing Board.

Deventer, 29 April 2014

Supervisory Board
Prof. Dr. J. L. Bouma, chairman
B. Vos M.Sc.

5 REPORT OF THE MANAGEMENT BOARD

The Management Board hereby presents the annual report of 2013 of Palmer Capital Emerging Europe Property Fund N.V. (the Fund). The reporting period is from 1 January 2013 to 31 December 2013.

5.1 FUND STRATEGY

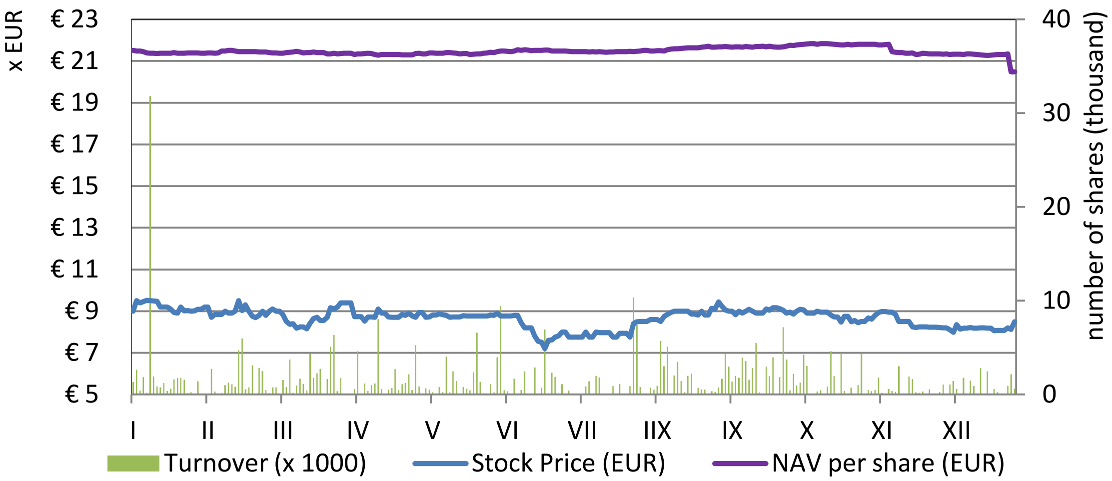
The Management of the Fund presented a revised strategy to shareholders in April 2012. The aim was to position the Fund as the leading quoted vehicle investing in income-generating real estate in Central and Eastern Europe. The revised strategy envisaged a resumption of dividend payments combined with overall growth in Fund size and an expansion of the Fund into new sectors and additional countries within Central and Eastern Europe. The strategy was to be implemented in three stages: operational cost reductions to improve efficiency, restructuring of existing debt finance arrangements to create free cash flow and raising of fresh equity and debt to finance the substantial expansion of the Fund.

5.2 SUMMARY OF EVENTS

5.2.1 DEVELOPMENTS DURING 2013

The reporting period 2013 was dominated by the negotiations to secure the extension of the Slovak Tatra Banka bank loan. The Fund concluded the period with a net asset value per share of EUR 20.42 at 31 December 2013 (figure 1), 3.2% lower than end 2012. During the same period the price on the stock exchange decreased by 5.7% from EUR 9.00 to EUR 8.49.

Figure 1 –Development of the Fund's net asset value and stock price per share during H1-2013



The reporting period showed respectively the following events:

Progress in refinancing the Slovak bank loan

Since last year, the subsidiary Palmer Capital RE Slovakia, s.r.o. has been in negotiation with Tatra Banka regarding the refinancing of the bank loan of EUR 16.22 million. Recently the loan agreement was extended to end 2014. With the short-term financing position thus secured, the management is now exploring long-term refinancing options for the Fund that will better support its future strategy of income distribution. The total bank loans outstanding at 31 December 2013 are EUR 27.06 million, corresponding to a 47.5% loan-to-value (LTV).

General Meeting of Shareholders

On 25 June 2013 the General Meeting of Shareholders adopted the annual accounts of 2012 and decided not to distribute a dividend for 2012.

Real estate portfolio valuation

On 30 June 2013, the Fund reassessed the property portfolio values at EUR 59.25 million. This is a 0.2% decrease portfolio wide, based on a 0.8% increase for the Czech portfolio and a 0.7% decrease of the Slovak portfolio. The Czech and Slovak real estate markets showed signs of a recovering real estate market. The management reassessed the property values using an internal valuation, which took into account the rental income, the estimated rental value and the yield. For more detailed information see the consolidated financial statements.

Conversion of receivables into shares

Palmer Capital converted a second part (EUR 472,604) of a receivable of Palmer Capital Fondsenbeheer B.V. (PCFB) on PCEEPF into PCEEPF shares at net asset value (EUR 21.30). This receivable comprised unpaid management fees accrued up to 27 February 2012. Palmer Capital Fondsenbeheer partially transferred its receivable on PCEEPF to Palmer Capital Nederland (PCN). PCN converted EUR 472,604 of this receivable into 22,188 shares of PCEEPF. The conversion had no influence on the Net Asset Value per share and was neutral for existing shareholders. Initially these shares are held as registry shares. The conversion increased the solvability of PCEEPF from 43.2% to 44.0% and impacts the result per share.

Publication Semi-annual report

As at 30 August Palmer Capital Fondsenbeheer B.V. published its semi-annual report 2013. The first half of the year was characterized by positive operational developments and a successful extension of the Slovak Tatra Banka account. Among else the loan-to-value decreased from 49.3% to 47.5%.

Palmer Capital Emerging Europe Property Fund N.V. converts register shares

As at 25 September 2013 Palmer Capital Nederland converted 11,094 registered shares to 11,094 ordinary shares. The conversion has no (negative) consequences for the existing shareholders of PCEEPF N.V. The conversion increases the number of shares listed on NYSE Euronext Amsterdam.

Palmer Capital Emerging Europe Property Fund N.V. makes progress in refinancing

As at 23 September Palmer Capital Fondsenbeheer B.V. informed the market about the strategic refinancing progress that will increase free cash flow and financial control, and will make an earlier dividend distribution possible. The successful extension of the Tatra banka loan initiates the refinancing and recapitalization process that will enhance fund performance. The recapitalization options to improve the fund's financial structure are an issue of convertible bonds, an issue of shares and an issue of secured bonds. The management will continue to consult with the investor base for the optimum option.

Successful completion of the major renovation

During the third quarter of 2013 the renovation of the office property Letna 45 in Kosice was successfully completed at a cost of EUR 0.8 million. The renovation of the space of the main tenant Sykes and the façade of the whole property added value to the property by securing an expansion of the main tenant and improving the appearance of the whole property.

Currency intervention by the Czech National Bank

As at 15 November Palmer Capital Fondsenbeheer B.V. published its third quarter report 2013. Inter alia, the report commented on the very material exchange rate intervention by the Czech National Bank (CNB). On 14 November 2013 the CNB announced that they would intervene to weaken the Czech Crown to a level of 27 CZK/EUR as a means of supporting Czech exports. The Czech Crown immediately fell some 10% in value against the Euro and, as a consequence, the Net Asset Value per share of the Fund immediately decreased by 1.4%.

Conversion of receivables into shares

As at 2 December 2013 Palmer Capital Nederland N.V. converted a third part (EUR 678,484) of a receivable of Palmer Capital Fondsenbeheer B.V. (PCFB) on PCEEPF into PCEEPF shares at net asset value (EUR 21.34). This receivable comprised unpaid management fees accrued up to 27 February 2012. Palmer Capital Fondsenbeheer partially transferred its receivable on PCEEPF to Palmer Capital Nederland (PCN). PCN converted EUR 678,484 of this receivable into 31,794 shares of PCEEPF. The conversion had no influence on the Net Asset Value per share and was neutral for existing shareholders. Initially these shares are held as registry shares. The conversion increased the solvability of PCEEPF from 44.1% to 45.2% and impacts the result per share onwards.

New property management arrangements in Slovakia

On 4 December 2013 the Fund announced that with effect from January 2014 Zbereko, spol. S.r.o. (Zbereko) had been appointed as property and facility manager of the Fund's portfolio in Slovakia. Zbereko replaces MEI Property Services SK, s.r.o. This new contractual arrangement will produce further management cost savings of ca. EUR 100,000 per annum.

Revaluation of property portfolio

On 30 December the Fund implemented the updated external valuation of the property portfolio. The fair value of the portfolio as at 31 December 2013 is EUR 57.06 million (2012: EUR 59.83 million). This 4.6% decrease is largely due (3% of the 4.6%) to the substantial depreciation of the Czech currency reported above. Stripping out the effect of currency depreciation, the decrease in value on the equivalent portfolio is 1.7% over the year (see § 12.25). This decrease can be attributed to the increased pressure on the portfolio's occupancy levels at the end of 2013 in the Prague market and a slight decrease in the overall Estimated Rental Value of the portfolio. It should be noted that the Fund changed valuers in 2013 from DTZ to CBRE.

Extension of SNS loan

The short term SNS loan was extended until and including 1 December 2014.

5.2.2 NET ASSET VALUE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Net Asset Value during the period 1 January 2013 to 31 December 2013.

Table 3 – Comparative statement of the NAV per share

	31-12-2013	31-12-2012
Shareholders' equity (in EUR thousands)	26,814	26,471
50% of the deferred tax liabilities concerning revaluation gains on investment property (EUR thousands)	546	645
Shareholders equity in accordance with EPRA (EUR thousands)	27,360	27,116
Number of ordinary* shares in issue	1,339,707	1,285,725
Adjusted EPRA-NAV (in Euro)	**20.42**	**21.09**
Return on NAV YtD (%)	-/- 3.2	2.9

* 2013 including registered shares

Table 4 –Development of the share price per month till 31-12-2013

	Opening price quarter start (EUR)	Closing price end quarter (EUR)	Trade volume during quarter (shares)
1 January – 31 March	9.03	9.40	119,963
1 April – 30 June	8.52	8.00	92,264
1 July – 30 September	7.75	8.95	112,739
1 October – 31 December	9.00	8.49	61,750

Source: Euronext

Transaction volume was relatively stable during this reporting period at 1600 shares per trading day. The discount of the share price compared to the net asset value per share was on average 61%.

5.3 OPERATIONAL HIGHLIGHTS

5.3.1 REAL ESTATE (INVESTMENT) MARKET

In 2013, investment transactions with a volume of approximately EUR 6.1 billion have been recorded in Central and Eastern Europe (CEE). This represents 55% year-on-year (y-o-y) increase compared to 2012 volumes (EUR 3.9 billion). Poland remained the leading regional market with a share of circa 55% in the CEE followed by the Czech Republic (23%), Hungary (7%), Slovakia (5%) and Romania (4%) and other CEE (6%). The Polish market continues to be perceived by Jones Lang LaSalle, CBRE and other real estate agencies as a key destination for real estate investment in the CEE region. However the Czech Republic is consolidating its strong secondary position in the market.

Following suppressed market activity in 2012, the Czech investment market rebounded to show a total 2013 transactional volume of EUR 1.39 billion (up y-o-y 103%). The majority of deals took place within the city of Prague. The largest transaction of 2013 was the EUR 300 million sale of The Park in Prague 4. This represented the largest ever single asset transaction in the Czech office sector. The office market represented the most active sector in 2013, reflecting a yearly total of EUR 609 million and 44% of volume. The cumulative gross take-up (including renegotiations) for 2013 was 298,880 m2, which represents a 10% y-o-y increase. This is the second highest take-up in history of Prague, reflecting moves by existing occupiers into the substantial volumes of new office space being completed across the city. However at the same time the net take-up in 2013 showed a 28% y-o-y decline, which is why rental levels in the Prague office sector are under negative pressure.

After limited activity in 2012 when approximately only EUR 20 million was transacted, Slovakia has experienced a significant revival in real estate investment activity in 2013. The total investment volume recorded in 2013 amounted to circa EUR 297 million and included major deals across all property classes. According to Jones Lang LaSalle there is an increased initiative from local vendors to bring their properties to the market. This has so far successfully tested the appetite of both types of investors: local and international institutions – although the mismatch in expectations of the selling and buying sides is noticeable. Currently the investment market is dominated by sellers, placing buyers into an advantageous position during negotiations.

Although the overall economic outlook in the CEE remains mixed, we anticipate further increases in investor activity in the region during 2014, with Poland leading, and the Czech Republic and Slovakia significantly enhancing their position. We expect that the secondary property markets in these countries, in which the Fund is active, will also benefit from these developments.

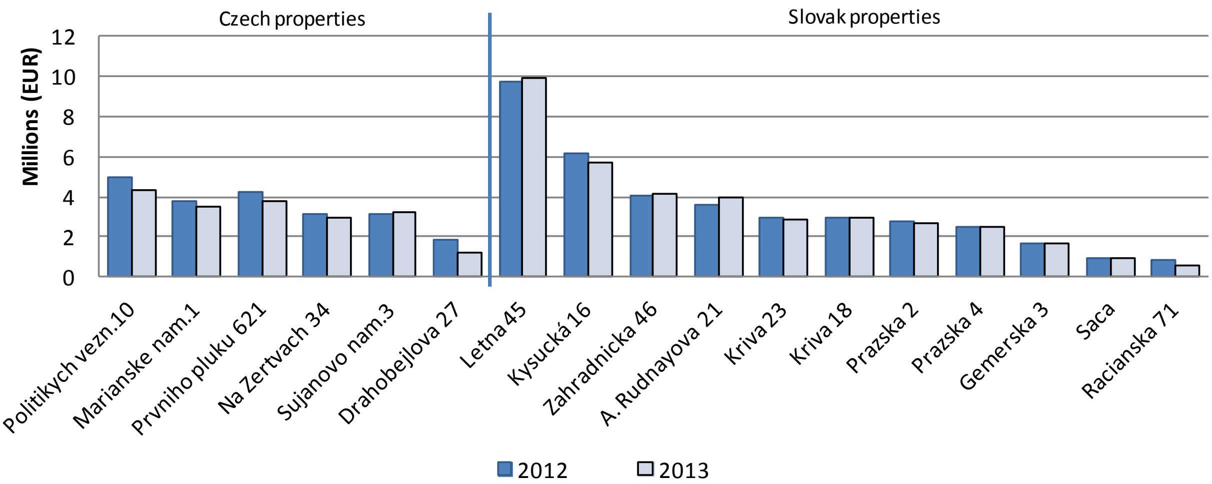
5.3.2 REAL ESTATE PORTFOLIO DEVELOPMENT

The occupancy rate of the portfolio weakened during 2013 to 73.7% (2012: 75.3%). Generally the secondary leasing market in Czech Republic and Slovakia has been stable over the reporting period, but in Prague a strong pipeline of new Class A office space has attracted tenants away from older buildings and put pressure on rental levels. Particularly in this sub-market, tenants are highly selective and demanding in respect of fit-out contributions, rent-free periods and other incentives from landlords.

Given these circumstances it is important to reserve enough money for capital expenditure and incentives to keep and attract tenants. During 2013 the Fund had limited resources for such expenditure due largely to the high debt service costs of the prevailing senior debt arrangements. The new financing arrangement referred to earlier in this report will improve the situation from Q2 2014 onwards.

Despite decreased occupancy the net rental income of EUR 3.56 million during 2013 is comparable to the same period in the previous year. The substantial service and operational cost savings realised in 2012 and early 2013 contributed positively to this result (see chapter 8).

Figure 2 – Real Estate property fair values at year ultimo



In the investment market, yields for secondary property showed a slight fall, reflecting increasing interest from private investors seeking alternatives to bank deposits and bond investments. This interest has been confined to well-leased properties with strong income streams, with the buyers often not dependent on bank financing. Generally, however, the management does not expect capital values to rise significantly further from current levels until market rental levels stabilize.

The following tables provide an overview of portfolio developments during 2013.

Table 5 – Comparative statement of real estate portfolio data at year ultimo

	31-12-2013	31-12-2012	change	%
Fair Value (EUR x 1,000)	57,068	59,830	-/- 2,762	4.6
Properties (number)	17	17	0	0
Rentable area (m²)*	109,335	109,969	-634	-0.6
Occupancy (%)*	73.7	74.4	-0.7	-0.9

* net difference is related to reclassification of some areas.

* see §6.3 for the specification of the rentable areas.

Table 6 – Rental summary

EUR thousands	01-01-2013 until 31-12-2013	01-01-2012 until 31-12-2012	change	%
Gross rental income	6,553	7,007	-454	-6,5%
Service charge income	1,010	1,099	-89	-8,1%
Total rental and service income	**7,563**	**8,106**	**-543**	**-6,7%**
Service charge expenses	2,397	2,532	-135	-5,3%
Property operating expenses	1,605	1,990	-385	-19,3%
Net rental income	**3,561**	**3,584**	**-23**	**-0,6%**

Of the decrease of the total rental and service income, approximately EUR 0.23 million is due to the 9.2% weaker CZK-exchange rate. The rest of the decrease is related to the increase of vacancy, which developed mostly during the fourth quarter of 2013.

5.3.3 STRATEGY IMPLEMENTATION

Cost savings were an important initial part of the implementation of the revised fund strategy. The benefits of cost savings within the Slovak and Czech portfolios became evident from the beginning of the 2013 reporting period. On a year by year basis total management costs are now 24.3% lower with further reductions contracted for 2014.

The next step of the strategy implementation is the restructuring of the existing debt financing arrangements. Over the past 24 months the LTV of the portfolio has been substantially reduced from 57.9% to 47.5%. Management now intends that the current relatively low LTV ratio of the portfolio be maintained rather than further reduced. This requires renegotiation of existing loan arrangements with the Fund's banks to reduce amortization payments, increase capital expenditure on the Fund's properties and permit distribution of free cash to shareholders. In pursuance of this strategy the senior loan from Tatra Banka on the Slovak element of the Fund's portfolio, which expired in August 2013, was only extended until December 2014 to enable other alternatives to be generated. In parallel, negotiations were opened in the third quarter of 2013 to refinance the Czech element of the portfolio financed by RaiffeisenBank. On 20 February 2014 the Fund announced that the refinancing of the Czech real estate portfolio has been completed. Sberbank provided as of March 2014 an annuity loan to the Property Fund with a five year maturity period. The annuity is calculated over a period of 20 years. The weighted average interest rate on the loan is 3.42%.

5.4 FINANCIAL HIGHLIGHTS

5.4.1 THE RESULT

The profit for 2013 after -/- EUR 0.14 million income tax expense (see table 7 and §12.56.3) amounted to -/- EUR 0.13 million (2012: EUR 0.42 million). The basic earnings per share amounted in 2013 to -/- EUR 0.10 per share (2012: EUR 0.33) (see chapter 8). The profit can be divided into direct result and the indirect result. A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in chapter 7 and in the following paragraphs. We refer to §12.25 for a specification of the revaluations.

Table 7 – Tax stated in the income statement *

EUR thousands	2013	2012
Tax due on profits	-/-45	291
Deferred tax on profits	182	518
Total tax stated	**137**	**809**

** See also 12.56.2*

Direct result

The direct result is the result generated from lettings net of costs. The direct result before tax for 2013 amounted to EUR 1.45 million (2012: EUR 1.08 million). This increase (despite the rental income decrease) is due to an overall decrease in operating costs (related to renegotiated management fees) and significantly lower financial expenses related to lower interest charges on the senior debt. See chapter 8 for more details.

Indirect result

The indirect result for 2013 (including minority interest) amounted to -/- EUR 1.45 million (2012: EUR 0.15 million). The indirect result is the result that arises primarily from realised and unrealised increases in the value of the portfolio. The external property portfolio devaluation as at 31 December 2013 contributed to the lower indirect result.

Dividend

The cash surplus generated by the Fund in its operations in Czech Republic and Slovakia was applied exclusively to extra debt repayments to banks. PCEEPF will therefore not distribute a dividend to shareholders for the year 2013. The strategic refinancing process now underway should lead to dividend payments in the future.

Ongoing Charges Figure

The Ongoing Charges Figure (OCF) decreased to 10.24% (2012: 13.23%), as result of an increase of the average shareholders' equity and decrease of operational costs. The OCF is defined as the Annualised Ongoing Charges divided by Average Net Asset Value in the period. The Ongoing Charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. See for more about OCF §12.55. The table below provides a specification summary of the OCF ratio of 2013 and 2012 (see also §12.55).

Table 8 – OCF-ratio structure of 2013 and 2012

EUR thousands	**2013**		**2012**	
	EUR	OCF ratio*	EUR	OCF ratio*
Management fee	800		997	
Other costs	454		604	
Direct real estate related costs	**1,318**	**4,62%**	**1,601**	**5,90%**
Net operating costs of direct real estate related costs	1,605		1,990	
OCF and OCF ratio	**2,859**	**10,24%**	**3,591**	**13,23%**

* The OCF ratio is calculated by dividing the cost (excluding interest) by the average net asset value during the year.

