NEW EUROPE PROPERTY INVESTMENTS PLC

# Condensed Consolidated Unaudited Interim Financial Statements

For the period

from 1 January 2009 to 30 June 2009

**New Europe Property Investments plc**

Falcon Cliff, Palace Road
Douglas
Isle of Man IM2 4LB

Company Secretary

Andrew Dawson

Directors

The Directors of the Company are listed below.

| Director | Appointment date |
|---|---|
| Corneliu Dan Pascariu *(Chairman)* | March 30, 2009 |
| Desmond de Beer | October 21,2008 |
| Dewald Lambertus Joubert | July 23, 2007 |
| Michael John Mills | August 13, 2007 |
| Martin Johannes Christoffel Slabbert* | August 14, 2007 |
| Peter Gray retired on 18 March 2009 | |

* Mr. Slabbert is the managing director of the Investment Advisor.

**Company subsidiaries and joint venture investments**

**New Europe Property (BVI) Limited**
Midocean Chambers,
Road Town, Tortola,
British Virgin Islands

**New Europe Property N.V.**
Pietermaai 123,
Curacao,
Netherlands Antilles

**NE Property Cooperatief U.A.**
Schipphol Boulevard 231 Toren B, 5de,
1118BH, Luchthaven Schiphol,
Amsterdam, Netherlands

**General Building Management SRL**
Charles de Gaulle, 13
District 1,
Bucharest, Romania

**NEPI Bucharest One SRL**
4-8 Nicolae Titulescu St., America House,
3rd floor, District 1
Bucharest, Romania

**NEPI Bucharest Two SRL**
39 Grigore Mora,
District 1,
Bucharest, Romania

**General Investment SRL**
Charles de Gaulle 13,
District 1,
Bucharest, Romania

**Ciref Nepi Holdings Limited**
Grigoriou Xenopoulou, 17
P.C. 3106,
LImassol, Cyprus

**NEPI Bucharest Three SRL**
60 Boulevard Dacia,
District 1,
Bucharest, Romania

**Ciref Europe Management Limited**
31-33 The Triangle,
Ranelagh,
Dublin 6, Ireland

**Premium Portfolio Ltd. & Co. KG**
Rossertstraβe 9,
60323
Frankfurt am Main, Germany

**Premium Portfolio 2 Ltd. & Co. KG**
Rossertstraβe 9,
60323
Frankfurt am Main, Germany

**Investment Advisor**
**NEPI Investment Management Limited**
Midocean Chambers
PO Box 805, Road Town,
Tortola, British Virgin Islands

**Investment Advisor**
**NEPI Investment Management SA**
Daniel Danielopulu 8-10, 3rd floor
Bucharest 1, Romania

**Nominated Advisor and Broker**
**Smith & Williamson Corporate Finance Limited**
25 Moorgate
London EC2R 6AY

**South African Sponsor**
**Java Capital (Proprietary) Limited**
2 Arnold Road
Rosebank
Johannesburg
2196
South Africa

**Administrator and Registrar**
**Maitland Services Limited**
Falcon Cliff, Palace Road
Douglas
Isle of Man IM2 4LB

**Auditors**
**KPMG Audit LLC**
Heritage Court, 41 Athol Street
Douglas,
Isle of Man IM99 1 HN

**Table of Contents**

## Chairman's Statement

New Europe Property Investments plc's ("the Company", "NEPI" or "the Group" where statements refer also to the Company's subsidiaries) condensed consolidated unaudited financial results for the six month period ended 30 June 2009 are included in this report. In general, the Group continued to perform strongly in an environment where many other property companies have been affected by a range of issues that are related to the reduced availability of debt finance and a global economic recession. This positions the Group to take advantage of exciting investment opportunities. Further details are available in the Combined Directors' and Investment Advisor's report.

NEPI's secondary listing on the Alternative Exchange ("AltX") of the JSE Limited ("JSE") in South Africa was completed on 17 April 2009. This process took significantly longer than originally anticipated due to regulatory obstacles. The AltX listing is a step that was designed to bring the Group closer to a main board listing on the JSE that is planned for early 2010.

The Group has achieved consolidated distributable earnings of 7.66 € cents per share in respect of the six months period ended 30 June 2009, accordingly the Board declared an interim dividend of 7.66 € cents per share (the interim dividend was 7.48 € cents per share in respect of the six months period ended 30 June 2008). The salient dates relating to the distribution are presented in the Combined Directors' and Investment Advisor's Report.

