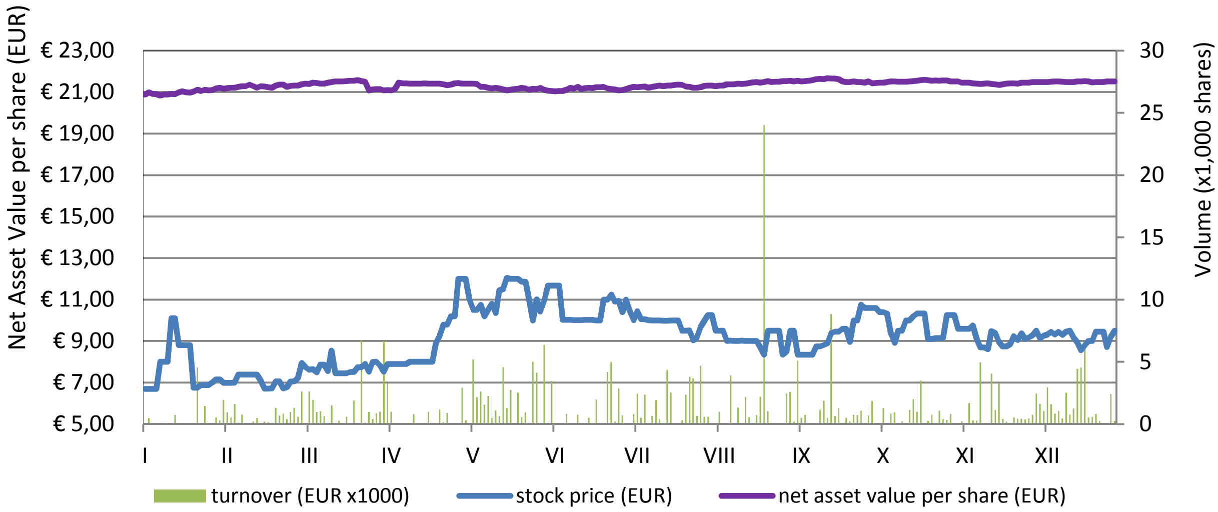
PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

PALMER CAPITAL

ANNUAL REPORT 2012

PCEEPF Net Asset Value per share and Stock Price development in 2012



Source: NYSE EURONEXT

Key figures balance sheet (IFRS)

EUR Thousands	**2012**	**2011**	**2010**	**2009**	**2008**
Investment properties	59,830	63,973	70,518	71,120	67,855
Other non-current assets	2,278	2,683	2,917	3,110	3,192
Current assets	2,394	2,412	4,061	4,765	3,244
Total assets	**64,502**	**69,068**	**77,496**	**78,995**	**74,291**
Shareholders' equity	26,471	23,670	28,594	25,593	23,756
Deferred tax liabilities	4,956	4,018	4,493	4,437	3,220
Other non-current liabilities	10,783	32,935	37,334	38,528	36,120
Current liabilities	22,292	8,445	7,075	10,437	11,195
Total equity and liabilities	**64,502**	**69,068**	**77,496**	**78,995**	**74,291**

Key figures results (IFRS)

EUR Thousands	**2012**	**2011**	**2010**	**2009**	**2008**
Direct result before tax	1,081	1,019	1,464	1,250	1,064
Indirect result before tax	147	-/- 6,151	1,889	1,524	-/- 7,129
Profit before tax	**1,228**	**-/- 5,132**	**3,353**	**2,774**	**-/- 6,065**
Income tax expense	809	-/- 499	250	899	-/- 585
Profit after tax	**419**	**-/- 4,633**	**3,103**	**1,875**	**-/- 5,480**

KEY FIGURES OF PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

Annual return on NAV per share

+ 2.9 %

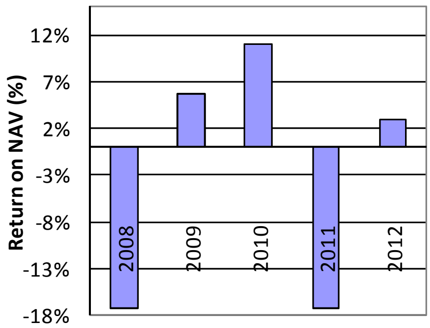
Increased to EUR 21.09

Annual return on Share price

+41.8%

Share price increased to EUR 9.50 from EUR 6.70

The calculated Net Asset Value increased over the year by 2.9 %. The NAV_{EPRA}[1] per share increased from EUR 20.49 to EUR 21.09 per share. The return on NAV per share is higher due to the higher valuation of the assets and positive sales of properties and operational result (see §12.25). One-off settlement costs related to changes to property management and the asset sale reduced the return on NAV by almost 2%.

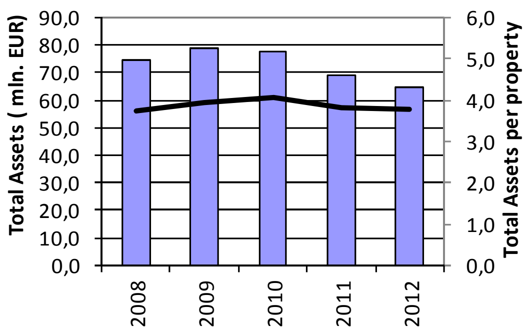


Total Assets

- 6.6 %

Decreased to EUR 64.50 million

The Total Assets decreased net by EUR 4.57 million or 6.6%, for the most part because of the sale of the Štefánikova property, located in Zlín, the Czech Republic. The asset value per property in the portfolio stayed the same, which is an indicator of the average asset size under management.



Gross Rental Income

- 12.9 %

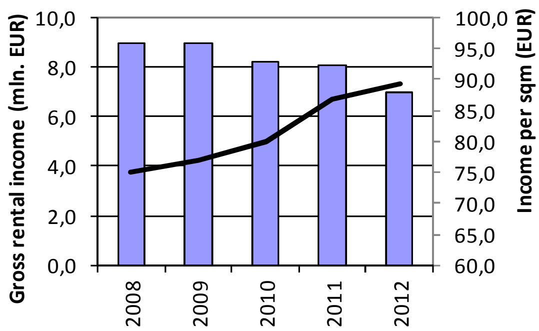
Reduced to EUR 7.01 million

Gross Rental Income/m2

+ 2.8 %

Increased to EUR 89.2 per m2

The Gross Rental Income for the period for the financial year ending 2012 decreased to EUR 7.01 million from EUR 8.04 million in the previous financial year. The decrease is due in large part to the sale of the Štefánikova property in Zlin.

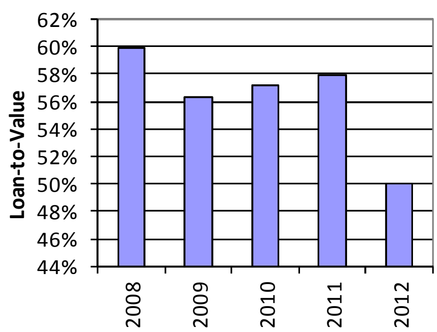


Loan-to-Value (LTV)

49.3%

Down from 57.9% last year

The Loan-to-Value (LTV) improved significantly to just 49.3% for the financial year 2012. The decrease of the LTV is a result of scheduled bank loan amortizations, the additional bank instalments resulting from the sale of the Stefanikova property and the net higher portfolio fair value.



[1] The European Public Real Estate Association (EPRA)

1 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.

On 27 February 2012 Middle Europe Investments N.V. (MEI) and its subsidiary MEI-Fondsenbeheer B.V. (MFB) were acquired by Palmer Capital Investments GmbH (Palmer Capital). The new directors of MFB and MEI obtained from AFM (Stichting Autoriteit Financiële Markten, the "AFM") a permit under the Act on the Supervision of investment Institutions. The completion of the transaction took place in consultation with the AFM.

As of 8 May 2012 the AFM terminated the appointment of a silent Administrator at MFB who was appointed by the AFM on 22 October 2010.

As of 8 May 2012 the AFM terminated the appointment of a silent Administrator at MFB who was appointed by the AFM at 22 October 2010.

Palmer Capital Fondsenbeheer B.V. currently has the following directors:
G.St.J. Barker LLB FRICS (since 27 February 2012)
P.H.J. Mars M.Sc.
Drs. P.H. van Kleef RC MRE (since 31 October 2012)

H.H. Kloos RBA resigned as per 31 October 2012.

The Managing Board has chosen domicile at the office of TSF. 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 (since 27 February 2012)
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

2 SUMMARY

Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) (previously MEI-Real Estate N.V.) 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 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 2012, 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 2012 was EUR 59.83 million, a 6.5% decrease compared to EUR 63.97 million ultimo 2011. This decrease is largely due to the sale of the Štefánikova property in Zlin, Czech Republic. Adjusted for this sale the fair value of the real estate portfolio increased by 1.7% from EUR 58.85 million to EUR 59.83 million.

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

	2012	2011	2010	2009	2008	2007	2006	2005
Return (%)	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 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 became possible 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 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 (currently 49.3%) 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 to be not 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 end entrepreneurship. It 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 Assocation (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, the Supervisory Board will submit transactions for approval.

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

Key data per year ultimo 2012 and 2011

EUR thousands	**31/12/2012**	**31/12/2011**
Total Assets	64,502	69,068
Total Liabilities	38,031	45,398
Bank Debts	29,945	37,049
LTV* (%)	49.3	57.9
Occupancy (%)**	75.1	79.0
Gross Income***	8,106	9,578

* defined as Bank Debts / Investment property and other investments (see chapter 7)
** see also §6.3 for more information
*** gross rental income and Service charge income over respectively the whole year 2012 and 2011

4 PRE-ADVICE OF THE SUPERVISORY BOARD

Hereby we present the annual report of Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) that has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January until 31 December 2012.

The financial statements are audited and have been approved by KPMG accountants N.V. The auditor's report is presented on pages 104-105. The Supervisory Board has received notice of this approval.

The Supervisory Board recommends the financial statements for the year 2012 to the General Meeting for approval. The proposal by the Managing Board not to pay a dividend for the year 2012 has been approved by the Supervisory Board.

During 2012, the Supervisory Board had five meetings. During these meetings, the Supervisory Board discussed the (administrative) organization, the bid approach from CTP, the transition to a closed-end fund structure and further, investment strategy, commercial strategy and financial reporting. These meetings were attended by the Managing Board.

Deventer, 29 April 2013

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 2012 of the Palmer Capital Emerging Europe Property Fund N.V. The reporting period is from 1 January 2012 to 31 December 2012.

5.1 DEVELOPMENTS DURING 2012

2012 was an eventful and important year for the Fund, in which it experienced many changes. The Fund made the transition from open-end to closed-end and MEI Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.), the manager of the fund, was taken over by Palmer Capital. During the year, management efforts were concentrated on improving the cost structure of the Fund and increasing operational control by insourcing the asset management. This has been achieved across both the Czech and Slovak portfolios, allowing management now to focus on stabilising the debt financing structures and improving net income returns.

Net Asset Value

PCEEPF concluded the period with a 2.9% higher net asset value per share compared to the beginning of 2012. The following table shows the development of the Fund's Net Asset Value during the period from 1 January 2012 to 31 December 2012.

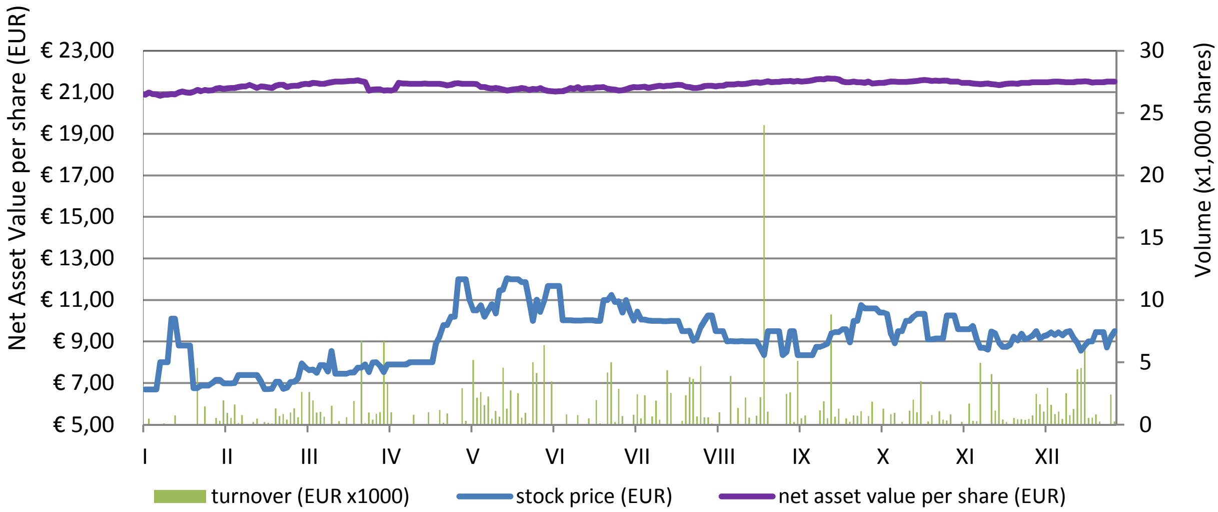
Table 2 – Development of the Net Asset Value per half year till ultimo 2012

	31-12-2012	30-6-2012	31-12-2011
Net Asset Value (EUR/share)	21.09	21.15	20.49
Return on NAV YoY (%)	2.9	-17.7	-17.2
Return on NAV YtD (%)	2.9	3.2	n/a

Stock price

During 2012 the price on the stock exchange increased by 41.8% from EUR 6.70 to EUR 9.50.

