

ANNUAL REPORT 2009



Highlights of the year

€63 million

Acquisition of European Retail Park Braila (ERP Braila).

€146 million

Property portfolio as valued at 31 December 2009.

€40 million

Five year loan facility secured with KBC Bank Ireland to re-finance ERP Braila.

15.77 euro cents

Dividend per share for the 2009 financial year, an improvement of 7.1% over 2008.

ERP Braila acquired in October 2009



Retail Park Auchan Pitesti acquired after year-end



Annual Report 2009

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Chairman's statement



The Group pursued several retail investment opportunities during the year, agreed commercial terms in relation to four investments and substantially completed its due diligence in relation to three of these opportunities.

The Company completed a secondary listing of its shares on the Alternative Exchange ("AltX") of the JSE Limited ("JSE") in South Africa and also successfully completed a wider placement of shares during the financial year.

General

New Europe Property Investments plc's ("the Company", "NEPI" or, where the statements refer to the Company's subsidiaries, "the Group") audited consolidated financial statements for the financial year ended on 31 December 2009 are included in this report.

The Group continued to perform well in a difficult environment due to a prudent strategy adopted before the onset of the global recession that was in full swing during 2009. Financial performance was further supported by the completion of the first in a series of planned acquisitions that are being pursued by the Group. There is an acute shortage of equity in the Romanian market and due to its balance sheet flexibility and shareholder support the Company is well positioned to take further advantage of the investment opportunities that this offers.

During 2009 the Company decided to focus primarily on retail opportunities in Romania. The Group pursued several retail investment opportunities during the year, agreed commercial terms with regard to four investments and substantially completed its due diligence concerning three of these opportunities. One acquisition was concluded during the financial period covered by this report and a sale and purchase agreement has been entered into with regards to a second acquisition, after the financial year-end. With regard to the third opportunity, management attempted to resolve certain concerns identified during the due diligence process. The Group explored and has made progress to further its investment opportunities. More details are provided in the Combined Directors' and Investment Advisor's Report.

The Company completed a secondary listing of its shares on the Alternative Exchange ("AltX") of the JSE Limited ("JSE") in South Africa and has also successfully completed a wider placement of shares during the financial year. This significantly improved the depth of the shareholder base and liquidity in the trading of the Company's shares. The Company will pursue a listing on the Main Board of the JSE during the 2010 financial year after the completion of further acquisition opportunities that are currently underway.

The Board of Directors was strengthened by the appointment of further new Directors, all of whom are property experts with many years of experience relevant to the Group's business. In addition, the Board of Directors formed an investment committee to assist the Board with matters relating to the investment process and portfolio construction.

Dividends

The Group produced strong results, generating distributable earnings of 15.77 euro cents per share for the financial year ended 31 December 2009 (2008: 14.72 euro cents). In view of this the Board recommended a final dividend of 8.11 euro cents per share. This was approved in the annual general meeting that was held on 3 March 2010 and brings the total dividend for the 2009 financial year to 15.77 euro cents per share. This is an increase of 7.1% over the 2008 dividend in €.

Prospects

The Company is well positioned to continue taking advantage of investment opportunities in its current markets and is set to continue expanding its retail asset base in Romania during 2010.

A handwritten signature in blue ink, appearing to read 'Dan Pascariu', written over a light blue horizontal line.

Dan Pascariu,
Chairman

Directors of the Company

The Company's strategy is to provide investors with long-term investment opportunities with stable € based investment returns derived from commercial property. The investment strategy was biased in favour of long-term leases with strong corporate covenants and conservative gearing.

NEPI performed well during the 2009 financial year with 7.1% year-on-year growth in distributable earnings, despite the downturn in the economic cycle. The Company is pursuing further growth in distributable earnings in respect of the 2010 financial year.



FROM TOP TO BOTTOM:

Dan Pascariu, NON-EXECUTIVE CHAIRMAN
APPOINTED ON MARCH 30, 2009

Desmond de Beer, NON-EXECUTIVE DIRECTOR
APPOINTED ON OCTOBER 21, 2008

Michael Mills, NON-EXECUTIVE DIRECTOR
APPOINTED ON AUGUST 13, 2007

Steven Van Den Bossche, NON-EXECUTIVE DIRECTOR
APPOINTED ON NOVEMBER 11, 2009

Kris Carton, NON-EXECUTIVE DIRECTOR
APPOINTED ON NOVEMBER 11, 2009

Dewald Joubert, NON-EXECUTIVE DIRECTOR
APPOINTED ON JULY 23, 2007 (RE-ELECTED ON MAY 13, 2009)

Martin Slabbert, NON-EXECUTIVE DIRECTOR
APPOINTED ON AUGUST 14, 2007

Jeffrey Zidel, NON-EXECUTIVE DIRECTOR
APPOINTED ON NOVEMBER 11, 2009

Directors of the Company (continued)

Dan Pascariu (59), Chairman

Dan Pascariu is a prominent figure in the Romanian financial industry. He started his career with the Romanian Bank for foreign Trade in 1973 and was appointed as Chairman and CEO in 1990. From 1994 to 1996 he was the CEO of Banca Bucuresti, a banking institution created by Alpha Credit Bank of Greece and European Bank for Reconstruction and Development as well as Chairman of the Board of Bucharest Investment Group, the investment banking arm of Banca Bucuresti. From 1996 to 1998 Mr. Pascariu was Chairman of the Board of Creditanstalt Financial Advisors, the investment banking arm of Creditanstalt Bankverein of Austria. From 1998 to June 2007 Mr. Pascariu was the Chairman and CEO of the Bank Austria Creditanstalt's banking subsidiary in Romania. Following its merger with the local subsidiary of Unicredit he has been the non-executive Chairman of the Board of Unicredit Tiriac Bank. Mr. Pascariu is also a non-executive Board member of the leasing, investment banking and building society subsidiaries of the Unicredit Group in Romania. Mr. Pascariu was the founder and first President of the Romanian Banking Association from 1991 to 1994, as well as a cofounder and associate Professor at the Romanian Banking Institute.

Dewald Joubert (37), Director

Dewald Joubert is an admitted South African advocate and his corporate experience includes advising multinational groups on international tax and corporate governance matters. In addition to his position on the board of the Company, he currently serves as an independent non-executive director on the board of AngloGold Ashanti Holdings plc. Previously Mr. Joubert served as a non-executive director on the board of Pangea Diamondfields plc and he was represented on the boards the Dimension Data Group and the Nampak Group. He worked with the South African Revenue Services from 1996 to 1998, Arthur Andersen's tax practice in South Africa from 1999 to 2000 and thereafter practiced tax law as a registered legal practitioner out of the Maitland Group's Isle of Man office. Mr. Joubert currently works as an independent consultant to the Maitland Group after joining a private investment group in July 2008.

Kris Carton (35), Director

Kris Carton is a qualified architect with over 10 years of experience in the design of commercial properties in Belgium and Poland. Having worked on projects for Leibrecht & Wood, a Belgian developer with operations in Poland, Mr. Carton co-founded an architectural practice in Warsaw, Poland ("The Office"). The Office expanded its focus to Romanian properties and developed relationships with a number of high profile clients. From 2004, The Office increased its scope to property development and has been instrumental in the design and construction of a number of retail parks in Romania and Belgium. Mr. Carton has not been reappointed to the Board of the Company at its annual general meeting held on 3 March 2010.

Desmond de Beer (49), Director

Desmond de Beer has significant property investment and management experience. He spent several years in the banking industry, first with Barclays Bank in South Africa where he was initially appointed to its executive development programme, and there after as bond manager at the Barclays Trust in 1988. From 1989 Mr. de Beer was employed by the Nedbank Group in various property finance related positions. This culminated in his appointment as General Manager Corporate Equity and his membership of the executive committee at Nedcor Investment Bank Ltd ("NIB"). Since 2003 Mr. De Beer has been the managing director of the Resilient Property Income Fund Ltd, listed on the JSE in South Africa. Mr. De Beer is also a director of the management company of JSE listed Capital Property Fund, and a non-executive director of JSE listed Pangbourne Properties Ltd. Mr. De Beer holds a BProc and a MAP from the Wits Graduate School of Business. He is also an alternate director of the Investment Advisor.

Michael Mills (62), Director

Michael Mills is an experienced public company chairman and managing director with significant operating and financial experience. A chartered accountant, he has worked across a range of sectors including technology, engineering, service and distribution, paper and packaging, food and textiles. He has been involved extensively in mergers and acquisitions, turnarounds and rescues in the public sector, and has held senior financial positions in BTR plc and Bunzl plc. He was a director at Apax partners specialising in private equity. Mr. Mills' recent positions include, amongst others, chairman of Advance Value Realisation Limited, non-executive director of Ultrasis plc, managing director of Atlas Medical Recruitment Limited, chairman of Athanor Capital Partners Limited, chairman of Legacy Distribution Group Inc. and CEO of Drew Scientific Group plc.

Martin Slabbert (39), Director

Martin Slabbert started his career in South Africa. He held positions at Arthur Andersen and HSBC Investments Services (South Africa) (Pty) Ltd, where he gained experience in mergers and acquisitions, turn-around strategies and financial restructuring. In 2001, Mr. Slabbert joined the Nedbank Group via NIB and held the positions of senior vice president for the shareholders' funds and member of the executive committee at NIB, and later general manager in the capital management cluster of the Nedbank Group. His focus was on the restructuring and disposal of non-core assets, mitigation of large bank exposures and investment banking transactions. During this time, Mr. Slabbert was seconded to Premier Foods Ltd as CFO to assist with the group's turn around. In 2005 Mr. Slabbert relocated to Romania where he held the position of partner at Deloitte Central Europe, heading the financial advisory practice in Romania, the corporate finance practice in the Balkans and the Deloitte Central Europe corporate finance advisory industry sector teams. Mr. Slabbert co-founded NEPI in 2007 and is the managing director of the Investment Advisor.

Steven Van Den Bossche (43), Director

Steven Van Den Bossche has over 20 years experience in the construction and interior design of commercial properties. In 1984, he founded Van Den Bossche Contracting NV, a company that specialised in the construction and interior design of bank outlets. In 2005, when the company entered the Romanian property market Mr. Van Den Bossche co-founded BelRom, a developer of commercial real estate in Romania. To date, BelRom has developed five retail parks and a number of others are under development.

Jeffrey Zidel (59), Director

Jeffrey (Jeff) Nathan Zidel is a successful property developer and investor and has been involved in all aspects of the property industry for 38 years. He has been three-time president of the Roodepoort Chamber of Commerce. He is currently chairman of Fortress Income Fund Limited and Proptrax, a property ETF, both listed on the JSE. He holds the position of non-executive director at the Resilient Property Income Fund Limited, a listed company on the JSE, which is a substantial investor in NEPI. Mr. Zidel is a director of the Investment Advisor.

Combined Directors' and Investment Advisor's report

The Company's strategy is to provide investors with long-term investment opportunities with stable euro based investment returns derived from commercial property. The Company's investment portfolio currently focuses on Romania, but will later include other Central and Eastern European countries that are recent entrants of the EU or are considered to be on an accession path. In line with this strategy, the Group has invested primarily in the high quality office, retail and industrial property market in Romania. The Group also acquired an interest in six investment properties located in Germany through a joint venture. The investment strategy was biased in favour of long-term leases with strong corporate covenants and conservative gearing.

Given the extraordinary events that have unfolded in the global macro-economic environment in the latter half of 2008, the Group positioned itself to take advantage of the investment opportunities that arose from this and explored a number of acquisition opportunities during 2009.

The Group decided to focus on the acquisition of dominant or potentially dominant operating retail assets anchored by international and national retailers with long term lease agreements, primarily from vendors with which NEPI wishes to form mutually beneficial long term relationships. The Group has decided to increase its gearing to range between 50% and 60% in conjunction with these acquisitions. One such acquisition was completed during the financial period from BelRom, with the acquisition of the ERP Braila. Further acquisitions will be completed in 2010 and are discussed in more detail below.

NEPI performed well during the 2009 financial year with 7.1% year-on-year growth in distributable earnings, despite the downturn in the economic cycle. The Company is pursuing further growth in distributable earnings in respect of the 2010 financial year. NAV per share has improved and Adjusted NAV per share has remained stable.

Operational performance

The outstanding weighted average lease duration was approximately 6.6 years as at 31 December 2009 (2008: 6.6 years). Net rental and related income increased to €8,270,884 (2008: €6,315,183). The increase in net rental and related income is mostly as a result of the acquisition of ERP Braila, effective from 1 September 2009, which had a longer average lease duration than the portfolio that was in place at 31 December 2008.

Administrative expenses of €1,543,992 (2008: €498,656) include JSE listing costs of €905,048 (classified as finance costs in the 2009 interim results) and costs incurred by exploring a potential transaction in relation to Carpathian plc.

The finance expense included €286,211 in relation to transaction costs (in accordance with revised IFRS 3 such costs are to be expensed beginning with 1 January 2009) and fair value adjustments in relation to financial instruments of €855,754.

Trade and other payables of €6,027,605 include €2,924,753 of advances and tenant deposits, as well as payables in relation to the completion of the Staer premises in ERP Braila.