Dan Pascariu

Chairman

## Combined Directors' and Investment Advisor's Report

NEPI has continued to perform in accordance with expectations during the first six months of the 2009 financial year ("the interim period"), despite the downturn in the economic cycle. This is the result of a strategy biased in favour of long term leases and conservative gearing. Simultaneously, the Group has been positioned to take advantage of investment opportunities that have arisen from the downturn in the economic cycle.

*Operational Performance*

The outstanding weighted average lease duration was approximately 5.46 years as at 30 June 2009 and rental income has been in line with budgets for the first half of the 2009 financial year.

Administrative expenses include costs incurred in exploring a transaction in relation to Carpathian plc. Financial expenses include €905,048 of costs incurred in connection with the AltX listing. Receivables from tenants were €361,134 on 30 June 2009, which is in line with receivables of €301,343 as at December 2008, illustrating continued performance of tenants in accordance with their obligations, during the interim period.

A large casino group that is a tenant in the Raiffeisen portfolio has vacated its premises and terminated rent payments in February 2009 in breach of its contractual obligations. The performance of the casino group, and the other existing smaller tenants in this portfolio at the acquisition date, have been guaranteed by the vendor up until 8 February 2012. Consequently, the Company has limited exposure to these tenants.

Trade and other receivables have increased from €1,771,356 at 31 December 2008 to €2,313,505. This is due mainly to an increase in receivables by €481,683 from the vendor in relation to the Raiffeisen portfolio. The Group is earning a high return on the overdue receivables from the vendor and has secured these along with other vendor's payment obligations that will become due up until December 2010, with some €1,600,000 of VAT receivables and unencumbered land conservatively estimated at a value of €900,000.

*Financial results*

Three non-cash items affected the Group's consolidated income statement negatively by €804,180. These items include deferred tax, changes in the fair values of financial instruments put in place for interest rate hedging purposes and the amortisation of the share incentive scheme fair value. These items were discussed in the 2008 annual report and the explanations provided therein remain relevant for the 2009 interim period. The exchange gain of €1,723,780 recorded in the consolidated Group income statement results from the weakening of the Romanian Leu compared to the €. As discussed in the 2008 annual report, the Romanian subsidiaries are accounted for in Leu with the result that a movement of the currency gives rise to movements in the recorded Leu value of assets and liabilities of the Group subsidiaries that are consolidated. In substance, however, the Group's income, assets and liabilities are € denominated.

The combination of the above mentioned items led to a net accounting profit of €2,129,574 in relation to the interim period. Distributable earnings in relation to the interim period amounted to

€2,156,596. This figure was calculated by adjusting the accounting profit by reversing the exchange gain, the deferred tax expense and the AltX listing expenses. Further adjustments were made to eliminate the financial instrument fair value adjustments and to amortise costs incurred in relation thereto, as well as adjustments required in relation to the accounting treatment applied to the share incentive scheme.

Adjusted NAV per share is €1.93 (31 December 2008 €1.98) due to JSE listing expenses, changes in the fair value of the financial instruments and the difference between the currency translation reserve in the balance sheet (resulting from the translation of equity recorded by the Company's Romanian subsidiaries in Leu) and the foreign exchange gain in the income statement.

*Debt position and cash resources*

NEPI has drawn down most of its debt facilities and had €9,684,271 of cash resources at the end of the interim period (of which €8,205,687 was unencumbered). The Group is meeting all of its debt covenants. NEPI's loan-to-value ratio at 30 June 2009 was 37% when adjusted for cash on hand (36% as at 31 December 2008). The first substantial debt repayment of €6,824,800 is due in April 2011, which we expect to re-finance given the relative low loan to value ratio in relation to the property financed by this loan. The Group has exercised the option to dispose of the Constanta property at a price of €5,782,210, in line with the book value on 31 December 2008. Raiffeisen bank and the lender to the Group in relation to the Raiffeisen portfolio approved the transaction, but the spin off process in relation to the property is still underway at the date of this report. The Constanta disposal should add a net €3,750,000 (after a partial repayment of debt agreed with the lender) to the Group's available cash resources, when completed.

*Dividend*

The board has declared a dividend per share of 7.66 € cents in respect of the six months ended 30 June 2009. This represents a slight increase as compared to the distribution in relation to the same period in 2008. The Company has adequate accumulated profits to sustain the dividend payment.