Figure 1 –Development of the Fund's net asset value and stock price per share during 2012



The initial stock price of 2012, EUR 6.70, was based on the DOW ('Directe opbrengstwaarde') that was applied for redemption of shares during the transition period from open-end fund to closed-end fund. The stock price increased by 41.8% to EUR 9.50 per share at 31 December 2012. The following table shows a summary of the stock market developments of PCEEPF during 2012. It shows that during the year the price volatility decreased and the trade volume increased, both signs of improving trading fundamentals for the Fund.

Table 3 – Price development on the stock exchange during 2012

	Opening price quarter start (EUR)	Closing price end quarter (EUR)	Trade volume during quarter (shares)	Difference max. and min. price per share (EUR)
1 January – 31 March	6.70	7.53	55,599	3.41
1 April – 30 June	7.90	11.00	73,236	4.15
1 July – 30 September	10.45	10.59	102,313	2.40
1 October – 31 December	10.59	9.50	71,306	2.03

Source: Euronext

The year was enervating and showed the following events in chronological order:

Continuation as closed-end fund

On 4 January 2012 MEI-Real Estate N.V. (MERE) (currently Palmer Capital Emerging Europe Property Fund N.V.) became active as a closed-end fund. From 5 January 2012 daily share trades as a closed-end investment fund became possible through NYSE Euronext Amsterdam.

Acquisition of Middle Europe Investments N.V. by Palmer Capital Investments GmbH

On 27 February 2012 Palmer Capital Investments GmbH (Palmer Capital) acquired Middle Europe Investments N.V. and its subsidiaries. In June 2012 Middle Europe Investments N.V. was rebranded as Palmer Capital Nederland N.V. (PCN).

Transfer of receivable into shares

On 27 February 2012 Palmer Capital converted part of a receivable of Palmer Capital Fondsenbeheer B.V. (PCFB) on PCEEPF into PCEEPF shares at net asset value. This receivable comprised unpaid management fees accrued up to 27 February 2012. Palmer Capital Fondsenbeheer partially transferred its receivable of EUR 3,385,535 on PCEEPF to PCN. PCN converted EUR 2,234,424 of this receivable into 104,782 shares of PCEEPF. The conversion had no influence on the Net Asset Value per share and was neutral for existing shareholders. Initially these shares would be held as registry shares. The conversion increased the solvability of PCEEPF from 35% to 38% and impacts the result per share.

Sale of office property in Žlin

On 5 April 2012 MERE (now PCEEPF) sold the Štefánikova 167 office property in the Czech city of Žlin. The buyer was a local telecommunication company. The sale price was EUR 6.02 million, which was more than 10% above the external valuation as at 31 December 2011.

Extraordinary General Meeting of Shareholders

On 25 April 2012 an Extraordinary General Meeting (EGM) was held to present Palmer Capital's revised strategy for the Fund. The Fund's strategy would now focus on the creation of free cash flow to create the possibility to distribute regular cash dividends. On the same day as this EGM the Dutch company CTP Property N.V. (CTP) notified the Fund that they might make an offer for the MERE shares in the range of EUR 10 to EUR 14 per share. On 24 May 2012 they formally withdrew this notification.

Significant expansion of lease contract in the Slovak Republic

On 24 May 2012 the Fund signed a new lease agreement on the Letna asset in Kosice, Slovak Republic. The lease agreement has a three-year term to 31 May 2015. As a result the contracted gross rental income from the property increased from EUR 585,000 to EUR 775,000 per year.

Instalment on SNS loan

On 19 June 2012 the Fund repaid the SNS Bank EUR 475,000 of its outstanding loan. The outstanding loan amount is now EUR 1.5 million (end 2011: EUR 1.98 million).

General Meeting of Shareholders

On 21 June 2012 the General Meeting of Shareholders adopted the annual accounts of 2011 and the change of the name of the Fund.

Real estate portfolio valuation

On 29 June 2012 the Fund performed its periodical internal valuation of the property portfolio. The valuation, which took into account the rental income, the estimated rental value and the yield, resulted in a slightly higher fair value.

Fund name change

On 3 July 2012 the Fund changed its name from MEI-Real Estate N.V. to Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF). This was done after the General Meeting of Shareholders approved the decision to amend the Articles of Association on 21 June 2012. The registration of the new name with the Chamber of Commerce took place on 3 July 2012. Thereafter the new name was implemented in the trading of NYSE Euronext Fund Service Amsterdam.

Renegotiated real estate and facility management contracts - first phase cost reduction

On 2 October 2012 Palmer Capital Fondsenbeheer B.V. announced it had reached agreement with external service providers of the Fund on a reduction in the fee for the property and facility management. The result of these changes was that the total contracted management fee for the Fund was reduced by more than 25% on an annual basis. Asset management was insourced and is now done by Palmer Capital Czech Republic, s.r.o. Asset management comprises the main value determining activities such as purchase and sale negotiations, contacts with key tenants and negotiations with financiers. In this way, the interests of the shareholders of the Fund are optimally represented. These changes are an important step towards improving the financial performance of the Fund over the long term. Also the control of the Management Board over operations impacting the Fund's performance has been significantly enhanced.

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

As at 24 October 2012 Palmer Capital Fondsenbeheer B.V. converted 52,391 registered shares to 52,391 ordinary shares. As at 27 November 2012 Palmer Capital Fondsenbeheer B.V. converted the remaining registered shares (52,391) to 52,391 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.

Change of Management Board of Palmer Capital Fondsenbeheer B.V.

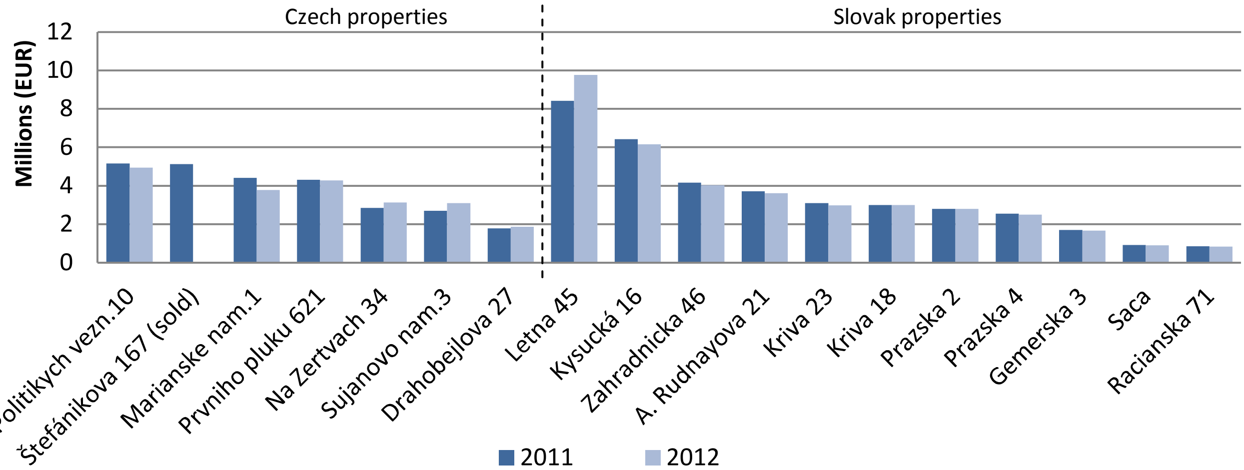
With effect from 31 October 2012 Peter H. van Kleef M.Sc. RC MRE joined the board of Palmer Capital Fondsenbeheer BV. Peter van Kleef is Palmer Capital’s Chief Financial Officer for Continental Europe and has extensive experience in both financial management and real estate. Over the last 20 years Peter van Kleef has worked in various positions within the institutional real estate sector in the Netherlands.

The management of Palmer Capital Fondsenbeheer B.V. is now composed of Guy St. John Barker, Peter H. van Kleef and Peter H.J Mars.

Revaluation of property portfolio

On 22nd December the Fund implemented the updated external valuations of the property portfolio. The fair value of the portfolio as at 31 December 2012 is EUR 59.83 million. This is a 1.7% increase at the same currency exchange rate compared to the equivalent portfolio at the same date last year (EUR 58.9 million) (see § 12.25).

Figure 2 – Real Estate property fair values at year ultimo



Due to the sale of the Štefánikova 167 property in Žlin, the total assets under management decreased by EUR 4.57 million during 2012, from EUR 69.07 million at 31 December 2011 to EUR 64.50 million at 31 December 2012.

5.2 DEVELOPMENT OF THE REAL ESTATE PORTFOLIO

The Palmer Capital Emerging Europe Property Fund N.V. invests in commercial real estate which generates a high net cash flow. During the reporting period one large office property in Žlin was sold. As at 31 December 2012 the Fund's portfolio comprised seventeen properties.

The occupancy rate of the portfolio weakened slightly during 2012, to 75.3%, reflecting the sale of the fully-leased Žlin office property. Generally the leasing market in Czech Republic and Slovakia has been stable over the reporting period, with rental levels broadly unchanged for several years now. Tenants are, however, highly selective and demanding in respect of fit-out contributions, rent-free periods and other incentives from landlords. The management anticipates this market equilibrium will be maintained through 2013. The net rental income during 2012 was EUR 3.58 million (2011: EUR 4.38 million).

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 bank financing criteria become less stringent.

The following tables provide an overview of portfolio developments during 2012.

Table 4 – Real estate portfolio summary at year ultimo

	31-12-2012	31-12-2011	change	%
Fair Value (EUR x 1,000)	59,830	63,973	-/- 4,143	-/- 6.5
Properties (number)	17	18	-/- 1	-/- 5.6
Rentable area (m^2)*	108,969	117,239	-/- 8,270	-/- 7.1
Occupancy (%)*	75.1	79.0	-/- 3.9	-/- 5.0

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

Table 5 – Rental summary

EUR thousands	01-01-2012 until 31-12-2012	01-01-2011 until 31-12-2011	change	%
Gross rental income	7,007	8,042	-/- 1,035	-/- 12,9%
Service charge income	1,099	1,536	-/- 0,437	-/- 28,5%
Total rental and service income	**8,106**	**9,578**	**-/- 1,472**	**-/- 15,4%**
Service charge expenses	2,532	2,823	0,291	-/- 10,3%
Property operating expenses	1,990	2,373	0,383	-/- 16,1%
Net rental income	**3,584**	**4,382**	**-/- 0,798**	**-/- 18,2%**

Of the decrease of the total rental and service income, approximately EUR 0.81 million is due to the sale of the Štefánikova property in Žlin, Czech Republic. The rest of the decrease is related to the increase of vacancy.

5.3 EXCHANGE RATE MOVEMENTS

The Czech Koruna (CZK) appreciated by 2.5% against the Euro during 2012. On 31 December 2011 the exchange rate was 25.787 CZK/EUR and on 31 December 2012 25.151 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 since within the Czech part of the portfolio, since 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. 30% of the entire Fund portfolio.

5.4 FINANCIAL SITUATION

The total liabilities at 31 December 2012 are EUR 38.03 million (31 December 2011: EUR 45.40 million). The total bank liabilities are EUR 29.95 million at 31 December 2012 (2011: EUR 37.49 million). Hence approximately 49.3% of the total investment property portfolio is financed by bank loans. Part of the outstanding bank loans is the EUR 16.78 million Slovak bank loan from Tatra Banka that expires in August 2013. The Fund is in detailed negotiations with Tatra Banka about an extension of the loan and the Management expects to conclude these negotiations successfully in the course of the year.

At the end of 2012 the consolidated Loan-to-Value (LTV) of the PCEEPF portfolio was 49.3%.

5.5 THE RESULT

As at 31 December 2012 the Net Asset Value was EUR 21.09 per share. This is a 2.9% uplift over the year, from the NAV of EUR 20.49 per share at 31 December 2011.

Table 6 – Comparative statement of the NAV per share

EUR thousands	**31-12-2012**	**31-12-2011**
Shareholders' equity	26,471	23,670
50% of the deferred tax liabilities concerning revaluation gains on investment property	645	533
Shareholders equity in accordance with EPRA[2]	27,116	24,203
Number of ordinary shares in issue	1,285,725	1,180,943
Adjusted EPRA-NAV (in Euro)	**21.09**	**20.49**

Profit

The profit for 2012 after EUR 0.81 million income tax expense (see table 6 and §12.56.3) amounted to EUR 0.42 million (2011: -/- EUR 4.63 million). The basic earnings per share amounted in 2012 to EUR 0.33 per share (2011: -/- EUR 3.92) (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	**2012**	**2011**
Tax due on profits	291	-/- 72
Deferred tax on profits	518	-/- 427
Total tax stated	**809**	**-/- 499**

Direct result

The direct result is the result generated from lettings net of costs. The direct result before tax for 2012 amounted to EUR 1.08 million (2011: EUR 1.02 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 2012 (including minority interest) amounted to EUR 0.15 million (2011: -/- EUR 6.15 million). The indirect result is the result that arises primarily from realised and unrealised increases in the value of the portfolio. The positive external property portfolio valuation as at 31 December 2012 contributed to the better indirect result.

