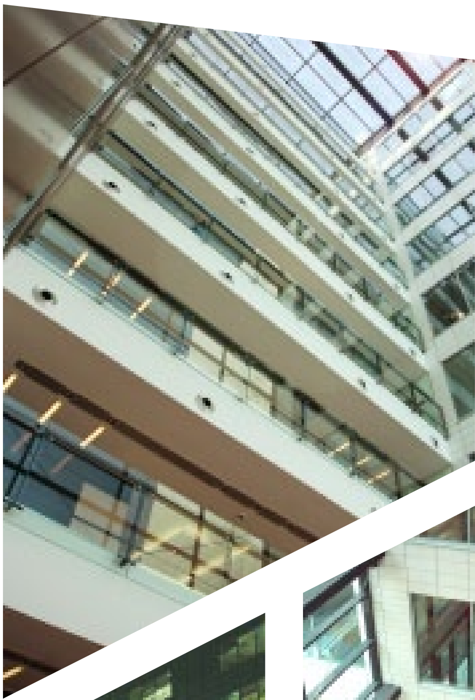
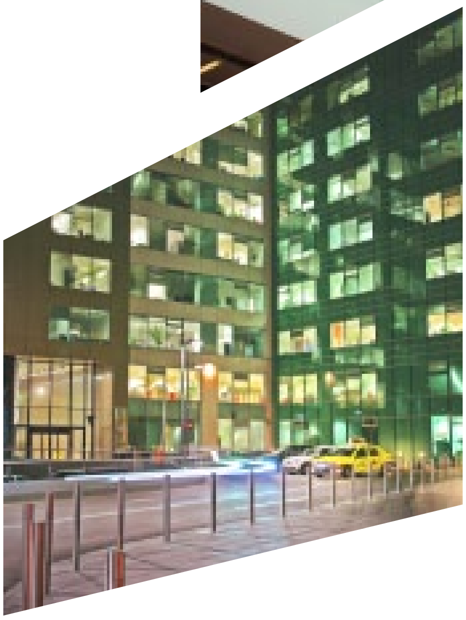
ANNUAL REPORT 2010





NEP

NEW EUROPE PROPERTY INVESTMENTS PLC

TABLE OF CONTENTS

A BRIEF HISTORY OF NEPI

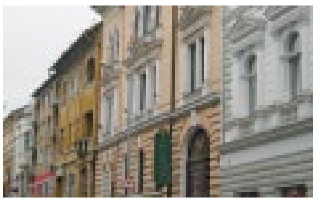
2007 NEPI is founded and listed on the AIM market of the London Stock Exchange in August. The Group acquires its first four retail properties and one industrial property in Romania.

2008 The Group acquires a portfolio of 18 office buildings in Romania and a 50% interest in a second portfolio of 5 retail properties and one office building in Germany.

2009 NEPI is listed on the Alternative Exchange ("AltX") of the Johannesburg Stock Exchange ("JSE"). The Group acquires its first large retail property in Romania — Promenada Mall Braila.

2010 NEPI's listing on the JSE is transferred from the AltX to the Main Board. The Group internalises its Investment Advisor and moves to an in-house property management model. The Group acquires its second large retail property in Romania — Retail Park Auchan Pitesti, and the top office property in Bucharest — Floreasca Business Park.

More on the website: www.nepi.uk.com



COMPANY PROFILE

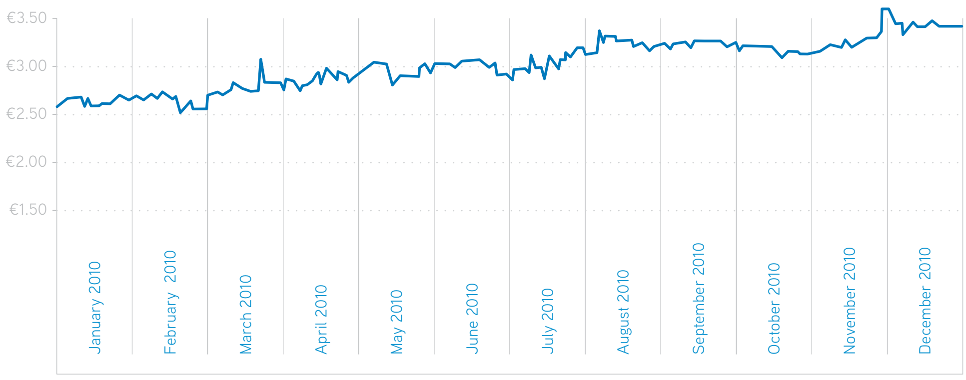
— The **COMPANY'S OBJECTIVE** is to provide shareholders with an opportunity to invest in a dividend paying, long term closed-ended fund that could serve as a vehicle for investors seeking emerging European investment exposure that yields stable absolute returns and portfolio diversification.

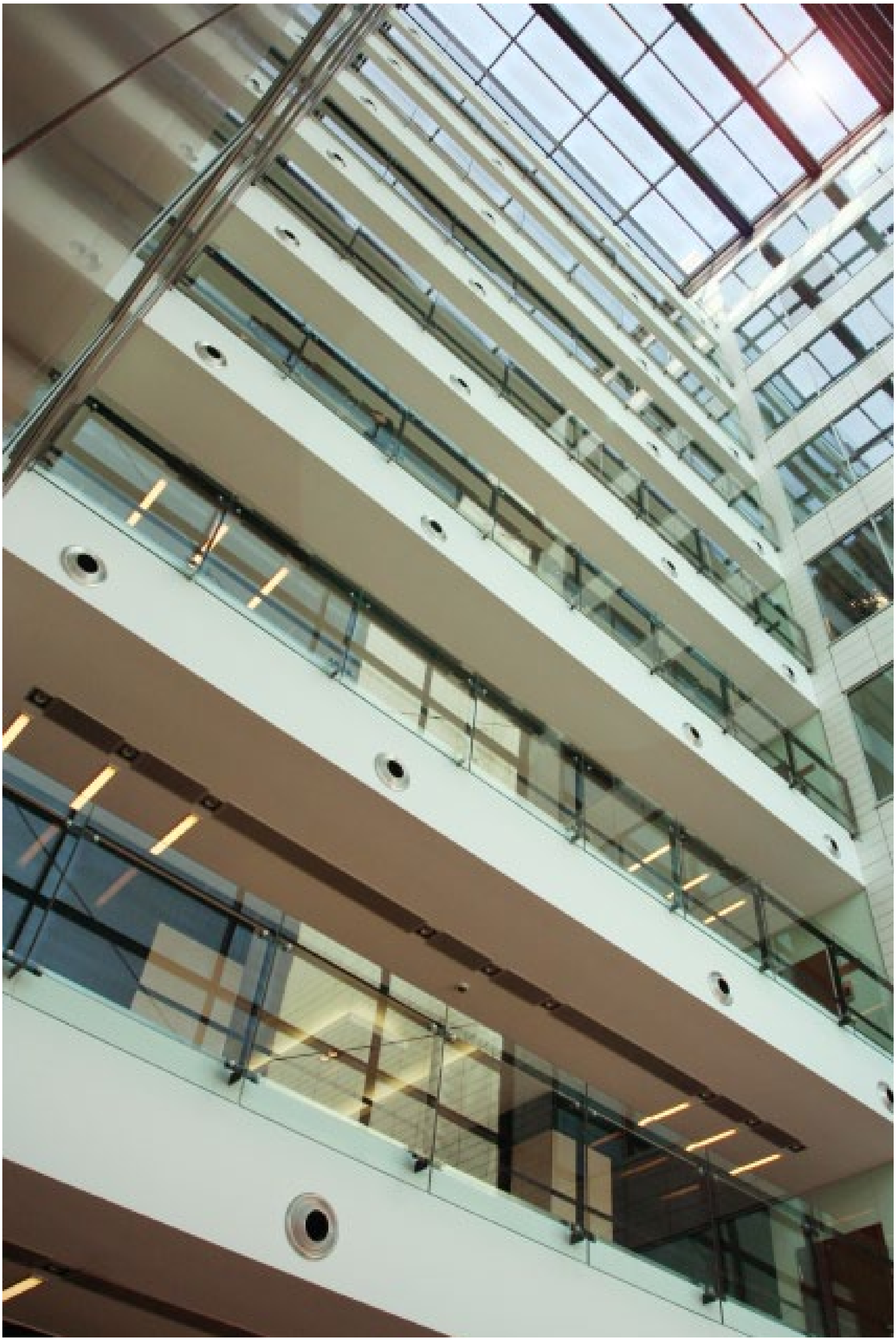
— The **GROUP'S INVESTMENT POLICY** is to seek exposure to high quality, income producing office, retail and industrial properties. Since 2009 the Group has focused on investments in dominant or potential dominant retail assets in Romania. The investment strategy is biased in favour of long-term leases with strong corporate covenants. The Group seeks to achieve a wide exposure to different tenants in order to diversify risk.

— Investments are made with a view to **HOLDING THE INVESTMENTS IN THE LONG TERM**, but may be disposed of and the funds re-invested if this is believed to be advantageous to the long-term investment income performance of the Group. Uninvested funds of the Group may be invested in appropriate listed property securities or appropriate liquid money market instruments.

— It is the Company's intention to **DISTRIBUTE TO SHAREHOLDERS AT LEAST 90% OF ITS REVENUE PROFITS ON A SEMI-ANNUAL BASIS**, subject to compliance with the relevant laws which will govern the Group's SPVs. Capital profits derived from asset disposals are re-invested. The Company declares and pays dividends in euro (dividends are converted to South African Rand for shareholders on the South African sub-register).

Share Price





CHAIRMAN'S STATEMENT

New Europe Property Investments plc's ("the Company", "NEPI" or, where the statements include reference to the Company's subsidiaries, "the Group") audited consolidated financial statements for the financial year ended on 31 December 2010 are included in this report.

NEPI continued to perform well during the year under review and a number of strategic decisions were made which are expected to further strengthen the Group.

The business model was re-evaluated and alternative and more beneficial ways of managing the business were assessed. As a consequence, NEPI reached an agreement with the Company's founders to internalise its Investment Advisor through the acquisition of all the issued shares of NEPI Investment Management Limited. The Board expects that the management of the Group`s property portfolio going forward will be achieved more efficiently and cost effectively with the management team being employed and incentivised directly by the Company. Another substantial decision had the Company move from an outsourced to an in-house property management model. The internalisation of the property management was necessary to improve the controls, accuracy and frequency of management information. Furthermore, this move improved the service levels to tenants. The internalisation of the Investment Advisor and the property management function creates the potential for significant annual cost savings and are expected to result in enhanced distributable earnings per share.

On 4 August 2010 the Company completed the transfer of its listing from the Alternative Exchange to the Main Board of the JSE in South Africa. During the year the Company raised €36 million through a vendor placement in March and a private placement in April. A further €40 million was raised in December through an over-subscribed rights issue. The capital raisings combined with the transfer of the Company's listing to the Main Board of the JSE extended the Company's shareholder base and improved liquidity in the trading of the Company's shares. The Board has also decided to pursue a listing on the Bucharest Stock Exchange to further extend the Company's shareholder base.

In 2010 the Group continued to expand its asset base in Romania through three acquisitions and an extension of its retail property in Braila. The Company also took steps to secure undeveloped land plots adjacent to two existing Carrefour properties with the view to developing the sites.

NEPI produced strong results and increased its distributable earnings per share by 11.7% to 17.61 euro cents for the financial year ended 31 December 2010 (2009: 15.77 euro cents). Accordingly the Company has declared a second interim dividend of 9.26 euro cents per share and has recommend this to shareholders as a final dividend for the six months ended 31 December 2010.

During the year NEPI added significant development and leasing skills through the expansion of its management team. NEPI is well positioned to take advantage of the existing development and acquisition opportunities and to further grow its distributable earnings in 2011.

Dan Pascariu
Chairman

DIRECTORS OF THE COMPANY

Dan Pascariu (60)
Independent Non-Executive Chairman
APPOINTED ON MAR. 30, 2009

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. Between 1994 and 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. During this time he also served as the chairman of the board of Bucharest Investment Group, the investment banking arm of Banca Bucuresti. Between 1996 and 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.

Martin Slabbert (40)
Chief Executive Officer
APPOINTED ON AUG. 14, 2007

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 Nedcor Investment Bank Ltd ("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.

Desmond de Beer (50)
Non-Executive Director
APPOINTED ON OCT. 21, 2008

Desmond de Beer has significant property investment and management experience. He has 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 subsequently 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 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 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.

DIRECTORS OF THE COMPANY >continued

Dewald Joubert (38)
Independent Non-Executive Director
APPOINTED ON JUL. 23, 2007

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 of 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.

Michael Mills (63)
Independent Non-Executive Director
APPOINTED ON AUG. 13, 2007

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 extensively involved 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.

Victor Semionov (33)
Financial Director
APPOINTED ON MAY 13, 2010

Victor Semionov graduated in 1999 with a major in finance from the Academy of Economic Studies in Bucharest and started his career in the Financial Advisory practice of Deloitte in Romania and Moldova where he was involved in more than 30 transactions including acquisitions, mergers, restructurings, fund raising and sales of distressed or expanding businesses with an aggregate transactions value in excess of €7 billion. Mr. Semionov co-founded NEPI in 2007.

Jeffrey Zidel (60)
Independent Non-Executive Director
APPOINTED ON NOV. 11, 2009

Jeffrey Nathan Zidel is a successful property developer and investor and has been involved in all aspects of the property industry for 40 years.

He has been three-time president of the Roodepoort Chamber of Commerce. He is currently chairman of Fortress Income fund Limited and Property Index Tracker Managers (Proprietary) Limited, both listed on the JSE. He was a co-founder of the Resilient Property Income Fund Limited, a listed company on the JSE, which is a substantial investor in NEPI.

ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS

	Board	Investment Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Dan Pascariu	6/7			1/1	1/1
Kris Carton*	1/1				
Desmond de Beer	7/7	5/5		1/1	
Dewald Joubert	6/7		5/5	1/1	
Michael Mills	6/7		5/5		1/1
Martin Slabbert	7/7	5/5			1/1
Steven Van Den Bossche**	2/6		1/2		
Jeffrey Zidel	7/7	5/5			
Victor Semionov***	4/4				

* Resigned from the Board with effect from 3 March 2010.
** Resigned from the Board with effect from 8 September 2010.
*** Appointed to the Board with effect from 13 May 2010.


ABB

ANALYSIS OF SHAREHOLDERS AND SHARE TRADING

Shareholder spread at 31 December 2010 in terms of the JSE Listings Requirements	Number of shareholders	Number of shares held	Percentage of issued shares
Public	626	34,754,950	45.2%
Non-public	19	42,178,784	54.8%
out of which Directors and employees	16	12,451,788	16.2%
	642	**76,933,734**	**100.0%**

Size of holding			
Up to 2,500 shares	307	406,518	0.5%
2,501 to 10,000 shares	176	939,174	1.2%
10,001 to 100,000 shares	103	3,609,058	4.7%
100,001 to 1,000,000 shares	44	17,665,946	23.0%
1,000,001 to 3,500,000 shares	9	20,711,978	26.9%
Over 3,500,000 shares	3	33,601,059	43.7%
	642	**76,933,733**	**100.0%**

Registered shareholders owning 5% or more of issued shares			
Resilient Property Income Fund	1	16,830,000	21.9%
RMB Securities	1	12,437,363	16.2%
	2	**29,267,363**	**38.1%**

Beneficial shareholding of 5% or more of issued shares			
Resilient Property Income Fund	1	16,830,000	21.9%
RMB Securities	1	12,437,363	16.2%
Desmond De Beer	1	4,712,929	6.1%
Martin Slabbert	1	4,579,029	6.0%
	4	**9,291,958**	**50.1%**

Beneficial shareholding of directors at 31 December 2010	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond De Beer	–	4,712,929	4,712,929	6.1%
Jeffrey Zidel	–	1,093,652	1,093,652	1.4%
Martin Slabbert	–	4,579,029	4,579,029	6.0%
Victor Semionov	–	963,656	963,656	1.3%
	–	**11,349,266**	**11,349,266**	**14.8%**

Beneficial shareholding of directors at 31 December 2009				
Desmond De Beer	–	3,362,953	3,362,953	8.3%
Jeffrey Zidel	–	1,046,615	1,046,615	2.6%
Martin Slabbert	–	197,500	197,500	0.5%
	–	**4,607,068**	**4,607,068**	**11.3%**

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, the annual financial statements of New Europe Property Investments plc and the Group annual financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards.

The Group and Company financial statements are required to give a true and fair view of the state of affairs of the Group and 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 judgments 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 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.

The Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and there is no reason to believe that the business will not be going concerns in the year ahead.

The Group's and Company's financial statements were approved by the board of directors on 10 February 2011 and signed on its behalf by:

Martin Slabbert
Chief Executive Officer

Victor Semionov
Financial Director


Raiffeisen BANK


Carrefour

INDEPENDENT AUDITOR'S REPORT 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 (the "Company") for the year ended 31 December 2010 which comprise the Group and Parent Company income statement and statements of comprehensive income, the Group and Parent Company statements of financial position, the Group and Parent Company statements of cash flows and the Group and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's and the Parent Company's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards and in the manner required by the JSE Limited Listings Requirements.

Ernst & Young LLC

Ernst & Young LLC
Chartered Accountants
Isle of Man
29 March 2011

DIRECTORS' 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 could later include other Central and Eastern European countries that are recent entrants of the EU or are considered to be on an accession path. The investment strategy is biased in favour of long-term leases with strong corporate covenants. The Company distributes at least 90% of its distributable earnings on a semi-annual basis.

NEPI's distributable earnings of 17.61 euro cents per share for the financial year ended 31 December 2010, is a 11.7% increase on the 15.77 euro cents distribution for the 2009 financial year, which compares positively with the 2.1% inflation in the euro area. The improvement in distributable earnings was supported by the continued performance of the Group's portfolio as held at 31 December 2009, favourable acquisitions made during 2010 as well as costs savings achieved through the internalisation of its Investment Advisor.

Property Acquisitions, Extentions and Developments

As announced on 11 March 2010, the Group acquired a 33,000 square meter retail park located in Pitesti, Romania. The property acquired is fully leased to Auchan hypermarket and Bricostore DIY. Linked to the property acquired is an under-performing 7,000 square meters shopping gallery over which NEPI had obtained a call option at the time of the acquisition. Although Pitesti has a relative high density in terms of available retail space per capita as compared to other cities in Romania, it is one of the most prosperous cities in Romania and Auchan is the best performing hypermarket in the city. As a result, NEPI had exercised the call option following the year-end with the view to re-develop the gallery into a value centre.

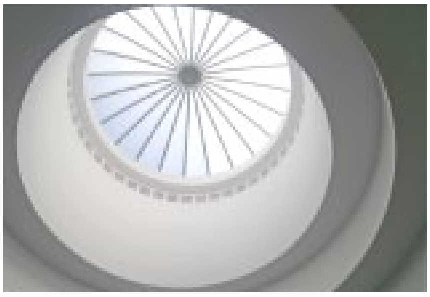
During the second half of the year the Group acquired the Otopeni Warehouse, a 4,800 square meters warehouse located in the proximity of the Bucharest international airport. The property is tenanted by UPS Romania, the Romanian subsidiary of the international courier and Delamode, a transportation and logistics company. Although small, the property includes vacant land that provides extension opportunities in a highly desirable area once the existing lease agreements expire.

During December 2010, the Group acquired Floreasca Business Park, a 36,000 square meter A-class office building located on one of Bucharest's main boulevards. Floreasca Business Park has convenient access to a subway station and other means of public transport and is leased mainly to international corporations. Although NEPI's main focus is on retail assets, NEPI is of the view that the Bucharest office market offers value for investors and concluded this acquisition following a review of 12 potential acquisition targets, based on visibility, technical quality, design, parking facilities and access to public transport. The Floreasca Business Park achieved the highest ranking of the potential acquisition targets.

In Braila, the Group began an extension of its shopping mall by constructing a ten-screen cinema and a large entertainment area that includes a food court and an ice rink, all of which was finalised following the year-end. This extension is expected to further strengthen the dominant position of Promenada Mall Braila in the region. A further extension will be considered in 2011.

DIRECTORS' REPORT >continued

Following the year-end the Group has also secured land adjacent to the Carrefour Property's existing operating property in Ploiesti, Romania and has reached a preliminary agreement with Carrefour Property to redevelop the combined properties. The agreement is subject to receiving approval from the Carrefour Property Board and documentation of the terms of the joint venture. It is expected that this will result in a regionally dominant shopping centre of some 50,000 square meters on completion.



The Group also acquired land adjacent to its Brasov retail asset subsequent to the year-end. The combined property has a total land area of 11,300 square meters and a retail big box of 3,400 square meters. It is adjacent to Carrefour Property's operating property – a strong performing hypermarket in Brasov, a city of approximately 285,000 people. Re-development opportunities are currently under discussion in relation to this property.

Of the pursued opportunities announced previously by the Company, a development of a shopping centre in Bucharest was abandoned due to an unfavourable feasibility study. A re-development opportunity of a shopping centre in Bacau did not proceed either, due to the counter party withdrawing from the transaction.

Debt

In June 2010 the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti. The Group capped the reference rate (Euribor) in relation to the new loan facility at 2.25% and reduced the cap strike levels to 2.25% on all the other outstanding variable interest rate loans.

With the acquisition of Floreasca Business Park the Group took over a €71 million facility from Raiffeisen Bank and entered into a cap agreement at 2% in relation to the reference rate (Euribor). As a result, the Group's overall loan to value ratio increased to 49% when adjusted for cash-at-hand, which is below the Board's target of 50% to 60%.

Details of Bank Loans

Borrower	Facility amount, €	Outstanding amount, €	Available for drawdown, €	Interest rate	Hedge
Nepi Bucharest One SRL	7,300,000	6,200,000	1,100,000	1M Euribor +4.5%	1M Euribor capped at 2.25%
Nepi Bucharest Two SRL	6,824,800	5,800,000	1,024,800	1M Euribor +1.9%	1M Euribor capped at 2.25%
General Investment SRL	15,000,000	11,388,868	–	Fixed at 6.23%	–
Premium Portfolio	13,995,000	13,681,912	–	Fixed at 5.17%	–
Promenada Mall	40,000,000	40,000,000	–	3M Euribor +3.0%	3M Euribor capped at 2.25%
Retail Park Auchan Pitesti	28,813,000	28,813,000	–	1M Euribor +4.0%	1M Euribor capped at 2.25%
Floreasca Business Park*	77,000,000	71,413,947	–	3M Euribor +2.353%	3M Euribor capped at 2.00%

* The interest rate cap in relation to Floreasca Business Park was acquired and paid for in January 2011.

DIRECTORS' REPORT >continued

Bank Debt Repayment Profile, €

Borrower	2011	2012	2013	2014	2015	Total
Nepi Bucharest One SRL	–	–	6,200,000	–	–	6,200,000
Nepi Bucharest Two SRL	5,800,000	–	–	–	–	5,800,000
General Investment SRL	1,005,008	1,064,641	1,137,283	8,181,936	–	11,388,868
Premium Portfolio	350,996	241,105	334,551	12,755,260	–	13,681,912
Promenada Mall	–	2,155,654	2,155,653	35,688,693	–	40,000,000
Retail Park Auchan Pitesti	–	2,204,194	1,887,252	2,247,414	22,474,140	28,813,000
Floreasca Business Park	3,629,552	4,399,692	63,384,703	–	–	71,413,947
TOTAL	**10,785,556**	**10,065,286**	**75,099,442**	**58,873,303**	**22,474,140**	**177,297,727**

Operational And Financial Performance

	31 Dec 2010	30 Jun 2010	31 Dec 2009	30 Jun 2009	31 Dec 2008	30 Jun 2008
Distribution per share (euro cents)	9.26	8.35	8.11	7.66	7.24	7.48
Adjusted NAV per share (euro cents)	2.22	2.03	1.97	1.93	1.98	1.98
Gearing*	49%	42%	46%	36%	34%	33%
Shares in issue	76,933,734	61,933,734	40,657,663	28,150,000	28,150,000	28,150,000

* The gearing ratio is calculated by dividing total interest bearing borrowings less cash on hand by the investment property value.

Net rental and related income increased to €16,224,196 (2009: €8,270,884). The main contributing factors to the increase includes the acquisition of the Retail Park Auchan Pitesti, accounting for Promenada Mall Braila for a full year (in 2009 it has been accounted for only four months) and like-for-like improvements in net rental and related income generated from the portfolio held at 31 December 2009. There was no income accounted for in 2010 in relation to Floreasca Business Park as the acquisition was completed at the end of December 2010.

The Group saved advisory fees for the second half of the year, following the internalisation of the Investment Advisor, but the administrative costs increased due to the growth of the property portfolio. The impact of the internalisation of the Investment Advisor on the distributable earnings per share is positive.

The administrative costs include acquisition fees amounting to €831,369 and the finance expense includes €836,397 that represents fair value adjustments in relation to financial instruments held for interest rate hedging purposes.

DIRECTORS' REPORT >continued

The distributable earnings for the financial year more than doubled to €11,665,016 in 2010 from €5,164,378 in 2009. The distributable earnings figure is arrived at by adjusting the accounting profit of €6,911,344 by recognising an expense of €462,032 in relation to the amortisation of the premiums paid in respect of the interest rate hedging instruments, by reversing an amount of €831,369 representing acquisition fees, by the recognition of accrued interest of €491,064 on the loans in respect of the share purchase scheme, by adjusting an amount of €2,325,443 in respect of the share issues that took place cum dividend during the financial year and by adjusting (reversing) the non-cash flow items recognised in the statement of income discussed below:

The distributable earnings for the financial year more than doubled to €11,665,016 in 2010.

— An unrealised foreign exchange gain of €178,175. This difference results from the consolidation of the Romanian subsidiaries' financial statements, which are denominated in RON, into the Group's consolidated financial statements. In substance, the Group's income, expenses, assets and liabilities are euro-denominated and currency adjustments that result from accounting treatment are reversed when calculating distributions.
— A share based payment expense of €524,650, that results from the treatment of the share purchase scheme as an option scheme in accordance with IFRS.
— A positive net fair value adjustment of €1,111,927 to reflect the net improvement in the market value of the Group's investment properties based on the valuations obtained from DTZ Equinox Consulting SRL in Romania and Dr. Lubke GmbH in Germany.
— A negative fair value adjustment of €836,397 to reflect a net reduction in the value of financial instruments held for interest rate hedging purposes.
— A deferred tax expense of €1,460,883. 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 property values are carried in RON, while the property market values are expressed in euro, depreciation of the RON leads to an increase in deferred tax.

Adjusted NAV per share has improved to €2.22 (2009: €1.97). 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 share purchase 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 share purchase scheme shares that are treated as treasury shares for accounting purposes).

DIRECTORS' REPORT >continued

Property Portfolio

The Group's property portfolio consists of 33 retail, office and industrial properties of which 27 are located in Romania and the remainder in Germany (NEPI holds a 50% interest in the German portfolio and all figures in this report are adjusted to reflect this). As at 31 December 2010, the portfolio was valued at €313.7 million, had a rentable area of 214,000 square meters, an outstanding weighted average lease duration of 7.6 years (2009: 6.6 years) and an occupancy rate of 98.2%. The average annualised property yield was 8.3%.

The portfolio had an outstanding weighted average lease duration of 7.6 years.