The salient dates for the dividend are set out below.

| | |
|---|---|
| Last day to trade (JSE Limited) | Friday, 21 August 2009 |
| Ex-dividend date (JSE Limited) | Monday, 24 August 2009 |
| Ex-dividend date (AIM) | Wednesday, 26 August 2009 |
| Record date | Friday, 28 August 2009 |
| Payment date | Wednesday, 2 September 2009 |

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between registers in the Isle of Man and South Africa will take place between Monday, 24 August 2009 and Friday, 28 August 2009, both dates inclusive.

Shareholders on the South African sub-register will receive dividends in South African Rand, based on the exchange rate to be obtained by the Company on 13 August 2009. A further announcement in this respect will be made on or about 14 August 2009.

*Market overview and prospects*

The Romanian economy is in recession and has been subject to an acute shortage of liquidity during the half year period. As a result, the Group was able to negotiate deposit rates in excess of 7% on call facilities denominated in €. The liquidity position seemed to have eased somewhat towards the end of the interim period, in that deposit rates have decreased significantly.

There is a reduction in tenant demand and downward pressure on rental levels in Romania. A number of landlords with shorter term lease agreements have had to agree to rent reductions. The German market seemed to have been affected to a lesser extent.

The economic downturn has created unique investment opportunities. A number of property holding companies and developers are under financial pressure, due to a number of reasons including over gearing and consequent breaches of loan to value covenants, rent reductions where short term rent strategies were implemented, a lack of finance sources in relation to continued development and overdue loans held in relation to non-income producing assets with little foreseeable development potential. Although few bank loans in relation to properties have been accelerated, cash sweeps are generally implemented by banks where the opportunities arise.

The Group has been exploring a number of acquisition opportunities, including a transaction in relation to Carpathian plc (a company holding commercial properties in Central and Eastern Europe) that was abandoned. In management's view, the most appropriate and attractive of the opportunities explored seem to be direct acquisitions of commercial assets in Romania. Due to Romania's retail environment being the most underdeveloped in the European Union, dominant or potentially dominant operating commercial assets anchored by international and national retailers with long term lease agreements could present significant value. NEPI is in advanced negotiations in respect of a number of these opportunities and plans to acquire a number of operating commercial centres Romania in a phased manner over the course of the next few months. The potential vendors are selected developers with which NEPI wishes to form mutually beneficial long term relationships. The potential acquisitions are being pursued on the basis that the equity portions of the purchase prices will be settled mostly through the issue of NEPI shares to the vendors. A substantial portion of the vendor shares issued will be locked up for agreed periods to align interests between NEPI and the developers. An investment in relation to a fully pre-leased commercial centre under development is also under discussion.

If completed, the acquisitions are expected to have a material enhancing effect on NEPI's future earnings per share. Further announcements are expected to be made in due course.

Martin Slabbert

Director

## Balance Sheet

| | Note | Group Unaudited 30 June 2009 | Group Reviewed 30 June 2008 | Group Audited 31 December 2008 |
|---|---|---|---|---|
| | | **€** | **€** | **€** |
| **ASSETS** | | | | |
| **Non-current assets** | | **87,794,134** | **87,796,648** | **87,533,635** |
| Investment property | 5 | 85,280,283 | 81,848,110 | 85,142,170 |
| Investment property at fair value | | 78,676,715 | 78,954,078 | 78,627,504 |
| Investment property under development | | 6,603,568 | 2,894,032 | 6,514,666 |
| Goodwill | 6 | 2,386,463 | 5,736,305 | 2,386,463 |
| Land concession | | - | 29,864 | - |
| Tenant installation | | - | 4,372 | - |
| Guarantee deposits | | - | *49,429* | - |
| Investments in subsidiaries | | - | - | - |
| Loans to subsidiaries | | - | - | - |
| Financial assets at fair value through profit or loss | 8 | 127,388 | 128,568 | 5,002 |
| **Current assets** | | **11,997,776** | **4,813,788** | **6,190,203** |
| Trade and other receivables | | 2,313,505 | 1,621,547 | 1,771,356 |
| Cash and cash equivalents | | 9,684,271 | 3,192,241 | 4,418,847 |
| **Total assets** | | **99,791,910** | **92,610,436** | **93,723,838** |
| **EQUITY AND LIABILITIES** | | | | |
| **Total equity attributable to equity holders** | | **49,815,481** | ***54,682,210*** | **51,397,909** |
| Share capital | | 267,950 | 267,950 | 267,950 |
| Share premium | | 52,487,190 | 52,487,190 | 52,487,190 |
| Share based payment reserve | 7 | 152,665 | 6,712 | 81,841 |
| Currency translation reserve | | (2,591,223) | (34,132) | (757,686) |
| Accumulated (loss)/ profit | | (501,101) | 1,954,490 | (681,386) |
| **Non-current liabilities** | | **45,281,792** | **32,426,370** | **37,195,489** |
| Loans and borrowings | 8 | 40,283,172 | 30,125,890 | 32,750,804 |
| Financial liabilities at fair value through profit or loss | 8 | 934,866 | - | 575,303 |
| Deferred tax liabilities | | 4,063,754 | 2,300,480 | 3,869,382 |
| **Current liabilities** | | **4,694,637** | **5,501,856** | **5,130,440** |
| Trade and other payables | | 3,057,850 | 4,315,018 | 3,268,082 |
| Loans and borrowings | 8 | 1,636,787 | 1,186,838 | 1,862,358 |
| **Total equity and liabilities** | | **99,791,910** | **92,610,436** | **93,723,838** |
| **NAV per share** | 11 | **1.86** | **-** | **1.92** |
| **Adjusted NAV per share (28,150,000 shares)** | 11 | **1.93** | **-** | **1.98** |