The following table provides a statement of recognised income and expense for the period to 31 December 2012 and the same period last year (see chapter 9).

[2] European Public Real Estate Association

Table 8 – Statement of recognised income and expense for the period to 31 December 2012

EUR thousands	01-01-2012 until 31-12-2012	01-01-2011 until 31-12-2011
Foreign exchange translation differences on net investment in group companies	201	-/- 374
Income tax on foreign currency translation differences on net investment in group companies	-/- 53	83
Net gain/ (loss) recognised directly in shareholders' equity	**148**	**-/- 291**
Profit for the period	419	-/- 4,633
Total recognised income and expense for the period	**567**	**-/- 4,924**

Dividend

Although 2012 saw an increase of the Net Asset Value per share, the cash surplus generated by the Fund in its operations in Czech Republic and Slovakia was applied exclusively to extra debt repayments to local banks and to SNS Bank in the Netherlands. PCEEPF will not therefore distribute a dividend to shareholders for the year 2012.

Ongoing Charges Figure

Following the European legislation as per 1 July 2012 a new calculation method is applicable for the costs' ratio. As a result, the term Total Expense Ratio (TER) will be replaced in time into Ongoing Charges Figure (OCF). The OCF decreased to 13.23% (2011: 13.83%). See for more about OCF §12.55.

The TER (including local property exploitation costs) continued to decrease to 13.64% in 2012 (2011: 14.60%) despite the decrease in portfolio size and despite the high relative fixed costs of maintaining listed status on Euronext. The table below provides a specification summary of the expense ratio of 2012 and 2011 (see also §12.55). For a better comparison with investment entities that do not invest in real estate the expense ratio excluding the direct property related costs is also shown.

Table 9 - Expense Ratio structure of 2012 and 2011

EUR thousands	2012		2011	
	EUR	Expense ratio*	EUR	Expense ratio*
Management fee	997		1,130	
Other costs	604		653	
Expense ratio excluding direct real estate related costs	**1,601**	**6,08%**	**1,783**	**6,26%**
Net operating costs of direct real estate related costs	1,990		2,373	
Expense ratio	**3,591**	**13,64%**	**4,156**	**14,60%**

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

5.6 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was -/- EUR 0.55 million (2011: -/- 1.31 million). The cash flow -although negative- was significantly higher than 2011. It is important to note that the 2012 cash flow was especially impacted by EUR 7.26 million of bank loan instalments, which are not costs. The cash flow from operating activities decreased to EUR 2.26 million (2011: EUR 3.31 million). The first reason is the EUR 0.52 million decrease of the operational income related to the sold Štefánikova property. The second reason is the EUR 0.86 million income tax (2011: -/- 0.58 million) charge. The table below provides a summary of the cash flow (see chapter 11).

Table 10 – Consolidated cash flow statement of 2012 and 2011.

EUR thousands	**2012**	**2011**
Income		
Cash flow from / used in (-/-) operating activities	2,257	3,313
Net cash flow from / used in (-/-) investment activities	5,527	-/- 405
Total income	**7,784**	**2,908**
Expense		
Interest paid	-/- 1,078	-/- 1,420
Net cash flow from / used in (-/-) financing activities	-/- 7,253	-/- 2,801
Total expense	**-/- 8,331**	**-/- 4,221**
Net increase / decrease (-/-) in cash and cash equivalents	-/- 547	-/- 1,313

5.7 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.

5.8 FUND COMMENTARY AND OUTLOOK

During Q1 2012 the Management conducted a review of the Fund's strategy and presented investors with a vision for its long-term future. Immediately thereafter, the operations and costs of the Fund were reviewed and a series of changes were then implemented to reduce management costs and assert direct control over key operational areas.

The second stage of the implementation of the revised strategy, to be effected during 2013, will be a rationalisation of the debt financing structures to create additional free cash flow and to permit eventual distribution of the surplus to shareholders in the form of dividends. In parallel, the detailed property portfolio review undertaken over the last 12 months has identified several assets for disposal which will decrease specific risk at portfolio level, improve the gross to net income ratios of the Fund and enable further reductions in net debt.

The Fund's performance on the stock market shows an increasing level of transactions and a substantial uplift in the share price during 2012. However, the shares continue to trade at prices significantly below the net asset value of the fund. It is a priority of Management to continue to reduce the trading discount over the coming months.

Management shares the view of the international real estate advisory companies active in the region (CBRE, Jones Lang LaSalle, DTZ and Knight Frank) and expects that the Czech and Slovak office markets will continue to demonstrate stable rental price levels and vacancy rates during 2013. This market environment provides some scope for incremental improvements to the Fund's occupancy rates through active asset management.

Management also expects the rest of 2013 will show a further increase in investment transaction activity in the regional markets for lot sizes up to € 5 million, mostly from local investors.

5.9 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 2013

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, M.Sc., RC MRE, Managing director

6 THE REAL ESTATE PORTFOLIO

As at 31 December 2012 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 now has six properties (one property was sold during 2012) 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)	8,228
Occupation Rate (occupancy main building)	52.9% (76.9%)
Fair value (mln. EUR)	2.701

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 rentable area is 8,228 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 76.9%. There are sufficient parking spaces available.

Marianske nam.1, Brno	
Type	Offices & Storage
Rentable Surface (sqm)	11,214
Occupation Rate (occupancy main buildings)	47.7% (79.0%)
Fair value (mln. EUR)	4.407

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 and has 6,766 m2 of standard B-class office space, 4,448 m2 industrial space and 119 parking lots. The tenant GiTY vacated the property at the end of 2012, however there are prospective tenants for this space.

Na Zertvach 34, Prague 8

Type	Office
Rentable Surface (sqm)	2,138
Occupation Rate	100%
Fair value (mln. EUR)	2.854

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)	2,812
Occupation Rate	98.1%
Fair value (mln. EUR)	4.314

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 2,812 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)	2,537
Occupation Rate	45.1%
Fair value (mln. EUR)	5.154

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 2,537 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)	2,869
Occupation Rate	54.3%
Fair value (mln. EUR)	1.788

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 space is 4,552 sqm, but only 2,869 sqm. is rentable 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)	2,929
Occupation Rate	61.5%
Fair value (mln. EUR)	0.860

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 2,929 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)	3,771
Occupation Rate	62.1%
Fair value (mln. EUR)	4.170

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 3,771 sqm of rentable area. The building has 28 parking spaces.

Gemerska 3, Kosiče	
Type	Office
Rentable Surface (sqm)	4,524
Occupation Rate	73.2%
Fair value (mln. EUR)	1.700

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 4,523 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)	6,058
Occupation Rate	68.9%
Fair value (mln. EUR)	2.990

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 6,091 sqm. There are 111 parking places available.

Prazska 4, Košiče	
Type	Office
Rentable Surface (sqm)	6,145
Occupation Rate	69.2%
Fair value (mln. EUR)	2.550

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 7,735 sqm. of which 6,164 sqm. is rentable. There are 71 parking spaces available.

Prazska 2, Košiče	
Type	Office
Rentable Surface (sqm)	6,056
Occupation Rate	90.2%
Fair value (mln. EUR)	2.800

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 7,724 sqm of which 6,055 sqm is rentable.

Kriva 23, Košiče	
Type	Office
Rentable Surface (sqm)	7,291
Occupation Rate	70.2%
Fair value (mln. EUR)	3.090

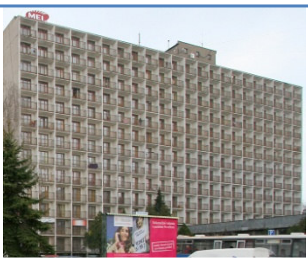
This 10-storey commercial building occupies an accessible location approximately 500m south east from the city centre. The premises can be used for office or retail purposes. The total space of Krivá 23 is 9,030 sqm. of which 7,291sqm. is rentable. There are 111 parking places available.

Letna 45, Košiče	
Type	Office
Rentable Surface (sqm)	11,238
Occupation Rate	89.1%
Fair value (mln. EUR)	8.410

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 11,238 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, Košiče	
Type	Storage & Logistics
Rentable Storage Surface (sqm)	14,200
Occupation Rate (storage areas)	93.4%
Fair value (mln. EUR)	0.924

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 14,200sqm. 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, Košiče

Type	Office/hostel
Rentable Surface (sqm)	10,712
Occupation Rate	72.8%
Fair value (mln. EUR)	6.430

Two storeys with a total of 1,885 sqm are used for administrative purposes and retail. The remaining eleven storeys of 8,827 sqm are used as long-stay hotel 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)	9,824
Occupation Rate	70.1%
Fair value (mln. EUR)	3.710

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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Czech Republic (CR):																				
Drahobejlova	1,243	1,098	-	-	-	-	225	225	-	-	89	89	1,557	1,412	174	1,999	1,312	1,140	3,043	4,551
Na Zertvach	1,332	752	-	-	-	-	58	54	267	267	481	400	2,138	1,473	719	702	-	654	2,857	2,829
Prvniho pluku	2,535	2,554	-	-	14	17	119	208	-	-	90	97	2,758	2,876	2,171	1,974	54	133	4,983	4,983
Marianske namesti	2,158	2,645	-	-	1,273	1,236	864	1,332	670	700	382	644	5,347	6,557	2,184	2,184	5,867	4,735	13,398	13,476
Sujanovo namesti *	2,536	2,255	-	-	616	1,114	830	584	63	63	303	577	4,348	4,593	3,795	3,795	1,303	1,059	9,446	9,447
Politickych veznu	728	1,241	-	-	27	29	74	89	60	60	254	410	1,143	1,829	457	616	1,394	477	2,994	2,922
Štefánikova **	5,070	5,070	-	-	268	268	1,012	1,012	607	607	125	125	7,082	7,082	2,484	2,484	972	972	10,538	10,538
Total Czech Republic	15,602	15,615	-	-	2,198	2,664	3,182	3,504	1,667	1,697	1,724	2,342	24,373	25,822	11,984	13,754	10,902	9,170	47,259	48,746
Slovakia:																				
Račianska	411	576	-	-	787	594	587	577	-	-	17	142	1,802	1,889	470	470	1,127	1,046	3,399	3,405
Záhradnicka	1,434	1,125	-	-	-	87	189	169	708	579	11	280	2,342	2,240	1,103	1,103	1,429	1,528	4,874	4,871
Pražská 2	2,825	3,009	2,262	2,055	-	164	20	20	354	-	-	-	5,461	5,248	1,669	1,669	595	807	7,725	7,724
Pražská 4	4,082	4,246	-	-	-	-	29	29	140	94	-	31	4,251	4,400	1,575	1,575	1,894	1,764	7,720	7,739
Krivá 18	4,050	4,234	-	-	-	-	12	12	111	-	-	-	4,173	4,246	1,709	1,675	1,885	1,845	7,767	7,766
Krivá 23	4,077	4,447	-	-	-	-	325	472	192	22	521	523	5,115	5,464	1,744	1,745	2,176	1,821	9,035	9,030
Gemerská	3,074	3,326	-	-	-	-	183	201	54	-	-	-	3,311	3,527	1,967	1,967	1,213	996	6,491	6,490
Letná	8,672	7,471	-	-	177	142	560	271	589	493	14	585	10,012	8,962	3,655	4,044	1,226	1,776	14,893	14,782
Šaca***	281	297	-	-	1,127	1,100	803	638	-	-	11,140	11,155	13,351	13,190	14,126	14,126	849	1,010	28,326	28,326
A. Rudnayova 21	4,105	4,013	-	-	732	847	736	544	1,212	1,855	100	126	6,885	7,385	4,540	4,669	2,939	2,375	14,364	14,429
Kysucká	843	770	6,359	8,843	187	190	98	117	306	289	1	44	7,794	10,253	5,608	5,591	2,918	475	16,320	16,319
Total Slovakia	33,854	33,514	8,621	10,898	3,010	3,124	3,542	3,050	3,666	3,332	11,804	12,886	64,497	66,804	38,166	38,634	17,251	15,443	120,914	120,881
Total CR + Slovakia	49,456	49,129	8,621	10,898	5,208	5,788	6,724	6,554	5,333	5,029	13,528	15,228	88,870	92,626	50,150	52,388	28,153	24,613	168,173	169,627