THE RETAIL PORTFOLIO consists of 11 properties, with an aggregate rentable area of 101,000 square meters, valued at €148.5 million and accounts for 50% of the annualised gross rental income. The bulk of the retail assets consist of Promenada Mall Braila, a 53,000 square meter retail centre anchored by Carrefour and Bricostore and Retail Park Auchan Pitesti, a 33,000 square meter portion of a retail centre anchored by Auchan and Bricostore. The remainder of the retail portfolio consists of a retail-box and three street retail properties in Romania and five small retail properties in Germany. The retail assets in the portfolio performed well. Certain food and branded fashion retailers have improved sales as compared to 2009 and as a result there is demand for space from larger international fashion retailers. Some of the resulting opportunities are described in more detail in the Property Acquisitions, Extensions and Developments section above.

THE OFFICE PORTFOLIO consists of 20 properties with an aggregate rentable area of 84,500 square meters valued at €145.4 million and accounts for 44% of the annualised gross rental income. The bulk of the office portfolio consists of the Floreasca Business Park acquired in December 2010. The office portfolio includes a portfolio of 18 office buildings which are rented mostly to Raiffeisen bank and located in the central areas of 18 Romanian cities. The only office building in Germany is located in Munich and is rented to medical practitioners.

THE INDUSTRIAL PORTFOLIO consists of a 23,000 square meter industrial property in Rasnov, Romania, and one 4,800 square meter logistics property in Bucharest, Romania. As at 31 December 2010, the two properties were valued at €17.3 million and accounted for 6% of the annualised gross rental income.

Vacancy Profile

At the year-end 3,800 square meters of rentable area was vacant, representing 1.8% of the 214,000 square meters of rentable area. Included in the rented space were 12,800 (2009: 17,300) square meters of unoccupied office and basement space that forms part of the Raiffeisen portfolio and that is subject to a vendor rental guarantee until 8 February 2012. Of this space 3,400 square meters of office space was under refurbishment in Brasov (the refurbishment is expected to be completed by April 2011), 7,200 (2009: 11,700) square meters were available for renting and 2,200 square meters were part of the Constanta property which is in the process of being disposed of to the vendor. A price adjustment will be made in relation to the Raiffeisen portfolio depending on the income generation of the portfolio on 8 February 2012.

DIRECTORS' REPORT >continued

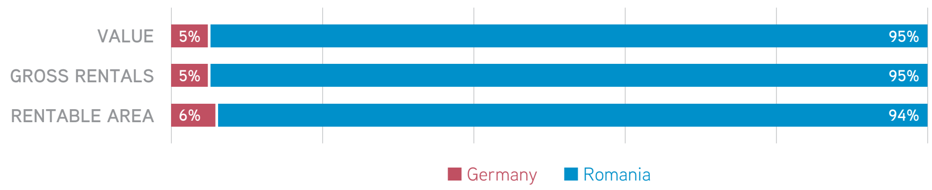
Rental Escalations

Rental income in Romania is indexed annually with European CPI (the escalation applied to the existing leases in Romania in 2010 was between 1.5% and 2.2%, depending on the month when it was applied). Escalations in the rental agreement with Raiffeisen Bank are capped at 3% per annum.

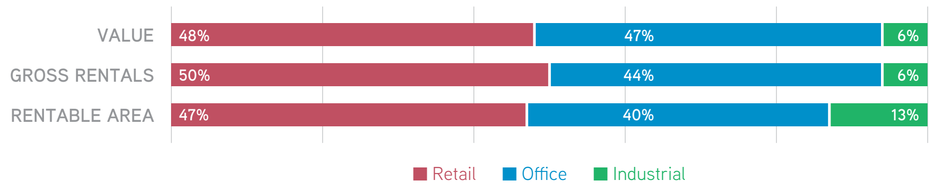
Out of the total contracted rent in Germany, 83.2% is indexed. A typical lease in the German portfolio is indexed with 65% of the German CPI (2010 German CPI was 1.2%) that is applicable when cumulative inflation exceeds a certain threshold, usually 10%.

As at year-end 2010, the weighted average rental escalation by rentable area was 1.7% for the retail space, 1.9% for the office space, and 1.2% for the industrial space (the Otopeni warehouse leases were signed in 2010 and consequently not indexed).

Geographical profile - 95% of assets by gross rentals are in Romania

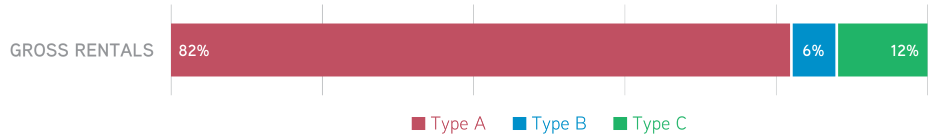


Sectoral profile - mostly Retail and Office assets



DIRECTORS' REPORT >continued

Tenant profile - 82% Type A tenants

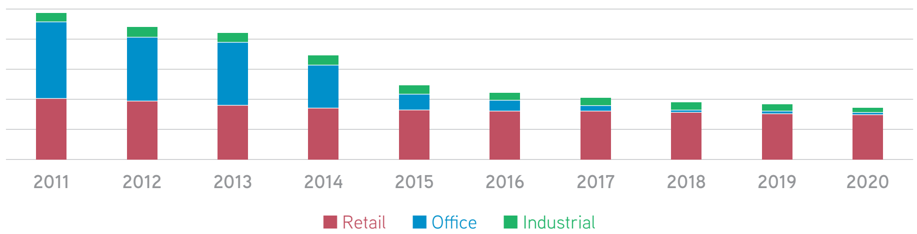


Type A. Large international and national tenants, large listed tenants, government and major franchisees (the "major franchisees" is a new sub-category added to the Type A tenants in 2010 in order to conform to industry practice). These include, *inter alia*, the following:

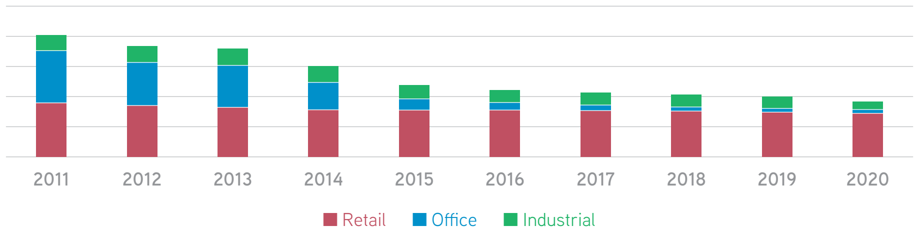
ABB	Carrefour	Hervis	Picanol
ABBOTT	Cinema City	Holcim	Raiffeisen Bank
AGIP	Colliers	Honeywell	Rewe
Auchan	Daikin	Lindner	Romtelecom
Banca Comerciala Romana	Deichmann	L'Oreal	Sprider
BASF	Deutsche Post	Mars	Takko
Berlin Chemie	DHL	New Yorker	UPS
National Bank of Romania	EON GAZ	Oracle	KFC
BRD Groupe Societe Generale	GE	Orange	Vodafone
Bricostore	Gorenje	Piraeus Bank	Xerox

Type B. Smaller international and national, smaller listed tenants and medium to large professional firms.
Type C. Other tenants (this comprises 237 tenants, of which 110 tenants are located in Germany).

Expiry profile - gross rentals



Expiry profile - rentable area



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 excludes contracted rental escalations. The office rentals include the rental guarantee in relation to the unoccupied space in the Raiffeisen portfolio for the period ending 8 February 2012.

DIRECTORS' REPORT >continued

Market Overview

After a promising start to the year when the Romanian economy showed signs of recovery, an unprecedented set of austerity measures taken in June 2010 caused the economy to dip back into negative growth territory. In an effort to decrease the budget deficit, which was one of the conditions for the release of the next tranche from the IMF and EU loan granted in 2009, the government decreased salaries in the public sector by 25% and increased VAT from 19% to 24%. This forced the National Bank to adopt a conservative monetary policy in the second half of the year in order to curb inflation induced by the VAT increase, which put a further strain on lending conditions. The adopted measures decreased the budget deficit, but had an immediate negative effect on businesses and sales. Romania ended the year with a GDP contraction of 1.3% and a decrease in retail sales of 5.5%. Unemployment was estimated to be at 6.9% and inflation at 7.9% at year-end.

Nonetheless, signs of economic recovery became apparent in the fourth quarter of 2010 when GDP registered an increase compared to the third quarter. The IMF expects Romanian GDP to grow by 1.5% in 2011 and 4.5% in 2012. Long term prospects remain positive, Romania being ranked among the first four European countries in terms of expected retail sales and GDP growth. Banks remain cash rich, but prudency levels and costs in respect of real estate financing remain high.

The office rental market in Bucharest revealed a mixed performance. Occupancy levels for prime office space is high and the rental levels for prime office space, such as Floreasca Business Park, has been stable, after declines in 2009. Occupancy and rental levels in secondary locations continue to be under pressure. The demand for office space is increasing and a number of multinational tenants leased a large part of the remaining prime office space that was available during the year. The office pipeline remains thin and a shortage of prime office space may be expected in the near future.

Retail sales in 2010 declined for a second year in a row, due to the austerity measures introduced in June 2010. However, top retail schemes bucked the trend. Food and branded fashion retailers continued to pursue expansion opportunities, as they replaced weaker local retailers. There is no general trend to be detected in retail rent levels, these being linked to the individual performance of the various schemes.

The industrial demand in Romania remains sluggish. The German property market improved during the second half of the year, with confidence in the investment property sector remaining high.

Payment of Dividends

With consideration to the 2010 interim dividend of 8.35 euro cents per share paid by the Company in relation to the first half of the financial year, the Board has declared and paid a second interim dividend of 9.26 euro cents per share for the year ended 31 December 2010, bringing the aggregate final recommended dividend to 17.61 euro cents per share in respect of the 2010 financial year. Shareholders will be asked to approve the 9.26 euro cents per share in respect of the six months ended 31 December 2010 as a final dividend at the annual general meeting that is set for 3 May 2011.

Prospects

NEPI is well positioned for further growth in distributable earnings in 2011 as a result of its strong tenant profile and the redevelopment opportunities identified and discussed in the report above. The Group will continue to explore further investment and development opportunities in the Romanian market.


CORP
B
Holcim
DAIKIN
xerox
BASF
PELIFILIP
ORACLE
Abbott
PORTLAND TRUST
S.R.L.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
		€	€	€	€
ASSETS					
Non-current assets		**328,991,707**	**159,838,476**	**151,470,854**	**77,192,648**
Investment property	7	313,755,281	–	145,965,096	–
—Investment property at fair value		300,899,292	–	139,222,255	–
—Investment property under development		12,855,989	–	6,742,841	–
Goodwill	8	13,849,887	–	4,414,804	–
Investment in subsidiaries		–	6,825,948	–	–
Loans to subsidiaries	3	–	153,012,528	–	77,192,648
Financial assets at fair value through profit or loss		1,386,539	–	1,090,954	–
Current assets		**31,185,529**	**7,697,137**	**15,673,022**	**3,262,490**
Trade and other receivables	9	7,338,247	3,924,169	3,396,479	3,174,614
Cash and cash equivalents	10	23,847,282	3,772,968	12,276,543	87,876
TOTAL ASSETS		**360,177,236**	**167,535,613**	**167,143,876**	**80,455,138**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**155,087,026**	**167,378,832**	**72,719,463**	**80,387,021**
Share capital	11	712,686	712,686	386,247	386,247
Share premium	11	159,308,324	159,308,324	76,731,744	76,731,744
Share based payment reserve	12	759,550	759,550	234,900	234,900
Currency translation reserve		(2,964,825)	–	(2,650,069)	–
Accumulated (loss)/profit		(2,728,709)	6,598,272	(1,983,359)	3,034,130
Total liabilities		**205,090,210**	**156,781**	**94,424,413**	**68,117**
Non-current liabilities		**185,374,433**	**–**	**86,440,422**	**–**
Interest bearing borrowings	13	168,564,379	–	77,970,398	–
Deferred tax liabilities	16	15,586,362	–	7,388,314	–
Financial liabilities at fair value through profit or loss	13	1,223,692	–	1,081,710	–
Current liabilities		**19,715,777**	**156,781**	**7,983,991**	**68,117**
Trade and other payables	14	7,656,857	156,781	4,173,641	68,117
Interest bearing borrowings	13	9,847,153	–	1,956,386	–
Tenant deposits	15	2,211,767	–	1,853,964	–
TOTAL EQUITY AND LIABILITIES		**360,177,236**	**167,535,613**	**167,143,876**	**80,455,138**
Net assets value per share	19	**2.18**		**1.88**	
Adjusted net asset value per share	19	**2.22**		**1.97**	

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
		€	€	€	€
Net rental and related income	21	**16,224,196**	–	**8,270,884**	–
—Contractual rental income and expense recoveries		21,269,338	–	10,708,873	–
—Property operating expenses		(5,045,142)	–	(2,437,989)	–
Share based payment expense	12	(524,650)	(524,650)	(153,059)	(153,059)
Foreign exchange gain		178,175	–	1,811,011	–
Management fees		(703,323)	–	(670,725)	–
Administrative expenses		(1,991,478)	(392,342)	(1,830,203)	(354,188)
Fair value adjustment on investment property		1,111,927	–	575,253	–
Profit/(loss) before net financing expense		**14,294,847**	**(916,992)**	**8,003,161**	**(507,247)**
Net finance (expense)/income	20	**(5,906,809)**	**12,137,828**	**(3, 159,713)**	**5,515,129**
Finance income	20	581,765	12,137,828	261,512	5,598,429
Finance expense	20	(6,488,574)	–	(3,421,225)	(83,300)
Profit before tax		**8,388,038**	**11,220,836**	**4,843,448**	**5,007,882**
Tax		**(1,476,694)**	–	**(2,121,193)**	–
Profit for the year attributable to equity holders		**6,911,344**	**11,220,836**	**2,722,255**	**5,007,882**