5.4.2 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was -/- EUR 0.50 million (2012: -/- EUR 0.55 million). It is important to note that the 2013 cash flow was especially impacted by EUR 2.02 million of bank loan repayments, which are not costs. The cash flow from operating activities increased significantly to EUR 2.63 million (2012: EUR 2.25 million), which relates to the lower operational and financing costs. The table below provides a summary of the cash flow (see chapter 11).

Table 9 – Consolidated cash flow statement of 2013 and 2012.

EUR thousands	**2013**	**2012**
Cash flow from operating activities	1,600	1,179
Cash flow from investing activities	-/- 174	5,527
Cash flow from financing activities	-/- 1,925	-/- 7,253
Net increase / decrease (-/-) in cash and cash equivalents	**-/- 499**	**-/- 547**

5.4.3 FINANCIAL POSITION

The financial result of -/- EUR 0.13 million contains the operating result, the valuation result, the reversal of deferred taxes and the results on the currency exchange rate. The total return on Net Asset Value in 2013 was -/- 3.2%. The following table provides a statement of investment results for 2013 and the same period last year.

Table 10 – Consolidated statement of comprehensive income

EUR thousands	**01-01-2013 until 31-12-2013**	**01-01-2012 until 31-12-2012**
Foreign currency translation differences on net investment in group companies *	-/- 770	201
Income tax on foreign currency translation differences on net investment in group companies	95	-/- 53
Net gain/ (loss) recognised directly in equity	**-/- 675**	**148**
Profit for the period	-/- 133	419
Total comprehensive income for the period	**-/- 808**	**567**

** see 5.4.4 for more details*

Table 11 – Key balance figures per 31-12-2013 and 31-12-2012

EUR thousands	**31-12-2013**	**31-12-2012**	**Delta**
Total Assets (EUR x 1,000)	60,707	64,502	-3,795
Shareholders' Equity (EUR x 1,000)	26,814	26,471	343
Total Liabilities (EUR x 1,000)	33,893	38,031	-4,138
Bank Debts (EUR x 1,000)	27,099	29,945	-2,846

During the period the equity increased by EUR 0.343 million. This is the net result from the positive operational result (EUR 0.445 million), the negative revaluation reserve change (-/- EUR 0.578 million), the negative exchange rate reserve change (-/- EUR 0.675 million) and the issue of shares (EUR 1.151 million). The number of outstanding ordinary and registered shares increased by 53,982 to 1,339,707 from 1,285,725. See also paragraph §12.31.1.

The sum of outstanding bank loans decreased by EUR 2.85 million during the period to EUR 27.10 million. The Tatra Banka loan matures now at the end of 2014. The process to refinance this loan is in progress. The LTV at 31-12-2013 is 47.5% (31-12-2012: 49.3%), this decrease is mainly related to the regular bank installments.

5.4.4 EXCHANGE RATE MOVEMENTS

The Czech Koruna (CZK) depreciated by 9.2% against the Euro during 2013. On 31 December 2012 the exchange rate was 25.151 CZK/EUR and on 31 December 2013 27.472 CZK/EUR (see §12.7.4).

Since the investments in the Czech Republic are in local currency, currency risk is present. The Management Board has decided not to hedge the currency risk as within the Czech part of the portfolio both income and costs are in CZK. All lease agreements in the Czech Republic are in CZK. All bank loans in the Czech Republic are, however, also in CZK which effectively hedges some 50% of the currency risk within this element of the portfolio, which is ca. 31% of the entire Fund portfolio.

5.5 FUND COMMENTARY AND OUTLOOK

In 2013, the Fund demonstrated considerable progress in the implementation of the revised strategy that was presented in 2012. After asserting direct control over key operational areas and realizing significant management and operational cost savings, important steps to refinance the portfolios have been made. This will enable additional cash to be released to permit improvement of the real estate stock and eventual distribution of the surplus to shareholders in the form of dividends.

Looking forward there are some interesting themes for the year ahead. Economic optimism has been sustained, although recent developments in Ukraine do raise some concerns. Until a robust recovery is clearly established, expectations for occupier demand will remain relatively conservative. Uncertainties persist over future interest rate movements, but there is no doubt that the overall financing environment has substantially improved over the last nine months, with real competition now developing amongst lending banks. This is having a positive effect on yields, with a general expectation that prime property in particular will show substantial yield compression in 2014.

Against this background, and having concluded the refinancing with Sberbank in the Czech Republic, the fund management also expects to complete a successful refinancing of the Slovak portfolio and repayment of the SNS loan in 2014. In general the local lending perspectives have improved significantly over the last year for the Real Estate sector. Fund management will discus the refinancing of the Slovak portfolio and better terms of the loan with Tatra Banka over the next months. Based on the received alternative financing offer of another bank fund management expects to finalize the refinancing in the third quarter of 2014. The remaining funding gap is expected to be approximately EUR 6 million, which can be financed by the issuance of ordinary shares, a convertible- or secured bond. All three support the financial structure of the fund and create the possibility to pay dividend to the Fund's shareholders.

From an operational perspective the Fund will focus on tenant retentions and further reductions of service charge leakage. The increase in resources for capital expenditure created by the refinancing programme will support the fund management in their aim to increase the portfolio occupancy levels during 2014.

5.6 RISK MANAGEMENT

For a description of the main risks and uncertainties, we refer to the Risk paragraph §12.58 and the notes to the consolidated financial statements.

5.7 STATEMENT REGARDING ADMINISTRATIVE ORGANISATION AND INTERNAL CONTROL

Management has reviewed all elements of the administrative organization during the reporting period. We consider that the administrative organization and internal control as prescribed by Article 121 of the Bgfo ("Besluit gedragstoezicht financiële ondernemingen"), meets the requirements prescribed by the Financial Supervision Act (Wet op het financieel toezicht, the "Wft") and related regulations. Pursuant to this, we declare as the Managing Board of Palmer Capital Emerging Europe Property Fund N.V. that the Company possesses a description as prescribed by Article 121 of the Bgfo, which meets the requirements as prescribed by the Bgfo. In addition, the Managing Board declares with a reasonable degree of certainty that the administrative organization and internal control functions effectively and in accordance with this description.

Deventer, 29 April 2014

The management, Palmer Capital - Fondsenbeheer B.V.
G.St.J. Barker LLB FRICS, Managing director
P.H.J. Mars, M.Sc., Managing director
P.H. van Kleef RC MRE, Managing director

6 THE REAL ESTATE PORTFOLIO

As at 31 December 2013 the Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) portfolio comprised seventeen properties. The following section gives an overview of each property in the portfolio. The properties are located in five Central European cities: Bratislava, Košice, Brno, Prague and Žilina. These cities are important regional and (inter)national economic centres with strong economic fundamentals.

Figure 3 – The city locations of the PCEEPF Portfolio in the Czech and Slovak Republics

The following section gives a brief description of each property held

6.1 THE REAL ESTATE PORTFOLIO IN THE CZECH REPUBLIC

PCEEPF has six properties in the Czech portfolio. All office buildings, they are located in two cities, Prague and Brno. Below the main characteristics of each property are summarised.

Sujanovo nam.3, Brno	
Type	Offices & Storage
Rentable Surface (sqm)	5,653
Occupation Rate (occupancy main building)	80.8%
Fair value (mln. EUR)	3.281

This administrative complex is located 1,200 meters southeast of the Brno city centre, in a commercial and residential area. The accessibility by car and public transport is excellent. The total gross area is 9,448 sqm. 2,572 sqm of this is light manufacturing space located behind the main building and is practically only rentable after significant investments. The occupancy of the main administrative building is 80.3%. There are sufficient parking spaces available.

Marianske nam.1, Brno	
Type	Offices & Storage
Rentable Surface (sqm)	10,563
Occupation Rate (occupancy main buildings)	59.2%
Fair value (mln. EUR)	3.484

This large office complex including commercial space is located at the main road function connecting the city centre of Brno with the highway D1. The building is readily accessible by car and public transport, has 6,766 m2 of standard B-class office space and 3,797 m2 industrial space and 119 parking lots.

Na Zertvach 34, Prague 8	
Type	Office
Rentable Surface (sqm)	2,138
Occupation Rate	100%
Fair value (mln. EUR)	2.992

The office building is located in Prague near the Palmovka metro station in a fast developing area on the border of the Prague districts of Karlin, Libeň and Vysočany. The total rentable area is 2,138 sqm. The accessibility by road is good and by public transport excellent. The building dates from 1998-1999 and has 28 underground parking spaces. It is currently fully leased.

Prvniho pluku 621, Prague 8	
Type	Office
Rentable Surface (sqm)	2,742
Occupation Rate	87.5%
Fair value (mln. EUR)	3.783

This office complex contains two adjoining buildings. It is located in Karlin, Prague 8. One of the buildings was recently refurbished to modern standard and the other building was constructed in 2002. Both buildings have 4 floors. The total rentable space (predominantly office space) is 2,742 sqm. The property has a good mix of high quality tenants and the building is virtually fully occupied. There is sufficient parking capacity, with 35 parking spaces in the courtyard.

Politickych veznu 10, Prague 1	
Type	Office
Rentable Surface (sqm)	2,472
Occupation Rate	62.6%
Fair value (mln. EUR)	4.344

This representative office building is located in the Prague city centre, near Wenceslas Square. The main building has 8 floors. The total rentable space is 2,472 m^2. The whole complex has partly been reconstructed with additional parking spaces. The property is close to the Wilsonova arterial road through Prague city centre and within 5 minutes walk of the central railway station.

Drahobejlova 27, Prague 8	
Type	Office
Rentable Surface (sqm)	2,662
Occupation Rate	35.2%
Fair value (mln. EUR)	1.207

This office building, originally a 1930’s industrial building, is located in the lively mixed-use Vysočany district of Prague close to the new O² ice hockey stadium. The total interior rentable are is 2,662 sqm in the current layout. Although it was reconstructed in 2000 as an administrative building it does not meet all modern market requirements for this property class. It has, however, excellent public transport connections and interesting potential for conversion to residential use (lofts) which Management is now investigating in detail.

6.2 THE REAL ESTATE PORTFOLIO IN THE SLOVAK REPUBLIC

The Fund has eleven properties in its Slovak portfolio. Mainly office properties, they are located in three cities, Bratislava, Zilina and Košice. The main characteristics of each property are briefly summarised below:

Racianska 71, Bratislava	
Type	Offices & Storage
Rentable Surface (sqm)	2,894
Occupation Rate	49.9%
Fair value (mln. EUR)	0.552

The building is used for office, storage and production purposes and is located approximately 1,5 km from Bratislava city centre. The total rentable space is 2,894 sqm., of which 948 sqm. is workshop/warehouse space. This warehouse space contains most of the current vacancy. There are 34 parking spaces but vehicle access to part of the premises is not adequately secured in legal terms and the net to gross income ratio from the property is poor.

Zahradnicka 46, Bratislava	
Type	Office
Rentable Surface (sqm)	3,756
Occupation Rate	61.2%
Fair value (mln. EUR)	4.160

The underground floors and first 4 upper storeys of this modernised property are used for office or retail purposes. The building is located on a side road close to the business centre of Bratislava. It has 6 stories and 2 underground floors in total, providing 3,756 sqm of rentable area. The building has 28 parking spaces.

Gemerska 3, Kosiče	
Type	Office
Rentable Surface (sqm)	4,426
Occupation Rate	71.1%
Fair value (mln. EUR)	1.650

This C-class 1970's administrative building is prominently located on one of the main roads into the centre of Košice , near the 55,000 sqm Cassovia retail park. The total rentable space is 4,426 sqm. The building is easily accessible by car and by public transport. There is a controlled-access parking lot with 88 parking spaces available.

Kriva 18, Kosiče	
Type	Office
Rentable Surface (sqm)	6,003
Occupation Rate	69.0%
Fair value (mln. EUR)	2.960

This 10-storey commercial building occupies an accessible location approximately 500m south east from the city centre. The premises can be used for office or retail purposes. The total rentable space of Krivá 18 is 6,003 sqm. There are 111 parking places available.

Prazska 4, Kosiče	
Type	Office
Rentable Surface (sqm)	6,068
Occupation Rate	69.4%
Fair value (mln. EUR)	2.530

The two administrative 10-floor buildings are located in the residential area Terasa, approximately 1,5 km west from the historical centre of Košice. The premises can be used for office, business and accommodation purposes. The total space of Pražská 4 is 7,670 sqm. of which 6,068 sqm. is rentable. There are 71 parking spaces available.

Prazska 2, Kosiče	
Type	Office
Rentable Surface (sqm)	6,023
Occupation Rate	81.4%
Fair value (mln. EUR)	2.710

The two administrative 10-floor buildings are located in the residential area Terasa, approximately 1.5 km west from the historical centre of Košice. The premises can be used for office, business and accommodation purposes. The total space of Pražská 2 is 7,723 sqm of which 6,023 sqm is rentable.

Kriva 23, Kosiče	
Type	Office
Rentable Surface (sqm)	7,317
Occupation Rate	68.3%
Fair value (mln. EUR)	2.900

This 10-storey commercial building occupies an accessible location approximately 500m south east from the city centre. The premises can be used for office or retail purposes. The total space of Krivá 23 is 9,034 sqm. of which 7,317 sqm. is rentable. There are 111 parking places available.

Letna 45, Kosiče	
Type	Office
Rentable Surface (sqm)	11,059
Occupation Rate	88.5%
Fair value (mln. EUR)	9.950

This office building (the biggest in the portfolio) is prominently situated on Festival Square, approx. 1 km north west from the historical centre of Košice. There is an ongoing refurbishment programme to increase accessibility, aesthetics and tenant facilities. The total rentable space is 11,059 sqm. The building is easily accessible by car or public transport as it is near the outer city ring road. There are 70 parking places and 14 garages available.

Saca, Kosiče	
Type	Storage & Logistics
Rentable Storage Surface (sqm)	14,130
Occupation Rate (only storage areas)	92,0%
Fair value (mln. EUR)	0.935

This industrial park comprises mainly of poor quality brick and steel-framed single-storey buildings serving manufacturing, storage and office purposes. It is located near the road I/50, direction Košice-Rožňava. The effective rentable storage area is 14,130 sqm. The park offers good access for commercial vehicles as it is located on the main road into Košice. The area provides more than sufficient parking facilities.

Kysucká 16, Kosiče	
Type	Office/hostel
Rentable Surface (sqm)	11,617
Occupation Rate	67.1%
Fair value (mln. EUR)	5.700

Two storeys with a total of 1,787 sqm are used for administrative purposes and retail. The remaining eleven storeys of 9,830 sqm are used as long-stay (hostel) apartments. The building is suited for tenants who specifically need affordable space such as students and employees of large corporations. The building is easy to reach and is located just 1 km west from the historic centre.

A. Rudnayova 21, Zilina	
Type	Office
Rentable Surface (sqm)	9,802
Occupation Rate	71.3%
Fair value (mln. EUR)	3.930

This is a relatively large office building on a 6,200 m2 plot. It is located in an accessible location in Zilina. The building is well recognized in the local office market (telecom company T-Com, software company Kros). There is sufficient parking, currently over 100 spaces with possibilities to expand. The building is expected to benefit from recent regional economic developments; for example the opening by the car maker KIA of their new Zilina factory.

6.3 PORTFOLIO OVERVIEWS PER CATEGORY

Overview of business categories: gross area in m²

In m²	Office		Accommodation		Business		Storage		Retail		Other		Subtotal rented out area		Non-rentable area		Vacant area		Gross area	
Name of investment property	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Czech Republic (CR):																				
Drahobejlova	595	1,243	-	-	-	-	225	225	-	-	118	89	938	1,557	360	174	1,724	1,312	3,022	3,043
Palmovka	1,332	1,332	-	-	-	-	58	58	267	267	481	481	2,138	2,138	719	719	0	0	2,857	2,857
Karlin	2,155	2,535	-	-	14	14	131	119	-	-	107	90	2,407	2,758	2,171	2,171	345	54	4,923	4,983
GiTy	2,162	2,158	-	-	1,243	1,273	1,595	864	663	670	590	382	6,253	5,347	2,924	2,184	4,310	5,867	13,487	13,398
VUP *	2,498	2,536	-	-	473	616	832	830	50	63	712	303	4,565	4,348	3,795	3,795	1,088	1,303	9,448	9,446
Newton House	1,072	728	-	-	27	27	92	74	62	60	295	254	1,548	1,143	491	457	924	1,394	2,963	2,994
Štefánikova **	n.a.	5,070	n.a.	-	n.a.	268	n.a.	1,012	n.a.	607	n.a.	125	n.a.	7,082	n.a.	2,484	n.a.	972	n.a.	10,538
Total Czech Republic	9,814	15,602	-	-	1,757	2,198	2,933	3,182	1,042	1,667	2,303	1,724	17,849	24,373	10,460	9,500	8,391	9,930	36,700	47,259
Slovakia:																				
Račianska	303	411	-	-	433	787	567	587	-	-	142	17	1,445	1,802	495	470	1,449	1,127	3,389	3,399
Záhradnicka	1,139	1,434	-	-	-	-	164	189	747	708	250	11	2,300	2,342	1,108	1,103	1,456	1,429	4,864	4,874
Pražská 2	2,502	2,825	2,381	2,262	-	-	20	20	1	354	-	-	4,904	5,461	1,700	1,669	1,119	595	7,723	7,725
Pražská 4	4,041	4,082	-	-	-	-	46	29	94	140	31	-	4,212	4,251	1,602	1,575	1,856	1,894	7,670	7,720
Krivá 18	3,930	4,050	-	-	-	-	12	12	200	111	-	-	4,142	4,173	1,709	1,709	1,861	1,885	7,712	7,767
Krivá 23	3,936	4,077	-	-	150	-	338	325	22	192	554	521	5,000	5,115	1,717	1,744	2,317	2,176	9,034	9,035
Gemerská	2,995	3,074	-	-	-	-	143	183	-	54	9	-	3,147	3,311	1,967	1,967	1,279	1,213	6,393	6,491
Letná	8,599	8,672	-	-	142	177	412	560	624	589	14	14	9,791	10,012	3,665	3,655	1,268	1,226	14,724	14,893
Šaca***	357	281	-	-	1,300	1,127	905	803	-	-	10,437	11,140	12,999	13,351	14,126	14,126	1,131	849	28,256	28,326
Vural	4,052	4,105	-	-	800	732	733	736	1,212	1,212	195	100	6,992	6,885	4,519	4,540	2,810	2,939	14,321	14,364
Kosmalt	792	843	6,359	6,359	190	187	95	98	306	306	52	1	7,794	7,794	5,588	5,608	3,823	2,918	17,205	16,320
Total Slovakia	32,646	33,854	8,740	8,621	3,015	3,010	3,435	3,542	3,206	3,666	11,684	11,804	62,726	64,497	38,196	38,166	20,369	18,251	121,291	120,914
Total CR + Slovakia	42,460	49,456	8,740	8,621	4,772	5,208	6,368	6,724	4,248	5,333	13,987	13,528	80,575	88,870	48,656	47,666	28,760	28,181	157,991	168,173

*2,576 sqm. light industrial vacant area reclassified as non-rentable; ** This property was sold in April 2012; *** 13,200 sqm. outside area reclassified as non-rentable

Overview of business categories: gross rental income

EUR thousands	Office		Accommodation		Business		Storage		Retail		Other		Total	
Name of investment property	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Czech Republic (CR):														
Drahobejlova	71	106	-	-	-	-	40	10	-	-	7	2	118	118
Palmovka	215	180	-	-	-	-	14	4	22	54	39	16	290	254
Karlin	371	440	-	-	1	1	34	10	-	-	9	4	415	455
GiTy	137	215	-	-	40	64	152	43	21	100	19	10	369	432
VUP	128	199	-	-	12	24	63	33	1	7	18	6	222	269
Newton House	166	224	-	-	2	4	21	11	5	28	23	20	217	287
Štefánikova	n.a.	120	n.a.	-	n.a.	3	n.a.	12	n.a.	22	n.a.	1	n.a.	158
Total Czech Republic	1,088	1,484	-	-	55	96	324	123	49	211	115	59	1,631	1,973
Slovakia:														
Račianska	23	33	-	-	30	31	39	69	-	-	7	1	99	134
Záhradnicka	146	224	-	-	-	-	21	44	95	55	26	1	288	324
Pražská 2	33	319	403	127	-	-	-	3	-	20	-	-	436	469
Pražská 4	348	361	-	-	-	-	4	4	8	6	3	-	363	371
Krivá 18	364	381	-	-	-	-	1	2	19	5	-	-	384	388
Krivá 23	328	368	-	-	13	-	29	44	2	9	47	23	419	444
Gemerská	251	252	-	-	-	-	13	23	-	2	1	-	265	277
Letná	913	995	-	-	19	10	54	96	82	34	220	1	1,288	1,136
Šaca	4	5	-	-	16	10	11	21	-	-	119	100	150	136
Vural	237	288	-	-	60	26	55	78	74	43	15	3	441	438
Kosmalt	396	175	391	660	1	19	-	31	1	32	-	-	789	917
Total Slovakia	3,043	3,401	794	787	139	96	227	415	281	206	438	129	4,922	5,034
Total CR + Slovakia	4,131	4,885	794	787	194	192	551	538	330	417	553	188	6,553	7,007