*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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Czech Republic (CR):														
Drahobejlova	106	127	-	-	-	-	10	13	-	-	2	2	118	142
Na Zertvach	180	141	-	-	-	-	4	5	54	75	16	19	254	240
Prvniho pluku	440	443	-	-	1	1	10	18	-	-	4	4	455	466
Marianske namesti	215	272	-	-	64	63	43	68	100	108	10	16	432	527
Sujanovo namesti	199	205	-	-	24	51	33	27	7	8	6	13	269	304
Politickych veznu	224	280	-	-	4	3	11	10	28	20	20	29	287	342
Štefánikova	120	551	-	-	3	15	12	55	22	99	1	3	158	723
Total Czech Republic	1,484	2,019	-	-	96	133	123	196	211	310	59	86	1,973	2,744
Slovakia:														
Račianska	33	72	-	-	31	37	69	36	-	-	1	4	134	149
Záhradnicka	224	222	-	-	-	9	44	17	55	171	1	14	324	433
Pražská 2	319	338	127	115	-	9	3	1	20	-	-	-	469	463
Pražská 4	361	390	-	-	-	-	4	1	6	13	-	1	371	405
Krivá 18	381	412	-	-	-	-	2	1	5	-	-	-	388	413
Krivá 23	368	428	-	-	-	-	44	23	9	3	23	13	444	467
Gemerská	252	291	-	-	-	-	23	9	2	-	-	-	277	300
Letná	995	885	-	-	10	8	96	16	34	87	1	17	1,136	1,013
Šaca	5	14	-	-	10	26	21	15	-	-	100	133	136	188
A. Rudnayova 21	288	249	-	-	26	26	78	17	43	173	3	2	438	467
Kysucká	175	133	660	764	19	16	31	10	32	75	-	2	917	1,000
Total Slovakia	3,401	3,434	787	879	96	131	415	146	206	522	129	186	5,034	5,298
Total CR + Slovakia	4,885	5,453	787	879	192	264	538	342	417	832	188	272	7,007	8,042

OVERVIEW OF TENANT CATEGORIES: GROSS RENTAL INCOME

EUR thousands	IT, communication, 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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Czech Republic (CR):																								
Drahobejlova	59	21	15	18	-	-	13	41	-	-	17	24	-	22	1	-	6	5	5	-	2	11	118	142
Na Zertvach	40	36	14	17	-	-	40	43	-	-	3	-	-	-	43	48	-	-	112	87	2	9	254	240
Prvniho pluku	45	45	106	114	136	149	35	36	-	-	36	32	64	62	4	4	14	13	6	4	9	7	455	466
Marianske namesti	186	262	98	95	39	40	84	92	-	-	2	11	-	-	22	20	-	2	-	1	1	4	432	527
Sujanovo namesti	39	42	17	17	86	109	2	2	-	-	9	13	108	113	-	-	-	-	8	8	-	-	269	304
Politickych veznu	26	28	178	233	1	2	2	-	-	-	48	46	19	20	2	1	3	3	-	-	8	9	287	342
Štefánikova	4	17	56	221	4	17	-	1	-	-	3	13	20	78	1	2	69	371	-	-	1	3	158	723
Total Czech Republic	399	451	484	715	266	317	176	215	-	-	118	139	211	295	73	75	92	394	131	100	23	43	1,973	2,744
Slovakia:																								
Račianska	-	-	30	41	80	74	-	-	-	-	-	5	-	-	21	21	-	-	-	-	3	8	134	149
Záhradnicka	-	9	114	106	16	14	19	31	-	-	31	28	-	108	41	44	17	26	1	1	85	66	324	433
Pražská 2	32	24	86	78	23	25	19	19	181	13	20	16	2	5	24	19	4	14	3	3	75	247	469	463
Pražská 4	28	26	72	69	22	20	11	13	-	-	54	62	-	-	56	56	12	14	9	13	107	132	371	405
Krivá 18	69	72	95	104	13	22	17	21	-	-	13	17	42	42	26	29	8	3	8	8	97	95	388	413
Krivá 23	29	28	55	45	33	34	25	18	3	3	67	83	18	19	43	38	34	35	48	57	89	107	444	467
Gemerská	25	32	53	57	16	16	54	61	-	3	27	27	-	-	35	40	26	28	-	1	41	35	277	300
Letná	699	530	66	70	52	67	51	50	-	-	13	23	9	20	36	107	50	54	19	28	141	64	1,136	1,013
Šaca	3	5	3	2	44	55	-	33	-	-	12	13	-	-	-	-	-	-	67	67	7	13	136	188
A. Rudnayova 21	224	229	16	5	16	33	110	108	-	-	30	41	-	-	-	-	2	3	-	-	40	48	438	467
Kysucká	24	7	10	34	87	110	6	8	609	35	27	37	-	-	9	9	3	153	74	67	68	540	917	1,000
Total Slovakia	1,133	962	600	611	402	470	312	362	793	54	294	352	71	194	291	363	156	330	229	245	753	1,355	5,034	5,298
Total CR + Slovakia	1,532	1,413	1,084	1,326	668	787	488	577	793	54	412	491	282	489	364	438	248	724	360	345	776	1,398	7,007	8,042

CONSOLIDATED FINANCIAL STATEMENTS 2012

7 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousands	*Notes*	31-12-2012	31-12-2011
Assets			
Investment property	*12.25*	59,830	63,973
Other investments	*12.26*	958	1,286
Deferred tax assets	*12.28*	1,320	976
Trade and other receivables	*12.29*	-	421
Total non-current assets		62,108	66,656
Trade and other receivables	*12.29*	1,287	730
Cash and cash equivalents	*12.30*	1,107	1,682
Total current assets		2,394	2,412
Total assets		64,502	69,068
Shareholders' equity			
Issued capital	*12.31*	6,429	5,905
Share premium	*12.33*	16,338	14,628
Revaluation reserve	*12.34*	4,769	4,798
Reserve for currency translation differences	*12.35*	2,880	2,732
Retained earnings	*12.36*	-/- 3,945	-/- 4,393
Total shareholders' equity (attributable to parent company shareholders)		26,471	23,670
Liabilities			
Interest-bearing loans and borrowings	*12.38*	10,783	32,935
Deferred tax liabilities	*12.39*	4,956	4,018
Trade and other payables	*12.40*	-	1,035
Total non-current liabilities		15,739	37,988
Interest-bearing loans and borrowings	*12.38*	19,162	4,114
Trade and other payables	*12.40*	2,840	3,296
Income tax payable		290	-
Total current liabilities		22,292	7,410
Total liabilities		38,031	45,398
Total shareholders' equity and liabilities		64,502	69,068

8 CONSOLIDATED INCOME STATEMENT

EUR thousands	*Notes*	2012	2011
Gross rental income	*12.45*	7,007	8,042
Service charge income		1,099	1,536
Service charge expenses	*12.46*	-/- 2,532	-/- 2,823
Property operating expenses	*12.46*	-/- 1,990	-/- 2,373
Net rental and related income		3,584	4,382
Valuation gains on investment property		1,875	315
Valuation losses on investment property		-/- 1,728	-/- 6,466
Net valuation gains on investment property	*12.47*	147	-/- 6,151
Financial income	*12.49*	177	257
Other operating income	*12.50*	26	28
Other income		203	285
Total income		3,934	-/- 1,484
Administrative expenses	*12.51*	997	1,130
Amortisation of goodwill		-	370
Other operating expenses	*12.52*	604	653
Total expenses		1,601	2,153
Net operating result before financial expenses		2,333	-/- 3,637
Financial expenses	*12.54*	1,105	1,495
Profit before income tax		1,228	-/- 5,132
Income tax expense	*12.56*	-/- 809	499
Profit for the period		419	-/- 4,633
Attributable to:			
Parent company shareholders		419	-/- 4,633
Non-controlling interest		-	-
Profit for the period		419	-/- 4,633
Basic earnings per (ordinary and registered) share (EUR)	*12.57.1*	0.33	-/- 3.92
Diluted earnings per (ordinary and registered) share (EUR)	*12.57.4*	0.33	-/- 3.92

9 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	*Notes*	2012	2011
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		201	-/-374
Income tax on foreign currency translation differences on net investments in group companies		-/- 53	83
		148	-/- 291
Net gain / loss (-/-) recognized directly in shareholders' equity		148	-/- 291
Profit for the period	*8*	419	-/- 4,633
Total comprehensive income for the period		567	-/- 4,924
Attributable to:			
Parent company shareholders		567	-/- 4,924
Non-controlling interest		-	-
Total comprehensive income for the period		567	-/- 4,924

10 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousands	Issued capital	Share Premium	Revaluation Reserve	Reserve for translation differences	Retained Earnings	Total shareholders' equity
Balance as at 1 January 2011	5,905	14,628	7,196	3,023	-/- 2,158	28,594
Total comprehensive income	-	-	-/- 2,398	-/- 291	-/- 2,235	-/- 4,924
Own ordinary shares issued	498	169	-	-	-	667
Own ordinary shares redeemed	-/- 498	-/- 169	-	-	-	-/- 667
Balance as at 31 December 2011	5,905	14,628	4,798	2,732	-/- 4,393	23,670
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

11 CONSOLIDATED STATEMENT OF CASH FLOW

EUR thousands	*Notes*	2012	2011
Cash flow from operating activities			
Profit for the period	*8*	419	-/- 4,633
Adjustments for:			
Net valuation gains on investment property[1]	*12.47*	-/- 452	6,151
Net valuation gains on other investments	*12.54*	-	23
Amortisation of goodwill		-	370
Exchange and currency translation results		-/- 135	111
Interest income	*12.49*	-/- 177	-/- 257
Interest received		7	8
Interest expensed	*12.54*	1,105	1,372
Income tax expensed		862	-/- 582
Change in trade and other receivables		11	380
Change in trade and other payables		617	370
Net cash from / used in (-/-) operating activities		2,257	3,313
Interest paid		-/- 1,078	-/- 1,420
Net cash from / used in (-/-) operating activities		1,179	1,893
Cash flow from investment activities			
Proceeds from the sale of investment properties		5,824	-
Proceeds from the sale of other investments		350	-
Acquisition of / additions to investment properties		-/- 647	-/- 405
Net cash from / used in (-/-) investment activities		5,527	-/- 405
Cash flow from financing activities			
Proceeds from loans and borrowings		3	4
Repayments of loans and borrowings		-/- 7,256	-/- 2,805
Net cash from / used in (-/-) financing activities		-/- 7,253	-/- 2,801
Net increase / decrease (-/-) in cash and cash equivalents		-/- 547	-/- 1,313
Cash and cash equivalents as at 1 January		1,682	2,966
Effect of exchange and currency translation result on cash held		-/- 28	29
Cash and cash equivalents as at 31 December	*12.30*	1,107	1,682

[1] Transaction costs and transfer tax excluded.

12 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.1 GENERAL

At MEI-Real Estate N.V.'s General Meeting of Shareholders (GM) dated 21 June 2012, the GM approved with the proposal of the Managing Board to change the name of the Fund. By a notarial deed executed before Prof. Mr. D.F.M.M. Zaman, civil-law notary in Rotterdam on 26 June 2012 the name of the Fund has been changed into Palmer Capital Emerging Europe Property Fund N.V.

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.

At MEI-Real Estate N.V.'s Extraordinary General Meeting of Shareholders (EGM) dated 7 July 2011 the EGM decided to transform MEI-Real Estate N.V. into a closed-end company. Prior the change of structure to a closed-end company, shareholders had the opportunity to sell their ordinary shares for redemption as of 3 October 2011 until 3 January 2012. The EGM approved that the share price during this three-month period is fixed at EUR 6.70 per ordinary share. As of 4 January 2012 PCEEPF N.V. operates as a closed-end company. As of 5 January 2012 ordinary shares continuously can be traded through NYSE Euronext Amsterdam.

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 2013.

As at 31 December 2012, shareholders' equity of PCEEPF is positive. As stated in the liquidity forecast till 2014, 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 amendments

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(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) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group’s financial assets, but not any impact on the Group’s financial liabilities.

(b) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see Note 3(a)(iii)).

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests (see Notes 3(a)(v) and (vi)).

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.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(c) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values (see Note 5). IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(d) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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 31-12-2012	Holding as at 31-12-2011
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	100%	100%

Vitosha Property I EOOD concerns a dormant company and is in process of liquidation.

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

	31-12-2012	31-12-2011	31-12-2010	31-12-2009	31-12-2008
Czech Koruna (CZK / EUR)	25.1510	25.7870	25.0610	26.4730	26.8750
Bulgarian Lev (BGN / EUR)	1.9558	1.9558	1.9558	1.9558	1.9558

Source: European Central Bank

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.

Property category		Yield factor 2012	Yield factor 2011
A.	Office A-class	6.50% - 7.50%	6.50% - 7.75%
B.	Office B-class	9.50% - 11.40%	9.50% - 11.50%
C.	Office / storage A-class	9.50% - 10.90%	9.50% - 11.00%
D.	Office / storage B-class	11.00% - 11.60%	11.00% - 11.70%
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

The issued capital of PCEEPF is considered as shareholders' equity since PCEEPF operates as an open-end investment institution until 3 January 2012. PCEEPF does not have a contractual obligation to take back its own issued ordinary shares. As of 4 January 2012 PCEEPF operates as a closed-end company.