Trade and other receivables of €3,396,479 include €1,699,843 from the vendor in relation to the Raiffeisen portfolio. This receivable is fully secured and the remaining receivables have been provided for on a conservative basis.

Financial results

Non-cash items that affect the Group's statement of comprehensive income for the year and that are reversed for purposes of calculating distributable income include:

- An unrealised foreign exchange gain of €1,811,011 that resulted from the weakening in the Romanian Leu. In accordance with IFRS the Company's Romanian subsidiaries prepare their financial accounts in Leu with the result that a movement in the value of the currency gives rise to movements in the recorded Leu value of assets and liabilities of the subsidiaries that are consolidated. This is partially offset by the negative currency translation reserve movement of €1,892,383 recorded in the balance sheet and the statement of comprehensive income for the period (resulting from the translation or consolidation of the equity recorded by the Company's Romanian subsidiaries in Leu). In substance, the Group's income is euro-denominated, as are its expenses, assets and liabilities and the currency adjustments are therefore reversed when calculating distributions.
- A share based payment expense of €153,059, resulting from the treatment of the Investment Advisor share incentive scheme as an option scheme in accordance with IFRS.
- A positive net fair value adjustment of €575,253 to reflect a net improvement

in the open market values of the Group's investment properties based on valuations obtained from DTZ Equinox Consulting S.R.L. and Dr. Lubke GmbH.

- A negative fair value adjustment of €855,754 to reflect a net reduction in the value of financial instruments held for interest rate hedging purposes.
- A deferred tax expense of €2,121,193. The deferred tax expense accounts for the tax that would be incurred should the assets be disposed of by the Romanian subsidiaries. Given that, for tax purposes, the historical values of properties are carried in Romanian Leu while the property market values are expressed in euro-terms, a depreciation of the Leu leads to an increase in deferred tax which explains the increase in deferred tax during the year as well.

The combination of the above mentioned adjustments lead to a net accounting profit for the year of €2,722,255. Distributable earnings for the financial year amount to €5,164,378. This figure is arrived at by adjusting the accounting profit with the non-cashflow items discussed above, by recognising an expense of €117,288 in relation to the amortisation of option premiums paid in respect of financial instruments, by the reversal of listing expenses and acquisition fees of €905,048 and €286,211 respectively and by the recognition of accrued interest of €170,721 from participants in the Investment Advisor share incentive scheme (of which interest is recovered from dividend payments to participants) and aggregate adjustments of €547,821 required in respect of share issues that took place cum dividend during the financial year.

NAV per share has improved to €1.95 (2008: €1.92) and Adjusted NAV per share is €1.97 (2008: €1.98). Adjusted NAV per share is calculated by adding to the net asset value of the Group the value of the loans extended to participants in the Investment Advisor share incentive scheme, as well as adding back deferred tax and deducting goodwill. The result is divided by all of the shares issued by the Company (including the Investment Advisor share incentive scheme shares that are treated as treasury shares for accounting purposes).

Portfolio details and performance

The Group's property portfolio consists of 30 retail, office and industrial properties of which 24 are located in Romania and the remainder in Germany (for Germany only NEPI's 50% interest in the portfolio was accounted for).

Combined Directors' and Investment Advisor's report (continued)

The portfolio was valued at €145,965,096 and had a rentable area of approximately 140,000 square meters as at 31 December 2009. The Romanian portfolio was valued by DTZ Echinox Consulting S.R.L., and the German portfolio was valued by Dr. Lübke GmbH. The Group's policy is to revalue its portfolio on an annual basis.

The retail portfolio

The retail portfolio consists of 10 assets, with a total area of 68,600 square meters valued at €89,768,452 (or 61.5% of the total portfolio).

The bulk of the retail assets consist of ERP Braila, a 53,000 square meter retail center, acquired in 2009, which is anchored by Carrefour (the largest hypermarket operator in Romania and the second largest retailer in the world), Bricostore (the second largest DIY operator in Romania and part of the French Bresson group) and Staer (a Romanian national furniture retailer). The retail center also contains a Galleria with a number of multi-national tenants including New Yorker, Takko, Deichman and Reserved. ERP Braila is located on the exit towards Bucharest from Braila, a city with a population of 210,000. It has been established as the main shopping destination in the Braila region that includes Galati, a city with a population of 300,000, located approximately 15 km from Braila.

The Flanco portfolio, acquired in 2007, contains four Romanian retail assets. The first is a street retail unit located on the main street of Iasi, a city of 300,000 people, rented to Piraeus Bank (a large Greek banking group), the second a street retail unit located on the main street in Bacau, a city of 180,000 people, rented to Banca Comerciala Romana (Romania's largest banking group, controlled by Erste Bank Group) and the third is a street retail unit located in the center of Bucharest; approximately half of the property is rented to KFC and the other half to Aura Gaming. The fourth property is a 3,400 square meter retail-box located next to the largest retail center in Brasov, a city of 285,000 people and is rented to Flanco, a Romanian white goods retailer.

The Group's German portfolio, acquired in 2008, includes five retail assets, namely a small retail center in Eilenburg anchored by REWE, Deichman and Takko, a DIY store in Bruckmuehl operated by Josef Schneider GmbH (Hagebaumarkt), a street retail unit in Frankfurt occupied by Netto supermarket and two other small retail centers in Leipzig and Moelln anchored by REWE and Norma supermarkets, respectively.

Despite the prevailing adverse economic conditions, the retail assets in the portfolio performed well. The ERP Braila in particular continued to attract new tenants as well as increased daily customer visits. It offers additional expansion opportunities through the addition of a big box retailer and the completion of the entertainment area with a cinema and/or other attractions. The premises of Staer, a key tenant, were completed during November 2009. Revenue performance in relation to the ERP Braila was in line with the Board's expectations and further international retailers are expected to become tenants during the 2010 financial year.

Where management is expecting defaults in 2010, pro-active action has been taken by initiating discussions with replacement tenants.

The office portfolio

The office portfolio consists of 19 properties with a total area of 48,400 square meters valued at €43,996,644 (or 30.1% of the total). One of the properties is located in Munich, Germany and is rented to medical practitioners, while the other 18 properties are part of the Raiffeisen portfolio acquired in 2008 and are located in the central areas of 18 Romanian cities. The Romanian subsidiary of the Raiffeisen banking group is the largest tenant in the portfolio occupying 26,246 square meters of the portfolio until 2014. The Raiffeisen banking group is the second largest banking group in Austria and is forecast to generate an operational profit of €2.4 billion in 2009. The remainder of the rented space is occupied by smaller tenants. The property in Constanta of 6,697 square meters is in the process of being sold to the vendor as the result of the exercise of a put option by the Group.

The industrial portfolio

The Group has one industrial property of 23,000 square meters acquired in 2007 in Rasnov, Romania. As at 31 December 2009, the property was valued at €12,200,000 (or 8.4% of the total). The property is rented to Picanol Group, an international group specialising in the development, production and sales of weaving machines and technology for the textile industry and Dexion Hi-Lo Storage Solutions, which is now part of the Constructor Group, a leading pan-European manufacturer and provider of industrial and commercial storage solutions.

Investments

In June 2009 the Group entered into a binding memorandum of understanding for the phased acquisition of three retail parks from BelRom, an investment consortium of private

investors. The Group aimed to conclude these acquisitions by the end of 2009. By October 2009 the Group had obtained a €113.5 million re-financing facility from KBC Bank for the purpose of re-financing the existing loans in the BelRom portfolio and concluded the acquisition of ERP Braila for a total consideration of €63 million. Thereafter, a detailed due diligence commenced in relation to ERP Focsani, following which, management entered into further negotiations with BelRom in an attempt to resolve certain concerns identified during the due diligence process.

After year-end, the Group entered into a sale and purchase agreement for the part acquisition of a retail park in Pitesti, Romania with a call option on the remainder of the retail park. The anchor tenant is Auchan, a hypermarket chain, and Bricostore. The transaction will take effect as of 1 January 2010 and is expected to be earnings enhancing.

The Group will continue to explore further investment and acquisition opportunities in Romania and is conducting various negotiations that are at different stages of advancement. The Group is not at liberty to disclose further details at present due to confidentiality undertakings made to the potential vendors.

Debt position and cash resources

The Group had €12,276,543 of cash at the end of the 2009 financial year (of which €10,949,088 was unencumbered). The Company has met all of its debt covenants. NEPI's overall loan to value ratio on 31 December 2009 was 46% when adjusted for cash at hand (36% as at December 2008). The increase is due to the KBC loan in relation to the ERP Braila acquisition. The first substantial debt repayment of €6,824,800 is due in April 2011, however, this particular debt repayment is expected to be readily re-financeable, given the relative low loan to value ratio of the debt relative to the underlying asset.

Details of bank loans are set out in the table on the following page.

Combined Directors' and Investment Advisor's report (continued)

Borrower	Facility amount, €	Outstanding amount, €	Available for drawdown, €	Interest rate	Hedge
Nepi Bucharest One S.R.L.	6,200,000	6,200,000	–	1 month Euribor +4.5%	–
	1,100,000	372,000	728,000	1 month Euribor +4.5%	1 month Euribor capped at 3%
Nepi Bucharest Two S.R.L.	5,800,000	5,800,000	–	1 month Euribor +1.9%	1 month Euribor capped at 4.7%
	1,024,800	230,200	679,400	1 month Euribor +1.9%	–
General Investment S.R.L.	15,000,000	12,555,979	–	Fixed at 6.23%	–
Premium Portfolio	13,995,000	13,869,401	–	Fixed at 5.17%	–
ERP Braila	113,500,000	40,000,000	*	3 month Euribor +3.0%	3 month Euribor capped at 3% in respect of €40 million
Total		79,027,580	1,407,400		

* the balance of the ERP Braila loan is available for the Focsani and Bacau acquisitions.

General Investment loan (Raiffeisen portfolio)

The loan is repayable at a rate of approximately €800,000 per year. In addition, following the sale of the Constanta property, €2 million will become available to make a repayment to the bank. As a result, the outstanding loan will decrease to approximately €10.5 million.

ERP Braila loan

A development loan was taken over and repaid from a new loan facility of €113,500,000 with KBC Bank Ireland that was finalised after the year-end with the purpose to re-finance also the acquisition of two further assets from BelRom. The KBC Bank Ireland facility has a two-year grace period on repayment of the loan principal, after which 16% of the principal has to be repaid in equal annual instalments until maturity in December 2014.

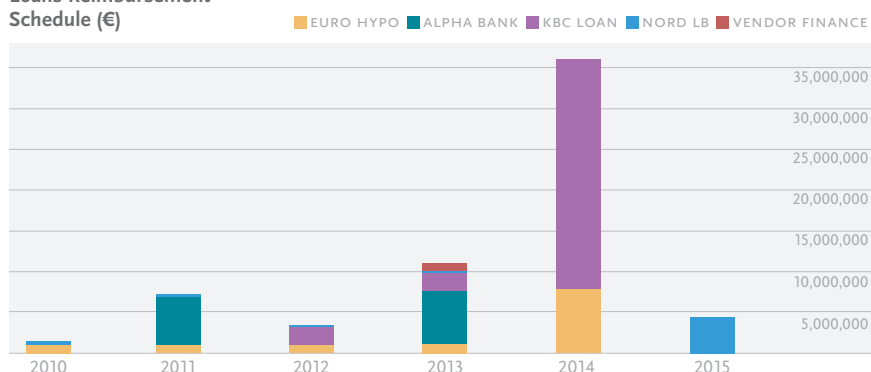
The KBC Bank Ireland facility is secured with a holding company guarantee (from NEPI) which covers a portion of interest and principal due under the loan. The loan will be cross-collateralised among the three investment assets and will have the following covenants on a portfolio basis:

	Year 1	Year 2	Year 3	Year 4	Year 5
Loan to value ratio	69%	69%	62%	56%	50%
Interest service coverage ratio	1.80	2.00	2.20	2.20	2.20

The Group has made cash security deposits to the amount of €895,000 and €402,952 in relation to the vendor finance in Germany and the Raiffeisen Portfolio loan, respectively. In relation to the Flanco Portfolio and Rasnov Industrial Facility loans, the Group needs to maintain a cash security deposit equivalent to three months' interest expense.

The Group is confident that it will continue to meet all covenants applicable to its outstanding loans and that loans will be re-financed at maturity, where necessary.

Loans Reimbursement Schedule (€)



Combined Directors' and Investment Advisor's report (continued)

Market overview

Following nine years during which Romania was one of the best performers in Europe in terms of GDP growth (including 7.3% growth in 2008, the highest in the European Union), the economy was hit hard in 2009. It appears that there is a delayed effect in the economic cycle between Romania and the larger economies in Western Europe. As a result GDP contracted by 7.1% in 2009.

Foreign demand for exports increased in November compared to the same month of 2008. The IMF expects GDP growth of 1.3% in 2010 for Romania, with GDP growth set to resume longer-term expectations in excess of 4.5% per annum from 2011. Other forecasts are somewhat more upbeat regarding GDP growth in Romania for 2010, forecasting growth of up to 2.3% in relation to 2010.

Declining tenant demand in all segments of the property market led to increased vacancy and downward pressure on rental levels. Rental renegotiations were widespread, especially in the first half of 2009. A large number of small retailers had to downsize their networks while a number of successful international retailers seized the opportunity to enter into well-established trading properties previously inaccessible because of the lack of available space and higher rental levels.