Overview of tenant categories: gross rental income

EUR thousands	IT, communica-tion, media		Professional services		Industrial and manufacturing		Retail and catering		Residential and accommodation		General commerce		Government		Farmaceu-tical and healthcare		Financial services		Construction		Other		Total gross rental income	
Name of investment property	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Czech Republic (CR):																								
Drahobejlova	58	59	14	15	1	-	11	13	-	-	17	17	-	-	1	1	6	6	8	5	2	2	118	118
Palmovka	62	40	13	14	-	-	37	40	-	-	16	3	-	-	41	43	-	-	120	112	1	2	290	254
Karlin	33	45	102	106	130	136	32	35	-	-	32	36	64	64	4	4	10	14	2	6	6	9	415	455
GiTy	99	186	103	98	36	39	94	84	-	-	5	2	4	-	27	22	-	-	1	-	-	1	369	432
VUP	19	39	15	17	71	86	3	2	-	-	6	9	101	108	-	-	-	-	7	8	-	-	222	269
Newton House	12	26	95	178	1	1	2	2	-	-	58	48	19	19	1	2	4	3	12	-	13	8	217	287
Štefánikova	n.a.	4	n.a.	56	n.a.	4	n.a.	-	n.a.	-	n.a.	3	n.a.	20	n.a.	1	n.a.	69	n.a.	-	n.a.	1	n.a.	158
Total Czech Republic	283	399	342	484	239	266	179	176	-	-	134	118	188	211	74	73	20	92	150	131	22	23	1,631	1,973
Slovakia:																								
Račianska	-	-	22	30	58	80	-	-	-	-	-	-	-	-	17	21	-	-	-	-	2	3	99	134
Záhradnicka	-	-	102	114	14	16	17	19	-	-	29	31	-	-	37	41	16	17	1	1	72	85	288	324
Pražská 2	30	32	81	86	22	23	18	19	171	181	18	20	2	2	23	24	4	4	3	3	64	75	436	469
Pražská 4	28	28	71	72	22	22	11	11	-	-	53	54	-	-	55	56	11	12	9	9	103	107	363	371
Krivá 18	69	69	95	95	13	13	17	17	-	-	13	13	42	42	26	26	8	8	8	8	93	97	384	388
Krivá 23	28	29	52	55	32	33	24	25	3	3	64	67	18	18	41	43	32	34	46	48	79	89	419	444
Gemerská	24	25	52	53	15	16	54	54	-	-	26	27	-	-	34	35	26	26	-	-	34	41	265	277
Letná	802	699	75	66	60	52	58	51	-	-	15	13	10	9	42	36	57	50	21	19	148	141	1,288	1,136
Šaca	3	3	4	3	50	44	-	-	13	-	-	12	-	-	-	-	72	-	8	67	-	7	150	136
Vural	224	224	19	16	20	16	115	110	-	-	36	30	-	-	-	-	3	2	1	-	23	40	441	438
Kosmalt	22	24	9	10	78	87	5	6	531	609	24	27	-	-	8	9	3	3	66	74	43	68	789	917
Total Slovakia	1,230	1,133	582	600	384	402	319	312	718	793	278	294	72	71	283	291	232	156	163	229	661	753	4,922	5,034
Total CR + Slovakia	1,513	1,532	924	1,084	623	668	498	488	718	793	412	412	260	282	357	364	252	248	313	360	683	776	6,553	7,007

CONSOLIDATED FINANCIAL STATEMENTS 2013

7 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousands	***Notes***	**31-12-2013**	**31-12-2012**
Assets			
Investment property	*12.25*	57,068	59,830
Other investments	*12.26*	555	958
Deferred tax assets	*12.28*	1,054	1,320
Total non-current assets		58,677	62,108
Trade and other receivables	*12.29*	1,371	1,287
Cash and cash equivalents	*12.30*	659	1,107
Total current assets		2,030	2,394
Total assets		60,707	64,502
Shareholders' equity	*12.31*		
Issued capital	*12.32*	6,699	6,429
Share premium	*12.33*	17,219	16,338
Revaluation reserve	*12.34*	4,191	4,769
Reserve for currency translation differences	*12.35*	2,205	2,880
Retained earnings	*12.36*	-/- 3,500	-/- 3,945
Total shareholders' equity (attributable to parent company shareholders)		26,814	26,471
Liabilities			
Interest-bearing loans and borrowings	*12.38*	9,023	10,783
Deferred tax liabilities	*12.39*	4,709	4,956
Total non-current liabilities		13,732	15,739
Interest-bearing loans and borrowings	*12.38*	18,076	19,162
Trade and other payables	*12.40*	2,073	2,840
Income tax payable		12	290
Total current liabilities		20,161	22,292
Total liabilities		33,893	38,031
Total shareholders' equity and liabilities		60,707	64,502

8 CONSOLIDATED INCOME STATEMENT

EUR thousands	***Notes***	**2013**	**2012**
Gross rental income	*12.45*	6,553	7,007
Service charge income		1,010	1,099
Service charge expenses	*12.46*	-/- 2,397	-/- 2,532
Property operating expenses	*12.46*	-/- 1,605	-/- 1,990
Net rental and related income		3,561	3,584
Valuation gains on investment property		859	1,875
Valuation losses on investment property		-/- 2,305	-/- 1,728
Net valuation gains on investment property	*12.47*	-/- 1,446	147
Financial income	*12.49*	75	177
Other operating income	*12.50*	28	26
Other income		103	203
Total income		2,218	3,934
Administrative expenses	*12.51*	800	997
Other operating expenses	*12.52*	454	604
Total expenses		1,254	1,601
Net operating result before financial expenses		964	2,333
Financial expenses	*12.54*	960	1,105
Profit before income tax		4	1,228
Income tax expense	*12.56*	-/- 137	-/- 809
Profit for the period		-/- 133	419
Attributable to:			
Parent company shareholders		-/- 133	419
Profit for the period		-/- 133	419
Basic earnings per (ordinary and registered) share (EUR)	*12.57.1*	-/- 0.10	0.33
Diluted earnings per (ordinary and registered) share (EUR)	*12.57.4*	-/- 0.10	0.33

9 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	*Notes*	2013	2012
Items never reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		-/- 770	201
Income tax on foreign currency translation differences on net investments in group companies		95	-/- 53
		-/- 675	148
Net gain / loss (-/-) recognized directly in shareholders' equity		-/- 675	148
Profit for the period	*8*	-/- 133	419
Total comprehensive income for the period		-/- 808	567
Attributable to:			
Parent company shareholders		-/- 808	567
Total comprehensive income for the period		-/- 808	567

10 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousands	Issued capital	Share premium	Revaluation reserve	Reserve for currency translation differences	Retained earnings	Total shareholders ' equity
Balance as at 1 January 2012	5,905	14,628	4,798	2,732	-/- 4,393	23,670
Total comprehensive income	-	-	-/- 29	148	448	567
Own ordinary shares issued	532	1,713	-	-	-	2,245
Own ordinary shares redeemed	-/- 8	-/- 3	-	-	-	-/- 11
Balance as at 31 December 2012	6,429	16,338	4,769	2,880	-/-3,945	26,471
Balance as at 1 January 2013	6,429	16,338	4,769	2,880	-/-3,945	26,471
Total comprehensive income	-	-	-/- 578	-/- 675	445	-/- 808
Own ordinary shares issued	270	881	-	-	-	1,151
Balance as at 31 December 2013	6,699	17,219	4,191	2,205	-/- 3,500	26,814

11 CONSOLIDATED STATEMENT OF CASH FLOW

EUR thousands	*Notes*	2013	2012
Cash flow from operating activities			
Profit for the period	*8*	-/- 133	419
Adjustments for:			
Net valuation gains on investment property[1]	*12.47*	1,383	-/- 452
Net valuation gains on other investments	*12.54*	5	-
Exchange and currency translation results		-/- 22	-/- 135
Interest income	*12.49*	-/- 75	-/- 177
Interest expensed	*12.54*	955	1,105
Income tax expensed		42	862
Change in trade and other receivables		-/- 10	11
Change in trade and other payables		482	617
Cash generated from operations		2,627	2,250
Interest received		1	7
Interest paid		-/- 790	-/- 1,078
Income tax paid		-/- 238	-
Net cash from / used in (-/-) operating activities		1,600	1,179
Cash flow from investing activities			
Proceeds from the sale of investment properties[2]		-/- 99	5,824
Proceeds from the sale of other investments		340	350
Acquisition of / additions to investment properties		-/- 415	-/- 647
Net cash from / used in (-/-) investing activities		-/- 174	5,527
Cash flow from financing activities			
Proceeds from loans and borrowings		99	3
Repayments of loans and borrowings		-/- 2,024	-/- 7,256
Net cash from / used in (-/-) financing activities		-/- 1,925	-/- 7,253
Net increase / decrease (-/-) in cash and cash equivalents		-/- 499	-/- 547
Cash and cash equivalents as at 1 January		1,107	1,682
Effect of exchange and currency translation result on cash held		51	-/- 28
Cash and cash equivalents as at 31 December	*12.30*	659	1,107

[1] Transaction costs and transfer tax excluded.
[2] This relates to the payment regarding to the restitution selling price Štefánikova .

12 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.1 GENERAL

The company Palmer Capital Emerging Europe Property Fund N.V., hereinafter referred to as PCEEPF, was incorporated on 27 November 2002 in accordance with Dutch law and is established in Amsterdam (the Netherlands). PCEEPF obtained a listing on the NYSE Euronext Amsterdam on 13 November 2003.

The consolidated financial statements of PCEEPF for the financial period comprise PCEEPF and its subsidiaries.

12.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the interpretations thereof adopted by the International Accounting Standards Board ("IASB") as adopted by the European Union (hereinafter referred to as "EU-IFRS"). In the preparation of these consolidated financial statements also there has been taken account of other legal regulations, under which Book 2, Title 9 of the Dutch Civil Code (Boek 2, Titel 9 Burgerlijk Wetboek) and the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the "Wft").

Use has been made for purposes of PCEEPF N.V.'s company profit and loss account of the exemption pursuant to Book 2, article 2:402 of the Dutch Civil Code.

12.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

PCEEPF has applied the significant accounting principles as set out in section 12.2 to 12.23. The Managing Board authorized the consolidated financial statements for issue on 29 April 2014.

As at 31 December 2013, shareholders' equity of PCEEPF is positive. As stated in the liquidity forecast till 2015, the current cash position is sufficient to cover budgeted costs. Based on these assumptions, the Managing Board is of the opinion that PCEEPF is able to continue as a going concern and that the annual accounts are based on assumptions of going concern.

12.4 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

12.4.1 General

The financial statements have been prepared on the basis of historical cost, except for investment property and financial assets at fair value through the profit or loss, which are recognized at fair value.

The accounting policies explained below have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements and are consistent with those used in the previous period.

The consolidated financial statements are presented in Euros, rounded to the nearest thousand.

12.4.2 Judgements, estimates and assumptions

Preparation of the consolidated financial statements in accordance with EU-IFRS requires the Management to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by Management in the application of the EU-IFRS that have significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are described in section 12.61 of the Notes.

12.4.3 New standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after 1 January 2013 and therefore have not been applied to this consolidated annual statements. New standards that might be relevant for the Group are described below. The Group does not plan to apply this standard ahead of time. The Group expects that the changes listed below will not have material effect on its results and financial position.

A. IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

B. IFRS 10, IFRS 12 and IAS 27 Investment entities

The changes provide for an exception to the consolidation rules in IFRS 10 and require that investment entities measure specific subsidiaries at fair value via the income statement and not through consolidation of these subsidiaries. The changes also include disclosure requirements for investment entities. The changes are effective for financial years as from 1 January 2014.

C. IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 Interests in joint ventures that are jointly controlled. Under IFRS 11 the structure of the joint agreements is still an important, but no longer the most important factor for determining what type of joint agreement applies and how this agreement therefore then has to be recognised.

- The share of the group in a joint activity, being an agreement by which parties have rights to the assets and have primary obligations arising from the liabilities, must be recognised on the basis of the group's share in these assets and liabilities.
- The share of the group in a joint venture, being an agreement by which parties have rights to net assets, must be recognized using the equity method.

The group will probably have to reclassify its joint agreements, which could lead to changes in the recognitions of these interests. The standard is effective for financial years as from 1 January 2014.

D. IFRS 12 Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. As a result of the new standard IFRS 10 and IFRS 12, all that remains of IAS 27 is the presentation in the separate financial statements of subsidiaries, entities that are jointly controlled and associates. The revised standard is effective for financial years as from 1 January 2014.

E. Changes in IAS 32 Financial instruments: Presentation – offsetting financial assets and liabilities

The changes explain the criterion that an entity "has a legally enforceable right of set-off of the stated amounts". It also explains the application of the set-off systems on clearing systems (such as systems with a central clearing institution) that do not simultaneously apply gross clearing mechanisms. The revised standard is effective for financial years as from 1 January 2014.

12.5 BASIS OF CONSOLIDATION

12.5.1 Subsidiaries

Subsidiaries are those entities controlled by PCEEPF Control exists when PCEEPF is exposed or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries have been included in the consolidated financial statements with effect from the date on which control commences until the date that control ceases.

12.5.2 Consolidated subsidiaries

All subsidiaries of PCEEPF have been included in the consolidation. This relates to the following companies:

	Company	Registered office	Country of incorporation	Holding as at 31-12-2013	Holding as at 31-12-2012
A	Palmer Capital RE Bohemia s.r.o.	Prague	Czech Republic	100%	100%
B	Palmer Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100%	100%
C	Vitosha Property I EOOD	Sofia	Bulgaria	n.a.	100%

Vitosha Property I EOOD concerns a dormant company and has been liquidated as at 2 December 2013.

12.5.3 Elimination of transactions on consolidation

All intercompany receivables, payables, significant transactions and any unrealized profits and losses on transactions within PCEEPF, or income or expenses from such transactions within PCEEPF have been eliminated in the consolidated financial statements.

12.6 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOW

PCEEPF has used the indirect method for the consolidated statement of cash flow. Given the nature of PCEEPF (investment company) financial income is not netted against financial expenses, but presented separately under the total income (see also section 12.19.4), so financial income is presented in the consolidated statement of cash flow under “Cash flow from operating activities”.

Cash and cash equivalents as mentioned in the consolidated statement of cash flow includes the statement of financial position’s item “Cash and cash equivalents” and “Bank overdrafts”. Cash flows in foreign currencies are converted at the exchange rate applicable on settlements date. Transactions without settlement in cash are not recognized in the consolidated statement of cash flow.

12.7 FOREIGN CURRENCY

12.7.1 Foreign currency transactions

The functional currency of the Fund is the Euro (EUR) reflecting the fact that the majority of PCEEPF’s transactions are settled in EUR. The Fund has adopted the EUR as its presentation currency as the ordinary shares of the Fund are denominated in EUR.

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into Euros at the statement of financial position’s date at the exchange rate applicable on that date. Exchange rate differences arising from translation are recognized in the income statement. Non-monetary assets and liabilities expressed in a foreign currency and stated on a historical cost basis are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at fair value are translated into Euros at the exchange rates applicable on the dates on which the fair values were determined.

12.7.2 Financial statements of foreign activities

The assets and liabilities of foreign operations, including goodwill and fair-value adjustments arising on consolidation are translated into Euros at the exchange rate applicable on the statement of financial position's date. The income and expenses of foreign operations are translated to Euro at rates approximating to the foreign exchange rates applicable at the dates of the transactions. Foreign currency translation differences arising on translation are recognized as a separate component of equity.

12.7.3 Net investment in foreign activities

Foreign currency translation differences resulting from translation of the net investment in foreign activities, and the associated hedging transactions, are recognized in the reserve for currency translation differences. In case of disposal they are transferred to the income statement.

12.7.4 Exchange rates

	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Czech Koruna (CZK / EUR)	27.4270	25.1510	25.7870	25.0610	26.4730
Bulgarian Lev (BGN / EUR)	1.9558	1.9558	1.9558	1.9558	1.9558

Source: European Central Bank (ECB)

12.8 FINANCIAL INSTRUMENTS

12.8.1 General

In accordance with IAS 39 financial assets must be classified into one of four categories:

1. Financial assets at fair value through the profit or loss;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets.

All PCEEPF's financial assets are classified as "loans and receivables", with the exception of the 5%-investment in Yellow Properties s.r.o. This investment is classified as "financial assets at fair value through the profit or loss". Loans and receivables are measured at amortized cost.

In accordance with IAS 39 financial liabilities must be classified into one of two categories:

1. Financial liabilities at fair value through the profit or loss;
2. Financial liabilities measured at amortized cost.

All PCEEPF's financial liabilities are classified as "financial liabilities measured at amortized cost".

12.8.2 Recognition

The Fund recognizes a financial instrument on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

12.8.3 Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. A transfer will qualify for derecognition when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

12.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

12.9 INVESTMENT PROPERTY

An investment property is a property that is held to realize rental income or an increase in value, or both. Investment properties are stated at fair value. An external, independent valuer with a relevant recognized qualification and recent experience with the location and the type of property to be appraised, values the portfolio annually. The valuations have been made in accordance with the appropriate sections of the current Valuation Standards contained within the RICS Valuation standards. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion.

The valuations are made on the basis of the total of the net annual rents generated by the properties and, where relevant, the associated costs. Three standard methods of valuation computation are used, namely Term and reversion, Hard core and Initial Yield. The application of one of these methods depends on the level of vacancy. In order to arrive at the valuation of the property, the annual net rents are capitalized using a yield factor that includes the specific risks inherent to the net cash flows. The following is a statement of the range of yields factors used for each type of property.

No.	Property category	Yield factor 2013	Yield factor 2012
A	Office A-class	6.50% - 7.50%	6.50% - 7.50%
B	Office B-class	9.50% - 11.35%	9.50% - 11.40%
C	Office / storage A-class	9.50% - 10.85%	9.50% - 10.90%
D	Office / storage B-class	11.00% - 11.50%	11.00% - 11.60%
E	Industrial storage B-class	11.00% - 12.75%	11.00% - 12.75%

Where necessary the following is reflected in the valuation:

- The type of tenant that uses the property or that is responsible for fulfilling the rental obligations, or the type of tenant that is likely to use the property after vacancy, and the general expectation regarding their creditworthiness;
- The division of maintenance and insurance responsibilities between the lessor and the lessee;
- The residual economic life of the property;
- Whereby it is assumed that in the case of rent adjustment or extension of the lease, in the case of which a rent increase is expected, all notifications, and where necessary notices to the contrary, meet the requirements to be set and have been sent in good time.

Profits or losses arising from changes in the fair value are recognized in the income statement.

12.10 OTHER INVESTMENTS

All other investments are financial instruments. The accounting principles for financial instruments are described in section 12.8 “Financial instruments”.

12.11 GOODWILL

All business combinations are recognized for accounting purposes using the acquisition method. Goodwill is an amount that arises from the acquisition of subsidiaries. The goodwill corresponds with the difference between the cost of the acquisition and the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less cumulative impairment losses. An annual check is made to determine whether impairment has occurred.

Negative goodwill arising from acquisition is recognized directly in the income statement.

12.12 DEFERRED TAX ASSETS

The principles of valuation with regard to the deferred tax assets are described in section 12.22 “Income tax expense”.

12.13 INCOME TAX RECEIVABLE

The tax on profits still to be received, which is presented under this heading, is recognized at nominal value.

12.14 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

12.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances. Time deposits are only included in cash and cash equivalents if the expectation is that they will be used to fund working capital. In the consolidated statement of cash flows bank overdrafts at call, which constitute an integral part of PCEEPF’s asset Management, from part of cash and cash equivalents.