12.17.2 Redemption of own ordinary shares

Given the open-end nature of PCEEPF until 3 January 2012, the amount paid on redemption of the share capital of PCEEPF, including directly attributable costs is deducted from the issued capital and the share premium. As of 4 January 2012 PCEEPF operates as a closed-end company.

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 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 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		Realized Valuation gains		Unrealized valuation gains		Other operating income		Other operating expenses		Total segment result	
Name of investment property	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Czech Republic (CR):																		
Drahobejlova	118	142	53	50	-/- 94	-/- 97	-/- 53	-/- 80	-	-	75	-/- 776	-	-	-	-	99	-/- 761
Palmovka	254	240	81	84	-/- 70	-/- 78	-/- 66	-/- 52	-	-	277	-/- 221	-	-	-	-	476	-/- 27
Karlin	455	466	141	149	-/- 110	-/- 125	-/- 61	-/- 73	-	-	-/- 40	-/- 39	-	-	-	-	385	378
GiTy	432	527	261	392	-/- 348	-/- 348	-/- 177	-/- 165	-	-	-/- 665	-/- 62	-	-	-	-	-/- 497	344
VUP	269	304	198	218	-/- 174	-/- 154	-/- 84	-/- 135	-	-	378	-/- 16	-	-	-	-	587	217
Newton House	287	342	93	111	-/- 103	-/- 128	-/- 59	-/- 111	-	-	-/- 228	-/- 301	-	-	-	-	-/- 10	-/- 87
Štefánikova	158	723	77	330	-/- 74	-/- 293	-/- 43	-/- 89	280	-	72	305	-	-	-	-	470	976
Total Czech Republic	1,973	2,744	904	1,334	-/- 973	-/- 1,223	-/- 543	-/- 705	280	-	-/- 131	-/- 1,110	-	-	-	-	1,510	1,040
Slovakia:																		
Račianska	134	149	12	9	-/- 75	-/- 84	-/- 91	-/- 63	-	-	-/- 30	-/- 89	-	-	-	-	-/- 50	-/- 78
Záhradnicka	324	433	8	10	-/- 77	-/- 81	-/- 103	-/- 130	-	-	-/- 140	-/- 1,970	-	-	-	-	12	-/- 1,738
Pražská 2	469	463	10	11	-/- 153	-/- 164	-/- 109	-/- 124	-	-	-	-/- 100	-	-	-	-	217	86
Pražská 4	371	405	1	-	-/- 97	-/- 96	-/- 88	-/- 110	-	-	-/- 50	-/- 190	-	-	-	-	137	9
Krivá 18	388	413	3	3	-/- 99	-/- 104	-/- 109	-/- 114	-	-	-	-/- 638	-	-	-	-	183	-/- 440
Krivá 23	444	467	7	8	-/- 108	-/- 107	-/- 118	-/- 109	-	-	-/- 135	-/- 245	-	-	-	-	90	14
Gemerská	277	300	9	8	-/- 126	-/- 122	-/- 67	-/- 74	-	-	-/- 30	-/- 60	-	-	-	-	63	52
Letná	1,136	1,013	24	28	-/-150	-/- 153	-/- 272	-/- 237	-	-	793	-/- 919	-	-	-	-	1,531	-/- 268
Šaca	136	188	8	8	-/- 89	-/- 86	-/- 69	-/- 60	-	-	-/- 21	10	-	-	-	-	-/- 35	60
Vural	438	467	97	112	-/- 247	-/- 261	-/- 171	-/- 189	-	-	-/- 100	-/- 680	-	-	-	-	17	-/- 551
Kosmalt	917	1,000	16	5	-/- 338	-/- 342	-/- 250	-/- 458	-	-	-/- 289	-/- 160	-	-	-	-	56	45
Total Slovakia	5,034	5,298	195	202	-/- 1,559	-/- 1,600	-/- 1,447	-/- 1,668	-	-	-/- 2	-/- 5,041	-	-	-	-	2,221	-/- 2,809
Total CR and Slovakia	7,007	8,042	1,099	1,536	-/- 2,532	-/- 2,823	-/- 1,990	-/- 2,373	280	-	-/- 133	-/- 6,151	-	-	-	-	3,731	-/- 1,769

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	**2012**	**2011**
Total segment result (overview A)	3,731	-/- 1,769
Unallocated income	203	285
Unallocated expenses	-/- 2,706	-/- 3,648
Profit before income tax	1,228	-/- 5,132
Income tax expense	-/- 809	499
Profit for the period	419	-/- 4,633

12.23.5 Overview of geographic assets (overview B)

EUR thousands	Czech Republic		Slovakia		Bulgaria		The Netherlands		Subtotal		Unallocated		Total assets	
Assets	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**	**31-12-12**	**31-12-11**
Investment property	21,607	26,339	38,223	37,634	-	-	-	-	59,830	63,973	-	-	59,830	63,973
Other investments	958	1,286	-	-	-	-	-	-	958	1,286	-	-	958	1,286
Deferred tax assets	199	179	1,121	797	-	-	-	-	1,320	976	-	-	1,320	976
Trade and other receivables	900	834	387	317	-	-	-	-	1,287	1,151	-	-	1,287	1,151
Cash and cash equivalents	750	1,132	313	545	2	2	42	3	1,107	1,682	-	-	1,107	1,682
Total geographic assets	24,414	29,770	40,044	39,293	2	2	42	3	64,502	69,068	-	-	64,502	69,068

12.24 ACQUISITION OF SUBSIDIARIES

12.24.1 Analysis of acquired subsidiaries

During 2012 PCEEPF acquired no subsidiaries.

12.25 INVESTMENT PROPERTY

12.25.1 Analysis of investment properties

No.	Name of premises	Address	Ownership by	Fair value 31-12-12	Fair value 31-12-11	Interest 31-12-12	Interest 31-12-11
EUR thousands							
1	Drahobejlova	Drahobejlova 27, Prague	PC RE Bohemia s.r.o.	1,908	1,788	100%	100%
2	Palmovka	Na Žertvách 34, Prague	PC RE Bohemia s.r.o.	3,207	2,854	100%	100%
3	Karlin	Prvního Pluku 621/8a, Prague	PC RE Bohemia s.r.o.	4,383	4,314	100%	100%
4	GiTy	Mariánské Námestí 617/1, Brno	PC RE Bohemia s.r.o.	3,871	4,407	100%	100%
5	VUP	Šujanovo náměsti 3, Brno	PC RE Bohemia s.r.o.	3,173	2,701	100%	100%
6	Newton House	Politických Vězňu 10, Prague	PC RE Bohemia s.r.o.	5,065	5,154	100%	100%
7	Štefánikova	Štefánikova 167, Žlin	PC RE Bohemia s.r.o.	n.a.	5,121	n.a.	100%
8	Račianska	Račianska 71, Bratislava	PC RE Slovakia s.r.o.	830	860	100%	100%
9	Záhradnicka	Záhradnícka 46, Bratislava	PC RE Slovakia s.r.o.	4,030	4,170	100%	100%
10	Pražská 2	Pražská 2, Košice	PC RE Slovakia s.r.o.	2,800	2,800	100%	100%
11	Pražská 4	Pražská 4, Košice	PC RE Slovakia s.r.o.	2,500	2,550	100%	100%
12	Krivá 18	Krivá 18, Košice	PC RE Slovakia s.r.o.	2,990	2,990	100%	100%
13	Krivá 23	Krivá 23, Košice	PC RE Slovakia s.r.o.	2,980	3,090	100%	100%
14	Gemerská	Gemerská 3, Košice	PC RE Slovakia s.r.o.	1,670	1,700	100%	100%
15	Letná	Letná 45, Košice	PC RE Slovakia s.r.o.	9,760	8,410	100%	100%
16	Šaca	Šaca, Železiarenska 49, Košice	PC RE Slovakia s.r.o.	903	924	100%	100%
17	Vural	Alexandra Rudnaya 21, Žilina	PC RE Slovakia s.r.o.	3,610	3,710	100%	100%
18	Kosmalt	Kysucká 16, Košice	PC RE Slovakia s.r.o.	6,150	6,430	100%	100%
	Total fair value			59,830	63,973		

12.25.2 Statement of changes in investment properties

EUR thousands	2012	2011
Balance as at 1 January	63,973	70,518
Purchases and additions	647	405
Exchange rate differences	779	-/- 799
Fair value adjustments	452	-/- 6,151
Sales	-/- 6,021	-
Balance as at 31 December	59,830	63,973
Cost of investment properties	59,490	64,548

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 Sales of investment properties

The sales of investment properties stated under section 12.25.2 “Statement of changes in investment properties” concern the following premises:

No.	**Name of premises**	**Notes**
1.	Štefánikova	This investment property was sold in April 2012 for the amount of CZK 148,246,000 (EUR 6,021,000). For the realized value adjustments see section 12.47.3.

12.25.5 Transactions (investment property) with related parties

The transactions executed during the financial period in respect of 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 2013
		1,375		

12.26.2 Statement of changes of other investments

EUR thousands	**Yellow Properties s.r.o.**	**Loan to PCCEP**	**Total 2012**	**Total 2011**
Balance as at 1 January	45	1,241	1,286	1,347
Exchange rate differences	1	21	22	-/- 38
Fair value adjustments	-	-	-	-/- 23
Sales / redemptions	-	-/- 350	-/- 350	-
Balance as at 31 December	46	912	958	1,286

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	Cost (revaluated) 31-12-2012	Impairment (revaluated) 31-12-2012	Net 31-12-2012	Net 31-12-2011
	EUR thousands				
1	CTP Real a.s. (currently Palmer Capital RE Bohemia s.r.o.)	n.a.	n.a.	n.a.	-
2	Kobyt a.s. (currently Palmer Capital RE Slovakia s.r.o.)	351	-/- 351	-	-
	Total	351	-/- 351	-	-

12.27.3 Statement of changes in goodwill

EUR thousands	2012	2011
Cost		
Balance as at 1 January	982	982
Cost of disposals	-/- 631	-
Balance as at 31 December	351	982
Impairment		
Balance as at 1 January	1,046	676
Impairment	-	370
Impairment on disposals	-/- 695	-
Balance as at 31 December	351	1,046
Exchange rate results		
Balance as at 1 January	64	75
Exchange rate results	-	-/- 11
Exchange rate results on disposals	-/- 64	-
Balance as at 31 December	-	64
Net as at 31 December	-	-

12.27.4 Cost of disposals of goodwill
The cost of disposal of goodwill can be allocated fully to the investment property Štefánikova. This investment property was sold in April 2012 (see also section 12.25.4 “Sales of investment properties”).

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	31-12-2012	31-12-2011
Investment property	1,023	761
Value for tax purposes of stated loss carry-forward	297	215
	1,320	976

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

EUR thousands	2012	2011
Balance as at 1 January	976	909
Additions	307	604
Withdrawal	-/- 163	-/- 520
Change in tax rate	195	-
Exchange rate differences	5	-/- 17
Balance as at 31 December	1,320	976

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	31-12-2012	31-12-2011
Value for tax purposes of not stated loss carry-forward	76	317

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

EUR thousands	2012	2011
Balance as at 1 January	317	-
Additions	-	318
Withdrawal	-/- 241	-
Change in tax rate	-	-/- 1
Balance as at 31 December	76	317

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

12.29 TRADE AND OTHER RECEIVABLES

12.29.1 Analysis of trade and other receivables

EUR thousands	31-12-2012	31-12-2011
Non-current part of trade and other receivables	-	421
Current part of trade and other receivables	1,287	730
	1,287	1,151

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	31-12-2012	31-12-2011
Trade receivables from lessees	432	520
Prepayments and deferred expenses	146	103
Interest	579	421
Arrangement fees	72	96
Value Added Tax and other taxes	44	3
Other receivables	14	8
	1,287	1,151

12.30 CASH AND CASH EQUIVALENTS

12.30.1 Analysis of cash and cash equivalents

EUR thousands	31-12-2012	31-12-2011
Bank balances	1,101	1,667
Cash	6	15
	1,107	1,682

The cash and cash equivalents are entirely at the free disposal of PCEEPF, with the exception of an amount of CZK 12,500,000 (EUR 497,000) (31 December 2011: CZK 15,000,000 (EUR 582,000)). This amount is to be held as a kind of cushion in favour of the secured bank loans.