Retail sales in 2009 declined significantly in comparison to 2008. The retail sales market in 2010 is expected to remain difficult and on par with 2009. Longer-term prospects remain positive and retail sales are forecasted to grow robustly in Romania over the course of the next decade and outperform most countries in Central Europe (with the exception of Poland) and virtually all of Western Europe.

Many larger Romanian cities remain under-supplied with modern property infrastructure especially in the retail segment of the market.

The economic downturn has generated unique investment opportunities that the Group will continue to pursue in the coming months. Banks in Romania are reluctant to provide new loans (lending margins were increased, ranging from 4% to 5% over the base rate) and equity providers and investors are in low supply. Transactional activity was low in 2009; NEPI's acquisition of ERP Braila was the largest property acquisition in Romania during 2009. Property owners and developers are often over-leveraged and banks have imposed cash sweeps in many cases. This resulted in developers and property owners being strapped for cash. There seems to be no immediate resolution for these market players.

The German market was also subject to downward pressure on rental income, although less acute than in Romania. This pressure was caused by increasing vacancy, delayed completion of developments and general economic slowdown. Transaction volumes were low compared to previous years, however the yields for prime assets appear to have stabilised close to the historical levels. The demand for secondary assets continues to remain weak.

Dividend

With consideration to the 2009 interim dividend of 7.66 euro cents per share paid by the Company, the Board has recommended a final dividend of 8.11 euro cents per share, bringing the total recommended dividend to 15.77 euro cents per share in respect of the 2009 financial year. Shareholders approved the declaration of the final dividend in the annual general meeting that was held on 3 March 2010.

Prospects

NEPI is well positioned in its markets and intends to continue to pursue attractive acquisition opportunities of dominant or potentially dominant operating commercial assets anchored by international and national retailers with long term lease agreements in Romania in 2010. The acquisitions should lead to further growth in its distributions to shareholders and establish NEPI as a significant player in the Romanian retail market.



Martin Slabbert,
Director

Portfolio analysis

An analysis of the property portfolio in respect of sectoral and tenant spread, vacancy and lease expiry profiles, average rentals and rental escalations is provided in the charts, tables and commentary below. Rental and tenant information has been extracted from the leases and other contracted obligations that were in place as at 31 December 2009.

Sectoral analysis of portfolio revenues

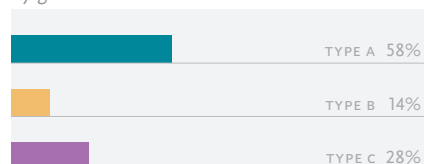
An analysis of portfolio revenues recorded in December 2009 in respect of sectoral and geographic spread is set out in the table and charts below.

Portfolio revenues in december 2009

Location	Office	Retail	Industrial	Total
Romania	355,464	438,883	88,749	883,096
Germany	16,094	87,693	–	103,787
Total	371,558	526,576	88,749	986,883

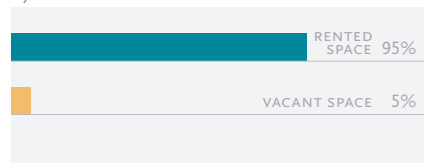
Tenant profile

by gross rental



Vacancy profile

by rentable area



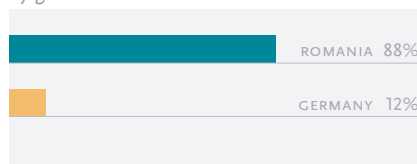
Vacancy profile

NEPI holds a diversified property portfolio of 140,000 square meters in aggregate (i.e. accounting for half of the area in the Premium portfolio as NEPI has a 50% interest therein), comprising office, retail and industrial space. Of this area 7,423 square meters (5.3%) were vacant at year-end, of which 3,400 square meters of industrial space in Rasnov, 3,400 square meters retail space in ERP Braila and 623 square meters of office space in Tirgu Mures.

Included in the rented space is 3,400 square meters of office space under refurbishment in Brasov and 13,900 square meters of unoccupied office space that forms part of the Raiffeisen portfolio and that is subject to a vendor rental guarantee up until 31 December 2011. At this date, a limited price adjustment will be made in relation to the Raiffeisen portfolio subject to the level of net operating income generated by the portfolio as at that date. 2,200 square meters of unoccupied office space relates to the Constanta property which is in process of being disposed of.

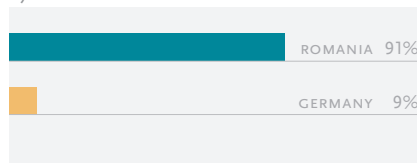
Geographic spread

by gross rental



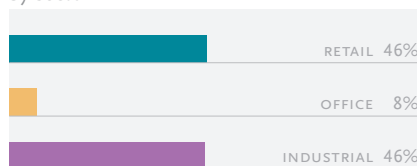
Geographic spread

by rentable area



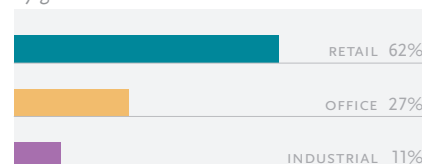
Vacancy profile

by sector



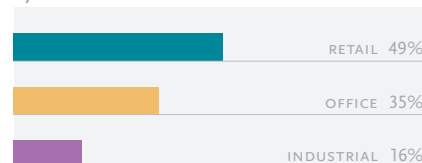
Sectoral spread

by gross rental



Sectoral spread

by rentable area



Tenant spread

For the tenant profile chart (pictured above), the key below is applicable.

TYPE A Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued by parties that would qualify as A class tenants. These include inter alia, Raiffeisen Bank, Piraeus Bank, Banca Comerciala Romana, Carrefour, Bricostore, Deichman, Rewe and Plus.

TYPE B Smaller international and national, smaller listed tenants, major franchises and medium to large professional firms or other smaller tenants in respect of which rental guarantees are issued by parties that would qualify as B class tenants. These include, inter alia, approximately 35 tenants from the Raiffeisen portfolio for which the vendor has provided a rental guarantee that is valid up to 31 December 2011.

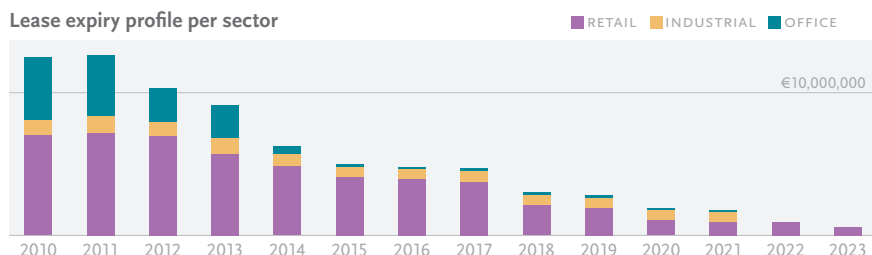
TYPE C Other tenants. This comprises 178 tenants, of which 110 tenants are located in Germany.

Portfolio analysis (continued)

Lease expiry profile

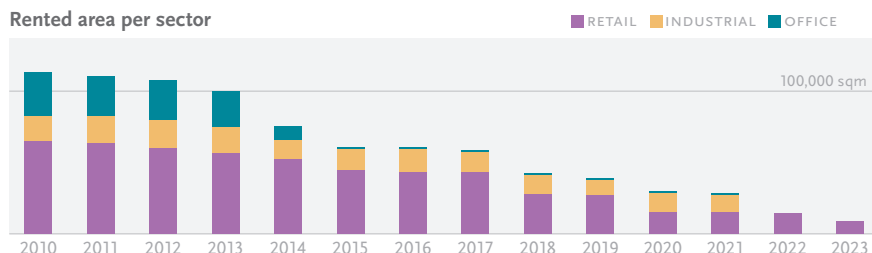
The lease expiry profile indicated in the charts below is expressed in terms of contracted gross rentals and the contracted rentable area of the total portfolio and of each sector. For purposes of this analysis the expiry date in relation to a lease is considered to be the first day when the tenant has the right to terminate the lease agreement. The contracted rent forecast below excludes contracted rental escalations.

Lease expiry profile per sector



The office rentals include the rental guarantee in relation to the vacant space in the Raiffeisen portfolio for the period ending December 2011.

Rented area per sector



Average rentals

The weighted average rental per square meter in the property portfolio as at 31 December 2009 is set out in the table below. The average annualised property yield is 8.12%.

Sector	Romania, €/sqm	Germany, €/sqm	Total, €/sqm
Retail	7.93	8.15	7.97
Office	7.18	14.48	7.45
Industrial	4.51	–	4.51
Total	7.08	8.74	7.25

Rental escalations in Romania

Out of the total contracted rent in Romania, 98% of the rental income is indexed annually with European CPI (in relation to 2009, the European CPI was 1.5%), 1% is indexed annually with an agreed amount per square meter that is generally higher than the European CPI and 1% is not indexed. Escalations in the rental agreement with Raiffeisen Bank are capped at 3% per annum.

Rental escalations in Germany

Out of the total contracted rent in Germany, 83% is indexed. The indexation is based on the German CPI while the indexation mechanism varies from tenant to tenant. A typical lease is indexed with 65% of the German CPI that is applicable when cumulative inflation exceeds a certain threshold, usually 10%.

Directors' responsibilities and corporate governance

The Board recognises the importance of corporate governance and has implemented a sound corporate governance framework. Given the Company's primary listing on AIM, the Group follows the QCA guidelines for corporate governance and complies with these to the extent that the Board considers it appropriate for the Group to do so.

Structure and membership of the Company's Board

The Board of Directors comprises a non-executive Chairman and seven further non-executive Directors.

The Directors of the Company are listed on pages 6 and 7. Directors are appointed by the board or at the annual general shareholders' meeting. Board appointed directors need to be re-appointed by the shareholders in the first subsequent annual general shareholders' meeting to confirm such appointments. The longest serving third of the directors are required to be re-appointed by the shareholders annually.

The Company has no executive directors and no employees. The executive and day-to-day management of the Group is provided by the Investment Advisor and other third parties whose roles and responsibilities are clearly defined in the Investment Advisory Agreement and other relevant agreements. While the Board delegates responsibility, the Directors retain accountability for the functions of its delegates and are responsible for the systems of internal controls that are designed to ensure the safeguarding of the Group's assets.

The Directors monitor and review the performance of the Investment Advisor and the terms of the Investment Advisory Agreement. In addition, the Directors provide strategic advice and oversight and act as the final decision making body in relation to all investment and/or divestment decisions and ensure that commercial risks and financing needs are properly considered and that the Company's public obligations are adhered to.

The Board aims to meet formally at least four times a year and regular contact is made between the Board and the Investment Advisor.

A schedule of board meetings and attendance during the course of the financial year is set out in the table below.

The Board has two sub-committees, being the Audit Committee and the Investment Committee. The Audit Committee comprises Michael Mills (Chairman), Dewald Joubert and Steven Van Den Bossche. It meets at least four times a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies. The Investment Committee comprises Jeff Zidel (Chairman), Desmond de Beer and Martin Slabbert. It meets whenever new opportunities are identified and have to be appraised. Appropriate investment opportunities are then presented to the Board.

Financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to allow for the preparation of financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Internal control

The Directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is regularly reviewed by the Board.

The controls are designed to identify and manage risks faced by the Group and not to completely eliminate the risk of failure to achieve business objectives. To this end internal controls provide reasonable, but not absolute assurance against material misstatement or loss. The implementation and operation of such systems resides with the Investment Advisor and the processes are communicated regularly to its staff who are made aware of the areas for which they are responsible. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investments.

Significant risks that are identified by this system are communicated to the Board with recommendations for actions to mitigate these. The Group may use independent agents to undertake any specialist analysis, investigation or action that is needed.

Internal financial controls are based on a comprehensive and regular reporting structure.

Detailed revenue, cash flow and capital forecasts are prepared and updated regularly throughout the year and approved by the Board.

The Investment Advisor undertakes responsibility for the management of the Group's property portfolio, delegating this responsibility to appropriately qualified independent parties where it is deemed necessary.

Date of Board Meeting	11 Feb 09	30 Mar 09	8 Apr 09	22 Apr 09	19 May 09	3 Aug 09	11 Nov 09
Dan Pascariu	x	✓	✓	✓	✓	x	✓
Kris Carton	NA	NA	NA	NA	NA	NA	✓
Desmond de Beer	x	✓	✓	x	✓	✓	✓
Dewald Joubert	✓	✓	✓	✓	✓	x	✓
Peter Gray	✓	NA	NA	NA	NA	NA	NA
Michael Mills	✓	✓	✓	✓	✓	✓	✓
Martin Slabbert	✓	✓	✓	✓	✓	✓	✓
Steven Van Den Bossche	NA	NA	NA	NA	NA	NA	✓
Jeffrey Zidel	NA	NA	NA	NA	NA	NA	✓

Financial statements

Report of the Independent Auditors, KPMG Audit LLC, to the members of New Europe Property Investments plc

We have audited the Group and Parent Company financial statements (the "financial statements") of New Europe Property Investments plc for the year ended 31 December 2009 which comprise the Group and Parent Company statement of comprehensive income, the Group and Parent Company statement of financial position, the Group and Parent Company statement of cash flows and the Group and Parent Company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the statement of Directors' responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and considered the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group and Parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended.