These financial statements were approved by the Board of Directors on 3 August 2009 and were signed on their behalf by

The notes on pages 13 to 20 form an integral part of these financial statements.

## Income Statement

| | Note | Group Unaudited 30 June 2009 € | Group Reviewed 30 June 2008 € | Group Audited 31 December 2008 € |
|---|---|---|---|---|
| **Net rental and related income** | | **3,520,962** | **2,844,649** | **6,315,183** |
| Contractual rental income and expense recoveries | | 4,323,488 | 3,475,127 | 7,713,486 |
| Property operating expenses | | (802,526) | (630,478) | (1,398,303) |
| Share based payments | 8 | (70,824) | (6,712) | (81,841) |
| Investment advisory fees | | (275,574) | (300,618) | (571,137) |
| Administrative expenses | | (274,508) | (215,459) | (498,656) |
| Foreign exchange gain | | 1,723,780 | - | 1,144,227 |
| Fair value adjustment on investment property | | - | - | (1,671,077) |
| **Profit before net finance expense** | | **4,623,836** | **2,321,860** | **4,636,699** |
| Finance income | | 134,523 | 245,908 | 275,930 |
| Finance expense | | (2,286,056) | (556,606) | (2,239,250) |
| **Net finance (expense)** | | **(2,151,533)** | **(310,698)** | **(1,963,320)** |
| **Earnings before tax** | | **2,472,303** | **2,011,162** | **2,673,379** |
| Tax | | (342,729) | - | (1,204,029) |
| **Earnings after tax** | | **2,129,574** | **2,011,162** | **1,469,350** |
| Basic weighted average earnings per share (€ cents) | 9 | 7.95 | 7.51 | 5.48 |
| Diluted weighted average earnings per share (€ cents) | 9 | 7.57 | 7.46 | 5.33 |
| Distributable earnings per share (€ cents) | 9 | 7.66 | 7.48 | 14.72 |
| Headline earnings per share (€ cents) | 10 | 1.78 | - | 7.76 |
| Diluted headline earnings per share (€ cents) | 10 | 1.69 | - | 7.54 |

The Directors consider that all results derive from continuing activity.

The notes on pages 13 to 20 form an integral part of these financial statements.

## Condensed Consolidated Statement of Comprehensive Income

| | Group Unaudited 30 June 2009 | Group Unaudited 30 June 2008 | Group Unaudited 31 December 2008 |
|---|---|---|---|
| | € | € | € |
| Profit for the period | 2,129,574 | 2,011,162 | 1,469,350 |
| Other comprehensive income | | | |
| - currency translation reserve | (1,833,537) | (56,765) | (780,319) |
| Other comprehensive income for the period, net of income tax | (1,833,537) | (56,765) | (780,319) |
| **Total comprehensive income for the period** | **296,037** | **1,954,397** | **689,031** |

The notes on pages 13 to 20 form an integral part of these financial statements.