12.16 IMPAIRMENT

Other investments, trade and other receivables and cash and cash equivalents are classified as loans and receivables and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that PCEEPF will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments is considered indicators that a receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is allocated to each business segment in each country PCEEPF operates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

12.17 SHAREHOLDERS' EQUITY

12.17.1 Issued capital

PCEEPF operates as a closed-end company. The issued capital of PCEEPF is considered as shareholders' equity.

12.18 LIABILITIES

12.18.1 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognized initially at fair value, net of transaction costs incurred. The cost in foreign currency is translated at the exchange rate applicable on the transaction date. After first inclusion, interest-bearing loans and borrowings are stated at amortized cost, with any difference between cost and the redemption amount being stated in the income statement over the term of the loans on the basis of the effective interest method.

12.18.2 Provisions

A provision is recognized in the statement of financial position when PCEEPF has a legal or constructive obligation as result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value money and, where appropriate, the risks to the obligation.

12.18.3 Deferred tax liabilities

The principles of valuation with regard to the deferred tax liabilities are described in section 12.22 "Income tax expense".

12.18.4 Income tax payable

Income tax on profits still to be paid, which is presented under this heading, is recognized at nominal value.

12.18.5 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

12.19 INCOME

12.19.1 Gross rental income

Rental income from investment properties is stated in the income statement excluding value added tax, on the basis of the period of the lease. If the investment property has been acquired in the course of the financial period, the rental income is accounted for from the date of acquisition by PCEEPF. If office or other equipment is leased together with the premises, this is included in the rental income.

Incentives paid as encouragement for entering into leases are included in the statement of financial position as prepayments, and recognized in the income statement as an integral part of total rental income. The incentives included in the statement of financial position are stated in the income statement on a straight-line basis on the basis of the duration of the lease.

Amounts separately charged to lessees, which are regarded as service charges, are not included in rental income but stated in the income statement as income from service charges.

12.19.2 Property operating expenses

Property operating expenses consist mainly of maintenance costs, property taxes, insurance premiums, and Management and collection costs. Service charges are stated separately in the income statement. If the investment property has been acquired in the course of the financial period, the direct operating expenses are accounted for from the date of acquisition by PCEEPF.

12.19.3 Valuation gains / losses on investment property

The profits and losses on investment properties recognized relate to changes in the fair value of the investment properties in relation to the fair value as at 31 December of the preceding financial period. Classification of the change in value of an investment property under profits or losses is based on the cumulative change in value over the financial period as a whole.

12.19.4 Financial income

Interest income on funds invested is recognized in the income statement as it accrues, by means of the effective interest method.

Given the nature of PCEEPF (investment company) finance income is not netted against finance charges, but presented separately under the total of income. Financial income arises principally from the investments held in order to be used for investment in property. Financial income also includes the exchange and currency translation profits that arise principally from the settlement of monetary items or from the translation of monetary items in foreign currency.

12.19.5 Other operating income

Other operating income is recognized in the income statement when it is probable that economic benefits will flow into PCEEPF and the (net) revenues can be measured reliably.

12.20 EXPENSES

Administrative expenses and other operating expenses are recognized in the income statement as incurred. Expenses may only be deferred if they meet the definition of an asset.

12.21 FINANCIAL EXPENSES

Net finance charges comprise the interest expense on funds taken up, calculated using the effective interest method, exchange and currency translation losses, which arise principally from the settlement of monetary items, or in the translation of monetary items in foreign currency.

Interest expense is recognized in the income statement as it accrues, by means of the effective interest rate method.

12.22 INCOME TAX EXPENSE

The income tax expense for the financial period comprises the tax on profits and deferred tax on profits owed and deductible during the financial period. The tax on profits is recognized in the income statement.

The tax owed and deductible for the financial period is the anticipated tax payable on the taxable profits for the financial period, calculated on the basis of tax rates applicable at the statement of financial position's date, or which have been materially decided upon at the statement of financial position's date, and adjustments on the tax owed for preceding years.

The provision for deferred tax liabilities is formed on the basis of the statement of financial position method, whereby a provision is made for temporary differences between the book value of assets and liabilities for the purposes of financial reporting and the book value of those items for tax purposes. No provision is made for the following temporary differences: goodwill not deductible for tax purposes, the first inclusion of assets or liabilities that influence neither the profit for financial statements purposes nor the profit for tax purposes, and differences associated with investments in subsidiaries to the extent that they will probably not be settled in the foreseeable future. The amount of the provision for deferred tax liabilities is based on the manner in which it is expected that the carrying value of the assets and liabilities will be realized or settled, whereby use is made of the tax rates adopted at the statement of financial position's date, or which have already been materially decided upon at the statement of financial position's date.

A deferred tax asset is included only to the extent that it is probable that taxable profits will be available in the future which can be used for realization of the asset item. The amount of the deferred tax assets is reduced to the extent that it is no longer probable that the associated tax benefit will be realized.

Additional tax on profits as a result of dividend distributions is recognized at the same time as the obligation to distribute the dividend concerned.

12.23 SEGMENT REPORTING

12.23.1 General

Segment information is given for each operating segment. An operating segment is a component of PCEEPF:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of PCEEPF);
- Whose operating results does PCEEPF's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance regularly review; and for which discrete financial information is available.

Given PCEEPF's Management decision-making structure and internal reporting structure each investment property is indicated as an operating segment. The investment properties held during the financial period (current period and / or previous period), as mentioned in section 12.25.1 "Analysis of investment properties" are taken into account in the segment reporting overviews.
The following segment reporting overviews are given for each investment property:

A. Overview of segment result (net operating income), distinguished to PCEEPF's geographic categories;
B. Overview of assets and liabilities distinguished to PCEEPF's geographic categories.

Since each separate investment property is indicated as an operating segment, most of PCEEPF's assets and liabilities cannot be allocated to the operating segments. Therefore only the carrying value of each investment property is reported as segment assets (see section 12.25.1 "Analysis of investment properties").
The prices for transactions between segments are determined on a business-like, objective basis.

12.23.2 PCEEPF's geographic categories

PCEEPF distinguishes the following geographic categories:

A. The Czech Republic;
B. Slovakia;
C. Bulgaria;
D. The Netherlands.

The following segmentation criteria are used:

- The allocation of the investment property is based on the geographic location of the premises;
- The allocation of goodwill is based on the geographic location of the assets the goodwill concerns;
- The allocation of deferred tax assets is based on the geographic location of the company generated the deferred tax assets;
- The allocation of investments in associates are based on the business location of the company PCEEPF invests in;
- The allocation of other assets (bank accounts, cash, receivables, etc.) is based on the geographic location of the debtor;
- The allocation of deferred tax liabilities is based on the geographic location of the company generated the deferred tax liabilities;
- The allocation of the other liabilities is based on the geographic location of the creditor.

The allocation of segment results (net operating income) to the several geographic categories is based on the geographic location of the premises.

The geographic category "The Netherlands" relates primarily to other investments held by PCEEPF in anticipation of their investment in property.

12.23.3 Overview of segment result (overview A)

EUR thousands	Gross rental Income		Service charge income		Service charge expenses		Property operating expenses		Net rental and related income		Realized Valuation gains		Unrealized valuation gains		Total segment result	
Name of investment property	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Czech Republic (CR):																
Drahobejlova	118	118	59	53	-/- 83	-/- 94	-/- 29	-/- 53	65	24	-	-	-/- 547	75	-/- 482	99
Palmovka	290	254	125	81	-/- 88	-/- 70	-/- 42	-/- 66	285	199	-	-	50	277	335	476
Karlin	415	455	123	141	-/- 111	-/- 110	-/- 60	-/- 61	367	425	-	-	-/- 237	-/- 40	130	385
GiTy	369	432	251	261	-/- 300	-/- 348	-/- 110	-/- 177	210	168	-	-	-/- 66	-/- 665	144	-/- 497
VUP	222	269	195	198	-/- 144	-/- 174	-/- 64	-/- 84	209	209	-	-	360	378	569	587
Newton House	217	287	82	93	-/- 100	-/- 103	-/- 45	-/- 59	154	218	-	-	-/- 301	-/- 228	-/- 147	-/- 10
Štefánikova	n.a.	158	n.a.	77	n.a.	-/- 74	n.a.	-/- 43	n.a.	118	-/- 63	280	n.a.	72	-/- 63	470
Total Czech Republic	1,631	1,973	835	904	-/- 826	-/- 973	-/- 350	-/- 543	1,290	1,361	-/- 63	280	-/- 741	-/- 131	486	1,510
Slovakia:																
Račianska	99	134	12	12	-/- 79	-/- 75	-/- 77	-/- 91	-/- 45	-/- 20	-	-	-/- 278	-/- 30	-/- 323	-/- 50
Záhradnicka	288	324	6	8	-/- 76	-/- 77	-/- 166	-/- 103	52	152	-	-	130	-/- 140	182	12
Pražská 2	436	469	7	10	-/- 154	-/- 153	-/- 97	-/- 109	192	217	-	-	-/- 90	-	102	217
Pražská 4	363	371	2	1	-/- 100	-/- 97	-/- 85	-/- 88	180	187	-	-	30	-/- 50	210	137
Krivá 18	384	388	3	3	-/- 104	-/- 99	-/- 81	-/- 109	202	183	-	-	-/- 30	-	172	183
Krivá 23	419	444	5	7	-/- 119	-/- 108	-/- 86	-/- 118	219	225	-	-	-/- 80	-/- 135	139	90
Gemerská	265	277	6	9	-/- 126	-/- 126	-/- 66	-/- 67	79	93	-	-	-/- 20	-/- 30	59	63
Letná	1,288	1,136	14	24	-/- 150	-/-150	-/- 276	-/- 272	876	738	-	-	-/- 206	793	670	1,531
Šaca	150	136	7	8	-/- 90	-/- 89	-/- 31	-/- 69	36	-/- 14	-	-	32	-/- 21	68	-/- 35
Vural	441	438	82	97	-/- 230	-/- 247	-/- 154	-/- 171	139	117	-	-	320	-/- 100	459	17
Kosmalt	789	917	31	16	-/- 343	-/- 338	-/- 136	-/- 250	341	345	-	-	-/- 450	-/- 289	-/- 109	56
Total Slovakia	4,922	5,034	175	195	-/- 1,571	-/- 1,559	-/- 1,255	-/- 1,447	2,271	2,223	-	-	-/- 642	-/- 2	1,629	2,221
Total CR and Slovakia	6,553	7,007	1,010	1,099	-/- 2,397	-/- 2,532	-/- 1,605	-/- 1,990	3,561	3,584	-/- 63	280	-/- 1,383	-/- 133	2,115	3,731

12.23.4 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 12.23.3 with the profit for the period, mentioned in the consolidated income statement, is made below.

EUR thousands	**2013**	**2012**
Total segment result (overview A)	2,115	3,731
Unallocated income	103	203
Unallocated expenses	-/- 2,214	-/- 2,706
Profit before income tax	4	1,228
Income tax expense	-/- 137	-/- 809
Profit for the period	-/- 133	419

12.23.5 Major customers

PCEEPF has one customer (2012: no) with a gross rental income more than 10% (i.e. EUR 782,000) of PCEEPF's total gross rental income. This customer relates to the segment "Letná".

12.23.6 Overview of geographic assets and liabilities (overview B)

EUR thousands	Czech Republic		Slovakia		Bulgaria		The Netherlands		Subtotal		Unallocated		Total assets	
Assets	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**	**31-12-13**	**31-12-12**
Investment property	19,091	21,607	37,977	38,223	-	-	-	-	57,068	59,830	-	-	57,068	59,830
Other investments	555	958	-	-	-	-	-	-	555	958	-	-	555	958
Deferred tax assets	88	199	966	1,121	-	-	-	-	1,054	1,320	-	-	1,054	1,320
Trade and other receivables	921	900	307	387	-	-	143	-	1,371	1,287	-	-	1,371	1,287
Cash and cash equivalents	486	750	163	313	-	2	10	42	659	1,107	-	-	659	1,107
Total geographic assets	21,141	24,414	39,413	40,044	-	2	153	42	60,707	64,502	-	-	60,707	64,502
Liabilities														
Interest bearing loans and borrowings	9,834	11,661	15,703	16,780	-	-	1,562	1,504	27,099	29,945	-	-	27,099	29,945
Deferred tax liabilities	882	1,064	3,827	3,892	-	-	-	-	4,709	4,956	-	-	4,709	4,956
Trade and other payables	572	557	439	722	-	-	1,062	1,561	2,073	2,840	-	-	2,073	2,840
Income tax payable	12	290	-	-	-	-	-	-	12	290	-	-	12	290
Total geographic liabilities	11,300	13,572	19,969	21,394	-	-	2,624	3,065	33,893	38,031	-	-	33,893	38,031

12.24 ACQUISITION OF SUBSIDIARIES

12.24.1 Analysis of acquired subsidiaries

During 2013 PCEEPF acquired no subsidiaries.

12.25 INVESTMENT PROPERTY

12.25.1 Analysis of investment properties

No.	Name of premises	Address	Ownership by	Fair value 31-12-13	Fair value 31-12-12	Interest 31-12-13	Interest 31-12-12
EUR thousands							
1	Drahobejlova	Drahobejlova 27, Prague	PC RE Bohemia s.r.o.	1,207	1,908	100%	100%
2	Palmovka	Na Žertvách 34, Prague	PC RE Bohemia s.r.o.	2,992	3,207	100%	100%
3	Karlin	Prvního Pluku 621/8a, Prague	PC RE Bohemia s.r.o.	3,783	4,383	100%	100%
4	GiTy	Mariánské Námestí 617/1, Brno	PC RE Bohemia s.r.o.	3,484	3,871	100%	100%
5	VUP	Šujanovo náměsti 3, Brno	PC RE Bohemia s.r.o.	3,281	3,173	100%	100%
6	Newton House	Politických Vězňu 10, Prague	PC RE Bohemia s.r.o.	4,344	5,065	100%	100%
7	Račianska	Račianska 71, Bratislava	PC RE Slovakia s.r.o.	552	830	100%	100%
8	Záhradnicka	Záhradnícka 46, Bratislava	PC RE Slovakia s.r.o.	4,160	4,030	100%	100%
9	Pražská 2	Pražská 2, Košice	PC RE Slovakia s.r.o.	2,710	2,800	100%	100%
10	Pražská 4	Pražská 4, Košice	PC RE Slovakia s.r.o.	2,530	2,500	100%	100%
11	Krivá 18	Krivá 18, Košice	PC RE Slovakia s.r.o.	2,960	2,990	100%	100%
12	Krivá 23	Krivá 23, Košice	PC RE Slovakia s.r.o.	2,900	2,980	100%	100%
13	Gemerská	Gemerská 3, Košice	PC RE Slovakia s.r.o.	1,650	1,670	100%	100%
14	Letná	Letná 45, Košice	PC RE Slovakia s.r.o.	9,950	9,760	100%	100%
15	Šaca	Šaca, Železiarenska 49, Košice	PC RE Slovakia s.r.o.	935	903	100%	100%
16	Vural	Alexandra Rudnaya 21, Žilina	PC RE Slovakia s.r.o.	3,930	3,610	100%	100%
17	Kosmalt	Kysucká 16, Košice	PC RE Slovakia s.r.o.	5,700	6,150	100%	100%
	Total fair value			57,068	59,830		

12.25.2 Statement of changes in investment properties

EUR thousands	2013	2012
Balance as at 1 January	59,830	63,973
Purchases and additions	415	647
Exchange rate differences	-/- 1,794	779
Fair value adjustments	-/- 1,383	452
Sales	-	-/- 6,021
Balance as at 31 December	57,068	59,830
Cost of investment properties	57,800	59,490

12.25.3 Valuation of investment properties

The investment properties, stated under section 12.25.1 “Analysis of investment properties”, were valued by an external, independent valuer as at 31 December of the current year. The valuations are prepared for accounting purposes and are in accordance with relevant IFRS regulations. The market values of the investment properties are primarily derived using comparable recent market transactions at arm's length terms. All investment properties are valued at fair value.

12.25.4 Transactions (investment property) with related parties

The transactions executed during the financial period in respect to purchase and sale of investments were not executed with parties affiliated with the Management Board or PCEEPF.

12.26 OTHER INVESTMENTS

12.26.1 Analysis of other investments

	Principal of investment *Local currency thousands*	Principal of investment *EUR thousands*	Interest rate	Final date
Yellow Properties s.r.o. (5.00%)	CZK 1,691	65	n.a.	n.a.
Loan to Palmer Capital Central European Properties a.s. (PCCEP)	CZK 32,000	1,310	12%	December 2014
		1,375		

12.26.2 Statement of changes of other investments

EUR thousands	Yellow Properties s.r.o.	Loan to PCCEP	Total 2013	Total 2012
Balance as at 1 January	46	912	958	1,286
Exchange rate differences	-/- 3	-/- 55	-/- 58	22
Fair value adjustments	-/- 5	-	-/- 5	-
Sales / redemptions	-	-/- 340	-/- 340	-/- 350
Balance as at 31 December	38	517	555	958

12.27 GOODWILL

12.27.1 General

Goodwill is the amount that arises from the acquisition of subsidiaries. The goodwill corresponds with the difference between the cost of the acquisition and the net fair value of assets and liabilities of the subsidiary.

12.27.2 Analysis of goodwill

No.	Name of subsidiary *EUR thousands*	Cost (revaluated) 31-12-2013	Impairment (revaluated) 31-12-2013	Net 31-12-2013	Net 31-12-2012
1	Kobyt a.s. (currently Palmer Capital RE Slovakia s.r.o.)	351	-/- 351	-	-

12.27.3 Statement of changes in goodwill

EUR thousands	2013	2012
Cost		
Balance as at 1 January	351	982
Cost of disposals	-	-/- 631
Balance as at 31 December	351	351
Impairment		
Balance as at 1 January	351	1,046
Impairment on disposals	-	-/- 695
Balance as at 31 December	351	351
Exchange rate results		
Balance as at 1 January	-	64
Exchange rate results on disposals	-	-/- 64
Balance as at 31 December	-	-
Net as at 31 December	-	-

12.28 DEFERRED TAX ASSETS

12.28.1 General

A deferred tax asset is included only to the extent that it is probable that taxable profits will be available in the future which can be used for realization of the asset item. The amount of the deferred tax assets is reduced to the extent that it is no longer probable that the associated tax benefit will be realized.

12.28.2 Analysis of deferred tax assets stated in the statement of financial position

EUR thousands	31-12-2013	31-12-2012
Investment property	838	1,023
Value for tax purposes of stated losses carry-forward	216	297
	1,054	1,320

12.28.3 Statement of changes in deferred tax assets stated in the statement of financial position

EUR thousands	2013	2012
Balance as at 1 January	1,320	976
Additions	178	307
Withdrawal	-/- 384	-/- 163
Change in tax rate	-/- 44	195
Exchange rate differences	-/- 16	5
Balance as at 31 December	1,054	1,320

The Managing Board expects that there will be sufficient taxable profit in the future for PCEEPF to set off these losses.

12.28.4 Analysis of deferred tax assets not stated in the statement of financial position

EUR thousands	31-12-2013	31-12-2012
Value for tax purposes of not stated losses carry-forward	170	76

12.28.5 Statement of changes in deferred tax assets not stated in the statement of financial position

EUR thousands	2013	2012
Balance as at 1 January	76	317
Additions	94	-
Withdrawal	-	-/- 241
Balance as at 31 December	170	76

The Managing Board expects that in the future there will be insufficient taxable profit for PCEEPF to set off these losses.

12.29 TRADE AND OTHER RECEIVABLES

12.29.1 Analysis of trade and other receivables

EUR thousands	31-12-2013	31-12-2012
Non-current part of trade and other receivables	-	-
Current part of trade and other receivables	1,371	1,287
	1,371	1,287

Trade and other receivables are presented after deduction of impairment losses. No such losses were stated during the financial period.

12.29.2 Specification of trade and other receivables

EUR thousands	31-12-2013	31-12-2012
Trade receivables from lessees	489	432
Prepayments and deferred expenses	211	146
Interest	601	579
Arrangement fees	68	72
Value Added Tax and other taxes	-	44
Other receivables	2	14
	1,371	1,287

The “Prepayments and deferred expenses” includes also an amount of EUR 143,000 related to a “capital raise”, which has been planned for 2014.