12.31 SHAREHOLDERS' EQUITY

12.31.1 Comparative statement

	31-12-2012	31-12-2011	31-12-2010	31-12-2009	31-12-2008
Shareholders' equity (in EUR thousands)	26,471	23,670	28,594	25,593	23,756
Number of ordinary shares in issue	1,285,725	1,180,943	1,180,943	1,180,943	1,180,943
Net Asset Value per ordinary share (in EUR)	20.59	20.04	24.21	21.67	20.12

12.31.2 "Closed-end" structure

At MEI-Real Estate N.V.'s Extraordinary General Meeting of Shareholders (EGM) dated 7 July 2011 the EGM decided to transform MEI-Real Estate N.V. into a closed-end company. Prior the change of structure to closed-end company shareholders had the opportunity to sell their ordinary shares for redemption as of 3 October 2011 until 3 January 2012. The EGM approved that the share price during this three-month period is fixed at EUR 6.70 per ordinary share. As of 4 January 2012 PCEEPF operates as a closed-end company. As of 5 January 2012 ordinary shares continuously can be traded through 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, it is not expected that PCEEPF will declare any dividend over the current year. 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 31-12-2012	EUR 1,000 31-12-2012	Number 31-12-2011	EUR 1,000 31-12-2011
Ordinary shares (at EUR 5.00 each)	1,285,725	6,429	1,180,943	5,905
Priority shares (at EUR 5.00 each)	1	-	1	-
Issued capital	1,285,726	6,429	1,180,944	5,905

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 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
Balance in issue as at 1 January	1,180,943	5,905	1,180,943	5,905
Issued during the financial period	106,301	532	99,666	498
Redeemed during the financial period	-/- 1,519	-/- 8	-/- 99,666	-/- 498
Balance in issue as at 31 December	1,285,725	6,429	1,180,943	5,905

12.32.3 Registered shares

As at 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) partly transferred its amount receivable amounting to EUR 3,386,000 from PCEEPF to Middle Europe Investments N.V. (currently Palmer Capital Nederland N.V.). From this amount receivable, Palmer Capital Nederland N.V. converted an amount of EUR 2,234,000 to 104,782 registered shares PCEEPF N.V. The conversion is set on as at 27 February 2012 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.32). Registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

As at 24 October 2012 Palmer Capital Fondsenbeheer B.V. converted 52,391 registered shares to 52,391 ordinary shares. As at 27 November 2012 Palmer Capital Fondsenbeheer B.V. converted the remaining registered shares (52,391) to 52,391 ordinary shares. The conversion has no (negative) consequences for the existing shareholders of PCEEPF N.V.

	Number 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
Balance in issue as at 1 January	-	-	-	-
Issued during the financial period	104,782	524	-	-
Redeemed during the financial period	-/- 104,782	-/- 524	-	-
Balance in issue as at 31 December	-	-	-	-

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 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
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 31-12-2012	EUR 1,000 31-12-2012	Number 31-12-2011	EUR 1,000 31-12-2011
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

12.33 SHARE PREMIUM

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

The paid-up share premium for tax purposes as at 31 December 2012 was EUR 16,338,000 (31 December 2011: EUR 14,628,000).

EUR thousands	2012	2011
Balance as at 1 January	14,628	14,628
Received on issued ordinary shares	1,713	159
Paid in redeemed ordinary shares	-/- 3	-/- 159
Balance as at 31 December	16,338	14,628

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	2012	2011
Balance as at 1 January	4,798	7,196
Addition to / reduction on (-/-) change in fair value during the financial period	-/- 29	-/- 2,398
Reduction on change in connection with sale of investment properties	-	-
Balance as at 31 December	4,769	4,798

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	2012	2011
Balance as at 1 January	2,732	3,023
Addition / reduction (-/-) in connection with translation net investments	154	-/- 198
Reduction in connection with decrease of net investments	-/- 6	-/- 93
Balance as at 31 December	2,880	2,732

12.36 RETAINED EARNINGS

It is proposed to the General Meeting of Shareholders to add the whole of the remaining profit for 2012 financial period to the retained earnings.

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

EUR thousands	2012	2011
Balance as at 1 January	-/- 4,393	-/- 2,158
Profit for the period	419	-/- 4,633
	-/- 3,974	-/- 6,791
Change in revaluation reserve	29	2,398
Balance as at 31 December	-/- 3,945	-/- 4,393

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.

	31-12-2012	31-12-2011
Shareholders' equity in accordance with IFRS (EUR thousands)	26,471	23,670
Deferred tax liabilities concerning revaluation of investment property and development property held for investment (EUR thousands)	645	533
Shareholders' equity in accordance with NAV (EUR thousands)	27,116	24,203
Number of shares in issue entitled to profit	1,285,725	1,180,943
Net Asset Value (in Euro)	**21.09**	**20.49**

12.38 INTEREST-BEARING LOANS AND BORROWINGS

12.38.1 Analysis of interest-bearing loans and borrowings

EUR thousands	31-12-2012	31-12-2011
Long-term liabilities		
Secured bank loans	10,783	32,661
Other long-term liabilities	-	274
	10,783	32,935
Current liabilities		
Current portion of secured bank loans	17,658	4,105
Current portion of other long-term liabilities	1,504	9
	19,162	4,114
Total interest-bearing loans and borrowings	29,945	37,049

12.38.2 Statement of changes in secured bank loans

EUR thousands	2012	2011
Balance as at 1 January	36,766	40,028
Loans advanced	3	4
Redemptions	-/- 7,256	-/- 2,796
Exchange rate differences	432	-/- 470
	29,945	36,766
Reclassification (to other long-term liabilities)	-/- 1,504	-
Balance as at 31 December	28,441	36,766

The amount of the “Reclassification (to other long-term liabilities)” relates to the unsecured bank loan SNS Bank N.V.

12.38.3 Analysis of other long-term liabilities

EUR thousands	31-12-2012	31-12-2011
Unsecured bank loans	1,504	-
Long-term advance payments from tenants	-	283
	1,504	283

The long-term advance payments form tenants relates to the advance payments for the rent of parking places Štefánikova. During the negotiations for the sale of the investment property Štefánikova was agreed that the new owner would receive no income for the parking places for the first coming years. Therefore the long-term advance payments from tenants were reclassified under the selling price of the investment property Štefánikova.

12.38.4 Statement of changes in other long-term liabilities

EUR thousands	2012	2011
Balance as at 1 January	283	300
Redemptions	-/- 296	-/- 9
Exchange rate differences	13	-/- 8
	-	283
Reclassification (from secured bank loans)	1,504	-
Balance as at 31 December	1,504	283

12.38.5 Pledges to banks and bank covenants

As at 31 December 2012 the following securities and bank covenants were given for the secured bank loans. As at 31 December 2012 the Debt Service Coverage Ratio (DSCR) on the Raiffeisen Bank loan is 1.49 (31 December 2011: 1.22) and on the Tatra Banka loan is 1.20 (31 December 2011: 1.20).

EUR thousands	Raiffeisen Bank 31-12-2012	Tatra Banka 31-12-2012
Carrying value secured bank loans	11,661	16,780
Securities:		
- Carrying value investment property	21,607	38,223
- Carrying value trade and other receivables	54	174
- Carrying value cash and cash equivalents	747	309
Bank covenants		
- Debt Service Coverage Ratio (DSCR) (minimum)	1.20	1.15

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	31-12-2012	31-12-2011
Investment property	4,834	3,836
Provisions	-	152
Other items	122	30
	4,956	4,018

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

EUR thousands	2012	2011
Balance as at 1 January	4,018	4,493
Additions on account of temporary differences	567	368
Withdrawal on account of temporary differences	-/- 334	-/- 807
Change in tax rate	677	-
Exchange rate differences	28	-/- 36
Balance as at 31 December	4,956	4,018

12.40 TRADE AND OTHER PAYABLES

12.40.1 Analysis of trade and other payables

EUR thousands	31-12-2012	31-12-2011
Non-current part of trade and other payables	-	1,035
Current part of trade and other payables	2,840	3,296
	2,840	4,331

12.40.2 Specification of trade and other payables

EUR thousands	31-12-2012	31-12-2011
Administrative expenses	1,351	3,270
Trade payables	455	568
Deposits received	765	375
Restitution selling price Štefánikova	99	-
Interest payables	27	-
Taxes	-	14
Other liabilities, accruals and deferred income	143	104
	2,840	4,331

12.40.3 Specification of administrative expenses

EUR thousands	31-12-2012	31-12-2011
Administrative expenses as of 27 February 2012 (Palmer Capital Fondsenbeheer B.V.)	199	-
Administrative expenses till 27 February 2012	1,152	3,270
	1,351	3,270

Agreed is that at latest 3 January 2013, or as soon as reasonably (legally and practically) possible after 3 January 2013, the remainder of the administrative expenses MEI-Fondsenbeheer B.V. amounting to EUR 1,152,000 shall be converted into registered shares PCEEPF, based on the Net Asset Value (NAV) of the ordinary shares on conversion date.

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 2012 PCEEPF was not subject to 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 2012 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 for the amount of CZK 18,675,000 (EUR 743,000). 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 290,000) 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 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.

As at 31 December 2012 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 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 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 2012 was 24.1% (2011: 19.6%).

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	**31-12-2012**	**31-12-2011**
<1 year	3,520	3,179
1-5 years	5,716	4,662
>5 years	6,967	4,486
	16,203	12,327

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	**2012**	**2011**
Property management	991	1,053
Maintenance expenses in respect of investment properties	570	1,066
Taxes on investment properties	206	200
Commission fees	96	6
Insurance premiums	29	31
Other direct operating expenses	98	17
	1,990	2,373

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	2012	2011
For investment properties let	3,690	4,547
For investment properties not let	873	649
	4,563	5,196

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	2012	2011
Realized value adjustments	280	-
Unrealized value adjustments	-/- 133	-/- 6,151
	147	-/- 6,151

12.47.3 Specification of realized value adjustments

The realized value adjustments are attributable as follows:

EUR thousands	2012	2011
Štefánikova 167, Žlin	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	2012	2011
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	-/- 190	-
	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	**2012**	**2011**
Interest income	154	164
Other exchange and currency translation results	17	-
Released from "Reserve for currency translation differences"	6	93
	177	257

12.50 OTHER OPERATING INCOME

EUR thousands	**2012**	**2011**
Other	26	28

12.51 ADMINISTRATIVE EXPENSES

12.51.1 Management fee

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

12.51.2 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 2012 the Managing Board received no performance-related remuneration (2011: no).

12.51.3 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	2012	2011
Audit fees	88	79
Accounting expenses	97	96
Consultancy fees	83	84
Costs of valuing premises	45	47
Listing, Paying and Fund Agent fees	23	20
Portfolio fees	12	17
Supervisory Board fees	16	26
Supervisors' expenses	26	7
Non-refundable value added tax	134	130
Change in provision irrecoverable debtors	41	34
Wages and salaries statutory directors	21	31
Compensation related to sale of property in prior years	-	50
Other general operating expenses	18	32
	604	653

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

- The audit fees for the annual report 2012 of PCEEPF N.V. are estimated at EUR 50,000 (2011: EUR 39,000). In 2012 audit fees related to previous years are booked to an amount of EUR 7,000 (2011: EUR 1,000 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 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	2012	2011
Prof. Dr. J.L. Bouma (chairman)	14	[2]12
B. Vos M.Sc.	14	14
	28	26
Release Supervisory Board fee E. Roden 2010	-/- 12	-
	16	26

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.

[2] This amount also includes the correction of VAT over 2010 to an amount of EUR 2,000 negative.

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	2012	2011
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:
  - MEI Property Services s.r.o., (till 1 July 2012) residing in Prague (Czech Republic);
  - Knight Frank Spol s.r.o. (since 1 July 2012), residing in Prague (Czech Republic);
  - Property Services SK s.r.o., residing in Bratislava (Slovakia);
  - Palmer Capital Czech Republic s.r.o., residing in Prague (Czech Republic);

  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	2011 and 2012 Basis of calculation	**2012** Actual	**2012** Prospectus	**2011** Actual	**2011** Prospectus
Administrative expenses	Value of assets at month-end	0.125%	0.083%-0.125%	0.125%	0.083%-0.125%
Direct operating expenses	Average value of the assets	2.992%	0.750%-1.000%	3.129%	0.750%-1.000%
Investment committee	Average shareholders' equity	-	-	-	-
General expenses	Average shareholders' equity	1.272%	0.380%	1.346%	0.380%
Auditing and accounting expenses	Average shareholders' equity	0.681%	0.210%	0.584%	0.210%
Costs of valuing premises	Average shareholders' equity	0.165%	0.080%	0.155%	0.080%
		5.235%	1.503%-1.795%	5.339%	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	13,000	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 paragraph 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.

12.54 FINANCIAL EXPENSES

EUR thousands	2012	2011
Interest expense on loans taken up	1,105	1,372
Other exchange and currency translation results	-	100
Valuation losses on other investments	-	23
	1,105	1,495

12.55 COSTS' RATIO

Following the European legislation as per 1 July 2012 a new calculation method will be applicable for the costs' ratio. As a result, the term Total Expense Ratio (TER) will we replaced in time into Ongoing Charges Figure (OCF). 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	2012	2011
Ongoing Charges Figure	13.23%	13.83%

In 2012 the Total Expense Ratio decreased, although a decrease of the average shareholders' equity with about 10%, as a decrease of the total expenses (including operating expenses) with about 14%.