## Statement of Changes in Equity

| | Share capital | Share premium | Share based payments reserve | Currency translation reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Opening balance 1 January 2008** | **267,950** | **52,487,190** | **-** | **22,633** | **275,746** | **53,053,519** |
| Transactions with owners | **-** | **-** | **6,712** | **-** | **(332,418)** | **(325,706)** |
| - share based payments reserve | - | - | 6,712 | - | - | 6,712 |
| - dividend distribution | - | - | - | - | (332,418) | (332,418) |
| Total comprehensive income | **-** | **-** | **-** | **(56,765)** | **2,011,162** | **1,954,397** |
| - currency translation reserve | - | - | - | (56,765) | - | (56,765) |
| - profit for the period | - | - | - | - | 2,011,162 | 2,011,162 |
| **Closing balance 30 June 2008** | **267,950** | **52,487,190** | **6,712** | **(34,132)** | **1,954,490** | **54,682,210** |
| | | | | | | |
| **Opening balance 1 January 2008** | **267,950** | **52,487,190** | **-** | **22,633** | **275,746** | **53,053,519** |
| Transaction with owners | **-** | **-** | **81,841** | **-** | **(2,416,482)** | **(2,344,641)** |
| - share based payments reserve | - | - | 81,841 | - | - | 81,841 |
| - dividend distribution | - | - | **-** | **-** | (2,426,482) | (2,426,482) |
| Total comprehensive income | **-** | **-** | **-** | **(780,319)** | **1,469,350** | **689,031** |
| - currency translation reserve | - | - | **-** | (780,319) | - | (780,319) |
| - profit for the year | - | - | **-** | - | 1,469,350 | 1,469,350 |
| **Closing balance 31 December 2008** | **267,950** | **52,487,190** | **81,841** | **(757,686)** | **(681,386)** | **51,397,909** |
| | | | | | | |
| **Opening balance 1 January 2009** | **267,950** | **52,487,190** | **81,841** | **(757,686)** | **(681,386)** | **51,397,909** |
| Transaction with owners | **-** | **-** | **70,824** | **-** | **(1,949,289)** | **(1,878,465)** |
| - share based payments reserve | - | - | 70,824 | - | - | 70,824 |
| - dividend distribution | - | - | - | - | (1,949,289) | (1,949,289) |
| Total comprehensive income | **-** | **-** | **-** | **(1,833,537)** | **2,129,574** | **296,037** |
| - currency translation reserve | - | - | - | (1,833,537) | - | (1,833,537) |
| - profit for the period | - | - | - | - | 2,129,574 | 2,129,574 |
| **Closing balance 30 June 2009** | **267,950** | **52,487,190** | **152,665** | **(2,591,223)** | **(501,101)** | **49,815,481** |

The notes on pages 13 to 20 form an integral part of these financial statements.

## Cash Flow Statement

| | Group Unaudited 30 June 2009 € | Group Reviewed 30 June 2008 € | Group Audited 31 December 2008 € |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Earnings after tax | 2,129,574 | 2,011,162 | 1,469,350 |
| **Adjustments for:** | | | |
| Fair value of derivative instruments | 392,176 | (128,568) | 570,301 |
| Fair value adjustments on investment property | - | - | 1,671,077 |
| Share based payments | 70,824 | 6,712 | 81,841 |
| Net finance expense | 1,759,357 | 310,698 | 1,963,320 |
| Foreign exchange gain | (1,723,780) | - | (1,144,227) |
| Corporate tax charge and deferred tax | 341,180 | - | 1,204,029 |
| **Operating profit before changes in working capital** | **2,969,331** | **2,200,004** | **5,815,691** |
| (Increase) in trade and other receivables | (534,924) | (1,139,591) | (1,219,480) |
| (Decrease) in trade and other payables | (217,457) | (172,427) | (430,680) |
| Interest paid | (1,014,619) | (446,048) | (839,299) |
| Interest received | 134,523 | 234,097 | 275,930 |
| **Cash flows from operating activities** | **1,336,854** | **676,035** | **3,602,162** |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of investment property | (138,113) | (19,813,740) | (22,465,661) |
| Payments for acquisition of subsidiaries less cash acquired | - | (27,209,412) | (27,198,062) |
| **Cash flows from investing activities** | **(138,113)** | **(47,023,152)** | **(49,663,723)** |
| **FINANCING ACTIVITIES** | | | |
| Listing expenses on JSE | (905,048) | - | - |
| Proceeds from bank borrowings | 8,911,596 | 16,659,802 | 20,348,000 |
| Repayment of borrowings | (1,579,012) | (382,368) | (1,177,853) |
| Acquisition of interest hedging instruments | (155,000) | - | - |
| Payment of dividends | (1,949,289) | (332,418) | (2,426,482) |
| **Cash flows from financing activities** | **4,323,247** | **15,945,016** | **16,743,665** |
| **Net increase/(decrease) in cash and cash equivalents** | **5,522,248** | **(30,402,101)** | **(29,317,896)** |
| Cash and cash equivalents brought forward | 4,418,847 | 33,651,107 | 33,651,107 |
| Translation effect on cash and cash equivalents | (256,564) | (56,765) | 85,636 |
| **Cash and cash equivalents carried forward** | **9,684,271** | **3,192,241** | **4,418,847** |