	Note	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
Weighted average number of shares in issue	17	52,388,748		29,397,896	
Diluted weighted average number of shares in issue	17	56,334,549		30,877,071	
Basic weighted average earnings per share (euro cents)	17	13.19		9.26	
Diluted weighted average earnings per share (euro cents)	17	12.27		8.82	
Distributable earnings per share (euro cents)	17	17.61		15.77	
Headline earnings per share (euro cents)	17	11.07		13.74	
Diluted headline earnings per share (euro cents)	17	10.29		13.08	

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Profit for the year attributable to equity holders	6,911,344	2,722,255
Other comprehensive income		
—currency translation differences	(314,756)	(1,892,383)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,596,588**	**829,872**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

Group	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Accumulated loss	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**
Opening balance 1 January 2010	**386,247**	**76,731,744**	**234,900**	**(2,650,069)**	**(1,983,359)**	**72,719,463**
Transactions with owners	326,439	82,576,580	524,650	–	(7,656,694)	75,770,975
—issue of shares	326,439	82,949,893	–	–	–	83,276,332
—issue cost recognised to equity	–	(373,313)	–	–	–	(373,313)
—share based payment reserve	–	–	524,650	–	–	524,650
—dividend distribution	–	–	–	–	(7,656,694)	(7,656,694)
Total comprehensive income	–	–	–	(314,756)	6,911,344	6,596,588
—other comprehensive income	–	–	–	(314,756)	–	(314,756)
—profit for the year	–	–	–	–	6,911,344	6,911,344
BALANCE AT 31 DECEMBER 2010	**712,686**	**159,308,324**	**759,550**	**(2,964,825)**	**(2,728,709)**	**155,087,026**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

Company	Share capital	Share premium	Share based payment 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
—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	–	–	–	–	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**
Opening balance 1 January 2010	**386,247**	**76,731,744**	**234,900**	**–**	**3,034,130**	**80,387,021**
Transactions with owners	326,439	82,576,580	524,650	–	(7,656,694)	75,770,975
—Issue of shares	326,439	82,949,893	–	–	–	83,276,332
—Issue cost recognised to equity	–	(373,313)	–	–	–	(373,313)
—Share based payment reserve	–	–	524,650	–	–	524,650
—Dividend distribution	–	–	–	–	(7,656,694)	(7,656,694)
Total comprehensive income	–	–	–	–	11,220,836	11,220,836
—Profit for the year	–	–	–	–	11,220,836	11,220,836
BALANCE AT 31 DECEMBER 2010	**712,686**	**159,308,324**	**759,550**	–	**6,598,272**	**167,378,832**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
		€	€	€	€
OPERATING ACTIVITIES					
Profit after tax		6,911,344	11,220,836	2,722,255	5,007,882
Adjustments for:					
Share based payment expense	12	524,650	524,650	153,059	153,059
Fair value adjustments on investment property		(1,111,927)	–	(575,253)	–
Net finance (expense)/income	20	5,906,809	(12,137,828)	3,445,924	(5,515,129)
Foreign exchange gain		(178,175)	–	(1,811,011)	–
Corporate tax charge and deferred tax	16	1,460,883	–	2,121,193	–
Operating profit before changes in working capital		**13,513,584**	**(392,342)**	**6,056,167**	**(354,188)**
Increase in trade and other receivables		(3,523,580)	–	(1,624,979)	–
(Decrease)/Increase in trade and other payables		(1,693,910)	(88,663)	160,123	2,033
Interest paid		(5,542,335)	–	(2,240,009)	–
Interest received		581,765	11,144,166	261,512	4,463,258
CASH FLOWS FROM OPERATING ACTIVITIES		**3,335,524**	**10,663,161**	**2,612,814**	**4,111,103**
INVESTING ACTIVITIES					
Acquisition of investment property		(6,343,328)	–	(745,781)	–
Payments for acquisition of subsidiaries less cash acquired	8	(39,098,002)	(81,586)	(6,023,701)	–
Transaction cost of business acquisition		–	–	(286,211)	–
Loans granted to subsidiaries		–	(70,353,002)	–	(17,016,735)
CASH FLOWS FROM INVESTING ACTIVITIES		**(45,441,330)**	**(70,434,588)**	**(7,055,693)**	**(17,016,735)**
FINANCING ACTIVITIES					
Proceeds from share issuance		71,113,213	71,113,213	17,092,896	17,092,896
Proceeds from bank borrowings		–	–	8,819,278	–
Repayment of bank borrowings		(8,653,390)	–	(7,915,638)	–
Premiums paid on acquisition of derivatives		(990,000)	–	(1,435,299)	(83,300)
Payment of dividends		(7,656,694)	(7,656,694)	(4,024,228)	(4,024,228)
CASH FLOWS FROM FINANCING ACTIVITIES		**53,813,129**	**63,456,519**	**12,537,009**	**12,985,368**
Net increase in cash and cash equivalents		**11,707,323**	**3,685,093**	**8,094,130**	**79,736**
Cash and cash equivalents brought forward	10	12,276,543	87,876	4,418,847	8,140
Translation effect on cash and cash equivalents		(136,584)	–	(236,434)	–
CASH AND CASH EQUIVALENTS CARRIED FORWARD	10	**23,847,282**	**3,772,968**	**12,276,543**	**87,876**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

New Europe Property Investments plc is a company incorporated in the Isle of Man on 23 July 2007. The Company was first listed on the AIM market of the London Stock Exchange and is currently listed also on the main market of the JSE Limited. The Group includes the Company and its subsidiaries as set out under "Basis of consolidation" in note 2.5 below.

The principal activities of the Group are described in the Directors' Report.

The financial statements of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 10 February 2011.

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 Functional and presentation currency

The Group's financial statements are presented in Euro (€) unless otherwise indicated. The Romanian investment property holding companies of the Group maintain their accounting records in Romanian lei ("RON"). Their functional currency is RON as the majority of operations of all subsidiaries in the Group are undertaken in Romania and are impacted by the economic environment of this country.

2.2 Basis of preparation

The consolidated financial statements ("the financial statements") of the Company and its subsidiaries ("the Group") are prepared on the historical-cost basis, except for investment property, derivatives and financial instruments.

Investment property and derivatives designated as financial instruments at fair value through profit or loss are measured at fair value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Property acquisitions and business combinations

Where property is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the amount paid out to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. No goodwill or additional deferred taxation arises.

Business combinations

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the statement of income.

Determination of functional currency

Please refer to note 2.1 for further details.

Valuation of investment property

Please refer to note 2.6 and note 7 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Changes in presentation

Where necessary, corresponding figures have been adjusted to conform to the changes in the presentation of the reporting year. The effect of reclassifications in the consolidated statement of income is as follows:

Statement of income lines affected	2009 as originally presented	2009 reclassified	Impact of reclassification on income lines
	€	€	€
Administrative expenses	(1,543,992)	(1,830,203)	286,211
Finance expense	(3,707,436)	(3,421,225)	(286,211)

The Company reconsidered the presentation of acquisition related costs (e.g. legal and technical due diligences) as administrative and not as finance raising costs.

2.4 Statement of compliance

The consolidated and separate 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.

2.5 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, or incorporated during the period are included from the effective dates of acquisition or incorporation to 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

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Jointly-controlled entities

The Group has contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities.

Where the joint venture is established through an interest in the company (a jointly controlled entity), the Group recognises its interest in the entity's assets and liabilities using the proportionate consolidation method (the statement of financial position of the Group includes its share of the assets and liabilities and the statement of income includes the Group's share of the income and expenses that are under joint control).

2.6 Investment property

Investment properties are those properties 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 valuators with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on an open market value basis and the valuators 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 classified as non-distributable in the accumulated profits. 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.

2.7 Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and carried at cost until construction or development is complete, or until construction is complete or its fair value can be reliably determinable, at which time it is reclassified and subsequently accounted for as investment property.

2.8 Goodwill

Goodwill arises on acquisition of subsidiaries and joint ventures that constitute a business. 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 income.

Subsequent measurement

Subsequently, goodwill is not amortised, but is tested for impairment at least annually.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Where, on the acquisition of a business, goodwill is generated by the recognition of deferred tax liabilities in excess of the fair value of such liabilities, the post-tax discount rate is adjusted in order to determine the appropriate pre-tax discount rate used to determine the value in use for impairment testing purposes. Therefore, the deferred tax liability in excess of its fair value, as determined at acquisition, is offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.

2.9 Borrowings

Borrowings are recognised initially at the fair value of the liability (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price) net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings.

Any difference between the fair value of the borrowing at initial recognition and the proceeds received is recognised in accordance with the substance of the transaction, generally to equity if the premium or discount at initial recognition effectively represents a capital transaction with the Group's owners. Otherwise, it is recognised in the consolidated statement of income within finance activity.

Foreign currency translation differences are recognised as foreign exchange differences within finance income or finance costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, such as properties developed for future sale or for capital appreciation or rental income, are capitalised as part of the cost of these assets. The capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

The Group derecognises its financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If an entity repurchases a part of a financial liability, the entity shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised shall be recognised in the consolidated statement of income.

2.10 Tenant security deposits

Tenant security deposits represent advances made by lessees as guarantees during the lease period and are repayable by the Group upon termination of lease contracts. Tenant security deposits are recognised at nominal value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

2.11 Financial instruments

Financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, derivative financial instruments and loans granted by the Company to its subsidiaries. The Group holds derivative financial instruments to hedge its interest rate risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Derivatives are carried as assets when the fair value in positive and as liabilities when the fair value is negative.

Derivatives held primarily for trading purposes are always presented as current regardless of their maturity date. Other derivatives are classified as current or non-current on the basis of their maturity date. Derivatives that have a maturity of more than twelve months after the reporting period are presented as non-current assets or liabilities.

2.11.1 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:

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.
Loans granted to subsidiaries	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.

2.11.2 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 has either transferred substantially all the risks and rewards of the asset, or has not transferred or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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. The difference in the respective carrying amounts is recognised in profit or loss.

2.11.3 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 has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11.4 Impairment

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.

2.12 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 Cash Flow Statement.

2.13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

2.14 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).

2.15 Other reserves

2.15.1 Share based payment reserve

The fair value of shares granted to key individuals is recognised in equity, as explained in note 2.15.

2.15.2 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.

2.15.3 Provisions

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reassessed at each reporting date, and are included in the financial statements at their net present values using discount rates appropriate to the Group in the economic environment at each reporting date.

2.15.4 Retained earnings

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

2.16 Revenue

Revenue comprises rental and related income and recovery of expenses, excluding VAT.

Rental income

Rental income receivable from operating leases, less the Group's initial direct cost of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expenses can be contractually recovered.

2.17 Expenses

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

2.18 Dividend/distribution income

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

2.19 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax, relating to items recognized directly in equity, is recognized directly in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 do not affect accounting or 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.

2.20 Segment reporting

Segment results, and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

For investment property, discrete financial information is provided to the Board of Directors, which is the chief operating decision maker. The information provided is net rentals (including gross rent and property expenses), valuation gains/losses and share of profit from the joint venture. The individual properties are aggregated into segments with similar economic characteristics. The Directors consider that this is best achieved by aggregating into retail, office and industrial segments.

Consequently, the Group is considered to have three reportable operating segments, as follows:

— Retail segment: acquires, develops and leases retail properties;
— Office segment: acquires, develops and leases offices;
— Industrial segment: acquires, develops and leases industrial facilities.

2.21 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.

2.22 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 purchase scheme.

2.23 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 purchase scheme and other adjustments that the board may consider necessary) for the period by the number of shares in issue and which are entitled to a dividend at the end of the period.

2.24 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

A re-measurement is an amount recognised in the statement of 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 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 income.

2.25 Foreign exchange translation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euro 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 for the period in which the foreign operation is disposed of.

At 31 December 2010, the principal rate of exchange used for translating foreign currency balances was 1 Euro = 4. 2848 RON (2009: 1 Euro = 4.2282 RON)

The principal average rate of exchange used for translating income and expenses was 1 Euro= 4. 2110 RON (2009: 1 Euro = 4.2360 RON)

2.26 Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:
- IFRIC 17 Distributions of Non-cash Assets to Owners;
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items;
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended);
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments);
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised);
- Improvements to IFRSs (May 2008). All amendments issued are effective as at 31 December 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively;
- Improvements to IFRSs (April 2009).

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which did not have an effect on the accounting policies, financial position or performance of the Group:
- IFRS 2 Share-based Payment;
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 8 Operating Segment Information;
- IAS 1 Presentation of Financial Statements;
- IAS 7 Statement of Cash Flows;
- IAS 17 Leases;
- IAS 18 Revenue;
- IAS 36 Impairment of Assets;
- IAS 38 Intangible Assets;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

2.27 Standards issued but not yet effective and not early adopted

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments as "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Group does not expect that the amendment will have impact on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This earlier application is permitted and must be applied retrospectively. The Group does not expect that the amendment will have impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. The Group does not expect that this new standard will have impact on the financial position or performance of the Group.

IAS 32 Classification on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases.

IFRS 1 First-time adoption, effective for annual periods beginning on or after 1 January 2011

This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting. This allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011

This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 - The Effect of Changes in Foreign Exchange Rates, IAS 28 - Investments in Associates and IAS 31 - Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)

The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group, however additional disclosures may be required.

IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include: a) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale, and: b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

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 and interest bearing. The interest rates and repayment terms are agreed from time to time.