12.30 CASH AND CASH EQUIVALENTS

12.30.1 Analysis of cash and cash equivalents

EUR thousands	31-12-2013	31-12-2012
Bank balances	657	1,101
Cash	2	6
	659	1,107

The cash and cash equivalents are entirely at the free disposal of PCEEPF, with the exception of an amount of CZK 10,000,000 (EUR 364,000) (31 December 2012: CZK 12,500,000 (EUR 497,000)). This amount is to be held as a sort of cushion in favour of the secured bank loans.

12.31 SHAREHOLDERS' EQUITY

12.31.1 Comparative statement

	31-12-2013	31-12-2012	31-12-2011	31-12-2010	31-12-2009
Shareholders' equity (in EUR thousands)	26,814	26,471	23,670	28,594	25,593
Number of ordinary shares in issue	1,296,819	1,285,725	1,180,943	1,180,943	1,180,943
Number of registered shares in issue	42,888	-	-	-	-
Total number of shares in issue entitled to profit	1,339,707	1,285,725	1,180,943	1,180,943	1,180,943
Net Asset Value per ordinary and registered share (in EUR)	20.01	20.59	20.04	24.21	21.67

12.31.2 "Closed-end" structure

PCEEPF operates as a closed-end company. Ordinary shares continuously can be traded through NYSE Euronext Amsterdam. The registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

12.31.3 Capital Management

All issued ordinary shares are part of PCEEPF's capital Management objectives. PCEEPF's objectives when managing capital are to safeguard PCEEPF'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, PCEEPF will in principle not declare any dividend over the year 2013. However PCEEPF reserves the right to declare dividends or make distributions if the Management so decides.

12.32 ISSUED CAPITAL

12.32.1 Analysis of issued capital

	Number 31-12-2013	EUR 1,000 31-12-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary shares (at EUR 5.00 each)	1,296,819	6,484	1,285,725	6,429
Registered shares (at EUR 5.00 each)	42,888	215		
Priority shares (at EUR 5.00 each)	1	-	1	-
Issued capital	1,339,708	6,699	1,285,726	6,429

12.32.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1,285,725	6,429	1,180,943	5,905
Issued during the financial period	11,094	55	106,301	532
Redeemed during the financial period	-	-	-/- 1,519	-/- 8
Balance in issue as at 31 December	1,296,819	6,484	1,285,725	6,429

12.32.3 Registered shares

As at 26 April 2013 Palmer Capital Nederland N.V. converted a part of the amount receivable amounting to EUR 473,000 into 22,188 registered shares PCEEPF N.V. The conversion is set on as at 26 April 2013 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.30). The conversion had no (negative) consequences for the existing shareholders of PCEEPF N.V.

As at 25 September 2013 Palmer Capital Nederland N.V. converted 11,094 registered shares into 11,094 ordinary shares. The conversion had no (negative) consequences for the existing shareholders of PCEEPF N.V.

As at 2 December 2013 Palmer Capital Fondsenbeheer B.V. transferred the remainder of its amount receivable amounting to EUR 678,000 into 31,794 registered shares PCEEPF N.V. The conversion is set on as at 2 December 2013 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.34). The conversion had no (negative) consequences for the existing shareholders of PCEEPF N.V.

Registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	-	-	-	-
Issued during the financial period	53,982	270	104,782	524
Redeemed during the financial period	-/- 11,094	-/- 55	-/- 104,782	-/- 524
Balance in issue as at 31 December	42,888	215	-	-

12.32.4 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven percent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December	1	-	1	-

12.32.5 Analysis of authorized share capital

	Number 31-12-2013	EUR 1,000 31-12-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary and registered shares (at EUR 5.00 each)	2,999,999	15,000	2,999,999	15,000
Priority shares (at EUR 5.00 each)	1	-	1	-
Authorized share capital	3,000,000	15,000	3,000,000	15,000

12.33 SHARE PREMIUM

The share premium comprises the amount paid in by the shareholders on ordinary and registered shares of PCEEPF N.V. over and above the nominal value. The uplift received on issuance of own ordinary and preferred shares or the reduction applied on redemption of own ordinary and registered shares is recognized directly in the share premium reserve.

The paid-up share premium for tax purposes as at 31 December 2013 was EUR 17,219,000 (31 December 2012: EUR 16,338,000).

EUR thousands	2013	2012
Balance as at 1 January	16,338	14,628
Received on issued ordinary and registered shares	881	1,713
Paid in redeemed ordinary and registered shares	-	-/- 3
Balance as at 31 December	17,219	16,338

12.34 REVALUATION RESERVE

The revaluation reserve comprises the cumulative unrealized positive net change in the fair value of the investment properties, less the related deferred tax liabilities. The deferred tax liabilities are deducted with due regard for the principles of valuation for deferred taxes (see section 12.22 “Income tax expense”). In case of sale of the investment property the cumulative unrealized positive net change in the fair value of the investment property sold, as well as the related deferred tax liabilities, are no longer stated in the revaluation reserve but recognized under retained earnings.

EUR thousands	**2013**	**2012**
Balance as at 1 January	4,769	4,798
Addition to / reduction on (-/-) change in fair value during the financial period	-/- 578	-/- 29
Balance as at 31 December	4,191	4,769

12.35 RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The reserve for currency translation differences comprises the exchange rate differences that arise from the foreign currency translation of net investments in subsidiaries outside the euro-zone into PCEEPF’s reporting currency.

EUR thousands	**2013**	**2012**
Balance as at 1 January	2,880	2,732
Addition / reduction (-/-) in connection with translation net investments	-/- 675	154
Reduction in connection with decrease of net investments	-	-/- 6
Balance as at 31 December	2,205	2,880

12.36 RETAINED EARNINGS

It is proposed to the General Meeting of Shareholders to deduct the whole of the remaining profit for 2013 financial period from the retained earnings.

This proposal has already been recognized in the statement of financial position.

EUR thousands	**2013**	**2012**
Balance as at 1 January	-/- 3,945	-/- 4,393
Profit for the period	-/- 133	419
	-/- 4,078	-/- 3,974
Change in revaluation reserve	578	29
Balance as at 31 December	-/- 3,500	-/- 3,945

12.37 CALCULATION OF NET ASSET VALUE

For the calculation of the Net Asset Value (NAV), used as basis for the listing price during the financial period, the deferred tax liabilities concerning revaluation of investment property and development property held for investment are eliminated for 50%. The percentage of 50% is an estimation of the present value of the tax applicable in the (near) future. In this annual report the deferred tax liabilities are taken into account without applying any discount, which is in accordance with IFRS and not required by EPRA.

	31-12-2013	31-12-2012
Shareholders' equity in accordance with IFRS (EUR thousands)	26,814	26,471
Deferred tax liabilities concerning revaluation of investment property and development property held for investment (EUR thousands)	546	645
Shareholders' equity in accordance with NAV (EUR thousands)	27,360	27,116
Number of shares in issue entitled to profit	1,339,707	1,285,725
Net Asset Value per share (in Euro)	**20.42**	**21.09**

12.38 INTEREST-BEARING LOANS AND BORROWINGS

12.38.1 Analysis of interest-bearing loans and borrowings

EUR thousands	31-12-2013	31-12-2012
Long-term liabilities		
Secured bank loans	8,982	10,783
Other long-term liabilities	41	-
	9,023	10,783
Current liabilities		
Current portion of secured bank loans	16,514	17,658
Current portion of other long-term liabilities	1,562	1,504
	18,076	19,162
Total interest-bearing loans and borrowings	27,099	29,945

During the financial period Palmer Capital RE Slovakia s.r.o. agreed with Tatra Banka a.s. for extension of the secured bank loan (for the amount of EUR 15,662,000 as at 31 December 2013) until 31 December 2014.

After the financial period Palmer Capital RE Bohemia s.r.o. agreed with Sberbank for refinancing of the secured bank loan with Raiffeisen Bank a.s. for which is CZK 269,701,000 (EUR 9,833,000) as the amount at 31 December 2013. The new principal amount of the secured bank loan Sberbank is CZK 298,000,000 (EUR 10,865,000) at the end of March 2014. See section 12.58.4 "Interest rate risk" for the weighted average interest rate.

12.38.2 Statement of changes of secured bank loans

EUR thousands	2013	2012
Balance as at 1 January	28,441	36,766
Loans advanced	-	3
Redemptions	-/- 2,024	-/- 7,256
Exchange rate differences	-/- 921	432
	25,496	29,945
Reclassification (to other long-term liabilities)	-	-/- 1,504
Balance as at 31 December	25,496	28,441

12.38.3 Analysis of other long-term liabilities

EUR thousands	31-12-2013	31-12-2012
Unsecured bank loans	1,562	1,504
Long-term advance payments from tenants	41	-
	1,603	1,504

The unsecured bank loans corresponds to outstanding principal of SNS bank loan agreement of 12 December 2008. This loan will mature at 1 December 2014. The applicable interest rate is the applicable SNS base interest rate plus a margin of 2.5%.

12.38.4 Statement of changes of other long-term liabilities

EUR thousands	Unsecured bank loans	Long-term advance payments from tenants	Total 2013	Total 2012
Balance as at 1 January	1,504	-	1,504	283
Loans advanced	58	41	99	-
Redemptions	-	-	-	-/- 296
Exchange rate differences	-	-	-	13
	1,562	41	1,603	-
Reclassification (from secured bank loans)	-	n.a.	-	1,504
Balance as at 31 December	1,562	41	1,603	1,504

12.38.5 Pledges to banks and bank covenants

As at 31 December 2013 the following securities and bank covenants were given for the secured bank loans. As at 31 December 2013 the Debt Service Coverage Ratio (DSCR) on the Raiffeisen Bank a.s. loan is 1.25 (31 December 2012: 1.49) and on the Tatra Banka loan is 1.29 (31 December 2012: 1.20).

EUR thousands	**Raiffeisen Bank a.s. 31-12-2013**	**Tatra Banka a.s. 31-12-2013**
Carrying value secured bank loans	9,834	15,662
Securities:		
- Carrying value investment property	20,091	37,977
- Carrying value trade and other receivables	116	214
- Carrying value cash and cash equivalents	484	161
Bank covenants		
- Debt Service Coverage Ratio (DSCR) (minimum)	1.20	1.10

12.39 DEFERRED TAX LIABILITIES

12.39.1 General

The deferred tax liabilities relate to the differences between the carrying value of the assets and the book value of the assets for tax purposes.

12.39.2 Analysis of deferred tax liabilities stated in the statement of financial position

EUR thousands	**31-12-2013**	**31-12-2012**
Investment property	4,702	4,834
Other items	7	122
	4,709	4,956

12.39.3 Statement of changes of deferred tax liabilities stated in the statement of financial position

EUR thousands	**2013**	**2012**
Balance as at 1 January	4,956	4,018
Additions on account of temporary differences	422	567
Withdrawal on account of temporary differences	-/- 416	-/- 334
Change in tax rate	-/- 174	677
Exchange rate differences	-/- 79	28
Balance as at 31 December	4,709	4,956

12.40 TRADE AND OTHER PAYABLES

12.40.1 Analysis of trade and other payables

EUR thousands	31-12-2013	31-12-2012
Non-current part of trade and other payables	-	-
Current part of trade and other payables	1,930	2,840
	1,930	2,840

12.40.2 Specification of trade and other payables

EUR thousands	31-12-2013	31-12-2012
Administrative expenses	644	1,351
Trade payables	838	455
Deposits received	424	765
Restitution selling price Štefánikova	-	99
Interest payables	28	27
Value Added Tax en other taxes	44	-
Other liabilities, accruals and deferred income	95	143
	2,073	2,840

12.40.3 Specification of administrative expenses

EUR thousands	31-12-2013	31-12-2012
Administrative expenses as of 27 February 2012 (Palmer Capital Fondsenbeheer B.V.)	644	199
Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)	-	1,152
	644	1,351

As agreed contractually as at 27 February 2012 in the share purchase agreement between MEI Real Estate N.V. and Middle Europe Investments N.V. the remainder of the "Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)" for the amount of EUR 1,152,000 is fully converted into registered shares PCEEPF, based on the Net Asset Value (NAV) of the ordinary shares on conversion date(s).

12.41 FINANCIAL INSTRUMENTS

12.41.1 General

In the context of normal operations PCEEPF incurs credit, interest and currency risks. These risks are not hedged by PCEEPF. The net investment in foreign subsidiaries is also not hedged by PCEEPF. At the statement of financial position's date there were no unsettled derivative financial instruments.

12.41.2 Fair value

The book value of PCEEPF's financial assets and financial liabilities is a reasonable approach for its fair value, as all financial assets, classified as "loans and receivables", and all financial liabilities, classified as "financial liabilities measured at amortized cost" will be reprised within 3 months after statement of financial position's date (see also section 12.58.4 "Interest rate risk").

12.42 LEASE AGREEMENTS

12.42.1 Lease agreements in which PCEEPF is lessee

PCEEPF has not entered as lessee into operating or finance lease agreements.

12.42.2 Lease agreements in which PCEEPF is lessor

PCEEPF has not entered as lessor into operating or finance lease agreements other than the leases indicated in section 12.45.2 “Non-cancellable operating lease agreements”.

12.43 NON-CONTINGENT LIABILITIES

As at 31 December 2013 PCEEPF has the following non-contingent liabilities:

- PCEEPF N.V. has a liability for the amount of EUR 53,000 to SNS Securities N.V. related to “retainer fee” regarding to a “capital raise”, which is planned for 2014.

As at 31 December 2013 PCEEPF was not subject to any further contractual obligation concerning investments, repairs, maintenance or other non-contingent liabilities that will be settled in the following financial period.

12.44 CONTINGENT LIABILITIES

As at 31 December 2013 PCEEPF has the following contingent liabilities:

- Palmer Capital RE Bohemia s.r.o. provided guarantee, together with Middle Europe Opportunity Fund II N.V., as shareholders of Yellow Properties s.r.o., in favour of Raiffeisen Bank a.s. for the amount of CZK 18,675,000 (EUR 681,000). Palmer Capital RE Bohemia s.r.o. guarantees 5% of this guarantee, in accordance with the stake of Palmer Capital RE Bohemia s.r.o. in Yellow Properties s.r.o.;
- Palmer Capital RE Bohemia s.r.o. has a potential liability under some circumstances (e.g. cancelled lease) for the amount of CZK 7,293,000 (EUR 266,000) to Kooperativa (the lessee of the parking places Štefánikova), which has paid the rent in advance for parking places for several years. Based on the negotiations during 2012 for the sale of the investment property Štefánikova, the new owner permits the lessee the usage of the parking places (free of payment) and the new owner will pay the tax from the rent;
- PCEEPF N.V. has a potential liability for the amount of EUR 149,000 to Palmer Capital Fondsenbeheer B.V. regarding to Management fee, as a result of a provisional waiver for the Management fee above EUR 800,000.

As at 31 December 2013 PCEEPF was not subject to any further contingent liabilities, among which included obligations that result from security transactions related to (exchange) rate risk in connection with investments.

12.45 GROSS RENTAL INCOME

12.45.1 General

During the financial period, as well as during the previous financial period no contingent rental income was accounted for as income in the income statement. Leases for determined time are normally indexed yearly with annual inflation stated by respectively the Czech and Slovak central banks. New leases for determined time are normally signed for a term of five years. All these lease contracts include at least a three-month deposit.

Weighted to the fair value, the weighted average percentage of the vacant space of the investment properties during 2013 was 25.6% (2012: 24.1%).

12.45.2 Non-cancellable leases

The gross rental income receivable on account of non-cancellable leases related to the investment properties as at 31 December of the relevant financial period is as follows. The future minimum gross rental income receivable in foreign currency has been translated at the exchange rate as at 31 December of the relevant financial period.

EUR thousands	**31-12-2013**	**31-12-2012**
<1 year	4,750	3,520
1-5 years	3,540	5,716
>5 years	5,884	6,967
	14,174	16,203

12.46 REBILLED AND NON-REBILLED SERVICE CHARGES AND PROPERTY OPERATING EXPENSES

12.46.1 General

In connection with the fact that PCEEPF invoices the service charges independently (or as principal) to the lessees on the basis of the leases entered into, such reimbursed service charges are shown separately in the income statement. The work associated with the service charges is carried out either by PCEEPF, or by third parties on a contract basis. Contracts for the performance of service work are normally entered into for a maximum period of six months.

12.46.2 Analysis of property operating expenses

EUR thousands	**2013**	**2012**
Property management	745	991
Maintenance expenses in respect of investment properties	388	570
Taxes on investment properties	213	206
Commission fees	162	96
Insurance premiums	27	29
Other direct operating expenses	70	98
	1,605	1,990

12.46.3 Allocation of service charges and property operating expenses

The determination of costs connecting with not rented investment properties is based on investment properties that had an average vacancy of more than 10% during the financial period. The analysis of the service charges and direct operating expenses to the investment properties, whether or not rent-generating, is as follows:

EUR thousands	2013	2012
For investment properties let	3,254	3,690
For investment properties not let	990	873
	4,244	4,563

12.47 NET VALUATION GAINS ON INVESTMENT PROPERTY

12.47.1 General

The analysis of value adjustments (gains and losses) during the financial period consists as well realized as unrealized value adjustments. Value adjustments are presented as a gain (or loss) in case the total of unrealized and realized value adjustments for each investment property is positive (or negative).

12.47.2 Analysis of net valuation gains on investment property

EUR thousands	2013	2012
Realized value adjustments	-/- 63	280
Unrealized value adjustments	-/- 1,383	-/- 133
	-/- 1,446	147

12.47.3 Specification of realized value adjustments

The realized value adjustments are attributable as follows:

EUR thousands	2013	2012
Štefánikova 167, Žlin	-/- 63	280

The realized value adjustment consists of the total value adjustments of the sold property, calculated as the difference between selling price and its purchase price. Therefore the realized value adjustments include also the cumulative unrealized value adjustments booked in previous years. The specification is as follows:

EUR thousands	2013	2012
Value adjustments booked in current year	-	657
Value adjustments booked in previous years	-	-/- 72
	-	585
Transaction costs on sale of investment property	-	-/- 115
Transfer tax	-/- 63	-/- 190
	-/- 63	280

12.48 PROFIT ON DISPOSAL OF INVESTMENTS IN GROUP COMPANIES

Profit on disposal of investments in group companies comprises gains or losses resulting from the sale of investments in group companies sold during the financial period, i.e. the amount received above the book value of the group company at the selling date. The group companies are valued at selling date in accordance with PCEEPF's own accounting policies.

During the financial period PCEEPF sold no investments in group companies.

12.49 FINANCIAL INCOME

EUR thousands	2013	2012
Interest income	75	154
Other exchange and currency translation results	-	17
Released from "Reserve for currency translation differences"	-	6
	75	177

12.50 OTHER OPERATING INCOME

EUR thousands	2013	2012
Provisions and fees related to leases	26	17
Other	2	9
	28	26

12.51 ADMINISTRATIVE EXPENSES

12.51.1 Management fee

The Management fee is calculated by percentages on the value of PCEEPF's total assets at month-end. These percentages are:

- For the assets below EUR 75,000,000: 1.50% per annum (0.125% per month);
- For the assets from EUR 75,000,000 and above: 1.00% per annum (0.083% per month).

As at 11 December 2013 the Managing Board decided (for the time being) to "cap" the total Management fee 2013 at EUR 800,000 and to waive provisionally the claim above EUR 800,000.

12.51.2 Specification Management fee

EUR thousands	2013	2012
Management fee	949	997
Provisional waiver	-/- 149	-
	800	997

12.51.3 Performance-related remuneration

The Managing Board receives performance-related remuneration, which is dependent on PCEEPF's total annual return. The total return is defined as the difference between the Net Asset Value per ordinary share at the start of the relevant financial period and at the end of the relevant financial period, increased with the dividends distributed during that financial period; expressed as a percentage of the Net Asset Value of the ordinary share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding ordinary shares in the relevant financial period multiplied by the Net Asset Value per ordinary share at the start of the relevant financial period. The level of the performance-related remuneration is composed as follows:

A. In the case of a total return of up to 12% the performance-related remuneration is 0%;

B. In the case of a total return of 12% to 15% the performance-related remuneration is 20% of the total return less 12%;

C. In the case of a total return of more than 15% the performance-related remuneration is 30% of the total return less 15%. In addition, the remuneration indicated under B above will be awarded.

The performance-related remuneration is charged annually in arrears. This performance-related remuneration is budgeted and put aside on a three-monthly basis. This performance-related remuneration will not be due if the stock exchange price of the share plus the dividends distributed in the relevant financial period is lower than that of a preceding period for which the remuneration was deducted.

For the financial period 2013 the Managing Board received no performance-related remuneration (2012: no).