The Total Expense Ratio (TER) represents also the costs of PCEEPF as a percentage of the average shareholders' equity during the financial year. The difference with the Ongoing Charges Figure is that for the TER the average shareholders' equity is calculated on the basis of the sum of the shareholders' equity divided by the number of observations. The number of observations during a year is normally five: 31 December of the previous financial year, 31 March, 30 June, 30 September and 31 December of the current financial year. The number of observations is considered as weighted averages and is assigned to the following weights: 0.5:1:1:1:0.5. The TER 2012 amounts 13.64% (2011: 14.60%).

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	2012	2011
Tax due on profits		
Current year	-/- 291	-
Adjustments for previous years	-	72
	-/- 291	72
Deferred tax on profits		
Occurrence and settlement of temporary differences	14	745
Adjustments in respect of previous years	-	2
Change in tax rate	-/- 482	-/- 3
Income on account of stated tax losses	-/- 50	-/- 317
	-/- 518	427
Total tax on profits stated in the income statement	-/- 809	499

12.56.3 Reconciliation with the effective tax rate

EUR thousands	2012	2012	2011	2011
Profit before tax		1,228		-/- 5,132
Tax on profits on the basis of the local tax rates	35.7%	-/- 439	-/- 62.3%	3,200
Effect of changes in the local tax rates	39.3%	-/- 482	0.1%	-/- 3
Effect of unused fiscal losses	-	-	5.5%	-/- 280
Effect of used fiscal losses (not stated in the statement of financial position in previous years)	-/- 19.6%	241	0.7%	-/- 37
Tax exempt revenues	9.4%	-/- 116	45.5%	-/- 2,337
Non-deductible expenses	1.1%	-/- 13	2.3%	-/- 119
Too little / too much (-/-) provision in previous accounting periods	-	-	-/- 1.5%	75
	65.9%	-/- 809	-/- 9.7%	499

12.56.4 Deferred tax recognized directly in shareholders' equity

EUR thousands	2012	2011
Related to currency translation differences	-/- 53	83

12.56.5 Applicable local tax rates

EUR thousands	2013	2012	2011	2010	2009
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%	25.5%	25.5%
Czech Republic	19.0%	19.0%	19.0%	19.0%	20.0%
Slovakia	23.0%	19.0%	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	2012	2011
Profit for the financial period	419	-/- 4,633

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

	2012	2011
Issued ordinary shares as at 1 January	1,180,943	1,180,943
Effect on issued shares during the financial period	72,881	12,450
Effect on redeemed ordinary shares during the financial period	-/- 1,491	-/- 12,450
Weighted average number of outstanding shares during the financial period	1,252,333	1,180,943

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 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

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 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 real estate Management and vision PCEEPF will guarantee the attraction of the 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) 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.

	31-12-2012	31-12-2011
Czech Koruna (CZK)	77.7%	79.0%
Bulgarian Lev (BGN)	0.0%	0.0%
Euro (EUR)	22.3%	21.0%
	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 31-12-2012	Monetary liabilities 31-12-2012	Net exposure 31-12-2012
Czech Koruna (CZK)	2,554	11,950	-/- 9,396
Bulgarian Lev (BGN)	2	-	2
Euro (EUR)	650	20,070	-/- 19,420
	3,206	32,020	-/- 28,814

EUR thousands	Monetary assets 31-12-2011	Monetary liabilities 31-12-2011	Net exposure 31-12-2011
Czech Koruna (CZK)	3,173	17,174	-/- 14,001
Bulgarian Lev (BGN)	2	-	2
Euro (EUR)	841	23,548	-/- 22,707
	4,016	40,722	-/- 36,706

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	31-12-2012	31-12-2011
Czech Koruna (CZK)	470	700
Bulgarian Lev (BGN)	-	-
	470	700

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	1 until 3 months	3 months until 1 year	1 until 5 years	More than 5 years	Non-interest bearing	Total
	31-12-2012	31-12-2012	31-12-2012	31-12-2012	31-12-2012	31-12-2012	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	-	-	-/- 1,507	-/- 29,439

EUR thousands	Less than 1 month	1 until 3 months	3 months until 1 year	1 until 5 years	More than 5 years	Non-interest bearing	Total
	31-12-2011	31-12-2011	31-12-2011	31-12-2011	31-12-2011	31-12-2011	31-12-2011
Other investments	-	-	-	1,241	-	45	1,286
Trade and other receivables	-	-	-	-	-	1,151	1,151
Cash equivalents	1,667	-	-	-	-	-	1,667
Financial assets	1,667	-	-	1,241	-	1,196	4,104
Interest-bearing loans and borrowings	1,976	34,790	-	-	-	283	37,049
Trade and other payables	-	-	-	-	-	4,331	4,331
Financial liabilities	1,976	34,790	-	-	-	4,614	41,380
Total interest sensitivity gap	-/- 309	-/- 34,790	-	1,241	-		-/- 33,858

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 275,000 (2011: EUR 339,000).

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:

	31-12-2012	31-12-2011
Weighted average interest rate of interest-bearing loans and borrowings	2.67%	3.58%

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 2,628,000 (31 December 2011: EUR 2,841,000). An increase of 5% of the fair value would have increased the net assets attributable to holders of redeemable ordinary shares with EUR 2,628,000 (31 December 2011: EUR 2,841,000).

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 properties or if PCEEPF depends on a number of large tenants. To reduce this risk, investments are spread across different types of 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 real estate 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	31-12-2012	31-12-2012	31-12-2011	31-12-2011
Loan Palmer Capital Central European Properties a.s.	912	3.4%	1,241	5.2%
Trade and other receivables	1,141	4.3%	1,048	4.4%
Cash equivalents	1,101	4.2%	1,667	7.1%
	3,154	11.9%	3,956	16.7%

Beside the above mentioned items, there were no significant concentrations of credit risk to counterparties as at 31 December 2012 or 31 December 2011. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary shares either as at 31 December 2012 or 31 December 2011.

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 31-12-2012	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

EUR thousands	Not due 31-12-2011	Less than 1 month 31-12-2011	1 until 3 months 31-12-2011	3 months until 1 year 31-12-2011	More than 1 year 31-12-2011	Total 31-12-2011
Gross monetary assets						
Other investments	45	-	-	-	1,241	1,286
Trade and other receivables	430	140	61	163	475	1,269
Cash equivalents	1,682	-	-	-	-	1,682
	2,157	140	61	163	1,716	4,238
Impairment of monetary assets						
Other investments	-	-	-	-	-	-
Trade and other receivables	-	-	-	17	204	221
Cash equivalents	-	-	-	-	-	-
	-	-	-	17	204	221
Net monetary assets						
Other investments	45	-	-	-	1,241	1,286
Trade and other receivables	430	140	61	146	271	1,048
Cash equivalents	1,682	-	-	-	-	1,682
	2,157	140	61	146	1,512	4,016

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

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

EUR thousands	Guarantee deposits from tenants 31-12-2011	Other pledge 31-12-2011	Total 31-12-2011
Other investments	-	-	-
Trade and other receivables	347	-	347
Cash equivalents	-	-	-
Financial assets	347	-	347

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, which the annual rent for a longer period is established. It also tried to diversify rental periods, that minimizes the contracts expire at the same 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 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 property secured.

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 31-12-2012	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

EUR thousands	Less than 1 month 31-12-2011	1 until 3 months 31-12-2011	3 months until 1 year 31-12-2011	1 until 5 years 31-12-2011	More than 5 years 31-12-2011	No stated maturity 31-12-2011	Total 31-12-2011
Interest-bearing loans and borrowings	2,075	726	2,483	28,865	8,282	-	42,431
Trade and other payables	1,061	-	-	-	-	-	1,061
Monetary liabilities	3,136	726	2,483	28,865	8,282	-	43,492

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 3.28 year (31 December 2011: 5.68 year).

At the end of 2012 PCEEPF has no withdrawable credit facilities (end of 2011: 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.

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).

12.59 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 no transactions occurred with members of the Managing Board and / or members the Supervisory Board. Personal interests of members of the Managing and Supervisory Board are defined in paragraph 16.4 "Personal interests".

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".

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. (formerly MEI Properties a.s.) for the principal amount of EUR 1,310,000 (2011: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2011: 12.0%) was received. At the end of 2012 the outstanding amounts are EUR 912,000 (2011: EUR 1,241,000) and the receivable interest is EUR 579,000 (2011: EUR 421,000);
B. For performing property Management, tenant Management, due diligence research for acquisition of investments, acquisition support, the Management of acquired investment properties and the administration of purchased participations. Related to these services an amount of EUR 0 was paid to related parties (2011: approximately EUR 957,000 was paid to MEI Property Services s.r.o.). As of 1 July 2012 Palmer Capital Czech Republic s.r.o. is entitled to a monthly asset management fee from Palmer Capital RE Bohemia s.r.o., amounting to CZK 170,375 (EUR 6,815). The Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own management fee as of 1 July 2012 with monthly CZK 170,375 (EUR 6,815).
C. As of 1 April 2012 Palmer Capital Czech Republic s.r.o. is entitled to a monthly fee for advisory services from Palmer Capital RE Bohemia s.r.o., amounting to CZK 30,000 (EUR 1,200).
D. PC-related parties rented of PCEEPF properties (office) about 259 m^2 (2011: 300 m^2);
E. PCEEPF paid wages and salaries for its statutory directors for the amount of EUR 21,000 (2011: EUR 31,000);
F. Providing guarantee by Palmer Capital RE Bohemia s.r.o. (formerly MERE 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 for the amount of CZK 18,675,000 (EUR 743,000) (2011: CZK 18,675,000).

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 2012:

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

No significant events

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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13 COMPANY BALANCE SHEET

EUR thousands	*Notes*	31-12-2012	31-12-2011
Investments			
Investments in group companies	*15.5*	11,073	9,776
Receivables from group companies	*15.7*	16,064	17,092
Other financial investments	*15.8*	912	1,241
Total investments		28,049	28,109
Receivables and other assets			
Other receivables, prepayments and accrued income	*15.9*	1,554	989
Cash and cash equivalents	*15.11*	43	4
Total receivables and other assets		1,597	993
Total assets		29,646	29,102
Shareholders' equity			
Issued capital	*15.12*	6,429	5,905
Share premium	*15.14*	16,338	14,628
Revaluation reserve	*15.15*	4,769	4,798
Reserve for currency translation differences	*15.16*	2,880	2,732
Retained earnings	*15.17*	-/- 3,945	-/- 4,393
Total shareholders' equity		26,471	23,670
Long-term liabilities			
Deferred tax liabilities	*15.18*	110	13
Current liabilities			
Debts to credit institutions	*15.19*	1,504	1,976
Other liabilities, accruals and deferred income	*15.20*	1,561	3,443
Total current liabilities		3,065	5,419
Total equity and liabilities		29,646	29,102

14 COMPANY PROFIT AND LOSS ACCOUNT

EUR thousands	*Notes*	2012	2011
Share in result of group companies (after tax)	*15.5.2*	-/- 690	-/- 3,389
Other result (after tax)		1,109	-/- 1,244
Result for the financial period		419	-/- 4,633

15 NOTES TO THE COMPANY FINANCIAL STATEMENTS

15.1 GENERAL

The company financial statements for 2012 are part of PCEEPF's financial statements for 2012. 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 12.23 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 Accounts receivables from group companies

Accounts receivable 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 31-12-2012	% of shareholders' equity 31-12-2011	Interest 31-12-2012	Interest 31-12-2011
A	Palmer Capital RE Bohemia s.r.o.	Prague	Czech Republic	33.9%	37.6%	100%	100%
B	Palmer Capital RE Slovakia s.r.o.	Bratislava	Slovakia	68.6%	75.9%	100%	100%
C	Vitosha Property 1 EOOD	Sofia	Bulgaria	-	-	100%	100%
				102.5%	**113.5%**		

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 31-12-2012	Reclassification 31-12-2012	After reclassification 31-12-2012	After Reclassification 31-12-2011
Palmer Capital RE Bohemia s.r.o.	917	-	917	-
Palmer Capital RE Slovakia s.r.o.	10,154	-	10,154	9,774
Vitosha Property 1 EOOD	2	-	2	2
Total	11,073	-	11,073	9,776

15.5.2 Statement of changes in investments in group companies

EUR thousands	2012	2011
Balance as at 1 January	9,776	10,135
Acquisitions	1,987	3,000
Share in result of group companies	-/- 690	-/- 3,389
Exchange rate differences	-	30
Balance as at 31 December	11,073	9,776
Acquisition price	13,424	11,437

The amount of the acquisitions relates to the increase of the issued capital Palmer Capital RE Bohemia s.r.o. (formerly MERE Bohemia s.r.o.). The payment of the increase of the issued capital has been set off against the receivable "Loan to Palmer Capital RE Bohemia s.r.o." for an amount of CZK 50,000,000 (EUR 1,987,000).

15.6 GOODWILL

15.6.1 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.