KPMG Audit LLC

CHARTERED ACCOUNTANTS
Heritage Court
41 Athol Street, Douglas
Isle of Man IM99 1HN
04 February 2010

Statement of financial position as at 31 December 2009

	Note	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
ASSETS					
Non-current assets		151,470,854	77,192,648	87,533,635	51,555,471
Investment property	6	145,965,096	–	85,142,170	–
– Investment property at fair value		139,222,255	–	78,627,504	–
– Investment property under development		6,742,841	–	6,514,666	–
Goodwill	7	4,414,804	–	2,386,463	–
Investments in subsidiaries	3	–	*	–	*
Loans to subsidiaries	3	–	77,192,648	–	51,555,471
Financial assets at fair value through profit or loss	11	1,090,954	–	5,002	–
Current assets		15,673,022	3,262,490	6,190,203	3,398,070
Trade and other receivables	8	3,396,479	3,174,614	1,771,356	3,389,930
Cash and cash equivalents		12,276,543	87,876	4,418,847	8,140
Total assets		167,143,876	80,455,138	93,723,838	54,953,541
EQUITY AND LIABILITIES					
Equity attributable to equity holders		72,719,463	80,387,021	51,397,909	54,887,457
Share capital	9	386,247	386,247	267,950	267,950
Share premium	9	76,731,744	76,731,744	52,487,190	52,487,190
Share based payment reserve	10	234,900	234,900	81,841	81,841
Currency translation reserve		(2,650,069)	–	(757,686)	–
Accumulated (loss)/profit		(1,983,359)	3,034,130	(681,386)	2,050,476
Non-current liabilities		86,440,422	–	37,195,489	–
Loans and borrowings	11	77,970,398	–	32,750,804	–
Financial liabilities at fair value through profit or loss	11	1,081,710	–	575,303	–
Deferred tax liabilities		7,388,314	–	3,869,382	–
Current liabilities		7,983,991	68,117	5,130,440	66,084
Trade and other payables	12	6,027,605	68,117	3,268,082	66,084
Loans and borrowings	11	1,956,386	–	1,862,358	–
Total equity and liabilities		167,143,876	80,455,138	93,723,838	54,953,541
NAV per share	16	1.95	–	1.92	–
Adjusted NAV per share (40,657,663 shares)	16	1.97	–	1.98	–

* Less than €1

These financial statements were approved by the Board on 4 February 2010.



Dewald Joubert



Martin Slabbert

The notes on pages 21-36 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2009

	Note	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
Net rental and related income		8,270,884	–	6,315,183	
– Contractual rental income and expense recoveries		10,708,873	–	7,713,486	–
– Property operating expenses		(2,437,989)	–	(1,398,303)	–
Share based payments		(153,059)	(153,059)	(81,841)	(81,841)
Investment advisory fees		(670,725)	–	(571,137)	–
Administrative expenses		(1,543,992)	(354,188)	(498,656)	(251,726)
Foreign exchange gain		1,811,011	–	1,144,227	–
Fair value adjustment on investment property		575,253	–	(1,671,077)	–
Profit/(loss) before net finance (expense)/income		8,289,372	(507,247)	4,636,699	(333,567)
Net finance (expense)/income	17	(3,445,924)	5,515,129	(1,963,320)	4,490,208
– Finance income		261,512	5,598,429	275,930	4,490,208
– Finance expense		(3,707,436)	(83,300)	(2,239,250)	–
Profit before tax		4,843,448	5,007,882	2,673,379	4,156,641
Tax	13	(2,121,193)	–	(1,204,029)	–
Profit after tax		2,722,255	5,007,882	1,469,350	4,156,641
Basic earnings per share (euro cents)	14	9.26	–	5.48	–
Diluted earnings per share (euro cents)	14	8.82	–	5.33	–
Distributable earnings per share (euro cents)	14	15.77	–	14.72	–
Headline earnings per share (euro cents)	15	13.30	–	7.76	–
Diluted headline earnings per share (euro cents)	15	12.67	–	7.54	–

The Directors consider that all results derive from continuing activities.

The notes on pages 21-36 form an integral part of these financial statements.

Statement of changes in equity – Group

	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	–	–	81,841	–	(2,426,482)	(2,344,641)
– Share based payment reserve	–	–	81,841	–	–	81,841
– Dividend distribution	–	–	–	–	(2,426,482)	(2,426,482)
Total comprehensive income	–	–	–	(780,319)	1,469,350	689,031
– Other comprehensive income	–	–	–	(780,319)	–	(780,319)
– Profit for the year	–	–	–	–	1,469,350	1,469,350
Balance at 31 December 2008	267,950	52,487,190	81,841	(757,686)	(681,386)	51,397,909

	Share capital, €	Share premium, €	Share based payments reserve, €	Currency translation reserves, €	Retained earnings, €	Total, €
Opening balance 1 January 2009	267,950	52,487,190	81,841	(757,686)	(681,386)	51,397,909
Transactions with owners	118,297	24,244,554	153,059	–	(4,024,228)	20,491,682
– Issue of shares	118,297	24,263,927	–	–	–	24,382,224
– Issue cost recognised to equity	–	(19,373)	–	–	–	(19,373)
– Share based payment reserve	–	–	153,059	–	–	153,059
– Dividend distribution	–	–	–	–	(4,024,228)	(4,024,228)
Total comprehensive income	–	–	–	(1,892,383)	2,722,255	829,872
– Other comprehensive income	–	–	–	(1,892,383)	–	(1,892,383)
– Profit for the year	–	–	–	–	2,722,255	2,722,255
Balance at 31 December 2009	386,247	76,731,744	234,900	(2,650,069)	(1,983,359)	72,719,463

The notes on pages 21-36 form an integral part of these financial statements.

Statement of changes in equity – Company

	Share capital, €	Share premium, €	Share based payments reserve, €	Currency translation reserves, €	Retained earnings, €	Total, €
Opening balance 1 January 2008	267,950	52,487,190	–	–	320,317	53,075,457
Transactions with owners	–	–	81,841	–	(2,426,482)	(2,344,641)
– Share based payment reserve	–	–	81,841	–	–	81,841
– Dividend distribution	–	–	–	–	(2,426,482)	(2,426,482)
Total comprehensive income	–	–	–	–	4,156,641	4,156,641
– Profit for the year	–	–	–	–	4,156,641	4,156,641
Balance at 31 December 2008	267,950	52,487,190	81,841	–	2,050,476	54,887,457

	Share capital, €	Share premium, €	Share based payments reserve, €	Currency translation reserves, €	Retained earnings, €	Total, €
Opening balance 1 January 2009	267,950	52,487,190	81,841	–	2,050,476	54,887,457
Transactions with owners	118,297	24,244,554	153,059	–	(4,024,228)	20,491,682
– Share issue	118,297	24,263,927	–	–	–	24,382,224
– Issue cost recognised to equity	–	(19,373)	–	–	–	(19,373)
– Share based payment reserve	–	–	153,059	–	–	153,059
– Dividend distribution	–	–	–	–	(4,024,228)	(4,024,228)
Total comprehensive income	–	–	–	–	5,007,882	5,007,882
– Profit for the year	–	–	–	–	5,007,882	5,007,882
Balance at 31 December 2009	386,247	76,731,744	234,900	–	3,034,130	80,387,021

Statement of other comprehensive income for the year ended 31 December 2009

	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
Profit for the year	2,722,255	5,007,883	1,469,350	4,156,641
Other comprehensive income	(1,892,383)	–	(780,319)	–
– Currency translation differences	(1,892,383)	–	(780,319)	–
Total comprehensive income for the year	829,872	5,007,883	689,031	4,156,641

The notes on pages 21-36 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2009

	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
OPERATING ACTIVITIES				
Profit after tax	2,722,255	5,007,882	1,469,350	4,156,641
Adjustments for:				
Share based payments	153,059	153,059	81,841	81,841
Fair value adjustments on investment property	(575,253)	–	1,671,077	–
Net finance (income)/expense	3,445,924	(5,515,129)	1,963,320	(4,490,208)
Foreign exchange gain	(1,811,011)	–	(1,144,227)	–
Deferred tax	2,121,193	–	1,204,029	–
Operating profit before changes in working capital	6,056,167	(354,188)	5,245,390	(251,726)
(Increase) in trade and other receivables	(1,624,979)	–	(1,219,480)	–
Increase/(decrease) in trade and other payables	160,123	2,033	(430,680)	(30,086)
Interest paid	(2,240,009)	–	(839,299)	–
Interest received	261,512	4,463,258	275,930	2,599,064
Cash flows from operating activities	2,612,814	4,111,103	3,031,861	2,317,252
INVESTING ACTIVITIES				
Acquisition of investment property	(745,780)	–	(22,465,661)	–
Payments for acquisition of subsidiaries less cash acquired	(6,023,702)	–	(27,198,062)	–
Transaction cost of business acquisition	(286,211)	–	–	–
Cash flows from investing activities	(7,055,693)	–	(49,663,723)	–
FINANCING ACTIVITIES				
Proceeds from share issuance	17,092,898	17,092,898	–	–
Proceeds from bank borrowings	8,819,278	–	21,047,301	–
Repayment of borrowings	(7,915,640)	(17,016,737)	(1,177,853)	(128,183)
Premiums paid on acquisition of derivatives	(1,435,299)	(83,300)	(129,000)	–
Payment of dividends	(4,024,228)	(4,024,228)	(2,426,482)	(2,426,482)
Cash flows from financing activities	12,537,009	(4,031,367)	17,313,966	(2,554,665)
Cash and cash equivalents brought forward	4,418,847	8,140	33,651,107	245,553
Translation effect on cash and cash equivalents	(236,434)	–	85,636	–
Net increase/(decrease) in cash and cash equivalents	8,094,130	79,736	(29,317,896)	(237,413)
Cash and cash equivalents carried forward	12,276,543	87,876	4,418,847	8,140

The notes on pages 21-36 form an integral part of these financial statements.

Notes to the consolidated financial statements

1 GENERAL

New Europe Property Investments plc ("NEPI" or the "Company") 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 the AltX of the JSE Limited. The Group includes the Company and its subsidiaries as set out under "Basis of consolidation" in Note 2.3 below.

2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRS). The principal accounting policies set out below have been applied.

2.1 Basis of preparation

The consolidated financial statements (the "financial statements") are prepared on the historical-cost basis, except for investment property, derivatives and financial instruments designated as financial instruments at fair value through profit or loss, which are measured at fair value.

The financial statements are prepared on the going-concern basis and are presented in euros (€) unless otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2.2 Statement of compliance

The annual financial statements have been consistently prepared in accordance with

IFRS and its interpretations adopted by the International Accounting Standards Board and the requirements of relevant Isle of Man company law.

2.3 Basis of consolidation

SUBSIDIARIES

The Group's consolidated financial statements incorporate the assets, liabilities, operating results and cash flows of the Company and its subsidiaries. The results of subsidiaries acquired, disposed of or incorporated during the period are included from the effective dates of acquisition or incorporation and up to the effective dates of disposal or the period end.

Subsidiaries are those entities over which the Group has the ability, either directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The accounting policies of the subsidiaries are consistent with those of the holding Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

JOINTLY-CONTROLLED OPERATIONS

A jointly-controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing joint operations, as well as the expenses that the Group incurs and its share of the income that it earns from joint operations.

2.4 Investment property

Investment properties are those held either to earn rental income or for capital appreciation or both.

The cost of investment property acquired by other means than a business combination comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. Unrealised gains, net of deferred tax, are transferred to a non-distributable reserve in the statement of changes in equity. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

2.5 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements (continued)

2.6 Goodwill

Goodwill arises on acquisition of subsidiaries and joint ventures. Goodwill represents the amount paid in excess over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity.

When the excess is negative (negative goodwill) it is recognised directly in the statement of comprehensive income.

SUBSEQUENT MEASUREMENT

Goodwill is measured at cost less accumulated impairment losses.

2.7 Financial instruments

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables and derivative financial instruments. The Group holds derivative financial instruments to hedge its interest rate risk exposures.

2.7.1 Recognition

Financial instruments are initially measured at fair value, which, except for financial instruments at fair value through profit or loss and derivatives, include directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as it is set out in the table below.

2.7.2 Derecognition

FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group or Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.7.3 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group and/or Company have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.9 Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

2.10 Share based payment

The fair value of shares granted to key individuals and their nominated entities is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

The fair value measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of similar listed companies), expected life of the instrument (considered as vesting period) and the risk free interest rate (based on government bonds).

Cash and cash equivalents	Carried at fair value
Investments	Designated as available for sale and carried at fair value, being the quoted bid price at the statement of financial position date, with changes therein recognised directly in equity.
Trade and other receivables	Carried at amortised cost using the effective interest rate method net of impairment losses.
Trade and other payables	Carried at amortised cost using the effective interest rate method.
Financial liabilities	Non-derivative financial liabilities, not at fair value through profit and loss, are measured at amortised cost using the effective interest rate method.
Derivative financial instruments	Carried at fair value with changes therein recognised in profit or loss. Hedge accounting is not applied.