12.51.4 Agreement with Palmer Capital Fondsenbeheer B.V.

PCEEPF has entered into an agreement dated the 22nd of December 2005 with its Managing Board, Palmer Capital Fondsenbeheer B.V. (Amsterdam, the Netherlands) for its appointment as Management Company of PCEEPF N.V. under the Articles of Association subject to the following terms and conditions:

1. Palmer Capital Fondsenbeheer B.V. will perform its tasks in accordance with the Articles of Association and that which is provided in this regard in PCEEPF's prospectus dated the 1st of June 2007, as well as the addendum to PCEEPF's prospectus dated the 2nd of November 2012;
2. The Management of Palmer Capital Fondsenbeheer B.V. will consist of natural persons approved by AFM with sufficient competence to manage a company such as PCEEPF;
3. The appointment is for an indefinite period. Termination will be possible in accordance with the relevant provisions of PCEEPF's Articles of Association. The applicable Articles of Association can be viewed on the website www.palmercapital.nl;
4. For its Management of PCEEPF, Palmer Capital Fondsenbeheer B.V. will be entitled to a fee, as well as any share in profits, as indicated in PCEEPF's prospectus dated the 1st of June 2007, as well as the addendum to PCEEPF's prospectus dated the 2nd of November 2012.

12.52 OTHER OPERATING EXPENSES

12.52.1 Specification of other operating expenses

EUR thousands	2013	2012
Audit fees	62	88
Accounting expenses	77	97
Consultancy fees	25	83
Costs of valuing premises	18	45
Listing, Paying and Fund Agent fees	23	23
Portfolio fees	4	12
Supervisory Board fees	28	16
Marketing expenses	12	-
Supervisors' expenses	12	26
Non-refundable Value Added Tax	133	134
Change in provision irrecoverable debtors	36	41
Wages and salaries statutory directors	10	21
Other general operating expenses	14	18
	454	604

With regard to the items mentioned above the following explanation can be given:

- The audit fees for the annual report 2013 of PCEEPF N.V. are estimated at EUR 42,000 (2012: EUR 50,000). In 2013 audit fees related to previous years are booked to an amount of EUR 8,000 negative (2012: EUR 7,000 negative). Except for auditing, no services of KPMG have been used;
- The accounting expenses include the expenses related to bookkeeping, determination of monthly Net Asset Value (NAV), preparation of (semi)-annual report and other activities on account of administrative requirements for PCEEPF N.V. and its local companies;
- The consultancy fees relate principally to fees associated with restructuring of the investment properties and tax advice. The consultancy fees 2012 include also juridical costs related to the conditional public offer from CTP Property N.V. for all the shares in PCEEPF N.V;
- The supervisors' expenses include costs related to the supervision of the Dutch Authority for the Financial Markets, (Stichting Autoriteit Financiële Markten, the "AFM") and “De Nederlandsche Bank” (“DNB”);
- Other general expenses include, among others, costs of press releases, NYSE Euronext and bank costs.

12.52.2 Analysis of Supervisory Board fees

EUR thousands	2013	2012
Prof. Dr. J.L. Bouma (chairman)	14	14
B. Vos M.Sc.	14	14
	28	28
Release Supervisory Board fee E. Roden 2010	-	-/- 12
	28	16

PCEEPF has provided no loans, advances or guarantees for the members of the Supervisory Board. The members of the Supervisory Board receive no options or remuneration in the form of PCEEPF's shares.

12.52.3 Transaction costs

In accordance with the EU-IFRS principles of valuation PCEEPF includes the transaction costs incurred on purchase of investments in the purchase price of the investment, and recognizes the transaction costs incurred on sale of investment property and other investments under realized changes in the value of investments.

The analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is as follows:

EUR thousands	2013	2012
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	-	115
	-	115

12.52.4 Costs of lending financial instruments

During the financial period no financial instruments were borrowed or lent by neither PCEEPF nor her associated parties (so-called securities lending). In this connection no expenses were therefore incurred or fees requested.

12.52.5 Remuneration for orders on behalf of PCEEPF

The Managing Board, the Directors of the Managing Board, PCEEPF or the custodian of PCEEPF, parties affiliated with these parties, or third parties did not receive any remuneration, in any way, received nor promised for performing assignments for PCEEPF.

12.52.6 Outsourcing expenses

PCEEPF has in the ordinary course of business outsourced the following activities to third parties:

- The Management of investment properties, the (performing of) maintenance of the investment properties, tenant Management, servicing the administration of subsidiaries, as well as work from other (administrative) obligations of subsidiaries to:
  - Knight Frank Spol s.r.o., residing in Prague (Czech Republic);
  - Palmer Capital Czech Republic s.r.o., residing in Prague (Czech Republic);
  - Property Services SK s.r.o. (until 31 December 2013), residing in Bratislava (Slovakia);
  - Zbereko Spol s.r.o. (as of 1 January 2014) residing in Košice (Slovakia);
  - The related expenses have been stated under the section “Property management”, as indicated in section 12.46.2 “Analysis of property operating expenses”.
- The Managing Board of PCEEPF has outsourced the performance of the accounting, the determination of the monthly Net Asset Value (NAV), as well as the work arising from other accounting obligations to KroeseWevers Accountants B.V., residing in Enschede (the Netherlands). The related expenses are included in the section “accounting expenses”, as indicated in section 12.52.1 “Specification other operating expenses”.

12.52.7 Comparison of actual costs with prospectus

In percent	2012 and 2013 Basis of calculation	2013 Actual	2013 Prospectus	2012 Actual	2012 Prospectus
Administrative expenses	Value of assets at month-end	0.105%	0.083%-0.125%	0.125%	0.083%-0.125%
Direct operating expenses	Average value of the assets	2.538%	0.750%-1.000%	2.992%	0.750%-1.000%
Investment committee	Average shareholders' equity	-	-	-	-
General expenses	Average shareholders' equity	0.959%	0.380%	1.272%	0.380%
Auditing and accounting expenses	Average shareholders' equity	0.499%	0.210%	0.681%	0.210%
Costs of valuing premises	Average shareholders' equity	0.064%	0.080%	0.165%	0.080%
		4.165%	1.503%-1.795%	5.235%	1.503%-1.795%
In percent					
Placement fees	Placement of own ordinary shares	-	Max. 2.00%	-	Max. 2.00%
In EUR					
Supervisory Board fees	Per member of the Supervisory Board (average)	14,000	12,000	14,000	12,000

For comparison of actual expenses with budgeted expenses as per PCEEPF's prospectus the prospectus dated the 1st of June 2007 was used, as well as the addendum to PCEEPF's prospectus dated the 2nd of November 2012.

The calculation of the average shareholders' equity corresponds with the calculation of the "Ongoing Charges Figure" as defined under section 12.55.

As a result of the decrease of the average shareholders' equity in the previous years, most actual costs exceed the estimated costs in the prospectus.

In the above table general expenses refers to the expenses of third parties, including consultancy fees, costs of press releases and shareholders' meetings, marketing expenses, costs of NYSE Euronext, Listing, Paying and Fund Agent fees, portfolio fees and placement fees, supervisors' expenses, as well as other general operating expenses, including transaction costs (as far included in the income statement).

12.53 PERSONNEL COSTS

PCEEPF does not employ any personnel, without the exemption of statutory Directors of PCEEPF's group companies. The statutory Directors receive a wage which specified in the other operating expenses under section 12.52.1.

12.54 FINANCIAL EXPENSES

EUR thousands	2013	2012
Interest expense on loans taken up	791	1,105
Other exchange and currency translation results	164	-
Valuation losses on other investments	5	-
	960	1,105

12.55 ONGOING CHARGES FIGURE

The Ongoing Charges Figure is calculated by dividing the total expenses (including operating expenses) during the financial year by the average shareholders' equity of PCEEPF during the financial year. The total expenses include the expenses charged to the profit for the period as well as to shareholders' equity. They also include the operating expenses of the investment properties. No net service charges are included in the total expenses, since these are fully covered by the service income from service fees and the fees part of the gross rental income. The expenses which are related to the issuance and the redemption of own ordinary shares, as far as these are covered by the received surcharges and reductions, are not taken into consideration. On the basis of the regulated interest charges for loans contracted, as well as costs of investment transactions, are not included in the calculation of the Ongoing Charges Figure (OCF).

The average shareholders' equity is fixed by the average of all calculated and published (i.e. every trade day) Net Asset Values (NAV's).

In percent	2013	2012	2011
Ongoing Charges Figure	10.24%	13.23%	13.83%

In 2013 the Ongoing Charges Figure decreased, as result of an increase of the average shareholders' equity with about 3%, as well as a decrease of the total expenses (including operating expenses) with about 20%.

12.56 TAX ON PROFITS

12.56.1 Tax position

As of 1 January 2009, PCEEPF has left the status of fiscal investment institution. As of this date, taxable profits are subject to income tax.

12.56.2 Tax on profits stated in the income statement

EUR thousands	2013	2012
Tax due on profits		
Current year	-/- 13	-/- 291
Adjustments for previous years	58	-
	45	-/- 291
Deferred tax on profits		
Occurrence and settlement of temporary differences	-/- 377	14
Adjustments in respect of previous years	-/- 97	-
Change in tax rate	126	-/- 482
Income on account of stated tax losses	166	-/- 50
	-/- 182	-/- 518
Total tax on profits stated in the income statement	-/- 137	-/- 809

12.56.3 Reconciliation with the effective tax rate

EUR thousands	2013	2013	2012	2012
Profit before tax		4		1,228
Tax on profits on the basis of the local tax rates	1,425.0%	-/- 57	35.7%	-/- 439
Effect of changes in the local tax rates	-/- 3,150.0%	126	39.3%	-/- 482
Effect of unused fiscal losses	3,925.0%	-/- 157	-	-
Effect of used fiscal losses (not stated in the statement of financial position in previous years)	-	-	-/- 19.6%	241
Tax exempt revenues	325.0%	-/- 13	9.4%	-/- 116
Non-deductible expenses	-/- 75.0%	3	1.1%	-/- 13
Too little / too much (-/-) provision in previous accounting periods	975.0%	-/- 39	-	-
	3,425.0%	-/- 137	65.9%	-/- 809

12.56.4 Deferred tax recognized directly in shareholders' equity

EUR thousands	2013	2012
Related to currency translation differences	95	-/- 53

12.56.5 Applicable local tax rates

EUR thousands	2014	2013	2012	2011	2010
The Netherlands:					
Up to EUR 200,000	20.0%	20.0%	20.0%	20.0%	20.0%
As of EUR 200,000	25.0%	25.0%	25.0%	25.0%	25.5%
Czech Republic	19.0%	19.0%	19.0%	19.0%	19.0%
Slovakia	22.0%	23.0%	19.0%	19.0%	19.0%

12.57 EARNINGS PER (ORDINARY AND REGISTERED) SHARE

12.57.1 Calculation of basic earnings per (ordinary and registered) share

The basic earnings per (ordinary and registered) share are calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares by the weighted average number of outstanding (ordinary and registered) shares during the financial period.

12.57.2 Profit for the period attributable to shareholders of (ordinary and registered) shares

EUR thousands	2013	2012
Profit for the financial period	-/- 133	419

12.57.3 Weighted average number of outstanding (ordinary and registered) shares

	2013	2012
Issued (ordinary and registered) shares as at 1 January	1,285,725	1,180,943
Effect on issued (ordinary and registered) shares during the financial period	17,663	72,881
Effect on redeemed (ordinary and registered) shares during the financial period	-	-/- 1,491
Weighted average number of outstanding (ordinary and registered) shares during the financial period	1,303,388	1,252,333

12.57.4 Calculation of diluted earnings per (ordinary and registered) share

The diluted earnings per (ordinary and registered) share is calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares by the weighted average number of (ordinary and registered) shares during the financial period including all outstanding convertible securities. Since there are no outstanding convertible securities the calculation of the diluted earnings per (ordinary and registered) share is in accordance with the calculation of basic earnings per (ordinary and registered) share.

12.58 RISK MANAGEMENT

12.58.1 General

According to its investment policy set out in the prospectus PCEEPF may hold investments in direct investment property in Middle Europe. PCEEPF's investment portfolio currently consists primarily of property in the Czech Republic and Slovakia. These investment properties in principle are held for an indefinite period.

PCEEPF's investment activities result in exposure to various risks.

The Managing Board of PCEEPF determines the tactical investment mix. The Managing Board monitors the deviation between the previously determined tactical investment mix and the actual investment mix regularly.

The nature and scope of investment properties at the statement of financial position's date and the risk policy with regard to the above-mentioned risks and other risks are discussed below.

12.58.2 Market risk

Investment property values are affected by many factors, including the outlook for economic growth, inflation rate, and developments on the capital markets and the rental income at the time of sale of the investment property.
The greater the fluctuation in the development of these factors, the greater the risk. PCEEPF cannot resist macro-economic factors that determine property value. However, through good investment property Management and vision PCEEPF will guarantee the attraction of the investment properties. PCEEPF invests in countries, which have sometimes other laws and regulations than in Western Europe. In some areas there is much less public information available in relation to Western Europe.

Control of the market risk is determined largely by the Management's investment policy, which is aimed at achieving investment results by purchasing investments that are assumed to have been undervalued and are expected to benefit from the further development of the Czech and Slovak economy. The market risk is managed on a day-to-day basis.

12.58.3 Currency risk

The currency risk can be defined as the risk that the fair value of investments, the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PCEEPF may invest in properties in countries where the Euro (not yet) has been implemented. There is a currency risk that the exchange rate fluctuates. PCEEPF has the option to use financial instruments to hedge the currency risk.

PCEEPF invests in investment property primarily in currencies other than the functional currency (the Euro) used in these financial statements. These currencies consist primarily of the Czech Koruna. Consequently PCEEPF is exposed to the risk that the exchange rate of the functional currency in relation to the foreign currency may develop in such a way that this has a negative impact on the value of the investment portfolio in Czech Koruna.

Taking into account the high costs and Management's expectation that the exchange rates will continue to show appreciation in future years, Management has opted not to hedge the currency risk by means of financial derivatives, such as forward contracts.

At the reporting date PCEEPF had the following exposure with regard to financial assets. The percentages are based on the carrying value of financial assets.

	31-12-2013	31-12-2012
Czech Koruna (CZK)	76.0%	77.7%
Bulgarian Lev (BGN)	0.0%	0.0%
Euro (EUR)	24.0%	22.3%
	100.0%	100.0%

The following table sets out PCEEPF's total exposure to currency risk and the net exposure to currencies of the monetary assets and liabilities. The amounts are based on the carrying value of monetary assets and liabilities.

EUR thousands	Monetary assets 31-12-2013	Monetary liabilities 31-12-2013	Net exposure 31-12-2013
Czech Koruna (CZK)	1,880	10,126	-/- 8,246
Bulgarian Lev (BGN)	-	-	-
Euro (EUR)	454	18,581	-/- 18,127
	2,334	28,707	-/- 26,373

EUR thousands	Monetary assets 31-12-2012	Monetary liabilities 31-12-2012	Net exposure 31-12-2012
Czech Koruna (CZK)	2,506	11,950	-/- 9,444
Bulgarian Lev (BGN)	2	-	2
Euro (EUR)	646	20,070	-/- 19,424
	3,154	32,020	-/- 28,866

In case the euro had weakened by 5% in relation to all currencies, with all variables held constant, net assets attributable to holders of redeemable shares and the change in the net assets attributable to holders of redeemable shares per the income statement would have decreased by the amounts shown below:

EUR thousands	31-12-2013	31-12-2012
Czech Koruna (CZK)	412	472
Bulgarian Lev (BGN)	-	-
	412	472

A 5% strengthening of the euro against the above currencies would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

12.58.4 Interest rate risk

The interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

PCEEPF's investment policy allows loans to be taken up. For reasons of control of liquidity and the obligation to repurchase ordinary shares, the fund holds limited cash and cash equivalents. PCEEPF has the possibility of investing these funds in short-term deposits.

The following table details PCEEPF's exposure to interest rate risks. It includes PCEEPF's assets and liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities.

EUR thousands	Less than 1 month 31-12-2013	1 until 3 months 31-12-2013	3 months until 1 year 31-12-2013	1 until 5 years 31-12-2013	More than 5 years 31-12-2013	Non-interest bearing 31-12-2013	Total 31-12-2013
Other investments	-	-	517	-	-	38	555
Trade and other receivables	-	-	-	-	-	1,371	1,371
Cash equivalents	657	-	-	-	-	-	657
Financial assets	657	-	517	-	-	1,409	2,583
Interest-bearing loans and borrowings	1,562	25,496	-	-	-	41	27,099
Trade and other payables	426	-	149	-	-	1,498	2,073
Financial liabilities	1,988	25,496	149	-	-	1,539	29,172
Total interest sensitivity gap	-/- 1,331	-/- 25,496	368	-	-		-/- 26,459

EUR thousands	Less than 1 month 31-12-2012	1 until 3 months 31-12-2012	3 months until 1 year 31-12-2012	1 until 5 years 31-12-2012	More than 5 years 31-12-2012	Non-interest bearing 31-12-2012	Total 31-12-2012
Other investments	-	-	912	-	-	46	958
Trade and other receivables	-	-	-	-	-	1,287	1,287
Cash equivalents	1,101	-	-	-	-	-	1,101
Financial assets	1,101	-	912	-	-	1,333	3,346
Interest-bearing loans and borrowings	1,504	28,441	-	-	-	-	29,945
Trade and other payables	-	-	-	-	-	2,840	2,840
Financial liabilities	1,504	28,441	-	-	-	2,840	32,785
Total interest sensitivity gap	-/- 403	-/- 28,441	912	-	-		-/- 27,932

An increase of 100 basis points in interest rates as at the reporting date would not have increased or decreased the net assets attributable to holders of redeemable ordinary shares, while the financial instruments are stated at amortized cost or the financial instruments are non-interest bearing and therefore the change in the interest rate does not have an impact. A decrease of 100 basis points would have an equal effect (see also section 12.41.2 "Fair value").

In case the interest rates during the financial period would have been 100 basis points higher, the profit for the period (profit before tax) would have been decreased by EUR 265,000 (2012: EUR 279,000).

The main part of the financial liabilities is the interest bearing loans and borrowings. At the end of the reporting period PCEEPF paid the following weighted average interest:

	31-12-2013	31-12-2012
Weighted average interest rate of interest-bearing loans and borrowings	3.03%	2.67%

12.58.5 Price risk

The price risk can be defined as the risk that the value of the investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual investment or the issuing institution or factors applicable to the market as a whole.

Rental risk includes the risk of loss of rental income due to vacancies, the let ability of space and movements in market rents. The economic crisis could result in it taking longer to let property that has become vacant due to companies postponing their relocation decisions. The probability that tenants will no longer be able to meet their obligations is also increasing.

Property value risk includes the risk of loss of property value due to changing economic circumstances, economic decline and / or oversupply of comparable real estate property prices.

Since PCEEPF's investment properties are stated at fair value, with both realized and unrealized value adjustments being recognized directly in the income statement, a change in market conditions impacts directly on PCEEPF's investment result. The price risk is controlled by PCEEPF by constructing a portfolio such that optimum diversification across sectors and markets is achieved.

A decrease of 5% of the fair value of the investment property as at the reporting date would have decreased the net assets attributable to holders of redeemable ordinary shares with EUR 2,493,000 (31 December 2012: EUR 2,628,000). An increase of 5% of the fair value would have increased the net assets attributable to holders of redeemable ordinary shares with EUR 2,493,000 (31 December 2012: EUR 2,628,000).

12.58.6 Concentration risk

The concentration risk is the risk that can occur if PCEEPF has a large concentration of investments in certain regions or types of investment properties or if PCEEPF depends on a number of large tenants. To reduce this risk, investments are spread across different types of investment properties in several regions in Central Europe and use different (smaller) tenants.

12.58.7 Risk associated with investing with borrowed money

The risk associated with investing with borrowed money lies in the fact that shareholders might lose their investment. Because the money borrowed must be paid back first. The investments are indeed as a security for the bank loans. This risk is limited because there is no requirement for shareholders to possible deficits of PCEEPF if the losses exceed the deposit. If the "Loan to Value" (LTV) ratio is too high according to the covenants with the banks it is possible that PCEEPF needs to sell investment property to improve LTV.

12.58.8 Economic risk

Economic risk is to identify for development on interest rates and inflation. Rate trends can attract outside capital affect the yield. Furthermore the development of rental income is related to inflation. At the expiration of leases, the rent is adjusted for market conditions. Rents are indexed annually. Inflation may affect investment returns which yield will be lower. Although the property markets in Central Europe, they grow in size and relatively low prices may therefore fluctuate more than in Western Europe.