Subsidiaries/joint ventures as at 31 December 2010 (country of incorporation)

	Incorporation/ Acquisition date	Ownership 31 Dec 2010	Investment 31 Dec 2010	Amount due 31 Dec 2010	Amount due 31 Dec 2009	Amount due 31 Dec 2009
		%	€	€	€	€
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	100%	*	153,012,528	*	77,192,648
New Europe Property NV (Netherlands Antilles)	Sep 2007	100%	2,000	–	2,000	-
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	100%	10,000	–	10,000	-
FDC Braila BV (Netherlands)	Sep 2009	100%	8,300,450	–	8,300,450	-
NEPI Bucharest One SRL (Romania)	Sep 2007	100%	3,844,554	–	3,844,554	-
NEPI Bucharest Two SRL (Romania)	Dec 2007	100%	2,755,554	–	2,755,554	-
General Investment SRL (Romania)	Jan 2008	100%	25,792,431	–	25,792,431	-
General Building Management SRL (Romania)	Jan 2008	100%	1,405,631	–	1,405,631	-
Bel Rom Sase SRL (Romania)	Sep 2009	100%	8,300,450	–	8,300,450	-
NEPI Bucharest Three SRL (Romania)	Dec 2010	100%	45	–	45	-
CIREF NEPI Holdings Limited (Cyprus)	Apr 2008	50%	*	–	*	-
CIREF Europe Management Limited (Ireland)	Apr 2008	50%	*	–	*	-
Premium Portfolio Ltd & Co KG (Germany)	Apr 2008	50%	*	–	*	-
Premium Portfolio 2 Ltd & Co KG (Germany)	Apr 2008	50%	*	–	*	-
Floreasca Business Park (Romania)	Dec 2010	100%	16,446,057	–	-	-
Unique Delamode SRL (Romania)	Sep 2010	100%	1,804,853	–	-	-
Retail Park Auchan Pitesti (Romania)	Jan 2010	100%	14,091,414	–	-	-
Nepi Investment Management (Cyprus) Ltd	Jun 2010	100%	2,000	–	-	-
Nepi Investment Management Limited (British Virgin Islands)	Jun 2010	100%	25,000	–	-	-
Nepi Investment Management SA (Romania)	Jun 2010	100%	1,357,158	–	-	-

* 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, and the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors 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 Group Audit and Risk Committee. The Committee reports to the Board of Directors on its activities. The Group Audit and Risk 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 the adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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.

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.

Credit exposure on financial instruments	Note	Group, 31 Dec 2010	Group, 31 Dec 2009
		€	€
Financial assets at fair value	13	1,386,539	1,090,954
Trade receivables	9	5,844,176	2,926,553
VAT recoverable		577,862	–
Cash and cash equivalents	10	23,847,282	12,276,543
TOTAL		**31,655,859**	**16,294,050**

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

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 with respect to trade debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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.

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 component of this allowance is a specific loss component that relates to individually significant exposures.

Aging of trade receivables/Past due but not impaired	**Group 31 Dec 2010**	**Group 31 Dec 2009**
	€	€
Under 30 days	998,622	1,189,461
30–60 days	1,357,142	314,082
60–90 days	712,097	1,423,010
Over 90 days	2,776,315	–
TOTAL	**5,844,176**	**2,926,553**

Trade receivables are non-interest bearing and are typically due within 15-30 days. Out of the amount of €5,844,176, €3,718,523 (of which €3,440,980 is older than 60 days) is due by Central Eastern European Real Estate Shareholding BV ("CEERES"). CEERES is the holding Company of the Avrig Group from which the Group had acquired the Raiffeisen portfolio in 2008 and the Retail Park Auchan Pitesti in 2010. The receivables from CEERES originate from these transactions and have been secured with cash and property. As at 31 December 2010, the cash security held in Escrow in relation to these receivables amounted to €6,690,242.

The receivable amounts due over normal payment terms were assessed for impairment considering the financial performance of related tenants and the market in which they operate. The Group concluded that an amount of €406,446 (2009: €52,288) is unlikely to be recovered in respect of current period revenues, therefore an allowance for doubtful debts was charged to the statement of income.

For purposes of cash management, the Group has deposit accounts with a number of banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit rating, as well as the exposure per each bank is constantly monitored.

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. In this respect, the Group prepares budgets, cash flow analyses and forecasts which enable the Directors to assess the level of borrowings required in future periods. Budgets and projections will be used to assess any future potential investment and the Group will consider the existing level of funds held on deposit as part of the process to assess the nature and extent of any future funding requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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.

Further reference on bank loans maturity analysis is made in note 13 "Loans and borrowings".

4.3 Market risk

Market risk, is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's fair value of future cash flows of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

4.3.1 Currency risk

The Group is exposed to foreign currency risk on purchases and receivables that are denominated in Euro (€), Great Britain Pound (£) and South African Rand (R) on current assets and liabilities.

The cash inflows received in other currencies than Euro is converted to Euro using the best spot rate available at collection date. The amount converted to Euro, is the net amount of cash inflow in a foreign currency and the estimated cash outflow in the same currency. The Group applies this policy to control its exposures in respect of monetary assets and liabilities denominated in other currencies than the cash inflows are received in.

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

The Group does not have a functional currency and does not consider that there are significant imbalances on monetary current assets and liabilities denominated in foreign currencies, as explained in note 2.25.

4.3.2 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 below. 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 2010, the Group held interest rate swaps and interest rate caps as further disclosed in note 13.

31 Dec 2010	Group 31 Dec 2010	Interest rate
	€	%
Cash in bank	22,948,829	2.11%
Security deposits	898,453	3.25%
Credit facilities	(152,226,947)	3.85%
TOTAL	**(128,379,665)**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

31 Dec 2009	Group 31 Dec 2009	Interest rate
	€	%
Cash in bank	11,378,088	3.78%
Security deposit	898,455	3.25%
Credit facilities	(52,081,518)	3.76%
TOTAL	**(39,804,975)**	

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. The increase in the base interest rate is capped at the hedged level disclosed in note 13 "Loans and borrowings". This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 Dec 2010	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Security deposits	8,985	(8,985)	8,985	(8,985)
Deposits	202,312	(202,312)	202,312	(202,312)
Credit facilities	(1,522,269)	1,522,269	(1,522,269)	1,522,269
TOTAL	**(1,310,972)**	**1,310,972**	**(1,310,972)**	**1,310,972**

31 Dec 2009	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Security deposits	8,985	(8,985)	8,985	(8,985)
Deposits	77,608	(77,608)	77,608	(77,608)
Credit facilities	(520,815)	520,815	(520,815)	520,815
TOTAL	**(434,222)**	**434,222**	**(434,222)**	**434,222**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

5 Internal controls to manage risks

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to mitigate rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the Group's system of internal control include:

— Strategic and business planning – the Group produces and agrees a business plan each year, against which the performance of the business is regularly monitored.

— Investment appraisal – capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits.

— Financial monitoring – profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance.

— Systems of control procedures and delegated authorities – there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.

6 Capital management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2010.

Capital is being primarily monitored by using the loan to value ratio, which is calculated as the amount of outstanding debt divided by the value of the investment property portfolio. During the period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Group'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 of Directors also monitors the level of distributions to shareholders. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

7 Investment property

Movement in investment property	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Carrying value at beginning of year	145,965,096	85,142,170
Additions from business combination	159,813,193	59,464,936
Assets under development	6,865,065	–
Additions	–	782,737
Fair value adjustment	1,111,927	575,253
CARRYING VALUE AT END OF YEAR	**313,755,281**	**145,965,096**

Investment property is carried at fair value that is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consulting SRL and Dr Lubke GmbH, which are members of RICS (Royal Institution of Chartered Surveyors). The valuers used the capitalisation and discounted cash flow methods of the income approach when determining the market value of the properties. The valuers also make reference to market evidence of transaction prices for similar properties. The properties have been valued individually and not as part of a portfolio.

The fair value of investment property as at 31 December 2010 is based on the year-end appraisal reports and amounts to €313,755,281.

A fair value adjustment was made in accordance with the Group accounting policies to assess fair values on an annual basis.

The current book value of assets under development includes one building in Brasov, part of the portfolio held by General Investment SRL, the entertainment area at Promenada Mall Braila and a land plot acquired in Ploiesti.

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 74 of the annual report .

8 Goodwill

Retail Park Auchan Pitesti

The Group entered into a sale and purchase agreement with Central Eastern European Real Estate Shareholdings BV and Oceanis International BV to acquire a 33,000 square meter commercial centre anchored by Auchan and Bricostore, and the related common areas ("Retail Park Auchan Pitesti"). Retail Park Auchan Pitesti is owned by Connect Investment SRL, a company which also owns a 7,000 square meter shopping gallery which is linked to Retail Park Auchan Pitesti ("Iris Mall") and the related common areas. The sellers of Connect Investment SRL had an obligation to separate Iris Mall and the common areas into two separate companies. At the time of the acquisition the Group also obtained a call option over Iris Mall, which it exercised subsequent to the year-end.

The effective date of the acquisition is 1 January 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Effect of the acquisition of Connect Investment SRL

	€
Fair value recognised on acquisition	
Investment property	50,501,883
Trade and other receivables	109,907
Cash and cash equivalents	602,681
Interest bearing borrowings	(35,168,109)
Deferred tax liabilities	(2,231,248)
Tenant deposits	(288,793)
Accounts payable	(1,828,920)
Net identifiable assets and liabilities	11,697,401
Goodwill on acquisition	2,394,013
Consideration given in the business acquisition	14,091,414
Cash acquired	(602,681)
Other income statement information	
Revenues	5,722,010
Net profit	7,583,231

The interest bearing borrowing of the new acquired subsidiary has been reduced to €28,813,000 subsequent to the acquisition date. The credit terms of the borrowed amount have been renegotiated with the financing banks. The negotiated credit terms of the new facility are further discussed in note 13 “Loans and borrowings”.

From the date of the acquisition, Retail Park Auchan Pitesti has contributed €7,583,231 to the net profit of the Group, including the fair value gain on the investment property of €6,598,117 and a related deferred tax expense of (€1,460,883).

Otopeni warehouse

During the second half of the year the Group acquired from Delamode Romania SRL a 4,800 square meter warehouse located in the proximity of the Bucharest International Airport (“Otopeni Warehouse”). The property is tenanted by the Romanian subsidiary of the international courier UPS and Delamode, a logistics company. The property includes vacant land that provides extension opportunities in a highly desirable area once the existing lease agreements expire. The effective date of the acquisition is 20 September 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Effect of the acquisition of Unique Delamode

	€
Fair value recognised on acquisition	
Investment property	5,266,254
Investment property under development	95,056
Trade and other receivables	31,694
Cash and cash equivalents	27,998
Deferred tax liabilities	(313,079)
Accounts payable	(112,463)
Net identifiable assets and liabilities	4,995,460
Consideration for business acquisition	4,995,460
Cash acquired	(27,998)
Other income statement information	
Revenues	204,533
Net profit	139,757

From the date of acquisition, Otopeni warehouse has contributed €137,757 to the net profit of the Group.

A payable of €69,119 in relation to the deferred consideration of this acquisition is still outstanding in the Consolidated Statement of Financial Position as at 31 December 2010.

Floreasca Business Park

The Group signed a sale and purchase agreement to acquire 100% of the shares in Ingen Europe BV ("Ingen") from Apollo Rom (US) S.a.r.l., Apollo Rom (EU) S.a.r.l., Kanebo Investments SA and Grimsby Investments S.a.r.l.

Ingen holds 100% of the shares of Floreasca Business Park SRL ("Floreasca Business Park") which in turn owns land and buildings located in Bucharest, Romania. The property is a 36,000 square meter A-class office building. Floreasca Business Park has convenient access to a subway station and other means of public transport and is leased mainly to international corporations.

The purchase price was funded through the proceeds of the rights issue. The effective date of the acquisition was 29 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Effect of the acquisition of Floreasca Business Park

	€
Fair value recognised on acquisition	
Investment property at fair value	103,950,000
Trade and other receivables	240,992
Cash and cash equivalents	1,528,734
Interest bearing borrowings	(71,854,812)
Deferred tax liabilities	(4,192,839)
Tenant deposits	(75,841)
Accounts payable	(980,203)
Net identifiable assets and liabilities	28,616,031
Goodwill on acquisition	1,664,414
Consideration for business acquisition	30,280,445
Cash acquired	1,528,734

As at 31 December 2010, the Group registered a payable of €2,655,584 in relation to the deferred consideration of the acquisition.

Internalisation of NEPI Investment Management Limited

Effect of the Internalisation of NEPI Investment Management Limited

	€
Fair value recognised on acquisition	
Trade and other receivables	22,241
Cash and cash equivalents	421,342
Accounts payable	(44,294)
Management fee receivable	544,882
Net identifiable assets and liabilities	944,171
Goodwill on acquisition	5,881,777
Consideration given in the business acquisition	6,825,948
Cash acquired	(421,342)
Other income statement information	
Net profit	(224,299)

Refer to note 25 Related Party Transactions for further information in relation to the internalisation of the Investment Advisor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Effect of the acquisition of Retail Park Auchan, Otopeni warehouse, Floreasca Business Park and internalisation of Investment Advisor	Recognised values on acquisitions	Fair value adjustments	Pre-acquisition carrying amounts
	€	€	€
Investment property at fair value	159,813,193	59,796,276	100,016,917
Investment property under development	–	–	–
Trade and other receivables	404,834	(131,658)	536,492
Cash and cash equivalents	2,580,755	–	2,580,755
Interest bearing borrowings	(107,022,921)	105,000	(107,127,921)
Deferred tax liabilities	(6,737,167)	(6,737,167)	–
Tenant deposits	(364,634)	–	(364,634)
Trade and other payables	(2,965,880)	(1,490,668)	(1,475,212)
Office equipments	–	(16,812)	16,812
Management fee receivable	544,882	–	544,882
Net identifiable assets and liabilities	46,253,062	51,524,971	(5,271,909)
Goodwill on acquisition	9,940,204		
Consideration settled in cash less cash acquired	39,098,002		
Consideration settled in shares	11,789,807		
Consideration not yet paid	2,724,703		
Cash acquired	(2,580,755)		
Net consideration given in the business combination	56,193,267		
Net consideration less cash acquired	53,612,512		
Revenues	5,926,543		
Net profit	7,498,689		

Movements in goodwill	Group, 31 Dec 2010	Group, 31 Dec 2009
	€	€
Opening balance	4,414,804	2,386,463
Arising in business combination	9,940,204	2,028,341
Subsequent adjustments of purchase price of Promenada Mall	(505,121)	–
CARRYING VALUE AT YEAR END	**13,849,887**	**4,414,804**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

9 Trade and other receivables

	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
	€	€	€	€
Trade receivables	5,844,176	–	2,926,553	–
Interest receivable	–	3,924,169	–	3,174,614
Deferred borrowing costs	–	–	–	–
Advance payments	86,443	–	89,359	–
Prepaid property expenses	321,658	–	130,846	–
Prepaid administrative charges	166,903	–	–	–
VAT receivable	577,862	–	27,403	–
Other receivables	247,590	–	76,245	–
Other prepaid fees	93,615	–	146,073	–
CARRYING VALUE AT YEAR-END	**7,338,247**	**3,924,169**	**3,396,479**	**3,174,614**

10 Cash and cash equivalents

Details of cash and cash equivalents by currencies	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
	€	€	€	€
EUR	21,760,505	3,688,615	11,309,213	72,968
GBP	364		18,287	
ZAR	85,327	84,353	489	14,908
RON	2,001,086		948,555	
TOTAL	**23,847,282**	**3,772,968**	**12,276,543**	**87,876**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

11 Share capital and share premium

Movement of ordinary shares	Share capital	Share premium
	€	€
Authorised on 23 August 2007		
150,000,000 ordinary shares of €0.01 each	–	–
Issued as of 01 January 2009	**267,950**	**52,487,190**
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)
Issued as of 01 January 2010	**386,247**	**76,731,744**
Issued during the year		
Issued 9,310,823 ordinary shares*	93,108	20,856,242
Issued 5,882,352 ordinary shares**	58,824	15,377,960
Issued 2,450,748 ordinary shares***	24,507	6,298,422
Issued 15,000,000 ordinary shares****	150,000	40,417,269
Finance raising costs deducted from share premium	–	(373,313)
CARRIED FORWARD AS AT 31 DECEMBER 2010	**712,686**	**159,308,324**

* The shares were issued on 11 March 2010, at a price of €2.25/share, to the vendors of Retail Park Auchan Pitesti, described in more details in note 8.