The notes on pages 13 to 20 form an integral part of these financial statements.

# Notes to the condensed consolidated unaudited interim financial statements

## 1 General

New Europe Property Investments plc is a company incorporated in the Isle of Man on 23 July 2007. The Company has a primary listing on the AIM market of the London Stock Exchange and secondary listing on AltX of the JSE Limited. The Group includes the Company and its subsidiaries.

## 2 Basis of preparation

The condensed consolidated unaudited interim financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The condensed consolidated interim financial statements have not been reviewed or reported on by the Company's auditor.

## 3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated unaudited interim financial statements are the same as those applied by the Group in its consolidated financial statements of the Group for the period ended 31 December 2008.

### (a) Changes in accounting policies

i) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on information that is internally produced. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosure is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

An operating segment's operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

ii) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed consolidated unaudited interim financial statements for the six months period ended 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

## 4 Financial risk management

During the six months ended 30 June 2009 the Group has not changed its objectives and policies in respect of credit risk, liquidity risk, market risk, currency risk and interest rate risk.

## 5 Investment property

| | **Group** | **Group** | **Group** |
|---|---|---|---|
| | **30 June 2009 €** | **30 June 2008 €** | **31 December 2008 €** |
| Movement in investment property | | | |
| Carrying value at beginning of period | 85,142,170 | 21,718,366 | 21,718,364 |
| Additions from business combination | - | 36,473,582 | 36,473,582 |
| Assets under development acquired through business combination | - | 6,514,666 | 6,514,666 |
| Additions | 138,113 | 17,141,496 | 22,106,635 |
| Fair value adjustment | - | - | (1,671,077) |
| **Carrying value at period end** | **85,280,283** | **81,848,110** | **85,142,170** |

Except for €118,113 representing the value of works in relation to the Brasov building under construction no investment property was acquired or disposed of during the period. Further information on investment property is available in the Group's 2008 annual report.

## 6 Goodwill

Detailed information about recognition and measurement of goodwill is disclosed in the Group's 2008 annual report.

## 7 Share based payments

The features of the share incentive scheme and its measurement on recognition are disclosed in the audited financial statements for the year ended 31 December 2008.

The amount of €152,665 represents the pro-rata amount of the fair value of the options at grant date, in relation to the period over which the share scheme shares were in issue.

## 8 Loans and borrowings

The Group contracted bank loan facility agreements with Nord LB Bank and Alpha Bank Romania S.A. for an aggregate amount of € 28,119,800. Of that amount, €600,000 was available for draw-down as at 30 June 2009. A loan from EuroHypo AG for an amount of €15,000,000 has been taken over as a result of the acquisition of General Investment S.R.L. and General Building Management S.R.L.

The facility agreements concluded with Nord LB bear interest at a fixed rate of 5.17% as a result of an interest rate swap concluded with the Nord LB Bank fixing the reference rate of the loan. As at 30 June 2009 the fair value of the interest rate swap amounted to (€934,866).

The facility agreements concluded with Alpha Bank Romania S.A. bear interest at a floating rate of one month Euribor plus 1.9% p.a. and 4.5%, respectively. The Group has capped its Euribor interest rate risk at 4.7% for the amount of €7.6m and at 3% for the amount of €7.3m by purchasing two derivative financial instruments. As at 30 June 2009 the fair value of the derivative financial instruments amounted to €127,388.

The loan from EuroHypo AG bears interest at a fixed rate of 6.20% per annum.