12.58.9 Counterpart risk (credit risk)

The credit risk can be defined as the risk a counterparty being unable to fulfil its obligation to PCEEPF associated with monetary assets. PCEEPF has a credit policy and the counterpart risk is monitored and controlled on a continuous basis. The risk is presumed to be low, given the short settlement period of most of such monetary assets.

PCEEPF does business with various parties; the most important are banks, tenants and the local administrator of the properties. PCEEPF will be possible to reduce credit risk. PCEEPF will do this through contact with counterparties and continuous risk assessment of these parties.

The carrying amount of monetary assets best represents the maximum credit risk exposure at the statement of financial position's date. At the reporting date, PCEEPF's monetary assets exposed to credit risk amounted to the following, related to PCEEPF's net assets attributable to the holders of redeemable ordinary shares:

EUR thousands	31-12-2013	31-12-2013	31-12-2012	31-12-2012
Loan Palmer Capital Central European Properties a.s.	517	1.9%	912	3.4%
Trade and other receivables	1,160	4.3%	1,141	4.3%
Cash equivalents	657	2.5%	1,101	4.2%
	2,334	8.7%	3,154	11.9%

Beside the above mentioned items, there were no significant concentrations of credit risk to counterparties as at 31 December 2013 or 31 December 2012. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary shares either as at 31 December 2013 or 31 December 2012.

The following table sets out the ageing analysis of PCEEPF's monetary assets. The amounts are based on the carrying value of monetary assets.

EUR thousands	Not due 31-12-2013	Less than 1 month 31-12-2013	1 until 3 months 31-12-2013	3 months until 1 year 31-12-2013	More than 1 year 31-12-2013	Total 31-12-2013
Gross monetary assets						
Other investments	-	-	-	-	517	517
Trade and other receivables	35	287	88	104	829	1,343
Cash equivalents	657	-	-	-	-	657
	692	287	88	104	1,346	2,517
Impairment of monetary assets						
Other investments	-	-	-	-	-	-
Trade and other receivables	-	-	-	6	177	183
Cash equivalents	-	-	-	-	-	-
	-	-	-	6	177	183
Net monetary assets						
Other investments	-	-	-	-	517	517
Trade and other receivables	35	287	88	98	652	1,160
Cash equivalents	657	-	-	-	-	657
	692	287	88	98	1,169	2,334

EUR thousands	Not due 31-12-2012	Less than 1 month 31-12-2012	1 until 3 months 31-12-2012	3 months until 1 year 31-12-2012	More than 1 year 31-12-2012	Total 31-12-2012
Gross monetary assets						
Other investments	-	-	-	-	912	912
Trade and other receivables	333	133	90	180	648	1,384
Cash equivalents	1,101	-	-	-	-	1,101
	1,434	133	90	180	1,560	3,397
Impairment of monetary assets						
Other investments	-	-	-	-	-	-
Trade and other receivables	-	-	-	19	224	243
Cash equivalents	-	-	-	-	-	-
	-	-	-	19	224	243
Net monetary assets						
Other investments	-	-	-	-	912	912
Trade and other receivables	333	133	90	161	424	1,141
Cash equivalents	1,101	-	-	-	-	1,101
	1,434	133	90	161	1,336	3,154

The following table sets out the pledges of PCEEPF's financial assets.

EUR thousands	Guarantee deposits from tenants 31-12-2013	Other pledge 31-12-2013	Total 31-12-2013
Other investments	-	-	-
Trade and other receivables	69	-	69
Cash equivalents	-	-	-
Financial assets	69	-	69

EUR thousands	Guarantee deposits from tenants 31-12-2012	Other pledge 31-12-2012	Total 31-12-2012
Other investments	-	-	-
Trade and other receivables	324	-	324
Cash equivalents	-	-	-
Financial assets	324	-	324

12.58.10 Rent risk

Rents may be under pressure in economic bad times. In the market vacancy rates can increase and rents will drop. The rent risk is largely mitigated by entering into long-term leases for periods, so the annual rent is established for a longer period. It is also mitigated by diversifying rental periods, which implies minimizing the amount of contracts expiring at the same period in time.

12.58.11 Debtor risk

Debtor risk is the risk that arises from the possibility that a specific counter party is unable to meet its obligations to the company. The policy aims to reduce the default by a capital adequacy ratio of (potential) tenants and tenants by diversifying across industries (e.g. Financial Services, Communications, Healthcare, Technology, Government, Transportation & Logistics) so that dependency that affects only certain sectors is limited.

12.58.12 Vacancy risk

The occupancy of the property may decrease by lease termination or bankruptcy of tenants. To reduce the risk of vacancies the fund seeks contracts with medium long term leases. Also, by properly maintaining the integrity of the investment property secured. See section 12.45.2 for information about non-cancellable leases.

12.58.13 Risks regarding regulations

Political decisions concerning soil pollution, zoning, rent control and taxation can affect the yield of PCEEPF. This risk is mitigated to do a detailed analysis of potentially relevant risks (Due Diligence) before an acquisition. PCEEPF also follows new developments and adjusts its policy if necessary based on changes in laws and regulations.

12.58.14 Liquidity risk

The liquidity risk can be defined as the risk of PCEEPF being unable to fulfil its obligation to counterparties associated with monetary liabilities.

PCEEPF invests in real estate; typically for real estate is that it is not liquid. Sale of real estate takes time and this could potentially affect the liquidity position of PCEEPF. PCEEPF will continuously monitor and manage liquidity to meet its obligations.

The following table shows the contractual, undiscounted cash flows of PCEEPF's monetary liabilities. The interest-bearing loans and borrowings include the payable interest. The payable interest is calculated by using the weighted average interest rate of interest-bearing loans and borrowings at statement of financial position's date.

EUR thousands	Less than 1 month 31-12-2013	1 until 3 months 31-12-2013	3 months until 1 year 31-12-2013	1 until 5 years 31-12-2013	More than 5 years 31-12-2013	No stated maturity 31-12-2013	Total 31-12-2013
Interest-bearing loans and borrowings	137	561	17,963	7,775	1,802	-	28,238
Trade and other payables	1,500	-	149	-	-	-	1,649
Monetary liabilities	1,569	425	17,731	7,202	1,780	-	28,707

EUR thousands	Less than 1 month 31-12-2012	1 until 3 months 31-12-2012	3 months until 1 year 31-12-2012	1 until 5 years 31-12-2012	More than 5 years 31-12-2012	No stated maturity 31-12-2012	Total 31-12-2012
Interest-bearing loans and borrowings	67	623	19,060	6,576	5,166	-	31,492
Trade and other payables	825	98	-	-	-	-	923
Monetary liabilities	892	721	19,060	6,576	5,166	-	32,415

The main parts of the financial liabilities are the interest-bearing loans and borrowings. At the end of the reporting period the weighted remaining maturity of the interest-bearing loans and borrowings was 2.81 year (31 December 2012: 3.28 year).

At the end of 2013 PCEEPF has no recordable credit facilities (end of 2012: no).

12.58.15 Operational risk

Operational risk is the risk of losses coming from failed internal processes, people or systems or from external operational events. Examples of operational risks incidents are: fraud, claims, losses, errors, violation of laws and system failure. During 2013 material operational risks did not materialize.

12.58.16 Tax risk

Tax risk is the risk associated with possible changes in tax laws or changing interpretations and effects of government policy and regulation.

12.58.17 Outsourcing risk

Risk of outsourcing activities brings with it the risk that the counterparty does not fulfil its obligations, despite agreements. PCEEPF periodically assesses the compliance of the agreements and takes action as it deems necessary.

12.58.18 Legal risk

Legal risk is the risk associated with possible changes in legislation or changing interpretations.

12.58.19 Integrity risk

Within organizations there is a risk that people harm organizations by committing fraud of theft. Palmer Capital Fondsenbeheer B.V. will evaluate its reliability and integrity. All staff in key positions employed by Palmer Capital Fondsenbeheer B.V. will be screened by “Pre-Employment Screening of Dutch Securities Institute” (DSI).

12.58.20 Offsetting financial assets and financial liabilities

The following table sets out the offsetting of PCEEPF’s financial assets and financial liabilities. The amounts are based on the carrying value of the assets and liabilities.

EUR thousands	Gross amounts before offsetting	Gross amounts set off	Net amounts presented in SFP	Other amounts in scope but not set off in SFP	Net amounts
	31-12-2013	31-12-2013	31-12-2013	31-12-2013	31-12-2013
Other investments	555	-	555	-	555
Trade and other receivables	1,454	83	1,371	-	1,371
Cash equivalents	657	-	657	-	657
Financial assets	2,666	83	2,583		2,583
Interest-bearing loans and borrowings	27,099	-	27,099	-	27,099
Trade and other payables	2,073	-	2,073	-	2,073
Financial liabilities	29,172	-	29,172	-	29,172

12.59 RELATED PARTIES

12.59.1 Identity of related parties

With regard to PCEEPF the following categories of related parties were distinguished during the financial period:

A. Managers in key positions;
B. Major investors;
C. All organisational entities within the group designated as “Palmer Capital” (“PC”);
D. Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital;
E. Investments undertaken by Palmer Capital, in which Palmer Capital has significant influence (more than 20% of voting rights).

12.59.2 Transactions with and / or interests of managers in key positions (A)

During the financial period PCEEPF entered into the following transactions with the managers in key positions:

A. Palmer Capital Fondsenbeheer B.V. converted the remainder of its amount receivable regarding to Management fee amounting to EUR 678,000 into 31,794 registered shares as described in section 12.32.3 “Registered shares”;
B. The Managing Board of Palmer Capital Fondsenbeheer B.V. decided (for the time being) to “cap” the total Management fee 2013 at EUR 800,000 and to waive provisionally the claim above EUR 800,000, as described in section 12.44 “contingent liabilities”;
C. The Managing Board of Palmer Capital Fondsenbeheer B.V. decided to reduce its own Management fee, regarding to the Asset Management fee paid by Palmer Capital RE Slovakia s.r.o. to Palmer Capital Czech Republic s.r.o. for the amount of EUR 162,000.

During the financial period no other transactions occurred with members of the Management Board and / or members the Supervisory Board. Personal interests of members of the Managing and Supervisory Board are defined in section 16.4 “Personal interests”.

The remuneration for the Managing Board is described in section 12.51 “Administrative expenses”. The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 12.52 “Other operating expenses”.

12.59.3 Transactions with and /or interests of major investors (B)

Pursuant to the decree on Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”) PCEEPF reports one major investor, namely Stichting Prioriteit MERE (the “Foundation”), which holds all priority shares in PCEEPF N.V.’s capital. No transactions occurred between the Foundation and PCEEPF N.V. during the financial period.

12.59.4 Transactions with other related parties (C-D-E)

During the financial period PCEEPF entered into the following transactions with the other related parties:

A. Providing credit by PCEEPF N.V. to Palmer Capital Central European Properties a.s. for the principal amount of EUR 1,310,000 (2012: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2012: 12.0%) was received. As at 31 December 2013 the outstanding amounts are EUR 517,000 (2012: EUR 912,000) and the receivable interest is EUR 601,000 (2012: EUR 579,000);

B. Palmer Capital RE Bohemia s.r.o. paid asset management fee (as of 1 July 2012) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 84,000 (2012: EUR 41,000). The Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own management fee (as of 1 July 2012) for the same amount;

C. Palmer Capital RE Slovakia s.r.o. paid asset management fee (as of 1 January 2013) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 162,000 (2012: EUR 0). The Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own management fee (as of 1 January 2013) for the same amount;

D. Palmer Capital RE Bohemia s.r.o. paid fee for advisory services (as of 1 April 2012) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 17,000 (2012: EUR 11,000);

E. PC-related parties rented of PCEEPF properties (office) about 259 m^2 (2012: 259 m^2);

F. PCEEPF paid wages and salaries for its statutory Directors for the amount of EUR 10,000 (2012: EUR 21,000);

G. Providing guarantee by Palmer Capital RE Bohemia s.r.o., together with Middle Europe Opportunity Fund II N.V. (together the shareholders of Yellow Properties s.r.o.) in favour of Raiffeisen Bank a.s. for the amount of CZK 18,675,000 (EUR 681,000) (2012: CZK 18,675,000);

H. Palmer Capital Nederland N.V. converted a part of the amount receivable amounting to EUR 473,000 into 22,188 registered shares as described in section 12.32.3 “Registered shares”.

12.59.5 Investments in other related parties (C-D-E)

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital, do hold investments in companies in which PCEEPF also holds investments.

- Middle Europe Opportunity Fund II N.V. (MEOF II) (in)directly holds investments in companies in which PCEEPF also holds investments. The following table shows the percentages the Palmer Capital managed companies hold of the outstanding shares in the companies as at 31 December 2013:

Company	MEOF II	PCEEPF	Total
Yellow Properties s.r.o.	95%	5%	100%

12.59.6 Agreements with related parties

PCEEPF has not entered into any agreements with parties affiliated with the Managing Board of PCEEPF, other than as described in section 12.51.3 “Agreement with Palmer Capital Fondsenbeheer B.V.”.

12.60 EVENTS AFTER STATEMENT OF FINANCIAL POSITION’S DATE

End of March 2014 Palmer Capital RE Bohemia s.r.o. agreed with Sberbank for refinancing of the secured bank loan with Raiffeisen Bank a.s. of which CZK 269,701,000 (EUR 9,833,000) as the amount at 31 December 2013. The new principal amount of the secured bank loan Sberbank is CZK 298,000,000 (EUR 10,865,000) at end March 2014.

There have been occurred no other material events after financial position’s date.

12.61 ESTIMATES AND FORMATION OF AN OPINION BY THE MANAGEMENT

The Managing Board has discussed with the Supervisory Board the development and choice of, and the provision of information on, the critical principles of financial reporting and estimates, as well as the application of those principles and estimates.

12.61.1

The major sources of uncertainty in estimates are as follows:

A. Development of rents;
B. Capitalisation factor for transactions;
C. Fair rents per type of property;
D. Property prices.

In section 12.25.3 “Valuation of investment properties” the critical assessments by the Managing Board in applying PCEEPF’s principles of the valuation of the investment properties are stated.

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EUR thousands	*Notes*	31-12-2013	31-12-2012
Investments			
Investments in group companies	*15.5*	10,970	11,073
Receivables from group companies	*15.6*	16,425	16,064
Other financial investments	*15.7*	517	912
Total investments		27,912	28,049
Receivables and other assets			
Other receivables, prepayments and accrued income	*15.8*	1,515	1,554
Cash and cash equivalents	*15.10*	11	43
Total receivables and other assets		1,526	1,597
Total assets		29,438	29,646
Shareholders' equity	*15.11*		
Issued capital	*15.12*	6,699	6,429
Share premium	*15.13*	17,219	16,338
Revaluation reserve	*15.14*	4,191	4,769
Reserve for currency translation differences	*15.15*	2,205	2,880
Retained earnings	*15.16*	-/- 3,500	-/- 3,945
Total shareholders' equity		26,814	26,471
Long-term liabilities			
Deferred tax liabilities	*15.17*	-	110
Current liabilities			
Debts to credit institutions	*15.18*	1,562	1,504
Other liabilities, accruals and deferred income	*15.19*	1,062	1,561
Total current liabilities		2,624	3,065
Total equity and liabilities		29,438	29,646

14 COMPANY PROFIT AND LOSS ACCOUNT

EUR thousands	*Notes*	2013	2012
Share in result of group companies (after tax)	*15.5.2*	-/- 49	-/- 690
Other result (after tax)		-/- 84	1,109
Result for the financial period		-/- 133	419

15 NOTES TO THE COMPANY FINANCIAL STATEMENTS

15.1 GENERAL

The company financial statements for 2013 are part of PCEEPF's financial statements for 2013. With regard to PCEEPF's company profit and loss account use has been made of the exemption pursuant to Book 2, article 2:402 of the Dutch Civil Code.

15.2 PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES AND DETERMINATION OF RESULTS

15.2.1 General

For the purpose of determining the principles of valuation of assets and liabilities and the determination of results for its company financial statements, PCEEPF makes use of the option offered in Book 2, article 2:362 (8) of the Dutch Civil Code. This means that the principles of valuation of assets and liabilities and determination of results (hereinafter referred to as the "principles of valuation") of PCEEPF's company financial statements are identical to those that have been applied for the consolidated EU-IFRS financial statements. In this context equity participations, on which significant influence is exercised, are valued on the basis of the equity method. These consolidated EU-IFRS financial statements have been prepared in accordance with the standards adopted by the International Accounting Standards Board ("IASB") and accepted by the European Union (hereinafter referred to as "EU-IFRS"). Reference is made to sections 12.4 to 12.22 inclusive for a description of these principles.

15.2.2 Investments in group companies

Investments in group companies are stated at Net Asset Value. PCEEPF determines the Net Asset Value as well as the cost of acquisition of the equity participation by valuing the assets, provisions and liabilities of the company in which it is participating and calculating its result on the basis of the same principles as its own assets, provisions, liabilities and result.

The Net Asset Value of the foreign group companies is translated into Euros at the exchange rate as at the balance sheet date. The results of the foreign group companies are translated at the average exchange rates during the financial period. Results arising from this translation are recognized directly in shareholders' equity in the "Reserve for currency translation differences" related to the equity participations. In the event of sale of equity participation the cumulative exchange differences related to that equity participation are transferred to the "Other reserves".

15.2.3 Receivables from group companies

Receivables from group companies are stated at amortized cost. In the case of PCEEPF this is identical to the acquisition price. The acquisition price in foreign currency is determined on the basis of the exchange rate at the transaction date. As at balance sheet date the receivables from group companies are translated into Euros at the exchange rate as at the balance sheet date. Where losses are to be expected on the receivables, a reduction in value is applied in this respect.

15.2.4 Result from investments in group companies

The share of the result of companies in which equity participations are held comprises PCEEPF's share in the results of such equity participations. The results of the equity participations have been determined on the basis of the principles of valuation adopted by PCEEPF The revaluations of the equity participations are therefore included in this item. Results on transactions, in the case of which transfer of assets and liabilities has occurred between PCEEPF and its affiliates and between the affiliates themselves, has not been recognized in so far as they can be regarded as unrealized. If the equity participation has been acquired in the course of the financial period, PCEEPF accounts for the results of the equity participations with effect from the date of acquisition.

15.3 SIZE AND COMPOSITION OF THE CONSOLIDATED AND COMPANY EQUITY

In connection with the fact that PCEEPF makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the size and composition of the consolidated and company capital are identical.

15.4 RECONCILIATION STATEMENT WITH THE CONSOLIDATED INCOME STATEMENT

In connection with the fact that PCEEPF makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the consolidated and company results are identical.

15.5 INVESTMENTS IN GROUP COMPANIES

15.5.1 Analysis of investments in group companies

The companies indicated below have all been included in the consolidated financial statements and in investments in group companies:

No.	Company	Registered office	Country of incorporation	% of shareholders' equity 31-12-2013	% of shareholders' equity 31-12-2012	Interest 31-12-2013	Interest 31-12-2012
A	Palmer Capital RE Bohemia s.r.o.	Prague	Czech Republic	31.1%	33.9%	100%	100%
B	Palmer Capital RE Slovakia s.r.o.	Bratislava	Slovakia	71.1%	68.6%	100%	100%
C	Vitosha Property 1 EOOD	Sofia	Bulgaria	n.a.	-	n.a.	100%
				102.2%	102.5%		

The above numbering corresponds with the table in section 12.5.2 "Consolidated subsidiaries".

The percentages mentioned in the column "% of shareholders' equity" are calculated as the sum of the amounts of the investment in the group company and the receivables from the group company with regard to PCEEPF's shareholders' equity.

The analysis of investments in group companies is as follows:

EUR thousands	Before Reclassification 31-12-2013	Reclassification 31-12-2013	After reclassification 31-12-2013	After Reclassification 31-12-2012
Palmer Capital RE Bohemia s.r.o.	407	-	407	917
Palmer Capital RE Slovakia s.r.o.	10,563	-	10,563	10,154
Vitosha Property 1 EOOD	-	-	-	2
Total	10,970	-	10,970	11,073

15.5.2 Statement of changes in investments in group companies

EUR thousands	2013	2012
Balance as at 1 January	11,073	9,776
Acquisitions	-	1,987
Disposals	-/- 1	-
Share in result of group companies	-/- 49	-/- 690
Exchange rate differences	-/- 53	-
Balance as at 31 December	10,970	11,073
Acquisition price	13,422	13,424

The "Disposals" for the amount of EUR 1,000 negative relates to the dormant company Vitosha Property I EOOD, which has been liquidated as at 2 December 2013.