** The shares were issued on 1 April 2010, at a price of ZAR 25.5/share (equivalent to €2.59/share, including the hedging cost), as part of a private placement.

*** The shares were issued on 28 June 2010, at a price of €2.58/share, as part of the internalisation of the Investment Advisor as described in more details in note 25.

**** The shares were issued on 17 December 2010, at a price of €2.67/share for the shareholders on the UK register and respectively ZAR 26/share for the shareholders on the South African register, in a rights issue.

The issued share capital figure presented excludes shares issued in terms of the share purchase scheme set out in note 12.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

12 Share based payment

On 6 June 2008, the Group implemented a share purchase 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 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.

Twenty percent of the shares initially subscribed for by each participant, vests 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 bankers. 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.

During the financial year, 3,632,148 new shares were issued as part of the share purchase scheme at a price of €2.58 per share.

The Group is entitled to interest of €491,064 in respect of the loans granted to participants using the Group's weighted average cost of debt. The interest will be settled from dividend distributions and was not accrued in the statement of income. The percentage of vested options amounted to €524,650 in 2010 (2009: €153,059). As at 31 December 2010, the share based payment reserve is in amount of €759,550 (2009: €234,900). As at 31 December 2010, there are 5,665,030 shares issued in the share purchase scheme of which 459,633 are unallocated.

Movement of shares in the share purchase scheme

Date of issue	Number of shares issued	Issue price	Share purchase scheme loans
		€	€
05/06/2008	1,355,000	2.18	2,953,900
16/09/2009	43,214	2.10	90,749
28/10/2009	634,668	2.10	1,332,803
25/05/2010	799,633	2.58	2,063,053
28/06/2010	2,832,515	2.58	7,307,931
TOTAL	**5,665,030**	–	**13,748,436**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Assumptions used to fair value the shares issued pursuant to the scheme	26 May 2010	30 June 2010
Fair value at grant date (per share)	€0.90	€0.99
Share price at grant date	€2.99	€3.09
Weighted average exercise price	€2.58	€2.58
Expected volatility (weighted average)	29.44%	30%
Expected dividend	3.9%	4.5%
Option life	5 years	5 years
Risk free interest rate (based on government bond)	3.35%	3.35%

13 Loans and borrowings

The repayment profile of the Group's outstanding loans at amortised cost is set out in the table below.

Interest bearing borrowings 31 Dec 2010	Payable in 1 year	Payable between 2–5 years	Payable over 5 years
	€	€	€
Nepi Bucharest Two and Nepi Bucharest One	5,787,959	6,167,967	–
Premium Portfolio	309,083	13,372,829	–
Vendor finance	–	859,289	–
General Investment	1,005,009	10,383,860	–
Promenada Mall	–	39,376,115	–
Retail Park Auchan Pitesti	–	28,660,344	–
Floreasca Business Park	1,669,971	69,743,975	–
Accrued interest on Premium Portfolio	630,220	–	–
Accrued interest Floreasca Business Park	440,865	–	–
Accrued interest on vendor finance	4,046	–	–
TOTAL	**9,847,153**	**168,564,379**	–

Interest bearing borrowings 31 Dec 2009	Due within 1 year	Due within 2–5 years	Due after 5 years
	€	€	€
Nepi Bucharest Two and Nepi Bucharest One	–	12,526,192	–
Vendor finance	–	859,289	–
Premium Portfolio	228,678	1,025,657	12,615,066
General Investment	1,167,111	11,388,868	–
Promenada Mall	–	39,555,326	–
Accrued interest on Premium Portfolio	366,831	–	–
Accrued interest on General Investment	193,766	–	–
TOTAL	**1,956,386**	**65,355,332**	**12,615,066**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

The reconciliation of the amortised cost of the interest bearing borrowings to their nominal value which is subject to interest charge is presented below.

Interest bearing borrowings 31 Dec 2010	Amortised cost	Finance raising cost	Nominal value
	€	€	€
Nepi Bucharest Two and Nepi Bucharest One	11,955,926	44,074	12,000,000
Premium Portfolio	13,681,912	–	13,681,912
Vendor finance	859,289	–	859,289
General Investment	11,388,868	–	11,388,868
Promenada Mall	39,376,115	623,885	40,000,000
Retail Park Auchan Pitesti	28,660,344	152,656	28,813,000
Floreasca Business Park	71,413,947	–	71,413,947
Accrued interest	1,075,131	–	1,075,131
TOTAL	**178,411,532**	**820,615**	**179,232,147**

Interest bearing borrowings 31 Dec 2009	Amortised cost	Finance raising cost	Nominal value
	€	€	€
Nepi Bucharest Two and Nepi Bucharest One	12,526,192	76,008	12,602,200
Premium Portfolio	13,869,401	–	13,869,401
Vendor finance	859,289	–	859,289
General Investment	12,555,979	–	12,555,979
Promenada Mall Braila	39,555,326	444,675	40,000,000
Accrued interest	560,597	–	560,597
TOTAL	**79,926,784**	**520,683**	**80,447,466**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

NEPI Bucharest One SRL and NEPI Bucharest Two SRL loans

The Group concluded two facility agreements in 2008 with Alpha Bank Romania SA in relation to the acquisition of the properties owned by NEPI Bucharest One SRL and NEPI Bucharest Two SRL. The facilities bear interest at a floating rate of one month Euribor plus a margin of 4.5% and 1.9%, respectively. The nominal amounts outstanding as at 31 December 2010, were of €6,200,000 in relation to NEPI Bucharest One SRL loan and €5,800,000 in relation to NEPI Bucharest Two SRL loan. The Group has capped its Euribor interest rate risk at 2.25%.

Security:
— General security over the land and properties, current assets, cash inflows from operating activities and shares of NEPI Bucharest One SRL and NEPI Bucharest Two SRL;
— Corporate guarantee issued by the Company.

Covenants:
— Loan to value ratio of maximum 60% in case of NEPI Bucharest Two SRL;
— Loan to value ratio maximum 65% in case of NEPI Bucharest One SRL.

The NEPI Bucharest Two SRL loan is due for repayment on 18 April 2011. As of the release date of this report the Group had a signed term sheet with another bank and was in process of finalising the refinancing of this facility.

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 SRL and General Building Management SRL. The loan bears interest at a fixed interest rate of 6.23%.

Security:
— General security over the property, current assets, cash inflows from operating activities and shares of General Investment SRL and General Building Management SRL.

Covenants:
— Debt service ratio of minimum 120%;
— Loan to value ratio of maximum 70%.

Promenada Mall Braila loan

A €40 million development loan was taken over and refinanced on 25 February 2010 with KBC Bank Ireland as part of the Promenada Mall Braila acquisition. The facility has a two-year grace period on repayment of the principal after which, starting 2012, 16% of the principal has to be repaid in equal annual installments until maturity in December 2014. The loan bears interest at a floating rate of three month Euribor plus a margin of 3%. The Group has capped its Euribor base interest rate at 2.25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Security:
- General security over the property, current assets, cash inflows from operating activities and shares of Bel Rom Sase SRL;
- The facility is secured with a holding company guarantee (issued by NEPI) in favor of KBC Bank Ireland which covers the principal repayments due by Promenada Mall Braila during the third and fourth years of the loan agreement (amounting to €6,318,600), and interest which is payable at any time during the term of the loan. The guarantee (indexed annually by inflation) is valid up to 31 December 2011.

Covenants:
- The covenants on a portfolio basis are the following:

	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

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 2010, the fair value of the interest rate swap amounted to €1,223,692 (31 December 2009: €1,081,710).

Security:
- General security over the property, current assets and cash inflows 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%.

Retail Park Auchan Pitesti loan

In June 2010, the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti with a new loan facility from Unicredit Bank and Banca Romaneasca. The facility of €28,813,000 matures in December 2014 with principal amortisation starting in 2012. The loan bears interest at a floating rate of one month Euribor plus a margin of 4.0%. The Group capped its Euribor interest rate at 2.25% in relation to the new loan facility.

Security:
- General security over the property, current assets, cash inflows from operating activities, accounts and receivables of Connect Investment SRL;
- A property maintenance reserve account holding the equivalent of 1% of annual net operating income of the property.

Covenants:
- Debt service cover ratio of minimum 110%;
- Loan to value ratio of maximum 70%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Floreasca Business Park loan

The Group has taken over a loan from Raiffeisen Zentralbank Ostrreich AG with an outstanding amount of €71,413,947. The loan matures at the end of 2013 and shall be repaid in quarterly instalments. Until June 2011, the bank is entitled to a 50% share of the after tax cash inflow obtained by Floreasca Business Park, and to a 100% share thereafter. The loan bears interest at a floating rate of three month Euribor plus a margin of 2.353%. The Group has capped its Euribor base interest rate exposure in relation to the loan at 2% (the interest rate cap was acquired in January 2011).

Security:

— General security over the property, current assets, cash inflows from operating activities, accounts and receivables of Floreasca Business Park SRL.

Covenants:

— The cash contribution in the project must amount to at least €14,250,000.

As at 31 December 2010, the Group had in place interest rate caps for a total notional amount of €81,813,000 at a strike rate of 2.25%. The fair value of these financial instruments amounted to €1,386,539.

As at 31 December 2009, the Group had in place interest rate caps for a notional amount of €47,300,000 at a strike rate of 3% and for a notional amount of €7,600,000 at a strike rate of 4.7%. The fair value of these financial instruments amounted to €1,090,054.

14 Trade and other payables

	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
	€	€	€	€
Payable for assets under construction	1,141,976	–	450,130	–
Property related payables	4,515,916	–	884,128	–
Advances from tenants	1,150,111	–	1,070,789	–
Administrative and secretarial accrued expenses	817,485	156,779	749,082	68,117
Accrued management fee	45,000	–	540,762	–
Taxes and other related liabilities	–	–	–	–
Payments received in advance other than rent	(13,631)	–	478,750	–
Accrued expenses	–	–	–	–
TOTAL	**7,656,857**	**156,779**	**4,173,641**	**68,117**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

15 Tenant deposits

	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Nepi Bucharest Two SRL	1,717,258	1,716,660
Retail Park Auchan Pitesti	241,359	–
Floreasca Business Park	75,840	–
Nepi Bucharest One SRL	35,732	15,864
Other tenant deposits	141,578	121,440
Total	**2,211,767**	**1,853,964**

16 Corporate tax expense and deferred tax

	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Current year tax	–	–
Deferred tax expense	1,460,883	2,121,193
Tax expense	**1,460,883**	**2,121,193**
Deferred tax acquired in business combinations (fair value of investment property)	6,737,165	1,559,933
Effect of translation differences	–	(162,194)
Deferred tax brought forward	7,388,314	3,869,382
DEFERRED TAX CARRIED FORWARD	**15,586,362**	**7,388,314**

Group subsidiaries are subject to corporate tax on an annual basis.
The Group has tax losses of €17,094,522 (2009: €2,991,513) that are available up to seven years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may only be used to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future. The German subsidiaries have not accrued any taxable profits since commencing business on 15 April 2008.

Reconciliation of tax rate	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Profit before tax	8,388,038	4,843,448
Isle of Man income tax at 0%	–	–
Effect of higher rates on overseas earnings	15,811	–
Total current year tax excluding deferred tax	–	–
EFFECTIVE TAX RATE	**0.0%**	**0.0%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

17 Earnings, diluted earnings and distributable earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010, was based on the profit attributable to equity holders of €6,911,344 (31 December 2009: €2,722,255) and the weighted average number of 52,388,748 (31 December 2009: 29,397,896) ordinary shares in issue during the year (excluding the share purchase scheme shares).

The calculation of diluted earnings per share for the year ended 31 December 2010, was based on the profit attributable to equity holders of €6,911,344 (31 December 2009: €2,722,255) and the weighted average number of 56,334,549 (31 December 2009: 30,877,071) ordinary shares in issue during the year (including the share purchase scheme shares). The calculation of distributable earnings per share was based on profit attributable to equity holders, adjusted as shown in the table below, to arrive at the distributable earnings of €11,665,016 for the year (31 December 2009: €5,164,378) and the number of shares in issue as at 31 December 2010.