Notes to the consolidated financial statements (continued)

2.11 Other reserves

2.11.1 Share based payment reserve

The fair value of shares granted to key individuals is recognised in equity, as explained in Note 2.10.

2.11.2 Currency translation reserves

The consolidated financial statements require translation of foreign operations' figures. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve.

2.11.3 Retained earnings

The balance on the statement of comprehensive income is transferred to retained earnings at the end of each financial period.

2.12 Revenue

Revenue comprises rental and related income and recovery of expenses, excluding VAT. Lease incentives granted are recognised as an integral part of the total rental income over the lease period.

2.13 Expenses

Property operating expenses and administrative expenses are recognised on an accruals basis.

2.14 Dividend/distribution income

Dividend/distribution income is recognised in the statement of comprehensive income on the date the Group or Company's right to receive payment is established.

2.15 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the statement of financial position liability method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax

rates enacted or substantively enacted at the statement of financial position date.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax expense incurred by the Group reflects deferred tax accrued in the Romanian subsidiaries of the Group.

2.16 Segmental reporting

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

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

2.17 Related parties

Related parties in the case of the Group include any shareholder who is able to exert a significant influence on the operating policies of the Group. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties.

2.18 Earnings per share

The Group presents basic and diluted earnings per share.

Basic earnings per share are calculated by dividing profit for the year attributable to equity holders by the weighted average number of shares in issue during the year.

Diluted earnings per share is determined by adjusting the profit for the year and the weighted average number of shares in issue for the effects of all dilutive potential ordinary shares, which comprises the share incentive scheme.

2.19 Distributable earnings per share

The Group presents distributable earnings per share, in accordance with its dividend policy.

Distributable earnings per share are calculated by dividing the distributable profit (earnings plus deferred tax, less/plus fair value increases/decreases, less/plus capital gains/losses on disposal, plus interest due from participants in the share incentive scheme and other adjustments that the Board may consider necessary) for the period by the number of shares which are in issue and entitled to a dividend at the end of the period.

2.20 Headline earnings per share

The Group presents basic and diluted headline earnings per share. Headline earnings are an additional earnings number that is permitted by IAS 33. The starting point is earnings as determined in IAS 33, excluding "separately identifiable re-measurements" (as defined), net of related tax (both current and deferred) and minority interest, other than re-measurements specifically included in headline earnings ("included re-measurements", as defined).

A re-measurement is an amount recognised in the statement of comprehensive income relating to any change (whether realised or unrealised) in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability. A re-measurement may be recognised in the statement of comprehensive income either when the re-measurement occurs or subsequently. This latter situation occurs when re-measurements are initially recorded in equity (in accordance with the relevant IFRS) and subsequently included or recycled in the statement of comprehensive income.

2.21 Foreign exchange

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in € using exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the consolidated financial statements (continued)

3

INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has an investment of €0.01 in New Europe Property (BVI) Limited, representing one share. The Company also has indirect holdings in the other companies listed in the table below. The amounts owing by subsidiaries and joint ventures are unsecured, bear interest at rates agreed from time to time and terms of repayment are agreed from time to time.

Subsidiaries/joint ventures as at 31 December 2009 (country of incorporation)	Incorporation/ Date became subsidiary or joint venture	Principal activity	Effective interest, % 31 Dec 09	Effective investment, € 31 Dec 09	Amount owing by subsidiary or joint venture, € 31 Dec 09
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	Holding company	100%	*	77,192,648
New Europe Property NV (Netherlands Antilles)	Sep 2007	Holding company	100%	2,000	–
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	Holding company	100%	10,000	–
FDC Braila BV (Netherlands)	Sep 2009	Holding company	100%	8,300,450	–
NEPI Bucharest One S.R.L. (Romania)	Sep 2007	Investment vehicle	100%	3,844,554	–
NEPI Bucharest Two S.R.L. (Romania)	Dec 2007	Investment vehicle	100%	2,755,554	–
General Investment S.R.L. (Romania)	Mar 2003 / Jan 2008	Investment vehicle	100%	25,792,431	–
General Building Management S.R.L. (Romania)	Aug 2004 / Jan 2008	Investment vehicle	100%	1,405,631	–
Bel Rom Sase S.R.L. (Romania)	Sep 2009	Investment vehicle	100%	8,300,450	–
CIREF NEPI Holdings Limited (Cyprus)	Apr 2008 / Apr 2008	Holding company	50%	*	–
CIREF Europe Management Limited (Ireland)	Dec 2007 / Apr 2008	Holding company	50%	*	–
Premium Portfolio Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	Investment vehicle	50%	*	–
Premium Portfolio 2 Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	Investment vehicle	50%	*	–

Subsidiaries/joint ventures as at 31 December 2008 (country of incorporation)	Incorporation/ Date became subsidiary or joint venture	Principal activity	Effective interest, % 31 Dec 08	Effective investment, € 31 Dec 08	Amount owing by subsidiary or joint venture, € 31 Dec 08
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	Holding company	100%	*	51,555,471
New Europe Property NV (Netherlands Antilles)	Sep 2007	Holding company	100%	2,000	–
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	Holding company	100%	10,000	–
NEPI Bucharest One S.R.L. (Romania)	Sep 2007	Investment vehicle	100%	3,844,554	–
NEPI Bucharest Two S.R.L. (Romania)	Dec 2007	Investment vehicle	100%	2,755,554	–
General Investment S.R.L. (Romania)	Mar 2003 / Jan 2008	Investment vehicle	100%	25,792,431	–
General Building Management S.R.L. (Romania)	Aug 2004 / Jan 2008	Investment vehicle	100%	1,405,631	–
CIREF NEPI Holdings Limited (Cyprus)	Apr 2008 / Apr 2008	Holding company	50%	*	–
CIREF Europe Management Limited (Ireland)	Dec 2007 / Apr 2008	Holding company	50%	*	–
Premium Portfolio Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	Investment vehicle	50%	*	–
Premium Portfolio 2 Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	Investment vehicle	50%	*	–

* Less than €1

Notes to the consolidated financial statements (continued)

4

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, currency risk and interest rate risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated the responsibility for developing and monitoring the Group's risk management policies to the Audit Committee. The Audit Committee reports to the Board on its activities. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants.

TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from retail properties located in Romania, but there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. When available, the Group's review includes external ratings.

Trade and other receivables relate mainly to the Group's tenants. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below.

Out of the amount of €2,926,553, €1,699,843 is related to a rental guarantee and service charges in respect of the vacant space in the Raiffeisen portfolio to be collected from Central Eastern European Real Estate Shareholdings BV ("CEERES"). CEERES is the holding Company of Avrig Group which has secured its obligations with the assignment of VAT receivables which are currently assessed at approximately €1.6 million and land valued in September 2009 by DTZ at €380,000. The group assessed its receivables for impairment and concluded that an amount of €266,931 is unlikely to be recovered, therefore an allowance for doubtful debts was charged to the statement of comprehensive income.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group receives rental income on a monthly basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The contractual cash flows of financial liabilities are considered to be equal to the carrying amount. The contractual maturities are all considered to be within six months or less.

Credit exposure on financial instruments	Group 31 Dec 09, €	Group 31 Dec 08, €
Tenant receivables	2,926,553	611,324
VAT recoverable	–	517,815
Cash and cash equivalents	12,276,543	4,418,847
TOTAL	15,203,096	5,547,986

Aging of trade receivables/Past due but not impaired	Group 31 Dec 09, €	Group 31 Dec 08, €
0 – 30 days	1,189,461	455,057
30 – 60 days	314,082	115,790
60 – 90 days	1,423,010	40,477
Over 90 days	–	–
TOTAL	2,926,553	611,324

Notes to the consolidated financial statements (continued)

4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, property prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

There is a risk that a relative lack of market evidence means property valuations may be based on sentiment rather than current prices. Given the lack of activity, current prices may be considered by the valuers to be driven by forced sellers and those not needing to sell might achieve a higher price with an orderly sale over a longer period of time.

4.4 Currency risk

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Group which is Euro (€). The currencies giving rise to this risk are Romanian New Leu (RON), Great Britain Pound (£) and South African Rand (R).

The Group does not hedge the monthly payments denominated in foreign currencies.

In respect of monetary assets and liabilities held in currencies other than €, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Details of the Group's foreign currency exposure on unsettled balances are set out below.

Group exposure to foreign currency risk	Group 31 Dec 09			Group 31 Dec 08	
	RON exposure, €	£ exposure, €	R exposure, €	RON exposure, €	£ exposure, €
Trade and other receivables	1,132,960	–	–	853,761	–
Cash and cash equivalents	948,920	(45,310)	489	859,184	–
Trade and other payables	(1,268,931)	202,013	7,606	(270,825)	(65,010)
Statement of financial position exposure	812,949	156,703	8,095	1,442,120	(65,010)

Exchange rates	Average rate		Reporting date spot rate	
	2009	2008	31 Dec 09	31 Dec 08
RON/€	4.2360	3.6827	4.2282	3.9852
£/€	0.8909	0.7449	0.8881	0.9680
R/€	11.6869	–	10.6151	–

Sensitivity analysis 31 December 2009

	Equity, €	Profit or loss, €
RON	(131,102)	(73,904)
£	5,910	(14,246)
R	–	(736)

31 December 2008

	Equity, €	Profit or loss, €
RON	(131,102)	–
£	5,910	5,910

SENSITIVITY ANALYSIS

A 10% strengthening of the € against the RON, £ and R at year-end would have increased/(decreased) equity and profit or loss by the amounts shown in the table to the left. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the € against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the consolidated financial statements (continued)

4.5 Interest rate risk

The Group is subject to interest rate risk on loans and cash balances held. At the reporting date, the interest rate profile of the Group's interest bearing financial assets was as is set out in the table to the right. The Group policy in relation to interest rate risk is to hedge that risk through the use of derivative financial instruments. As of 31 December 2009 the Group held interest rate swaps and interest rate caps as further disclosed in Note 11.

SENSITIVITY ANALYSIS FOR INTEREST BEARING FINANCIAL INSTRUMENTS

A change of 100 basis points in interest rates would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the cash and loan balances outstanding at the respective balance sheet dates. Cash and loan balances are subject to changes over the year, therefore the calculations are not representative of the year as a whole. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Interest bearing financial instruments	Group 31 Dec 09, €	Interest rate, %
Cash in bank	3,617,024	0.000%
Overnight deposit	–	–
Security deposit	898,455	3.250%
Deposit for ERP Braila	3,500,000	3.550%
Deposit for NE Property Cooperatief UA	4,260,790	4.000%
Petty cash	274	0.000%
Credit facility Nepi Bucharest Two S.R.L.	(5,970,918)	2.326%
Credit facility Nepi Bucharest One S.R.L.	(6,555,274)	4.935%
Credit facility ERP Braila	(39,555,326)	4.014%
Total	(39,804,975)	

	Group 31 Dec 08, €	Interest rate, %
Cash in bank	2,323,736	0.000%
Overnight deposit	792,125	6.750%
Security deposit	1,301,407	3.250%
Petty cash	1,579	0.000%
Credit facility Nepi Bucharest Two S.R.L.	(4,593,000)	3.520%
Credit facility Nepi Bucharest One S.R.L.	(1,100,000)	2.63%
Total	(1,274,153)	

Sensitivity analysis 31 December 2009	Profit or loss 100bp increase, €	Profit or loss 100bp decrease, €	Equity 100bp increase, €	Equity 100bp decrease, €
Cash and cash equivalents	–	–	–	–
Security deposits	8,985	(8,985)	8,985	(8,985)
Overnight deposit	–	–	–	–
Deposit for ERP Braila	35,000	(35,000)	35,000	(35,000)
Deposit for NE Property Cooperatief UA	42,608	(42,608)	42,608	(42,608)
Petty cash	–	–	–	–
Credit facility Nepi Bucharest Two S.R.L.	(59,709)	59,709	(59,709)	59,709
Credit facility Nepi Bucharest One S.R.L.	(65,553)	65,553	(65,553)	65,553
Credit facility ERP Braila	(395,553)	395,553	(395,553)	395,553
Total	(434,222)	434,222	(434,222)	434,222

31 December 2008	Profit or loss 100bp increase, €	Profit or loss 100bp decrease, €	Equity 100bp increase, €	Equity 100bp decrease, €
Cash in bank	–	–	–	–
Overnight deposit	7,921	(7,921)	7,921	(7,921)
Security deposit	13,014	(13,014)	13,014	(13,014)
Petty cash	–	–	–	–
Credit facility Nepi Bucharest Two S.R.L.	(45,930)	45,930	(45,930)	45,930
Credit facility Nepi Bucharest One S.R.L.	(11,000)	11,000	(11,000)	11,000
Total	(35,995)	35,995	(35,995)	35,995

Notes to the consolidated financial statements (continued)

5

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base of equity so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board also monitors the level of distributions to shareholders. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6

INVESTMENT PROPERTY

Investment property is carried at fair value that is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consulting S.R.L. and Dr Lubke GmbH, which are members of RICS (Royal Institution of Chartered Surveyors). The fair value of investment property is based on the year-end appraisal reports except for the property located in Constanta for which the put option value is deemed to be the fair value. The Group has the right to sell the Constanta property back to the seller (i.e. has a put option in relation to the Constanta building). It is expected that the sale will be concluded during the 2010 financial year at a price of €5,809,000.