15.6 RECEIVABLES FROM GROUP COMPANIES

15.6.1 Analysis of receivables from group companies

EUR thousands	Before provision 31-12-2013	Provision 31-12-2013	After provision 31-12-2013	After provision 31-12-2012
Loan to Palmer Capital RE Bohemia s.r.o.	7,931	-	7,931	8,062
Loan to Palmer Capital RE Slovakia s.r.o.	8,494	-	8,494	8,002
Total	16,425	-	16,425	16,064

As at 31 December 2013 the weighted average interest rate on all receivables from group companies is 4.7% per annum (31 December 2012: 5.8% per annum).

15.6.2 Statement of changes in receivables from group companies

EUR thousands	2013	2012
Balance as at 1 January	16,064	17,092
Loans advanced	1,078	831
Redemption on loans advanced	-	-/- 3,399
Fair value adjustments (provision)	-	1,333
Exchange rate differences	-/- 717	207
Balance as at 31 December	16,425	16,064
Principal of loans advanced (at cost)	48,510	47,432

15.7 OTHER FINANCIAL INVESTMENTS

15.7.1 Analysis of other financial investments

EUR thousands	**Principal of investment** *Local currency thousands*	**Principal of investment** *EUR thousands*	**Interest rate 31-12-2013**	**Final date**
Loan to Palmer Capital Central European Properties a.s.	CZK 32,000	1,310	12,0%	December 2014

15.7.2 Statement of changes of other financial investments

EUR thousands	**2013**	**2012**
Balance as at 1 January	912	1,241
Redemption on loans advanced	-/- 340	-/- 350
Exchange rate differences	-/- 55	21
Balance as at 31 December	517	912

15.8 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

15.8.1 Analysis of other receivables, prepayments and accrued income

EUR thousands	**31-12-2013**	**31-12-2012**
Interest on receivables from group companies	771	975
Interest on other financial investments	601	579
Prepayments	143	-
	1,515	1,554

The “Prepayments” for the amount of EUR 143,000 related to a “capital raise”, which is planned for 2014.

For the amount of EUR 0 (31 December 2012: EUR 0) the interest receivable will be received after more than one year, as agreed upon the loan contract.

15.9 DEFERRED TAX ASSETS

15.9.1 General

A deferred tax asset is included only to the extent that it is probable that taxable profits will be available in the future which can be used for realization of the asset item. The amount of the deferred tax assets is reduced to the extent that it is no longer probable that the associated tax benefit will be realized.

15.9.2 Analysis deferred tax assets not stated in the balance sheet

EUR thousands	31-12-2013	31-12-2012
Value for tax purposes of not stated loss carry-forward	170	76

15.9.3 Statement of changes in deferred tax assets not stated in the balance sheet

EUR thousands	2013	2012
Balance as at 1 January	76	317
Additions	94	-
Withdrawal	-	-/- 241
Balance as at 31 December	170	76

The Managing Board expects that with regard to these tax losses there will be no sufficient taxable profit in the future for PCEEPF N.V. to set off these losses.

15.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are entirely at the free disposal of PCEEPF.

15.11 SHAREHOLDERS' EQUITY

15.11.1 Statement of changes in shareholders' equity

EUR thousands	Issued capital	Share premium	Revaluation reserve	Reserve for currency translation differences	Retained earnings	Total shareholders' equity
Balance as at 1 January 2012	5,905	14,628	4,798	2,732	-/- 4,393	23,670
Result for the financial period	-	-	-	-	419	419
Change in revaluation reserve	-	-	-/- 29	-	29	-
Change in reserve for currency translation differences	-	-	-	148	-	148
Own ordinary shares issued	532	1,713	-	-	-	2,245
Own ordinary shares repurchased	-/- 8	-/- 3	-	-	-	-/- 11
Balance as at 31 December 2012	6,429	16,338	4,769	2,880	-/- 3,945	26,471
Balance as at 1 January 2013	6,429	16,338	4,769	2,880	-/- 3,945	26,471
Result for the financial period	-	-	-	-	-/- 133	-/- 133
Change in revaluation reserve	-	-	-/- 578	-	578	-
Change in reserve for currency translation differences	-	-	-	-/- 675	-	-/- 675
Own ordinary shares issued	270	881	-	-	-	1,151
Own ordinary shares repurchased	-	-	-	-	-	-
Balance as at 31 December 2013	6,699	17,219	4,191	2,205	-/- 3,500	26,814

15.12 ISSUED CAPITAL

15.12.1 Analysis issued capital

	Number 31-12-2013	EUR 1,000 31-12-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary shares (at EUR 5.00 each)	1,296,819	6,484	1,285,725	6,429
Registered shares (at EUR 5.00 each)	42,888	215		
Priority shares (at EUR 5.00 each)	1	-	1	-
Issued capital	1,339,708	6,699	1,285,726	6,429

15.12.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1,285,725	6,429	1,180,943	5,905
Issued during the financial period	11,094	55	106,301	532
Redeemed during the financial period	-	-	-/- 1,519	-/- 8
Balance in issue as at 31 December	1,296,819	6,484	1,285,725	6,429

15.12.3 Registered shares

As at 26 April 2013 Palmer Capital Nederland N.V. converted a part of the amount receivable amounting to EUR 473,000 into 22,188 registered shares PCEEPF N.V. The conversion is set on as at 26 April 2013 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.30).

As at 25 September 2013 Palmer Capital Nederland N.V. converted 11,094 registered shares into 11,094 ordinary shares. The conversion had no (negative) consequences for the existing shareholders of PCEEPF N.V.

As at 2 December 2013 Palmer Capital Fondsenbeheer B.V. transferred the remainder of its amount receivable amounting to EUR 678,000 into 31,794 registered shares PCEEPF N.V. The conversion is set on as at 2 December 2013 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.34).

Registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	-	-	-	-
Issued during the financial period	53,982	270	104,782	524
Redeemed during the financial period	-/- 11,094	-/- 55	-/- 104,782	-/- 524
Balance in issue as at 31 December	42,888	215	-	-

15.12.4 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven percent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December	1	-	1	-

15.12.5 Analysis authorized share capital

	Number 31-12-2013	EUR 1,000 31-12-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary shares (at EUR 5.00 each)	2,999,999	15,000	2,999,999	15,000
Priority shares (at EUR 5.00 each)	1	-	1	-
Authorized share capital	3,000,000	15,000	3,000,000	15,000

15.13 SHARE PREMIUM

The share premium comprises the amount paid in by the shareholders on ordinary and registered shares of PCEEPF N.V. over and above the nominal value. The uplift received on issuance of own ordinary and preferred shares or the reduction applied on redemption of own ordinary and registered shares is recognized directly in the share premium reserve.

The paid-up share premium for tax purposes as at 31 December 2013 was EUR 17,219,000 (31 December 2012: EUR 16,338,000).

EUR thousands	2013	2012
Balance as at 1 January	16,338	14,628
Received on issued ordinary and registered shares	881	1,713
Paid in redeemed ordinary and registered shares	-	-/- 3
Balance as at 31 December	17,219	16,338

15.14 REVALUATION RESERVE

The revaluation reserve comprises the cumulative unrealized positive net change in the fair value of the investment properties, less the related deferred tax liabilities. The deferred tax liabilities are deducted with due regard for the principles of valuation for deferred taxes (see section 12.22 “Income tax expense”). In case of sale of the investment property the cumulative unrealized positive net change in the fair value of the investment property sold, as well as the related deferred tax liabilities, are no longer stated in the revaluation reserve but recognized under retained earnings.

EUR thousands	2013	2012
Balance as at 1 January	4,769	4,798
Addition to / reduction on (-/-) change in fair value during the financial period	-/- 578	-/- 29
Balance as at 31 December	4,191	4,769

15.15 RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The reserve for currency translation differences comprises the exchange rate differences that arise from the foreign currency translation of net investments in subsidiaries outside the euro-zone into PCEEPF's reporting currency.

EUR thousands	2013	2012
Balance as at 1 January	2,880	2,732
Addition / reduction (-/-) in connection with translation net investments	-/- 675	154
Reduction in connection with decrease of net investments	-	-/- 6
Balance as at 31 December	2,205	2,880

15.16 RETAINED EARNINGS

It is proposed to the General Meeting of Shareholders to deduct the whole of the remaining profit for 2013 financial period from the retained earnings.

This proposal has already been recognized in the company balance sheet.

EUR thousands	2013	2012
Balance as at 1 January	-/- 3,945	-/- 4,393
Profit for the period	-/- 133	419
	-/- 4,078	-/- 3,974
Change in revaluation reserve	578	29
Balance as at 31 December	-/- 3,500	-/- 3,945

15.17 DEFERRED TAX LIABILITIES

15.17.1 General

The deferred tax liabilities relate to the differences between the carrying value of the assets and the book value for tax purposes of the assets.

15.17.2 Analysis of deferred tax liabilities stated in the balance sheet

EUR thousands	31-12-2013	31-12-2012
Receivables from group companies	-	95
Other financial investments	-	15
	-	110

15.17.3 Statement of changes in deferred tax liabilities

EUR thousands	2013	2012
Balance as at 1 January	110	13
Additions on account of temporary differences	-	97
Withdrawal on account of temporary differences	-/- 110	-
Balance as at 31 December	-	110

15.18 DEBTS TO CREDIT INSTITUTIONS

15.18.1 General

This includes the debts to credit institutions resulting from the repurchase from the liquidity provider (SNS Bank N.V.) of PCEEPF's ordinary shares.

15.18.2 Analysis of debts to credit institutions

EUR thousands	Principal of debt *EUR thousands*	Interest rate 31-12-2013	Final date
SNS Bank N.V.	4,250	SNS basis interest rate plus margin 2.5% per annum	December 2014

The debts to credit institutions are presented in the company balance sheet as follows:

EUR thousands	31-12-2013	31-12-2012
Long term liabilities	-	-
Current liabilities	1,562	1,504
	1,562	1,504

15.18.3 Statement of changes of debts to credit institutions

EUR thousands	2013	2012
Balance as at 1 January	1,504	1,976
Loans advanced	58	3
Redemptions	-	-/- 475
Balance as at 31 December	1,562	1,504

15.19 OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

15.19.1 Specification other liabilities, accruals and deferred income

This relates to other liabilities, accruals and deferred income with a term shorter than one year. The specification is as follows:

EUR thousands	31-12-2013	31-12-2012
Administrative expenses	644	1,351
Trade payables	390	183
Interest payables	28	27
	1,062	1,561

15.19.2 Specification administrative expenses

EUR thousands	31-12-2013	31-12-2012
Administrative expenses as of 27 February 2012 (Palmer Capital Fondsenbeheer B.V.)	644	199
Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)	-	1,152
	644	1,351

As agreed contractually as at 27 February 2012 the remainder of the "Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)" for the amount of EUR 1,152,000 is fully converted into registered shares PCEEPF, based on the Net Asset Value (NAV) of the ordinary shares on conversion date(s).

15.20 NON-CONTINGENT LIABILITIES

As at 31 December 2013 PCEEPF N.V. has the following non-contingent liabilities:

- PCEEPF N.V. has a liability for the amount of EUR 53,000 to SNS Securities N.V. related to a "retainer fee" regarding to a "capital raise", which is planned for 2014.

As at 31 December 2013 PCEEPF N.V. was not subject to any further contractual obligation concerning investments, repairs, maintenance or other non-contingent liabilities that will be settled in the following financial period.

15.21 CONTINGENT LIABILITIES

As at 31 December 2013 PCEEPF N.V. has the following contingent liabilities:

- PCEEPF N.V. has a potential liability for the amount of EUR 384,000 to SNS Securities N.V. related to “success fee” regarding to a “capital raise”, which is planned for 2014;
- PCEEPF N.V. has a potential liability for the amount of EUR 149,000 to Palmer Capital Fondsenbeheer B.V. regarding to Management fee, as a result of a provisional waiver for the Management fee above EUR 800,000.

As at 31 December 2013 PCEEPF was not subject to any further contingent liabilities, among which included obligations that result from security transactions related to (exchange) rate risk in connection with investments.

15.22 PERSONNEL COSTS

PCEEPF N.V. does not employ any personnel. (2012: 0)

15.23 REMUNERATION FOR THE MANAGING BOARD AND SUPERVISORY BOARD

During the financial period no (2012: no) remuneration including pension charges in the meaning of article 2:383 (1) of the Dutch Civil Code was charged to PCEEPF or group companies in respect of (former) members of the Managing Board.

For the remuneration of the Management of PCEEPF 0.083%-0.125% of the value of the total assets of PCEEPF is paid monthly to the Managing Board (Palmer Capital Fondsenbeheer B.V.), as stated in section 12.51 “Administrative expenses”.

As of 1 July 2012 the Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own Management fee with the amount of Asset Management fee for Palmer Capital Czech Republic s.r.o.

As at 11 December 2013 the Managing Board decided (for the time being) to “cap” the total Management fee 2013 at EUR 800,000 and to waive provisionally the claim above EUR 800,000.

15.23.1 Specification Management fee

This is the total fee received by the Managing Board (Palmer Capital Fondsenbeheer B.V.) for the Management it performs.

EUR thousands	**2013**	**2012**
Fund Management fee (Palmer Capital Fondsenbeheer B.V.)	949	997
Asset Management fee (Palmer Capital Czech Republic s.r.o.)	-/- 246	-/- 41
	703	956
Provisional waiver Fund Management fee (Palmer Capital Fondsenbeheer B.V.)	-/- 149	-
	554	956

15.23.2 Specification remuneration Supervisory Board

EUR thousands	2013	2012
Prof. Dr. J.L. Bouma (chairman)	14	14
B. Vos M.Sc.	14	14
	28	28
Release Supervisory Board fee E. Roden 2010	-	-/- 12
	28	16

PCEEPF has provided no loans, advances or guarantees for the members of Managing Board or the members of the Supervisory Board. Neither the members of the Managing Board nor the members of the Supervisory Board received any options or remuneration in the form of PCEEPF's shares.

15.24 RELATED PARTIES

15.24.1 Identity of related parties

With regard to PCEEPF the following categories of related party were distinguished during the 2013 financial period:

A. Managers in key positions;
B. Major investors;
C. All organisational entities within the group designated as “Palmer Capital” (“PC”);
D. Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital;
E. Investments undertaken by Palmer Capital, in which Palmer Capital has significant influence (more than 20% of voting rights).

15.24.2 Transactions with and / or interests of managers in key positions (A)

During the financial period PCEEPF entered into the following transactions with the managers in key positions:

A. Palmer Capital Fondsenbeheer B.V. converted the remainder of its amount receivable regarding to Management fee amounting to EUR 678,000 into 31,794 registered shares as described in section 12.32.3 “Registered shares”.
B. The Managing Board of Palmer Capital Fondsenbeheer B.V. decided (for the time being) to “cap” the total Management fee 2013 at EUR 800,000 and to waive provisionally the claim above EUR 800,000, as described in section 15.21 “Contingent liabilities”;
C. The Managing Board of Palmer Capital Fondsenbeheer B.V. decided to reduce its own Management fee, with the amount of Asset Management fee paid by Palmer Capital RE Slovakia s.r.o. to Palmer Capital Czech Republic s.r.o. for the amount of EUR 162,000.

During the financial period no other transactions occurred with members of the Managing Board and / or members of the Supervisory Board. In addition, neither the Managing Board nor the Supervisory Board held interests in PCEEPF or investments of PCEEPF.

The remuneration for the Managing Board is described in section 12.51 “Administrative expenses”. The remuneration for the Supervisory Board is described in section 12.52 “Other operating expenses”.

15.24.3 Transactions with and / or interests of major investors (B)

Pursuant to the decree on Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”) PCEEPF reports one major investor, namely Stichting Prioriteit MERE (the “Foundation”), which holds all priority shares in PCEEPF’s capital. No transactions occurred between the Foundation and PCEEPF N.V. during the financial period.

15.24.4 Transactions with other related parties (C-D-E)

During the financial period PCEEPF N.V. entered into the following transactions with the other related parties:

A. Providing loans to group companies, as described in section 15.6 “Receivables from group companies”;
B. Providing credit by PCEEPF N.V. to Palmer Capital Central European Properties a.s. for the principal amount of EUR 1,310,000 (2012: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2012: 12.0%) was received. As at 31 December 2013 the outstanding amounts are EUR 517,000 (2012: EUR 912,000) and the receivable interest is EUR 601,000 (2012: EUR 579,000);
C. Palmer Capital Nederland N.V. converted a part of the amount receivable amounting to EUR 473,000 into 22,188 registered shares as described in section 12.32.3 “Registered shares”.

15.24.5 Investments in other related parties (C-D-E)

During the financial period PCEEPF N.V. has not entered into investments in other related parties.

15.25 TAXES

As of 1 January 2009, PCEEPF N.V. has left the status of fiscal investment institution. As of this date, taxable profits are subject to income tax.

Deventer, 29 April 2014

The Managing Board:

Palmer Capital Fondsenbeheer B.V.
On behalf of,

G.St. J. Barker LLB FRICS
P.H.J. Mars, M.Sc.
P.H. van Kleef RC MRE

The Supervisory Board:

Prof. Dr. J.L. Bouma (chairman)
B. Vos M.Sc.

16 OTHER INFORMATION

16.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION

In accordance to Article 28 of the Articles of Association dated 26th June 2012, profits are determined and distributed as follows:

28.1 From the profit earned in a financial period in so far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.

28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.

28.3 It is the prerogative of the general meeting of shareholders to appropriate the profit remaining after application of articles 28.1 and 28.2 above.

28.4 Distribution of profit occurs after adoption of the financial statements evidencing that this is permitted.

28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a company reserve.

28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.

28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.

28.8 In calculating the amount of any distribution on shares the shares held by the company in its own capital are not included.

16.2 PROPOSAL FOR THE COMPANY RESULT APPROPRIATION

The company profits for the 2013 financial period amounts to EUR 133,000 negative. In connection with the mandatory net reduction of EUR 578,000 on the "Revaluation reserve" the remaining profit for the 2013 financial period was EUR 445,000. It is proposed to the General Meeting of Shareholders to add the whole of the remaining profit for 2013 financial period to the retained earnings.

This proposal has already been recognized in the company balance sheet.

16.3 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION

On 24 January 2006 Palmer Capital Fondsenbeheer B.V. obtained a permit from the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the "AFM") under the Dutch Act on the Supervision of Investment Institutions (Wet toezicht Beleggingsinstellingen, the "Wtb"), which was superseded by the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the "Wft") as per 1 January 2007 to act as a Management company of PCEEPF.

16.4 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by PCEEPF, except for B. Vos M.Sc. who had 2,000 ordinary shares (31 December 2012: 2,000) in private possession and 2,074 ordinary shares (31 December 2012: 2,074) in possession through Bas Vos B.V. As per 31 December 2013 Palmer Capital Investments GmbH held 42.888 registered shares in PCEEPF as a result of the share transfers during 2013.

16.5 SPECIAL CONTROLLING RIGHTS

Special rights in respect of control of the company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- To determine the number of members of the Managing Board and Supervisory Board;
- To make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- To make the proposal to the General Meeting of Shareholders to suspense or dismiss a Managing Board member and / or a Supervisory Board member;
- To make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- To determine which part of the profits remaining after priority dividend (see also section 16.1) shall be reserved;
- To make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a company reserve;
- To make the proposal to the General Meeting of Shareholders to amend the Articles of Association of PCEEPF N.V.;
- To make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of PCEEPF N.V.;
- To make the proposal to the General Meeting of Shareholders for dissolution of PCEEPF N.V.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning:

- Reduction of the issued share capital.

16.6 EVENTS AFTER BALANCE SHEET DATE

After the financial period Palmer Capital RE Bohemia s.r.o. agreed with Sberbank for refinancing of the secured bank loan with Raiffeisen Bank a.s. for which CZK 269,701,000 (EUR 9,833,000) as the amount at 31 December 2013. The new principal amount of the secured bank loan Sberbank is CZK 298,000,000 (EUR 10,865,000) at the end of March 2014.

16.7 INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders of Palmer Capital Emerging Europe Property Fund N.V.

16.7.1 Report on the financial statements

We have audited the accompanying financial statements 2013 of Palmer Capital Emerging Europe Property Fund N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

16.7.2 Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the managing board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

16.7.3 Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

16.7.4 Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Palmer Capital Emerging Europe Property Fund N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

16.7.5 Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Palmer Capital Emerging Europe Property Fund N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

16.7.6 Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the managing board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the managing board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 29 April 2014

KPMG Accountants N.V.

J.J.A. van Nek RA