Reconciliation of profit for the period to distributable earnings	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Profit for the period attributable to equity holders	**6,911,344**	**2,722,255**
Unrealised foreign exchange (gain)	(178,175)	(1,811,011)
Realised foreign exchange losses	–	(87,000)
Listing expenses	–	905,048
Acquisition fees	831,369	286,211
Share based payment fair value	524,650	153,059
Accrued interest on share purchase scheme loans	491,064	170,721
Fair value adjustment	(1,111,927)	-575,253
Financial assets at fair value	836,397	855,754
Amortization of the financial assets	(426,032)	(117,288)
Deferred tax expense	1,460,883	2,114,061
Share issue cum distribution	2,325,443	547,821
Distributable earnings for the year	**11,665,016**	**5,164,378**
Number of shares entitled to distribution*	**73,346,586**	**37,070,515**
Distributable earnings per share for the year (euro cents)	**17.61**	**15.77**
First interim dividend (euro cents)	8.35	7.66
Second interim dividend (euro cents)	**9.26**	**8.11**

* This includes the total number of shares in issue less 3,587,148 shares issued to the vendors of Promenada Mall Braila and held in escrow to guarantee certain vendor obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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

2010	Event	Number of shares	% of period	Weighted average
01/01/2010	existing shares	38,624,781	19%	7,427,843
12/03/2010	share issue	45,505,881	0%	–
12/03/2010	share issue	47,935,604	5%	2,633,824
01/04/2010	share issue	53,817,956	15%	8,131,834
26/05/2010	share issue	53,817,956	10%	5,174,803
30/06/2010	share issue	56,268,704	47%	26,279,340
17/12/2010	rights issue	71,268,704	4%	2,741,104
31/12/2010	year end			52,388,748

2009	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 purchase scheme shares) for diluted earnings per share purposes:

2010	Event	Number of shares	% of period	Weighted average
01/01/2010	existing shares	40,657,663	19%	7,818,781
12/03/2010	share issue	47,538,763	0%	–
12/03/2010	share issue	49,968,486	5%	2,745,521
01/04/2010	share issue	55,850,838	15%	8,439,000
26/05/2010	share issue	56,650,471	10%	5,447,161
30/06/2010	share issue	61,933,734	47%	28,925,096
17/12/2010	rights issue	76,933,734	4%	2,958,990
31/12/2010	year end			56,334,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

2009	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

18 Headline earnings and diluted headline earnings per share

The calculation of headline earnings per share for the year ended 31 December 2010, was based on headline earnings of €5,799,417 (31 December 2009: €4,039,384) and the weighted average of 52,388,748 ordinary shares in issue during the year, excluding the share purchase scheme shares (31 December 2009: 29,397,896 ordinary shares). The calculation of diluted headline earnings per share for the year ended 31 December 2010 was based on headline earnings of €5,799,417 (31 December 2009: €4,039,384) and the weighted average of 56,334,549 ordinary shares in issue during the year including the share purchase scheme shares (31 December 2009: 30,877,071 ordinary shares).

Reconciliation of profit for the year to headline earnings	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Profit for the year attributable to equity holders	6,911,344	2,722,255
Changes in currency translation reserve of foreign subsidiaries	-	1,892,382
Fair value adjustment of investment property	(1,111,927)	(575,253)
HEADLINE EARNINGS	**5,799,417**	**4,039,384**

19 Net asset value per share

Reconciliation of net asset value to adjusted net asset value	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Adjusted net asset value	**170,571,937**	**80,070,467**
Net asset value per the statement of financial position	155,087,026	72,719,463
Issued value of the shares in respect of the share purchase scheme	13,748,436	4,377,494
Deferred tax	15,586,362	7,388,314
Goodwill	(13,849,887)	(4,414,804)
Number of shares in issue at year end	**76,933,734**	**40,657,663**
Net asset value per share	**2.18**	**1.88**
Adjusted net asset value per share	**2.22**	**1.97**
Number of shares for net asset value per share purposes (excluding the share purchase scheme shares)	**71,268,704**	**38,624,771**
Number of shares for adjusted net asset value per share purposes (including the share purchase scheme shares)	**76,933,734**	**40,657,663**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

20 Net finance (expense)/income

	Group 31 Dec 2010	Company 31 Dec 2010	Group 31 Dec 2009	Company 31 Dec 2009
	€	€	€	€
Interest income on bank deposits	581,765	11,077	261,512	8,963
Interest income from subsidiaries	–	12,126,751	–	5,589,466
Finance income	581,765	12,137,828	261,512	5,598,429
Interest expense on financial liabilities measured at amortised cost	(5,652,177)	–	(2,565,471)	–
Net changes of financial instruments at fair value through profit or loss	(836,397)	–	(855,754)	(83,300)
Finance expense	(6,488,574)	–	(3,421,225)	(83,300)
Net finance (expense)/income recognised in statement of income	**(5,906,809)**	**12,137,828**	**(3,159,713)**	**5,515,129**

21 Net rental and related income

	Group 31 Dec 2010	Group 31 Dec 2009
	€	€
Rent	17,822,030	9,355,514
Service charges recoveries	1,911,029	536,437
Other recoveries	1,536,279	816,922
Recoveries and contractual rental income	**21,269,338**	**10,708,873**
Property management, tax, insurance and utilities	(3,871,702)	(1,883,493)
Property maintenance cost	(579,666)	(502,208)
Salaries, social charges and support	(187,328)	–
Provisions and allowances for doubtful debts	(406,446)	(52,288)
Property operating expenses	**(5,045,142)**	**(2,437,989**
NET RENTAL AND RELATED INCOME	**16,224,196**	**8,270,884**

22 Segment reporting

The Group operates its assets to obtain returns in the form of property rent revenue. Properties held by the Group are classified as retail, office and industrial.

On a primary basis, the Group manages its operations in accordance with the above classification.

Group administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the Board on a segment basis. The Group's primary format for segmental reporting is based on business segments.

Segment results 2010	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Rent and service charge income	13,636,990	1,376,030	6,256,318	–	21,269,338
Property operating expenses	(3,164,865)	(192,516)	(1,117,409)	(570,352)	(5,045,142)
Administrative expenses	(584,204)	(359,278)	(215,819)	(832,177)	(1,991,478)
Net valuation gain/(loss) on investment property	3,702,176	(221,835)	(2,368,414)	–	1,111,927
Foreign exchange gain/(loss)	(27,561)	15,237	183,796	6,703	178,175
Share based payment	–	–	–	(524,650)	(524,650)
Management fee	–	–	–	(703,323)	(703,323)
Segment profit/(loss) before net finance expense	**13,562,536**	**617,638**	**2,738,472**	**(2,623,799)**	**14,294,847**
Finance income	65,750	2,059	33,701	480,255	581,765
Finance cost	(2,400,731)	(355,372)	(307,964)	(3,424,507)	(6,488,574)
PROFIT BEFORE TAX	**11,227,555**	**264,325**	**2,464,209**	**(5,568,051)**	**8,388,038**

Segment results 2009	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Rent and service charge income	4,807,694	1,191,587	4,709,592	–	10,708,873
Property operating expenses	(506,185)	(225,167)	(991,409)	(715,228)	(2,437,989)
Administrative expenses	(325,134)	(21,932)	(86,851)	(1,396,286)	(1,830,203)
Net valuation gain/(loss) on investment property	(2,200,069)	682,123	2,093,199	–	575,253
Foreign exchange gain/(loss)	407,118	(71,577)	1,475,471	–	1,811,011
Share based payment	–	–	–	(153,059)	(153,059)
Management fee	–	–	–	(670,725)	(670,725)
Segment profit/(loss) before net finance expense	**2,183,424**	**1,555,034**	**7,200,002**	**(2,935,298)**	**8,003,161**
Finance income	8,822	3,207	11,271	238,212	261,512
Finance cost	(696,220)	(388,671)	(312,135)	(2,024,199)	(3,421,225)
PROFIT BEFORE TAX	**1,496,026**	**1,169,570**	**6,899,138**	**(4,721,285)**	**4,843,448**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

Segment assets and liabilities 31 December 2010	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
SEGMENT ASSETS					
Investment property	144,663,537	17,340,001	138,895,754	–	300,899,292
Investment property under development	3,841,323	–	6,514,666	2,500,000	12,855,989
Financial assets at fair value through profit or loss	364,562	–	–	1,021,977	1,386,539
Trade and other receivables	1,332,523	788,682	1,904,662	3,312,380	7,338,247
Cash and cash equivalents	3,026,540	179,667	2,524,068	18,117,007	23,847,282
Goodwill	–	–	–	13,849,887	13,849,887
Total segment assets	**153,228,485**	**18,308,350**	**149,839,150**	**38,801,251**	**360,177,236**
Segment liabilities					
Loans and borrowings	88,436,664	–	80,127,715	–	168,564,379
Non-curent liabilities	1,223,692	–	–	15,586,362	16,810,054
Accounts payable	1,081,604	1,978,025	2,463,921	2,133,306	7,656,857
Interest bearing borrowings	939,301	5,787,960	3,119,892	–	9,847,153
Tenant deposits	340,034	1,718,096	153,637	–	2,211,767
Total segment liabilities	**92,021,296**	**9,484,081**	**85,865,165**	**17,719,668**	**205,090,210**

Segment assets and liabilities 31 December 2009	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
SEGMENT ASSETS					
Investment property	86,353,426	12,200,000	40,668,829	–	139,222,255
Investment property under development	151,243	–	6,591,598	–	6,742,841
Financial assets at fair value through profit or loss	–	–	–	1,090,954	1,090,954
Trade and other receivables	1,336,071	93,751	152,767	1,813,890	3,396,479
Cash and cash equivalents	6,362,455	126,940	1,421,149	4,365,999	12,276,543
Goodwill	–	–	–	4,414,804	4,414,804
Total segment assets	**94,203,195**	**12,420,691**	**48,434,343**	**11,685,647**	**167,143,876**
Segment liabilities					
Loans and borrowings	60,793,570	5,787,960	11,388,868	–	77,970,398
Non-curent liabilities	1,081,711	–	–	7,388,313	8,470,024
Accounts payable	1,612,364	142,783	762,216	1,656,278	4,173,641
Interest bearing borrowings	595,511	–	1,360,875	–	1,956,386
Tenant deposits	70,963	1,716,659	66,342	–	1,853,964
Total segment liabilities	**64,154,119**	**7,647,402**	**13,578,301**	**9,044,591**	**94,424,413**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

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

Reportable segments profit, assets and liabilities	**Romania**	**Romania**	**Germany**	**Germany**	**Consolidated**	**Consolidated**
	2010	2009	2010	2009	2010	2009
	€	€	€	€	€	€
Recoveries and contractual rental income	19,726,611	9,222,120	1,542,727	1,486,753	21,269,338	10,708,873
Property operating expenses	(4,637,867)	(2,038,940)	(407,275)	(399,049)	(5,045,142)	(2,437,989)
Foreign exchange gain	178,175	1,811,011			178,175	1,811,011
Net financial (expense)/income	(4,860,607)	(1,603,442)	(890,401)	(1,223,332)	(5,751,008)	(2,826,774)
Fair value adjustments	1,871,849	611	(759,922)	574,642	1,111,927	575,253
Segment result	**12,278,161**	**7,391,360**	**(514,871)**	**439,014**	**11,763,290**	**7,830,374**
Share based payment reserve					(524,650)	(153,059)
Management fee					(703,323)	(670,725)
Administrative expenses					(1,147,755)	(638,942)
JSE listing costs					(12,354)	(905,048)
Acquisition expenses					(831,369)	(286,211)
Finance expense net					(155,801)	(332,941)
Deferred tax expense					(1,476,694)	(2,121,193)
Net profit for the period					**6,911,344**	**2,722,255**
Total segment assets	**301,297,589**	**145,713,190**	**18,778,441**	**19,272,036**	**320,076,030**	**164,985,226**

A detail segmental analysis based on gross rentals, rentable area and value is presented in the Directors' Report.

23 Contingent assets and liabilities

Guarantees

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

The Company issued two corporate letters of guarantee to Nepi Bucharest One SRL and Nepi Bucharest Two SRL in relation to the Alpha Bank Romania S.A. credit facilities (see note 13).

The Company issued a Sponsor Guarantee in favour of KBC Bank which secures the principal repayments due by Promenada Mall 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

24 Accounting estimates and judgements

The Group's management discusses with the Audit and Risk 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 8 "Goodwill".

25 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 45. The Directors are presented on pages 8 and 9.

Material related party transactions

Loans to and investments in subsidiaries are set out in note 13.

Directors' remuneration for the current and prior year are set out in the table below. No other payments were made to directors, except for re-imbursements of travel and accommodation costs.

Director's fees	**2010**	**2009**
	€	€
Dan Pascariu	24,936	23,049
Martin Slabbert*	66,030	–
Desmond de Beer	20,400	20,385
Kris Carton	3,400	3,400
Dewald Joubert	20,400	21,390
Michael Mills	20,400	20,387
Victor Semionov*	32,667	–
Steven Van Den Bossche	15,300	3,400
Jeffrey Zidel	20,400	3,400
TOTAL	**223,933**	**95,411**

Note: The figures presented under section Related party transactions in the prior years' reports showed the fees paid rather than remuneration accrued.
* Mr. Slabbert and Mr. Semionov did not receive director's fees prior to the Internalisation of the Investment Advisor effective 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >continued

In June 2010, NEPI acquired all of the issued shares of the Group's Investment Advisor, NEPI Investment Management Limited. The purchase price of approximately €6.8 million was settled through the issue of 2,450,748 ordinary shares at a price of €2.58 per share and a cash payment of €503,018 in respect of the net current assets.