In addition to the bank loans, the Group also obtained financing from the vendors of the German portfolio amounting to €853,281 for a period of five years. Of this amount €250,000 bears interest at a fixed interest rate of 6% p.a. while the balance does not attract interest.

The repayment profile of the group's outstanding loans is set out in the table below.

| **Loans and borrowings** | **Due within one year €** | **Due within two to five years €** | **Due after five years €** |
|---|---|---|---|
| Alpha Bank Romania S.A. revolving credit facilities | - | 13,524,800 | - |
| Nord LB bank loan | 137,754 | 1,224,972 | 12,581,640 |
| EuroHypo AG | 898,864 | 4,514,275 | 7,584,204 |
| Vendor finance | - | 853,281 | - |
| Accrued interest on Alpha Bank Romania S.A. | - | | |
| Accrued interest on Nord LB loan | 384,420 | - | - |
| Accrued interest on Eurohypo AG loan | 204,531 | - | - |
| Accrued interest on vendor finance | 11,218 | - | - |
| **TOTAL** | **1,636,787** | **20,117,328** | **20,165,844** |

As a result of the loan contract concluded with EuroHypo AG, first ranking security interests were created over the real estate properties of General Investment S.R.L. in favour of Eurohypo AG together with a prohibition to sell, encumber or lease the real estate properties, through mortgage agreements concluded for each individual property. In addition the following security agreements have been concluded in relation to the loan:

- Pledge agreement over the bank accounts of General Investment S.R.L.;
- General security agreement over the assets owned by General Investment S.R.L.;
- Assignment of rental receivable to EuroHypo AG; and
- Personal guarantee agreement between EuroHypo AG (as lender) and the Company (as first guarantor).

Covenants:
- Debt service ratio min 120%; and
- Loan to value ratio max 70%.

The Alpha Bank Romania S.A. loans have been secured as follows:
- Mortgage over the land and building located in Rasnov and the land and buildings in the Flanco portfolio;
- Pledge agreement over the bank accounts of NEPI Bucharest One S.R.L. and NEPI Bucharest Two S.R.L opened with Alpha Bank Romania S.A.;
- Real movable security over the shares of NEPI Bucharest One S.R.L. and NEPI Bucharest Two S.R.L; and
- Corporate guarantee issued by the Company.

Covenants:
- Loan to value ratio max 60% in case of Nepi Bucharest Two S.R.L; and
- Loan to value ratio max 65% in case of Nepi Bucharest One S.R.L.

## 9 Earnings per share

The calculation of basic earnings per share for the period ended 30 June 2009 was based on the profit attributable to ordinary equity holders of €2,129,574 (30 June 2008: €2,011,162) and the weighted average number of 26,795,000 (30 June 2008: 26,795,000) ordinary shares in issue during the period (excluding the share incentive scheme shares).

The calculation of diluted earnings per share for the period ended 30 June 2009 was based on the profit attributable to ordinary equity holders of €2,129,574 (30 June 2008: €2,011,162) and the weighted average number of 28,150,000 (30 June 2008: 26,974,669) ordinary shares in issue during the period (including the share incentive scheme shares).

The calculation of distributable earnings per share was based on earnings after tax adjusted as shown in the table below to arrive at the distributable earnings of €2,156,596 (30 June 2008: €2,104,386) and the number of shares in issue at 30 June 2009.

| | **Group 30 June 2009 €** | **Group 30 June 2008 €** |
|---|---|---|
| **Distributable earnings** | **2,156,596** | **2,104,386** |
| Earnings after tax | 2,129,574 | 2,011,162 |
| Unrealised foreign exchange gains | (1,723,780) | - |
| Share based payment fair value | 70,824 | 6,712 |
| JSE Listing expenses | 905,048 | - |
| Interest receivable from key employees | 81,351 | - |
| Fair value adjustments on investment property | - | - |
| Net change in fair value of financial assets and liabilities | 392,176 | 432 |
| Amortisation of the premium paid for derivative instrument | (39,777) | (1,648) |
| Share issue cum distribution | - | 87,728 |
| Deferred tax expense | 341,180 | - |
| Number of shares in issue at end of period | 28,150,000 | 28,150,000 |
| **Distributable earnings per share (€ cents)** | **7.66** | **7.48** |

1,355,000 shares were issued as part of the share option scheme and are accounted for as treasury shares.

## 10 Headline earnings per share

The calculation of headline earnings per share for the period ended 30 June 2009 was based on headline earnings of €476,618 and 26,795,000 ordinary shares in issue during the period (excluding the share incentive scheme shares).