A fair value adjustment was made in accordance with the Group's accounting policies to portray fair values on an annual basis. The current book value of assets under development includes two buildings under refurbishment in Constanta and Brasov, part of the portfolio held by General Investment S.R.L.

The Group's investment properties at the end of the reporting period included retail, office and industrial properties and an immaterial amount of residential property in Germany. A schedule of investment property is included on page 38 of the annual report.

Movement in investment property	Group 31 Dec 09, €	Group 31 Dec 08, €
Carrying value at beginning of year	85,142,170	21,718,364
Additions from business combinations	59,464,936	36,473,582
Assets under development acquired through business combination	–	6,514,666
Additions	782,737	22,106,635
Fair value adjustment	575,253	(1,671,077)
Carrying value at end of year	145,965,096	85,142,170

7

GOODWILL

The Group acquired ERP Braila with effect from 1 September 2009 ("the effective date"). The total consideration paid in cash (including cash acquired of €1,902,987) was €7,926,688 and the remaining amount was settled by the issue of 3,587,148 shares ("Vendor Shares"), equivalent to €7,269,954.

The fair value of the investment property acquired was determined by capitalising the annualised net operating rental income of €5,881,669 at a yield of 9.34%.

As at 31 December 2009 the vendors of ERP Braila had guaranteed a minimum net operating income of €5,881,669 for the period from the effective date to year end. The guarantee (indexed annually by inflation) is valid up to 31 December 2011. In order to secure against shortfalls in guaranteed performance the Vendor Shares are subject to a lock-in agreement. This security mechanism further allows the Group to retain the dividends attributable to the Vendor Shares. If, after the retention of the dividends attributable to the Vendor Shares, there are any remaining claims on guaranteed performance, the vendors are required to settle any remaining differences from the secured shares.

The final net operating income will be determined as at 31 December 2012 based on valid lease agreements that will be in place at that time. In the event that the final net operating income is lower than the guaranteed net operating income (indexed annually by inflation from 31 December 2009), the Group is entitled to a price adjustment. The price adjustment is calculated as an amount equal to the shortfall in final net operating income divided by 9.34% plus any unsettled claims and is limited to and secured over the Vendor Shares under the guarantee above.

The net operating income of ERP Braila, which was consolidated by the Group for the period from 1 September 2009 to 31 December 2009, is, as it was expected, lower than the minimum guaranteed net operating income in respect of this period. Accordingly, the Group has exercised its right to retain the dividends attributable to the Vendor Shares.

The application of International Financial Reporting Standards (IFRS) for business combinations often requires the recognition of deferred tax liabilities. In turn this leads to goodwill recognition.

The acquisition of Bel Rom Sase S.R.L. resulted in goodwill as the share purchase price exceeded the net asset value of the company. The deferred tax recognised in the financial statements of the acquired company lowered its net asset value to a value below the shares' acquisition price.

Such deferred tax accounts for the tax that would be incurred should the property be disposed of at a value in excess of its historic acquisition cost. The Group considers the deferred tax unlikely to be realised as it is a long term holder of investments and any potential sale of the properties could be executed as a sale of shares of the acquired companies or otherwise by means of individual spin off.

The revaluation of ERP Braila by DTZ Echinox Consulting S.R.L. as at 31 December 2009 resulted in an appreciation of the property and as a result the deferred tax liability did not decrease. As the Board maintains its view that the deferred tax is unlikely to be realised, the goodwill should be maintained at its current balance as it does not exceed the deferred tax balance.

Notes to the consolidated financial statements (continued)

Effect of the acquisition of ERP Braila on the Group's statement of financial position	Recognised values on acquisition, €	Fair value adjustments, €	Pre-acquisition carrying amounts, €
Investment property at fair value	56,591,083	12,756,766	43,834,317
Investment property under development	2,873,853	(327,159)	3,201,012
Trade and other receivables	46,920	(962,098)	1,009,018
Cash and cash equivalents	1,902,987	(36,946)	1,939,933
Interest bearing borrowings	(44,599,190)	(2,187,011)	(42,412,179)
Deferred tax liabilities	(1,559,933)	(1,559,933)	–
Tenant deposits	(55,575)	–	(55,575)
Guarantees retained from constructors	(234,079)	1,027,054	(1,261,133)
Trade and other payables	(1,797,765)	(521,024)	(1,276,741)
Net identifiable assets and liabilities	13,168,301	8,189,649	4,978,652
Goodwill on acquisition	2,028,341		
Consideration paid (cash and equity shares)	15,196,642		
Cash acquired	(1,902,987)		
Net consideration given in the business combination	13,293,655		

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TRADE AND OTHER RECEIVABLES

	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
Tenant receivables	2,926,553	–	611,324	–
Interest receivable	–	3,174,614	–	3,350,191
Deferred borrowing costs	–	–	119,535	–
Advance payments	89,359	–	123,959	–
Prepaid property expenses	130,846	–	107,342	–
Deferred JSE listing costs	–	–	134,866	–
VAT receivable	27,403	–	646,113	–
Other receivables	76,245	–	28,217	39,739
Prepaid fees	146,073	–	–	–
Carrying value at end of year	3,396,479	3,174,614	1,771,356	3,389,930

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SHARE CAPITAL AND SHARE PREMIUM

The issued share capital figure presented excludes shares issued in terms of the Investment Advisor share incentive scheme set out in Note 10.

The ordinary shares carry the right to vote at general meetings, the right to dividends and the right to the surplus assets of the Group on a winding-up. The ordinary shares carry pre-emption rights as well as transfer rights as indicated in the Company's Admission Document published at the time of admission to the AIM market of the London Stock Exchange.

Movement of ordinary shares Authorised on 23 August 2007	Share capital €0.01/share	Share premium, €
150,000,000 ordinary shares of €0.01 each	–	–
26,795,000 ordinary shares at €0.01 each* issued during 2007	267,950	53,322,050
Listing cost	–	(834,860)
Carried forward as at 01 January 2009	267,950	52,487,190
Issued during the year:		
Issued 5,427,633 ordinary shares at €2.02667/share	54,276	10,945,724
Issued 2,815,000 ordinary shares at €2.1713/share	28,151	6,084,120
Issued 3,587,148 ordinary shares at €2.10/share	35,870	7,234,083
Listing cost	–	(19,373)
Carried forward as at 31 December 2009	386,247	76,731,744

Notes to the consolidated financial statements (continued)

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SHARE BASED PAYMENTS

On 6 June 2008 the Group implemented a share incentive scheme (the "scheme") that entitles key individuals and their nominated entities to acquire shares in the Company.

The purpose of the scheme is to align the interests of directors and key individuals of the Investment Advisor with those of the shareholders of the Company. This is achieved by the Company making loans available to allow shares to be purchased by participants in the scheme, the repayment of which can be made in part out of the dividends payable in relation to the shares. 20% of the shares initially subscribed for by each participant vest annually.

The Company offers each participant the immediate right to subscribe for the relevant number of shares at their then market value together with a loan to fund such subscription. Each loan carries interest at the weighted average rate at which the Company is able to borrow money from its financing banks. Each loan is repayable in full together with interest ten years after its relevant subscription date, but can be repaid earlier.

The Company's recourse against each participant is limited to the shares issued in terms of the scheme. The Company has security interests over the shares held in the scheme by each participant. The security interests secure the repayment of all principal and interest in respect of each loan made by the Company to each participant under the scheme.

Pending repayment of the loan in respect of the shares subscribed for by a participant, the dividends on such shares will be applied towards payment of interest on that loan. If the dividend amount on the shares exceeds the amount required for the interest payment then the excess will be paid to the participant otherwise the shortfall will be paid by the participant to the Company.

The Group has accounted for the scheme as a share option scheme.

677,882 new shares were issued as part of the share based payments scheme at a price of €2.10 each during the financial year.

The Group is entitled to interest of €170,721 in respect of the loans granted to participants using the Group's weighted average cost of debt capital. The interest is settled from dividend distributions and was not accrued in the statement of comprehensive income.

Assumptions used in relation to the shares issued pursuant to the scheme	28 Oct 09	16 Sep 09
Fair value at grant date (per share)	€0.78	€0.79
Share price at grant date	€2.20	€2.20
Weighted average exercise price	€2.10	€2.10
Expected volatility (weighted average)	35.00%	35.00%
Expected dividend	2.58%	2.58%
Option life	5 years	5 years
Risk free interest rate (based on government bond)	3.35%	3.35%

Notes to the consolidated financial statements (continued)

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LOANS AND BORROWINGS

ERP Braila loan

As part of the ERP Braila acquisition the Group negotiated a debt funding facility with KBC Bank Ireland plc ("KBC Bank") for an amount of €113 million, of which €40 million to be drawn down to repay the existing debt of ERP Braila on 25 February 2010. The new facility is repayable at the end of the 2014, with capital amortisation starting in 2011. The loan bears interest at a floating rate of three month Euribor plus 3% p.a. The Group has capped its Euribor base interest rate at 3% in respect of the €40 million detailed above. As at 31 December 2009, the fair value of the derivative financial instrument amounted to €997,605.

SECURITY

- General security over the property, shares, accounts and receivables of ERP Braila;
- Sponsor guarantee issued by the Company in favour of KBC Bank which secures the principal repayments due by ERP Braila during third and fourth year of the agreement (amounting to €6,318,600) and interest which is payable at any time during the term of the loan.

COVENANTS

- Loan to value ratio of a maximum 69% (from the commencement of the loan agreement to the end on the second anniversary thereof), 62% (in respect of the third anniversary of the loan agreement), 59% (in respect of the fourth anniversary of the loan agreement) and 50% (at all times thereafter).
- The interest cover ratio shall not be less than 180% (from the commencement of the loan agreement to the end of the first anniversary thereof), 200% (in respect of the second anniversary of the loan agreement) and 220% (at all times thereafter).

General Investment loan

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 loan bears interest at a fixed interest rate of 6.23%.

SECURITY

- General security over the property, shares, accounts and receivables of General Investment S.R.L.

COVENANTS

- Debt service ratio of minimum 120%;
- Loan to value ratio of maximum 70%.

NEPI Bucharest One and NEPI Bucharest Two loans

The Group contracted two loan facilities in amount of €14,900,000 with Alpha Bank in relation to NEPI Bucharest Two S.R.L. and NEPI Bucharest One S.R.L. properties. The loans bear interest rate at a floating rate of one month Euribor plus 1.9% p.a. and 4.5%, respectively. The Group has capped its Euribor base interest rate at 4.7% for the amount of €7.6 million and at 3% for the amount of €7.3 million by purchasing two derivative financial instruments. As at 31 December 2009, the fair value of these derivative financial instruments amounted to €93,349.

SECURITY

- General security over the property, shares, accounts and receivables of NEPI Bucharest Two S.R.L. and NEPI Bucharest One S.R.L.;
- Sponsor guarantee issued by the Company in favour of Alpha Bank S.A. securing the loans.

COVENANTS

- Loan to value ratio of maximum 60% in case of NEPI Bucharest Two S.R.L.;
- Loan to value ratio of maximum 65% in case of NEPI Bucharest One S.R.L.

Premium Portfolio loan

A loan from Nord LB Bank was contracted in relation with the acquisition of Premium Portfolio in Germany. It bears interest at a fixed rate of 5.17% as a result of an interest rate swap concluded with Nord LB Bank. As at 31 December 2009 the fair value of the interest rate swap amounted to (€1,081,710).

SECURITY

- General security over the property, shares, accounts and receivables of Premium Portfolio Ltd & Co and Premium Portfolio 2 Ltd & Co.

COVENANTS

- Loan to value ratio of maximum 90%;
- Interest cover ratio of minimum 115%.

In addition to the bank loans, the Group also obtained financing from the vendors of the Premium 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 1 year, €	Due within 2 – 5 years, €	Due after 5 years, €
Alpha Bank Romania S.A.	–	12,526,192	–
Nord LB Bank loan	228,678	1,025,657	12,615,066
EuroHypo AG	1,167,111	11,388,868	–
Vendor finance	–	859,289	–
KBC Bank loan	–	39,555,326	–
Accrued interest on Nord LB Bank loan	366,831	–	–
Accrued interest on EuroHypo AG loan	193,766	–	–
Total	1,956,386	65,355,332	12,615,066

Notes to the consolidated financial statements (continued)

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TRADE AND OTHER PAYABLES

	Group 31 Dec 09, €	Company 31 Dec 09, €	Group 31 Dec 08, €	Company 31 Dec 08, €
Payables for assets under construction	450,130	–	344,730	–
Property related payables	884,128	–	109,109	–
Advances from tenants	1,070,789	–	771,235	–
Administrative and secretarial accrued expenses	749,082	68,117	245,055	–
Accrued management fee	540,762	–	220,591	–
Tenants deposits	1,853,964	–	1,558,708	–
Payments received in advance other than rent	478,750	–	18,654	–
Accrued expenses	–	–	–	66,084
Total	6,027,605	68,117	3,268,082	66,084

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CORPORATE TAX EXPENSE AND DEFERRED TAX

	Group 31 Dec 09, €	Group 31 Dec 08, €
Current year tax	–	–
Deferred tax expense	2,121,193	1,204,029
Tax expense	2,121,193	1,204,029
Deferred tax acquired in business combinations	1,559,933	2,886,859
Effect of translation differences	(162,194)	(278,273)
Deferred tax brought forward	3,869,382	56,767
Deferred tax carried forward	7,388,314	3,869,382

Group subsidiaries are subject to corporate tax on an annual basis. The Romanian subsidiaries carried forward aggregate prior year fiscal losses amounting to €2,991,513. The German subsidiaries have not accrued any taxable profits since the commencement of business on 15 April 2008.