15.6.2 Analysis of goodwill

No.	Name of subsidiary *EUR thousands*	Cost (revaluated) 31-12-2012	Impairment (revaluated) 31-12-2012	Net 31-12-2012	Net 31-12-2011
1	CTP Real a.s. (currently Palmer Capital RE Bohemia s.r.o.)	n.a.	n.a.	n.a.	-

15.6.3 Statement of changes in goodwill

EUR thousands	2012	2011
Cost		
Balance as at 1 January	631	631
Cost of disposals	-/- 631	-
Balance as at 31 December	-	631
Impairment		
Balance as at 1 January	695	325
Impairment	-	370
Impairment on disposals	-/- 695	-
Balance as at 31 December	-	695
Exchange rate results		
Balance as at 1 January	64	75
Exchange rate results	-	-/- 11
Exchange rate results on disposals	-/- 64	-
Balance as at 31 December	-	64
Net as at 31 December	-	-

15.6.4 Cost of disposals of goodwill

The cost of disposal of goodwill can be allocated fully to the investment property Štefánikova. This investment property was sold in April 2012 (see also section 12.25.4 “Sales of investment properties”).

15.7 RECEIVABLES FROM GROUP COMPANIES

15.7.1 Analysis of receivables from group companies

EUR thousands	Before provision 31-12-2012	Provision 31-12-2012	After provision 31-12-2012	After provision 31-12-2012
Loan to Palmer Capital RE Bohemia s.r.o.	8,062	-	8,062	8,911
Loan to Palmer Capital RE Slovakia s.r.o.	8,002	-	8,002	8,181
Total	16,064	-	16,064	17,092

As at 31 December 2012 the weighted average interest rate on all receivables from group companies is 5.8% per annum (31 December 2011: 5.7% per annum).

15.7.2 Statement of changes in receivables from group companies

EUR thousands	2012	2011
Balance as at 1 January	17,092	19,342
Loans advanced	831	2,317
Redemption on loans advanced	-/- 3,399	-/- 3,647
Fair value adjustments (provision)	1,333	-/- 609
Exchange rate differences	207	-/- 311
Balance as at 31 December	16,064	17,092
Principal of loans advanced (at cost)	42,333	42,130

The redemption on loans advanced relates for the amount of EUR 1,987,000 to the increase of the issued capital Palmer Capital RE Bohemia s.r.o. (formerly MERE Bohemia s.r.o.).

15.8 OTHER FINANCIAL INVESTMENTS

15.8.1 Analysis of other financial investments

EUR thousands	**Principal of investment** *Local currency thousands*	**Principal of investment** *EUR thousands*	**Interest rate 31-12-2012**	**Final date**
Loan to Palmer Capital Central European Properties a.s.	CZK 32,000	1,310	12,0%	December 2013

15.8.2 Statement of changes of other financial investments

EUR thousands	2012	2011
Balance as at 1 January	1,241	1,277
Redemption on loans advanced	-/- 350	-
Exchange rate differences	21	-/- 36
Balance as at 31 December	912	1,241

15.9 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

15.9.1 Analysis of other receivables, prepayments and accrued income

EUR thousands	31-12-2012	31-12-2011
Interest on receivables from group companies	975	568
Interest on other financial investments	579	421
	1,554	989

For the amount of EUR 0 (31 December 2011: EUR 421,000) the interest receivable will be received after more than one year, as agreed upon the loan contract.

15.10 DEFERRED TAX ASSETS

15.10.1 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.

15.10.2 Analysis of deferred tax assets stated in the balance sheet

EUR thousands	31-12-2012	31-12-2011
Value for tax purposes of stated loss carry-forward	-	-

15.10.3 Statement of changes in deferred tax assets stated in the balance sheet

EUR thousands	2012	2011
Balance as at 1 January	-	38
Withdrawal	-	-/- 37
Change in tax rate	-	-/- 1
Balance as at 31 December	-	-

15.10.4 Analysis deferred tax assets not stated in the balance sheet

EUR thousands	31-12-2012	31-12-2011
Value for tax purposes of not stated loss carry-forward	76	317

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

EUR thousands	**2012**	**2011**
Balance as at 1 January	317	-
Additions	-	318
Withdrawal	-/- 241	-
Change in tax rate	-	-/- 1
Balance as at 31 December	76	317

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.

15.11 CASH AND CASH EQUIVALENTS

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

15.12 SHAREHOLDERS' EQUITY

15.12.1 Statement of changes in shareholders' equity

EUR thousands	Issued capital	Share premium	Revaluation reserve	Reserve for translation differences	Retained Earnings	Total Shareholders' Equity
Balance as at 1 January 2011	5,905	14,628	7,196	3,023	-/- 2,158	28,594
Result for the financial period	-	-	-	-	-/- 4,633	-/- 4,633
Change in revaluation reserve	-	-	-/- 2,398	-	2,398	-
Change in reserve for translation differences	-	-	-	-/- 291	-	-/- 291
Own ordinary shares issued	498	169	-	-	-	667
Own ordinary shares repurchased	-/- 498	-/- 169	-	-	-	-/- 667
Balance as at 31 December 2011	5,905	14,628	4,798	2,732	-/- 4,393	23,670
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 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

15.13 ISSUED CAPITAL

15.13.1 Analysis issued capital

	Number 31-12-2012	EUR 1,000 31-12-2012	Number 31-12-2011	EUR 1,000 31-12-2011
Ordinary shares (at EUR 5.00 each)	1,285,725	6,429	1,180,943	5,905
Priority shares (at EUR 5.00 each)	1	-	1	-
Issued capital	1,285,726	6,429	1,180,944	5,905

15.13.2 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 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
Balance in issue as at 1 January	1,180,943	5,905	1,180,943	5,905
Issued during the financial period	106,301	532	99,666	498
Redeemed during the financial period	-/- 1,519	-/- 8	-/- 99,666	-/- 498
Balance in issue as at 31 December	1,285,725	6,429	1,180,943	5,905

15.13.3 Registered shares

As at 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) partly transferred its amount receivable amounting to EUR 3,386,000 from PCEEPF to Middle Europe Investments N.V. (currently Palmer Capital Nederland N.V.). From this amount receivable, Palmer Capital Nederland N.V. converted an amount of EUR 2,234,000 to 104,782 registered shares PCEEPF. The conversion is set on as at 27 February 2012 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.32). Registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

As at 24 October 2012 Palmer Capital Fondsenbeheer B.V. converted 52,391 registered shares to 52,391 ordinary shares. As at 27 November 2012 Palmer Capital Fondsenbeheer B.V. converted the remaining registered shares (52,391) to 52,391 ordinary shares. The conversion has no (negative) consequences for the existing shareholders of PCEEPF.

	Number 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
Balance in issue as at 1 January	-	-	-	-
Issued during the financial period	104,782	524	-	-
Redeemed during the financial period	-/- 104,782	-/- 524	-	-
Balance in issue as at 31 December	-	-	-	-

15.13.4 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 2012	EUR 1,000 2012	Number 2011	EUR 1,000 2011
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	-

15.13.5 Analysis authorized share capital

	Number 31-12-2012	EUR 1,000 31-12-2012	Number 31-12-2011	EUR 1,000 31-12-2011
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

15.14 SHARE PREMIUM

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

The paid-up share premium for tax purposes as at 31 December 2012 was EUR 16,338,000 (31 December 2011: EUR 14,628,000).

EUR thousands	2012	2011
Balance as at 1 January	14,628	14,628
Received on issued ordinary shares	1,713	159
Paid in redeemed ordinary shares	-/- 3	-/- 159
Balance as at 31 December	16,338	14,628

15.15 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	2012	2011
Balance as at 1 January	4,798	7,196
Addition to / reduction on (-/-) change in fair value during the financial period	-/- 29	-/- 2,398
Reduction on change in connection with sale of investment properties	-	-
Balance as at 31 December	4,769	4,798

15.16 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	2012	2011
Balance as at 1 January	2,732	3,023
Addition / reduction (-/-) in connection with translation net investments	154	-/- 198
Reduction in connection with decrease of net investments	-/- 6	-/- 93
Balance as at 31 December	2,880	2,732

15.17 RETAINED EARNINGS

It is proposed to the General Meeting of Shareholders to deduct the whole of the remaining profit for 2012 financial period from the retained earnings.

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

EUR thousands	**2012**	**2011**
Balance as at 1 January	-/- 4,393	-/- 2,158
Profit for the period	419	-/- 4,633
	-/- 3,974	-/- 6,791
Change in revaluation reserve	29	2,398
Balance as at 31 December	-/- 3,945	-/- 4,393

15.18 DEFERRED TAX LIABILITIES

15.18.1 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.

15.18.2 Analysis of deferred tax liabilities stated in the balance sheet

EUR thousands	**31-12-2012**	**31-12-2011**
Receivables from group companies	95	-
Other financial investments	15	13
	110	13

15.18.3 Statement of changes in deferred tax liabilities

EUR thousands	**2012**	**2011**
Balance as at 1 January	13	22
Additions on account of temporary differences	97	-
Withdrawal on account of temporary differences	-	-/- 9
Balance as at 31 December	110	13

15.19 DEBTS TO CREDIT INSTITUTIONS

15.19.1 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.

15.19.2 Analysis of debts to credit institutions

EUR thousands	**Principal of debt** *EUR thousands*	**Interest rate 31-12-2012**
SNS Bank N.V.	4,250	SNS basis interest rate plus margin 2.5% per annum

The duration of the remaining debt is –like 2011- less than 5 years.

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

EUR thousands	**31-12-2012**	**31-12-2011**
Long term liabilities	-	-
Current liabilities	1,504	1,976
	1,504	1,976

15.19.3 Statement of changes of debts to credit institutions

EUR thousands	**2012**	**2011**
Balance as at 1 January	1,976	2,671
Loans advanced	3	5
Redemptions	-/- 475	-/- 700
Balance as at 31 December	1,504	1,976

15.20 OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

15.20.1 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	**31-12-2012**	**31-12-2011**
Administrative expenses	1,351	3,270
Trade payables	183	173
Interest payables	27	-
	1,561	3,443

15.20.2 Specification administrative expenses

EUR thousands	31-12-2012	31-12-2011
Administrative expenses as of 27 February 2012 (Palmer Capital Fondsenbeheer B.V.)	199	-
Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)	1,152	3,270
	1,351	3,270

As at 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) was acquired by Palmer Capital Investments GmbH (Palmer Capital). Agreed is that at latest 3 January 2013, or as soon as reasonably (legally and practically) possible after 3 January 2013, the remainder of the administrative expenses MEI-Fondsenbeheer B.V. amounting to EUR 1,152,000 shall be converted into registered shares PCEEPF, based on the Net Asset Value (NAV) of the ordinary shares on conversion date.

15.21 PERSONNEL COSTS

PCEEPF N.V. does not employ any personnel.

15.22 REMUNERATION FOR THE MANAGING BOARD AND SUPERVISORY BOARD

During the financial period no (2011: 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”.

The remuneration for the (former) Supervisory Board amounts to EUR 26,000 (2011: EUR 26,000). The analysis is as follows:

EUR thousands	2012	2011
Prof. Dr. J.L. Bouma (chairman)	14	[3]12
B. Vos M.Sc.	14	14
	28	26
Release Supervisory Board fee E. Roden 2010	-/- 12	-
	16	26

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 receive any options or remuneration in the form of PCEEPF’s shares.

[3] This amount includes also the correction of VAT over 2010 to an amount of EUR 2,000 negative.

15.23 RELATED PARTIES

15.23.1 Identity of related parties

With regard to PCEEPF the following categories of related party were distinguished during the 2012 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).

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

During the financial period no 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”.

15.23.3 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.

15.23.4 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 loans to group companies, as described in section 15.7 “Receivables from group companies”;
B. Providing credit by PCEEPF to Palmer Capital Central European Properties a.s. (formerly MEI Properties a.s.) for the principal amount of EUR 1,310,000 (2011: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2011: 12.0%) was received. At the end of 2012 the outstanding amounts are EUR 912,000 (2011: EUR 1,241,000) and the receivable interest is EUR 579,000 (2011: EUR 421,000).

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

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

15.24 TAXES

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

Deventer, 29 April 2013

The Managing Board:

Palmer Capital Fondsenbeheer B.V.
On behalf of,

G.St. J. Barker LLB FRICS
Drs. P.H.J. Mars M.Sc.
Drs. 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 2012 financial period amounts to EUR 419,000. In connection with the mandatory net reduction of EUR 29,000 on the "Revaluation reserve" the remaining profit for the 2012 financial period was EUR 448,000. It is proposed to the General Meeting of Shareholders to add the whole of the remaining profit for 2012 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 2011: 2,000) in private possession and 2,074 ordinary shares (31 December 2011: 2,074) in possession through Bas Vos B.V.

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

No significant events

16.7 INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of Palmer Capital Emerging Europe Property Fund N.V., Amsterdam, which comprise the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2012, the company profit and loss account for the year then ended and the notes which contain the principles of valuation of assets and liabilities and determination of results and other explanatory information.

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, Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act ("Wet op het financieel toezicht") 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 is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

Opinion

In our opinion, the 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 2012 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, Part 9 of Book 2 of the Netherlands Civil Code and the Financial Supervision Act.

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 2013

KPMG Accountants N.V.

J.J.A. van Nek RA