The calculation of diluted headline earnings per share for the period ended 30 June 2009 was based on headline earnings of €476,618 and the weighted average of 28,150,000 ordinary shares in issue during the period (including the share incentive scheme shares).

| | Group 30 June 2009 € | |
|---|---|---|
| | **Gross** | **Net** |
| **Profit after tax** | **2,129,574** | **2,129,574** |
| Unrealised foreign exchange gain | (1,723,780) | (1,723,780) |
| Share base payment fair value | 70,824 | 70,824 |
| **Headline earnings** | **476,618** | **476,618** |

As of 30 June 2008 headline earnings per share has not been computed as the Company was not listed on AltX of the JSE.

### 11 Net asset value per share

| | **Group 30 June 2009 €** | **Group 31 December 2008 €** |
|---|---|---|
| **Adjusted net asset value** | **54,446,673** | **55,834,728** |
| Net asset value in balance sheet | 49,815,481 | 51,397,909 |
| Value of shares issued in the share incentive scheme | 2,953,900 | 2,953,900 |
| Deferred tax | 4,063,754 | 3,869,382 |
| Goodwill | (2,386,462) | (2,386,462) |
| Number of shares in issue at end of period | 28,150,000 | 28,150,000 |
| **Net asset value per share (based on 26,795,000 shares in issue)** | **1.86** | **1.92** |
| **Adjusted net asset value per share** | **1.93** | **1.98** |

## 12 Segment reporting

The Group operates only one business segment, which is the rental of investment property.
On a primary basis, the Group operates in the following geographical areas of Europe:

- Romania
- Germany

The Group's primary format for segmental reporting is based on geographic segments.

The above geographic areas represent separate geographic segments.

From 15 April 2008, the Group commenced operations in a second geographic segment as a result of its joint acquisition of six properties in Germany. The Group's segmental revenue and results for the period are presented below.

| | Romania 30 June 2009 € | Germany 30 June 2009 € | Consolidated 30 June 2009 € |
|---|---|---|---|
| External revenues | 3,572,907 | 750,581 | 4,323,488 |
| Inter-segment revenue | - | - | - |
| Reportable segment profit before income tax | 3,798,312 | (142,784) | 3,655,528 |
| Segment assets | 69,513,236 | 18,385,331 | 87,898,567 |

| | Romania 30 June 2008 € | Germany 30 June 2008 € | Consolidated 30 June 2008 € |
|---|---|---|---|
| External revenues | 3,266,879 | 208,249 | 3,475,128 |
| Inter-segment revenue | - | - | - |
| Reportable segment profit before income tax | 2,221,434 | 89,716 | 2,311,150 |
| Segment assets | 71,566,421 | 19,450,098 | 91,016,519 |

| | Group 30 June 2009 € | Group 30 June 2008 € |
|---|---|---|
| **Total profit for reportable segments** | **3,655,528** | **2,311,150** |
| Share based payments | (70,824) | (6,712) |
| Investment advisor management fee | (275,574) | (300,618) |
| Administrative expenses | (274,508) | (215,459) |
| JSE listing costs | (905,048) | - |
| Interest income | - | 222,801 |
| **Consolidated profit before income tax** | **2,129,574** | **2,011,162** |

## 13 Contingent assets and liabilities

*Guarantees*

The Group's policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business.

The Company issued two corporate letters of guarantee to Nepi Bucharest One S.R.L. and Nepi Bucharest Two S.R.L. in relation to the Alpha Bank Romania S.A. credit facilities (see note 8).

## 14 Related party transactions

*Identity of related parties with whom material transactions have occurred*

The subsidiaries and Directors are related parties. The subsidiaries of the Company are presented on page 1 and 2. The Directors are set out on page 1.

*Material related party transactions*

Pursuant to the investment advisory agreement, the Investment Advisor is paid a monthly advisory fee of one percent per annum of the daily average market capitalisation of NEPI, in consideration for performing investment advisory services for the Group, whether itself or through sub-contractors. The Investment Advisor is also entitled to an annual performance fee from the Group of an amount equal to 20 percent of the declarable dividend arising from investment income in respect of the financial year under consideration to the extent that this exceeds an annual 10 percent return on the aggregate capital invested in the company as at the relevant date.

## 15 Subsequent events

There are no significant transactions between the reporting period and the release date of these financial statements.