Reconciliation of tax rate	Group 31 Dec 09, €	Group 31 Dec 08, €
Profit before tax	4,843,448	2,673,379
Isle of Man income tax at 0%	–	–
Effect of higher rates on overseas earnings	–	–
Total current year tax excluding deferred tax	–	–
Effective tax rate	0.00%	0.00%

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EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2009 was based on the profit attributable to ordinary equity holders of €2,722,255 (31 December 2008: €1,469,350) and the weighted average number of 29,397,896 (31 December 2008: 26,795,000) ordinary shares in issue during the year (excluding the share incentive scheme shares).

The calculation of diluted earnings per share for the year ended 31 December 2009 was based on the profit attributable to ordinary equity holders of €2,722,255 (31 December 2008: €1,469,350) and the weighted average number of 30,877,071 (31 December 2008: 27,568,206) ordinary shares in issue during the year (including the share incentive scheme shares).

The calculation of distributable earnings per share was based on profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings of €3,008,088 for the last six months of the year (31 December 2008: €2,039,323) and the number of shares in issue at 31 December 2009.

Notes to the consolidated financial statements (continued)

Reconciliation of profit after tax to distributable earnings	Group 31 Dec 09, €	Group 31 Dec 08, €
Profit after tax	2,722,255	1,469,350
Adjusted for:		
– Unrealised foreign exchange (gain)	(1,811,011)	(1,144,227)
– Realised foreign exchange losses	(87,000)	–
– Listing expenses	905,048	–
– Acquisition fees	286,211	–
– Share based payment fair value	153,059	81,841
– Accrued interest on share based payments	170,721	100,807
– Fair value adjustment of investment property	(575,253)	1,671,077
– Financial assets at fair value	855,754	699,301
– Amortisation of financial assets	(117,288)	(24,963)
– Deferred tax expense	2,114,061	1,204,029
– Shares issued cum distribution	547,821	87,728
– Interim distribution	(2,156,290)	(2,105,620)
Distributable earnings for the second half of the year	3,008,088	2,039,323
Number of shares entitled to distribution	37,070,515	28,150,000
(shares in issue 40,657,663 less 3,587,148 – See Note 7)		
Distributable earnings per share for the six months ended 31 December 2009 (euro cents)	8.11	7.24
– Interim dividend per share declared (euro cents)	7.66	7.48
Distributable earnings for the year	5,164,378	4,144,943
Distributable earnings per share for the year (euro cents)	15.77	14.72

Weighted average number of shares (excluding the share incentive scheme shares) for basic earnings per share purposes.

Date	Event	Number of shares	% of period	Weighted average
01/01/2009	existing shares	26,795,000	71%	18,992,060
16/09/2009	share issue	29,610,000	9%	2,765,769
20/10/2009	share issue	38,624,781	2%	848,896
28/10/2009	share issue	38,624,781	18%	6,791,170
31/12/2009	year end			29,397,896

Weighted average number of shares (including the share incentive scheme shares) for diluted earnings per share purposes.

Date	Event	Number of shares	% of period	Weighted average
01/01/2009	existing shares	28,150,000	71%	19,952,473
16/09/2009	share issue	31,008,214	9%	2,896,372
20/10/2009	share issue	40,022,995	2%	879,626
28/10/2009	share issue	40,657,663	18%	7,148,600
31/12/2009	year end			30,877,071

Notes to the consolidated financial statements (continued)

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HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2009 was based on headline earnings of €4,039,384 (31 December 2008: €3,920,746) and the weighted average of 29,397,896 ordinary shares in issue during the year excluding the share incentive scheme shares (31 December 2008: 26,795,000 ordinary shares).

The calculation of diluted headline earnings per share for the year ended 31 December 2009 was based on headline earnings of €4,039,384 (31 December 2008: €3,920,746) and the weighted average of 30,877,071 ordinary shares in issue during the year including the share incentive scheme shares (31 December 2009: 27,568,206 ordinary shares).

	Group 31 Dec 09, €	Group 31 Dec 08, €
Reconciliation of profit after tax to headline earnings		
Profit after tax	2,722,255	1,469,350
Changes in currency translation reserve of foreign subsidiaries	1,892,382	780,319
Fair value adjustment of investment property	(575,253)	1,671,077
Headline earnings	4,039,384	3,920,746

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NET ASSET VALUE PER SHARE

	Group 31 Dec 09, €	Group 31 Dec 08, €
Adjusted net asset value	80,070,467	55,834,728
– Net asset value per the statement of financial position	72,719,463	51,397,909
– Value of shares issued in respect of the share incentive scheme	4,377,494	2,953,900
– Deferred tax	7,388,314	3,869,382
– Goodwill	(4,414,804)	(2,386,463)
Number of shares in issue at end of year	40,657,663	28,150,000
Net asset value per share (38,624,771 excluding the share incentive scheme shares)	1.95	1.92
Adjusted Net asset value per share (40,657,663 including the share incentive scheme shares)	1.97	1.98

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NET FINANCE (EXPENSE)/INCOME

	Group 31 Dec 09, €	Group 31 Dec 08, €
Finance income	261,512	275,930
– Interest income on bank deposits	261,512	275,930
Finance expense	(3,707,437)	(2,239,250)
– Transaction cost of business combination	(286,211)	–
– Interest expense on financial liabilities measured at amortised cost	(2,565,471)	(1,539,949)
– Net changes of financial instruments at fair value through profit or loss	(855,754)	(699,301)
Net finance (expense) recognised in statement of comprehensive income	(3,445,924)	(1,963,320)

	Company 31 Dec 09, €	Company 31 Dec 08, €
Finance income	5,598,429	4,490,208
– Interest income on bank deposits	8,963	2,390
– Interest income from subsidiary	5,589,466	4,487,818
Finance expense	(83,300)	–
Net finance income recognised in statement of comprehensive income	5,515,129	4,490,208

Notes to the consolidated financial statements (continued)

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SEGMENTAL REPORTING

The Group operates only one business segment, which is the rental of commercial property. As the rental income derived during the year from the rental of residential units accounts for less than one percent of total gross rental income, this does not represent a separate business segment.

The Group's primary format for segmental reporting is based on geographic segments. On a primary basis, the Group operates in Romania and Germany. 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 year are presented below.

Reportable segments profit, assets and liabilities	Romania 31 Dec 09, €	Romania 31 Dec 08, €	Germany 31 Dec 09, €	Germany 31 Dec 08, €	Consolidated 31 Dec 09, €	Consolidated 31 Dec 08, €
External revenues	9,222,120	6,722,272	1,486,753	991,214	10,708,873	7,713,486
Operating expenses	(2,038,940)	(1,237,952)	(399,049)	(160,351)	(2,437,989)	(1,398,303)
Inter-segment revenue	–	–	–	–	–	–
Net finance (expense)	(1,603,442)	–	(1,223,332)	–	(2,826,774)	–
Foreign exchange gain	1,811,011	1,144,227	–	–	1,811,011	1,144,227
Fair value adjustmentst	611	27,260	574,642	(1,698,337)	575,253	(1,671,077)
Reportable segment profit/(loss) before tax	7,391,360	6,655,807	439,014	(867,474)	7,830,374	5,788,333
Reportable segment assets	145,712,763	69,583,998	19,272,036	22,291,907	164,985,226	91,875,905
Reportable segment liabilities	77,431,865	22,279,425	16,187,120	15,266,370	93,618,985	37,545,795
Total profit for reportable segments					7,830,374	5,788,333
Reconciliation of segments results to consolidated profit before tax					Consolidated 31 Dec 09, €	Consolidated 31 Dec 08, €
Share based payments					(153,059)	(81,841)
Investment advisor management fee					(670,725)	(571,137)
Administrative expenses					(638,942)	(498,656)
Business acquisition cost					(286,211)	–
JSE listing costs					(905,048)	–
Finance expense					(332,941)	(1,963,320)
Consolidated profit before tax					4,843,448	2,673,379

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CONTINGENT ASSETS AND LIABILITIES

As was reported in the 2008 annual financial statements the Group has been advised that it has no further payment obligations to Hi-Lo in respect of the 3,400 square meters of vacant space at the Rasnov Industrial facility and has consequently not provided for further payments to Hi-Lo. Subsequent to this, Hi-Lo has alleged that the Group entered into a lease agreement with a fellow subsidiary of Hi-Lo and consequently a final payment of €2,351,613 was due to it. Hi-Lo initiated legal proceedings to recover this amount. The Group is contesting this claim.

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 11).

The Company issued a Sponsor Guarantee in favour of KBC Bank which secures the principal repayments due by ERP Braila during the third and fourth year of the agreement (amounting to €6,318,600) and interest which is payable at any time during the term of the loan.

Notes to the consolidated financial statements (continued)

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ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's management, represented by the Investment Advisor, discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, as well as the application of these policies and estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of IFRS that have a significant effect on the preliminary financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4 "Financial risk management", and Note 7 "Goodwill".

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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 24. The Directors are set out on page 6.

Material related party transactions

Loans to and investments in subsidiaries are set out in Note 3.

Fees paid to Directors during the current and prior year are set out in the following table. No other payments were made to Directors, except for re-imbursements of travel and accommodation costs.

Directors' remuneration	Payment for 09, €	Payment for 08, €
Dan Pascariu, Non-executive Director	34,984	22,516
Kris Carton, Non-executive Director***	3,400	–
Desmond de Beer, Non-executive Director	27,352	3,349
Dewald Joubert, Non-executive Director*	29,128	25,125
Michael Mills, Non-executive Director	25,796	22,516
Martin Slabbert, Non-executive Director**	–	–
Steven Van Den Bossche, Non-executive Director***	3,400	–
Jeffrey Zidel, Non-executive Director***	3,400	–

* includes VAT of €2,704 in relation to 2009.

** Mr. Slabbert is the managing director of the Investment Advisor and does not receive a salary or director's fee from NEPI.

*** The Directors were appointed to the Board with effect from 11 November 2009

There are 1,300,302 unallocated shares issued in terms of the share incentive scheme, some of which may be allocated to certain directors in the next year.

Fees paid to the Investment Advisor amounted to €670,725 for the year ended 31 December 2009 (€571,137 for the year ended 31 December 2008).

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% 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% return on the aggregate capital invested in the Company as at the relevant date.

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SUBSEQUENT EVENTS

The Company's negotiation to acquire certain retail assets in Romania advanced to signing a sale and purchase agreement on 2 February 2010. This was subject to certain conditions precedent when the annual results were announced on 5 February 2010.

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COMPARATIVE PERIOD

The comparative period is the year ended 31 December 2008.

Analysis of shareholders

Shareholdings	31 Dec 09			31 Dec 08		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Public shareholders	218	18,431,424	45.33	19	9,847,500	35.00
Non-public shareholders	14	22,226,239	54.67	8	18,302,500	65.00
– Directors' holdings and shares issued as part of the share scheme		6,639,950	16.3		4,495,493	16.0
Total	232	40,657,663	100.00	27	28,150,000	100.00

Shareholders that held more than 5% of the issued share capital in the Company as at 31 December 2009 are set out in the table below.

Major shareholders as at 31 December 2009	Number of shares	Proportion of issued shares (%)
Diversified Properties 2 (Pty) Ltd	11,500,000	28.28
Capital Property Fund	4,362,837	10.73
Maitland Advisory LLP*	3,587,148	8.82
RMB Securities (Pty) Ltd	2,335,134	5.74

* Maitland Advisory LLP holds its shares as escrow agent for the vendors of ERP Braila.

NEPI does not have a controlling shareholder, but it should be noted that Capital Property Fund is managed by Property Fund Managers Ltd and both Property Fund Managers Ltd and Diversified Properties 2 (Pty) Ltd are wholly owned subsidiaries of Resilient Property Income Fund Limited.

Beneficial holdings of Directors as at 31 December 2009	Direct holdings	Indirect holdings	Total holdings	Proportion of issued shares (%)
Desmond de Beer	–	3,362,953	3,362,953	8.27
Jeffrey Zidel	–	1,046,615	1,046,615	2.58
Martin Slabbert	–	197,500	197,500	0.48
Total		4,607,068	4,607,068	11.33

Beneficial holdings of Directors as at 31 December 2008	Direct holdings	Indirect holdings	Total holdings	Proportion of issued shares (%)
Desmond de Beer	–	2,942,993	2,942,993	10.45
Martin Slabbert	–	197,500	197,500	0.70
Total		3,140,493	3,140,493	11.15

Register of investment properties

Property name	Property address	Sector	Weighted average rental € per sqm	Rentable area, sqm	Vacancy %	Acquisition cost, €	Valuation, €
ERP Braila	Comuna Chiscania, Sat Varsatura	Retail	6.81	54,163	6	59,464,937	63,650,000
Flanco portfolio							
Bucharest	23 Boulevard Regina Elisabeta	Retail	56.66	838	–	5,212,403	5,570,000
Bacau	Store 48, 5 Nicolae Balescu Street	Retail	41.75	150	–	698,084	670,000
Iasi	4 Strapungerii Street	Retail	37.65	193	–	836,754	820,000
Brasov	105 Calea Bucuresti Street	Retail	9.57	3,380	–	5,054,937	4,870,000
TOTAL				4,561		11,802,178	11,930,000
Raiffeisen portfolio*							
Alba Iulia	29 I.C. Bratianu Street	Office	7.42	2,366	–		1,760,000
Alexandria	63 AL. Colfescu Avenue	Office	7.13	975	–		760,000
Baia Mare	18 Unirii Street	Office	6.77	2,406	–		1,840,000
Brasov	3 M. Kogalniceanu Street	Office	7.16	6,720	–		6,400,000
Buzau	2 N. Balcescu Street	Office	6.89	2,422	–		1,950,000
Calarasi	27 Progresului Street	Office	6.82	1,421	–		1,140,000
Constanta **	51 Traian Street	Office	6.64	6,797	–		6,370,000
Craiova	15b Fratii Buzesti Street	Office	7.15	2,486	–		2,620,000
Deva	18 Iuliu Maniu Street	Office	7.15	1,860	–		1,590,000
Galati	31 Brailei Street	Office	7.03	2,814	–		2,720,000
Resita	4, 1 Decembrie 1918 Street	Office	7.15	1,322	–		1,100,000
Sfintu Gheorghe	33–37, 1 Decembrie 1918 Street	Office	7.16	2,349	–		1,750,000
Sibiu	69, 1 Decembrie 1918 Street	Office	8.26	900	–		1,090,000
Slatina	1 T. Vladimirescu Street	Office	7.04	2,767	–		1,880,000
Slobozia	13 Chimiei Street	Office	7.08	1,907	–		1,330,000
Targoviste	227 Calea Domneasca Street	Office	6.33	2,373	–		1,750,000
Tirgu Mures	2 Bolyai Street	Office	3.10	2,033	31		1,600,000
Zalau	19 Unirii Street	Office	13.99	3,460	–		3,620,000
TOTAL				47,378			41,270,000

NOTE: There is 17,300 square meters of unoccupied space in the Raiffeisen portfolio that is subject to a vendor rental guarantee as described in more details on page 12.
* Individual property acquisition values are not available since the Group purchased the properties through the acquisition of shares.
** For accounting purposes, the fair value for the Constanta property was assumed to be equal to the option exercise price of €5,809,000.

Industrial portfolio

Rasnov industrial facility	1A Campului Street	Industrial	4.51	23,040	15	13,404,198	12,200,000
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Premium portfolio*

Leipzig	Mockauer strasse 123, 04357	Retail	9.78	5,864	–	9,367,030	9,270,900
Munich	Silberhornstrasse 7	Office	14.48	2,027	–	7,118,652	6,550,000
Moelln	Wasserkrüger Way 127a + b, 23879	Retail	6.47	5,510	–	5,963,007	5,760,000
Bruckmuehl	Pettenkofenstrasse 15a, 83052	Retail	7.06	5,889	–	7,226,230	6,780,000
Eilenburg	Grenzstrasse 34–35, 04838	Retail	7.88	3,727	–	4,867,252	3,770,000
Frankfurt	Battonnstrasse 10–24	Retail	14.50	1,088	–	2,426,342	2,690,000
TOTAL				24,105		36,968,513	34,820,900

* The Group has a 50% interest in the Premium portfolio.

Notice of Annual General Meeting (for record purposes only)

Registered office:
Falcon Cliff
Palace Road
Douglas
Isle of Man IM2 4LB
5 February 2010

Notice is hereby given that the third annual general meeting of New Europe Property Investments Plc (“the Company”) will be held at Falcon Cliff, Palace Road, Douglas, Isle of Man on 3 March 2010 at 12.00 noon.

Ordinary business

To receive and adopt the Reports of the Directors and Auditor and the Consolidated Financial Statements for the year ended 31 December 2009.

To declare a final dividend in relation to 2009 in amount of 8.11 euro cents per share (bringing the total distribution for the year to 15.77 euro cents per share) to shareholders according to their respective rights out of the Company profits.

To elect a director of the Company. Director Martin Johannes Christoffel Slabbert retires in accordance with Article 86 of the Company’s Articles of Association and being eligible, offers himself for re-election.

To elect directors of the Company, appointed by the Board during the year.

Mr. Kris Carton retires in accordance with Article 81 of the Company’s Articles of Association and being eligible, offers himself for re-election.

Mr. Steven Van Den Bossche retires in accordance with Article 81 of the Company’s Articles of Association and being eligible, offers himself for re-election.

Mr. Jeffery Zidel retires in accordance with Article 81 of the Company’s Articles of Association and being eligible, offers himself for re-election.

To re-appoint KPMG Audit LLC as Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

To authorise the directors to fix their remuneration.

Special Business

So as to maintain the maximum “headroom” available to the Directors for expanding the Company’s business by allotting equity securities of the Company for cash on a nonpre-emptive basis or for a consideration other than cash (vendor placements), the shareholders are to consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

THAT, Article 5.3 of the Company’s Articles of Association be deleted and replaced by: “The provisions of Article 5.2 are dis-applied in respect of any allotments of equity securities of the Company in an aggregate nominal amount not exceeding 20% (twenty percent) of the Company’s total nominal issued share capital on 3 March 2010 such dis-application to apply until the earlier of (i) eighteen months from 3 March 2010 and (ii) the end of the next Annual General Meeting of the Company”; and

THAT article 5.4.1 of the Company’s Articles of Association, which limits the allotment of equity securities for a consideration other than cash in any twelve month period to 30% (thirty percent) of the number of equity securities in the Company’s enlarged share capital, be amended as to remove such limitation. The amended article 5.4.1 is to read as follows: “the allotment of any equity securities for a consideration other than cash, and accordingly, the Directors may allot or otherwise dispose of any unissued equity securities in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit;”

By Order of the Board
D.L. Joubert
Director

Notes

1. A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her.
 - 1.1 A proxy need not be a member of the Company.
 - 1.2 A form of proxy is enclosed with this notice. Instructions for use are shown on the form.
 - 1.3 A form of proxy must be received by the Company’s Registrars, Maitland Services Limited, no later than forty-eight hours before the time of the holding of the meeting.
 - 1.4 Completion and return of a form of proxy does not preclude a member from attending and voting in person.

2. Pursuant to regulation 22 of the Uncertificated Securities Regulations 2006 (SD 743/06), the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 12.00 noon on 1 March 2010, being not more than two working days before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. The Register of Directors’ Interests in the share capital and debentures of the Company, together with copies of service agreements under which directors of the Company are employed, are available for inspection at the Company’s Registered Office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Proxy Form (for record purposes only)

Please insert the member(s)'s full name(s) and address(es) in BLOCK LETTERS and return to the attention of Andrew Mackenzie Dawson, Company Secretary, via post to the Company's address at Falcon Cliff, Palace Road, Douglas, Isle of Man IM2 4LB, or in electronic format to the email address: andy.dawson@maitlandgroup.com

I/We _____

Of _____

being a member/members of New Europe Property Investments Plc hereby appoint the Chairman of the Meeting, or failing, him _____ as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Falcon Cliff, Palace Road, Douglas, Isle of Man on 3 March 2009 at 12.00 noon and at any adjournment thereof.

If you wish to appoint your own proxy delete the words "the Chairman of the Meeting" and insert in BLOCK LETTERS the name of your proxy in the space provided.

Please indicate with an X in the spaces below how you wish your votes to be cast. If you do not specify how you wish your votes to be cast then you will be deemed to have authorised your proxy to vote or abstain from voting as he/she thinks fit.

Date 2010 Signature _____

For	Against	ORDINARY BUSINESS
<input type="radio"/>	<input type="radio"/>	To receive and adopt the Reports of Directors and Auditor and the Consolidated Financial Statements for the year ended 31 December 2009.
<input type="radio"/>	<input type="radio"/>	To declare a final dividend in relation to 2009 in amount of 8.11 euro cents per share (bringing the total distribution for the year to 15.77 euro cents per share) to shareholders according to their respective rights out of the Company profits.
<input type="radio"/>	<input type="radio"/>	To re-elect Martin Johannes Christoffel Slabbert as a director of the Company in accordance with Article 86 of the Company's Articles of Association.
		To re-elect the following directors of the Company in accordance with Article 81 of the Company's Articles of Association:
<input type="radio"/>	<input type="radio"/>	Mr. Kris Carton
<input type="radio"/>	<input type="radio"/>	Mr. Steven Van Den Bossche
<input type="radio"/>	<input type="radio"/>	Mr. Jeffrey Zidel
<input type="radio"/>	<input type="radio"/>	To re-appoint KPMG Audit LLC as auditor and to authorise the directors to fix their remuneration.
<input type="radio"/>	<input type="radio"/>	To authorise the directors to fix their remuneration.

For	Against	SPECIAL BUSINESS
<input type="radio"/>	<input type="radio"/>	THAT, Article 5.3 of the Company's Articles of Association be deleted and replaced by: "The provisions of Article 5.2 are dis-applied in respect of any allotments of equity securities of the Company in an aggregate nominal amount not exceeding 20% (twenty percent) of the Company's total nominal issued share capital on 3 March 2010, such dis-application to apply until the earlier of (i) eighteen months from 3 March 2010 and (ii) the end of the next Annual General Meeting of the Company".
<input type="radio"/>	<input type="radio"/>	THAT article 5.4.1 of the Company's Articles of Association, which limits the allotment of equity securities for a consideration other than cash in any twelve month period to 30% (thirty percent) of the number of equity securities in the Company's enlarged share capital, be amended as to remove such limitation. The amended article 5.4.1 is to read as follows: "the allotment of any equity securities for a consideration other than cash, and, accordingly, the Directors may allot or otherwise dispose of any unissued equity securities in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit;"

Company	New Europe Property Investments plc Registration number 001211V (share code: NEPI) Falcon Cliff, Palace Road Douglas, Isle of Man IM2 4L	Registered address in South Africa 4th Floor Rivonia Village Rivonia Boulevard, Rivonia Johannesburg 2191, South Africa
Company Administrator and Registrar	Andrew Mackenzie Dawson Maitland Services Limited Falcon Cliff, Palace Road Douglas, Isle of Man IM2 4LB Phone: +44 (0) 1624 630 000 Fax: +44 (0) 1624 630 001	
Company Subsidiaries and Joint Venture Investments	New Europe Property (BVI) Limited Midocean Chambers Road Town, Tortola, British Virgin Islands	General Investment S.R.L. 13 Charles de Gaulle, Office 13, District 1 Bucharest, Romania
	New Europe Property N.V. 123 Pietermaai, Curacao Netherlands Antilles	Nepi Bucharest Two S.R.L. 39 Grigore Mora, District 1 Bucharest, Romania
	Bel Rom Sase S.R.L. 1A Ion Ionescu de la Brad Bd. 6th floor, room B6, District 1 Bucharest, Romania	Nepi Bucharest Three S.R.L. 60 Boulevard Dacia, District 1 Bucharest, Romania
	NE Property Cooperatief U.A. 231 Schiphol Boulevard Toren B, 5de 1118BH, Luchthaven Schiphol Amsterdam, Netherlands	Nepi Bucharest One S.R.L. 4–8 Nicolae Titulescu Street, America House 3rd Floor, District 1 Bucharest, Romania
	CIREF NEPI Holdings Limited 17 Grigoriou Xenopoulou P.C. 3106, Limassol, Cyprus	FDC Braila BV Schiphol Boulevard 231 Toren B, 5de 1118BH, Luchthaven Schiphol Amsterdam, Netherlands
	CIREF Europe Management Limited 31–33 The Triangle Ranelagh, Dublin 6, Ireland	Premium Portfolio Ltd & Co KG 9 Rossertstrasse 60323 Frankfurt am Main, Germany
	General Building Management S.R.L. 13 Charles de Gaulle, Office 13, District 1 Bucharest, Romania	Premium Portfolio 2 Ltd & Co KG 9 Rossertstrasse 60323 Frankfurt am Main, Germany
Investment Advisor	NEPI Investment Management Limited Midocean Chambers PO Box 805, Road Town Tortola, British Virgin Islands	NEPI Investment Management S.A. 8–10 Daniel Danielopolu Street, 3rd Floor Bucharest 1, Romania Phone: +40 21 232 1398
Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court, 41 Athol Street Douglas, Isle of Man IM99 1HN	
Nominated Advisor and Broker (AIM)	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY, UK	
Sponsor (JSE)	Java Capital (Proprietary) Limited 2 Arnold Road, Rosebank, 2196 PO Box 2087, Parklands, 2121 South Africa	
Transfer secretaries and settlement agents	Computershare Investor Services (Proprietary) Limited 70 Marshall Street Johannesburg 2001 South Africa PO Box 61051 Marshalltown 2107 South Africa	Computershare Investor Services (Channel Islands) Limited PO Box 83, Ordnance House, 31 Pier Road St. Helier Jersey, JE4 8PW, UK

www.nepi.uk.com