Of the vendor shares issued, 1,531,717 vendor shares were issued for the benefit of Fortress Asset Managers (Proprietary) Limited (a wholly-owned subsidiary of Resilient Property Income Fund, which at the time owned 20.3% of the Company's issued shares), 735,224 vendor shares were issued for the benefit of Slabbert Family Limited (a company in which Martin Slabbert has an indirect interest) and 122,537 vendor shares were issued for the benefit of Focus CEE Investments Limited (a company in which Victor Semionov has an interest).

26 Comparative period

The comparative period is the year ended 31 December 2009.

27 Subsequent events

The directors are not aware of any other subsequent events to 31 December 2010, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the directors' report.

SCHEDULE OF PROPERTIES

Property Name	Property Address	Ownership	Rentable Area	Weighted Rentable Area	Weighted Average Rental	Weighted Average Vacancy	Valuation	Weighted Valuation
		%	Sqm	Sqm	€/Sqm	%	€	€
RETAIL PORTFOLIO								
Promenada Mall Braila	4 Varsatura	100%	53,000	53,000	9.12	0.8%	66,660,000	66,660,000
Retail Park Auchan Pitesti	65B Geamana	100%	32,755	32,755	12.03	0.0%	57,100,000	57,100,000
Leipzig	123 Mockauer strasse	50%	5,864	2,943	9.69	0.0%	8,149,000	4,090,228
Bruckmühl	15a Pettenkoferstrasse	50%	5,889	2,956	7.07	0.0%	6,577,000	3,301,193
Mölln	127a+b Wasserkrüger	50%	5,510	2,766	5.67	0.0%	5,886,000	2,954,360
Bucharest	23 Elisabeta Street	100%	838	838	50.67	0.0%	5,440,000	5,440,000
Brasov	105 Bucuresti Street	100%	3,380	3,380	6.02	0.0%	4,270,000	4,270,000
Eilenburg	34–35 Grenzstrasse	50%	3,727	1,871	7.88	0.0%	3,926,000	1,970,577
Frankfurt	10–24 Battonnstrasse	50%	1,088	546	14.50	0.0%	2,591,000	1,300,501
Iasi	4 Strapungerii Street	100%	193	193	37.58	0.0%	808,000	808,000
Bacau	5 Balescu Street	100%	150	150	41.92	0.0%	610,000	610,000
			112,394	**101,398**	**10.33**	**0.4%**	**162,017,000**	**148,504,859**
OFFICE PORTFOLIO								
Floreasca	169A Floreasca Street	100%	36,032	36,032	17.41	0.0%	103,950,000	103,950,000
Munich	7 Silberhornstrasse	50%	2,222	1,115	14.83	0.0%	6,177,000	3,100,422
Constanta*	51 Traian Street	100%	6,797	6,797	5.35	0.0%	6,330,000	6,330,000
Brasov*	3 Kogalniceanu Street	100%	6,720	6,720	7.27	0.0%	6,200,000	6,200,000
Zalau*	19 Unirii Street	100%	3,460	3,460	10.16	0.0%	3,410,000	3,410,000
Craiova*	15B Buzesti Street	100%	2,486	2,486	6.80	0.0%	2,480,000	2,480,000
Galati*	31 Brailei Street	100%	2,814	2,814	7.12	0.0%	2,000,000	2,000,000
Buzau*	2 Balcescu Street	100%	2,422	2,422	6.98	0.0%	1,840,000	1,840,000
Baia Mare*	18 Unirii Street	100%	2,406	2,406	5.87	0.0%	1,780,000	1,780,000
Slatina*	1 Vladimirescu Street	100%	2,767	2,767	6.97	0.0%	1,750,000	1,750,000
Alba Iulia*	29 I.C. Bratianu Street	100%	2,366	2,366	5.79	0.0%	1,590,000	1,590,000
Targoviste*	227 Domneasca Street	100%	2,373	2,373	5.52	0.0%	1,560,000	1,560,000
Sfantu Gheorghe*	33–37, 1 Decembrie Street	100%	2,349	2,349	6.36	0.0%	1,500,000	1,500,000
Targu Mures*	2 Bolyai Street	100%	2,033	2,033	3.36	0.0%	1,450,000	1,450,000
Deva*	18 Maniu Street	100%	1,860	1,860	7.23	0.0%	1,440,000	1,440,000
Slobozia*	13 Chimiei Street	100%	1,907	1,907	6.53	0.0%	1,200,000	1,200,000
Calarasi*	27 Progresului Street	100%	1,421	1,421	7.02	0.0%	1,080,000	1,080,000
Resita*	4, 1 Decembrie Street	100%	1,322	1,322	7.21	0.0%	1,070,000	1,070,000
Sibiu*	69, 1 Decembrie Street	100%	900	900	0.96	0.0%	890,000	890,000
Alexandria*	63 Colfescu Street	100%	975	975	7.20	0.0%	790,000	790,000
			85,632	**84,525**	**11.96**	**0.0%**	**148,487,000**	**145,410,422**
INDUSTRIAL PORTFOLIO								
Rasnov industrial facility	1A Campului Street	100%	23,040	23,040	4.46	14.8%	11,960,000	11,960,000
Otopeni warehouse	11C Vlaicu	100%	4,802	4,802	8.38	0.0%	5,380,000	5,380,000
			27,842	**27,842**	**5.23**	**12.2%**	**17,340,000**	**17,340,000**
VACANT LAND**		100%					**2,500,000**	**2,500,000**
TOTAL			**225,868**	**213,765**	**10.30**	**1.8%**	**327,844,000**	**313,755,281**

* There is a total 12,800 Sqm of unoccupied space in these properties subject to a vendor rental guarantee as described on page 20.

** The vacant land was booked at acquisition price.

CORPORATE GOVERNANCE REVIEW

Corporate Governance

The board recognises the importance of sound corporate governance and endorses and monitors compliance with the Quoted Companies Alliance Corporate Governance Guidelines for AIM Companies and the King III Report on Corporate Governance in South Africa.

Board of directors

The board comprises four independent non-executive directors, one non-independent non-executive director and two executive directors. The directors of the company are listed on pages 8 and 9 of the report.

The main functions of the board include:

— adopting strategic plans and ensuring that these plans are carried out by management;
— approving major company activities, including capital funding, acquisitions, disposals, capital expenditure and financial statements;
— monitoring the operational performance of the business and the performance of the management at both operational and executive level;
— overseeing the effectiveness of the internal controls of the company designed to ensure that the assets of the company are safeguarded, that proper accounting records are maintained and that the financial information on which business decisions are made and which is issued for publication is reliable.

The directors' varied backgrounds and experience gives NEPI a good mix of the knowledge and expertise necessary to manage the business effectively. Further to this, a clear division of responsibilities at board level is in place to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The board aims to meet formally at least four times a year.

Appointment of directors

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. Board appointments are conducted in a formal and transparent manner by the board as a whole.

Investment committee

Members: J Zidel (chairman), D de Beer and M Slabbert

The investment committee, comprising three directors, considers all acquisitions and sales of investments and capital expenditures. Appropriate investments or disposals are then presented to the board for consideration.

Remuneration committee

Members: D Joubert (chairman), D de Beer and D Pascariu

The Remuneration committee, comprising three directors, assesses and recommends to the board the remuneration and incentivisation of the management and staff of the company.

CORPORATE GOVERNANCE REVIEW >continued

Nomination committee

Members: D Pascariu (chairman), M Mills and M Slabbert

The Nomination committee, comprising three directors, assists the board in identifying qualified individuals to become board members and recommends on the composition of the board.

Audit and Risk committee

Members: M Mills (chairman), D Joubert and J Zidel

The Audit and Risk committee, comprising three non-executive directors, 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, accounting policies and risk management.

The board has delegated the responsibility for developing and monitoring the group's risk management policies to the Audit and Risk committee. 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. The directors assume overall responsibility for the group's system of internal control and for reviewing its effectiveness.

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 management 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 risks. The group may use independent agents to undertake any specialist analysis, investigation or action that is needed. The system is regularly reviewed by the Audit and Risk committee.

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 Audit and Risk committee has primary responsibility for making recommendations to the board on the appointment, re-appointment and removal of the external auditor. It ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated. The committee also oversees the appointment of auditors for non-audit services, in line with company policy. The committee reviews audit plans for external audits and the outcome of the work performed in executing these plans. The committee meets with the external auditors and discusses and reviews the accounts, the audit procedures and the group's internal controls. They further ensure that items identified for action are followed up.

The board has determined that the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. In addition, the chairman has the requisite experience in accounting and financial management. The Audit and Risk committee has considered and found appropriate the expertise and experience of the financial director.

CORPORATE GOVERNANCE REVIEW >continued

The external auditors reported to the committee to confirm that they are and have remained independent from the group during the year. The Audit and Risk Committee considered information pertaining to the external auditors' relationships with group that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, and has concluded that the external auditors' independence was not impaired. The committee approved the external auditors' terms of engagement and scope of work. Based on written reports submitted, the committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The committee also examined and discussed with the auditors the appropriateness of internal controls and utilisation of internal auditors and made recommendations to the board.

The committee met five times during the financial year. In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the Audit and Risk committee has reviewed accounting principles, policies and practices adopted in the preparation of financial information and has examined documentation relating to the annual report and interim financial report. The clarity of disclosures included in the financial statements was reviewed by the Audit and Risk Committee, as was the basis for significant estimates and judgements. The Audit and Risk committee complied with its legal, regulatory and Company's charter and recommended the integrated report to the board for approval.

Company secretary

All directors have access to the advice of the company secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should properly be discharged in the best interests of the company.

Communication

The board recognises that it is accountable to shareholders for the performance and activities of the group. NEPI communicates with its shareholders principally through its website and the annual report. Annual general meetings of the company give the directors the opportunity to report to shareholders on current and proposed operations and enable shareholders to express their views on the group's business activities.

Directors' dealings and professional advice

Dealing in company's securities by directors and company officials is regulated and monitored as required by the JSE Listing Requirements and the AIM Rules. In addition, NEPI maintains a closed period from the end of a financial period to the date of publication of the financial results.

Ethics

NEPI is committed to promoting the highest standards of ethical behaviour among all its employees and business associates.

NOTICE OF 2011 ANNUAL GENERAL MEETING

11 April 2011

Notice is hereby given that the fourth annual general meeting of New Europe Property Investments plc ("the Company") will be held **at its registered office** being 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on **3 May 2011** at **10:00 AM BST**, to address the following business:

Ordinary business

To consider and, if deemed fit, to pass, with or without modification, the ordinary resolutions below:

1. To receive and adopt the reports of the directors and auditors of the Company and the consolidated financial statements of the Company for the year ended 31 December 2010.

2. To confirm that there shall be no dividend declaration by the Company to shareholders in relation to the 2010 financial year in addition to the interim dividends declared by the directors of the Company in August 2010 and February 2011 in relation to that year, resulting in the total distribution for that year having been 17.61 euro cents per share.

3. To re-elect directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company:
   3.1 Corneliu Dan Pascariu; and
   3.2 Dewald Lambertus Joubert,
   will retire at the Company's Annual General Meeting and being eligible, they have offered themselves for re-election.

4. To re-elect a director of the Company who had been appointed by the Company's board of directors since the last Annual General Meeting of the Company: In accordance with article 81 of the Articles of Association of the Company, director Victor Semionov will retire at the Company's Annual General Meeting and being eligible, he has offered himself for re-election.

5. To authorise the directors of the Company to fix their remuneration.

Special business

To consider and, if deemed fit, to pass the special resolutions below. These resolutions are subject to at least 75% of the votes cast by shareholders present in person or by proxy being cast in favour thereof.

6. To approve and adopt the NEPI plc Share Purchase Scheme ("the new scheme"), a copy of which is enclosed with the Company's Annual Report and which shall be tabled at the general meeting.

7. To re-appoint Ernst & Young as auditors of the Company and to authorise the Company's directors to fix their remuneration.

8. So as to remove from the Articles of Association of the Company the need for the Company to declare final dividends and empower the board of directors of the Company to declare final dividends, the shareholders are to consider and, if thought fit, pass, subject to any necessary approvals in terms of the Listings Requirements of the JSE Limited, the following resolution which will be proposed as a special resolution:

NOTICE OF 2011 ANNUAL GENERAL MEETING >continued

11 April 2011

That Article 129 of the Articles of Association of the Company be amended to read as follows: "Subject to the provisions of these Articles, the Board may, subject to the satisfaction of the solvency test, declare that dividends out of the Company's profits may be paid to members according to their respective rights and interests in the profits of the Company."

9. As a result of the internalisation of the Company's investment advisory function certain of its directors who were previously remunerated by the former investment advisor are now being remunerated by the Company. Consequently the limitation in the Company's Articles of Association that directors' fees paid to the directors of the Company shall not exceed the aggregate amount of £200,000.00 per annum has become impractical and so as to remove the said limitation from the Articles of Association of the Company, the shareholders are to consider and, if thought fit, pass, subject to any necessary approvals in terms of the Listings Requirements of the JSE Limited, the following resolution which will be proposed as a special resolution:

   That Article 95 of the Articles of Association of the Company be amended by the deletion therefrom of the following words: "(not exceeding £200,000 per annum or such other sum as the Company in general meeting shall from time to time determine)"

10. 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 non pre-emptive basis, the shareholders are to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

   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 so that, subject to the Listings Requirements of the JSE Limited and the AIM Rules for Companies issued by London Stock Exchange plc, the directors are authorised to issue shares for cash, on the basis that:

   10.1 this authority will only be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;

   10.2 any shares issued in terms of this authority:

   10.2.1 must be of a class already in issue, or must be convertible into a class of shares already in issue:

   10.2.2 must be issued to public shareholders, and not to related parties, all as defined in the Listings Requirements of the JSE Limited;

   10.2.3 may not in aggregate in any one financial year (taking into account the number of any shares that may be issued in future as a result of the issue of any convertible securities/options in terms of this authority) exceed 15% of the number of shares of that class in issue on the date in question (including any shares that may be issued in future as a result of any existing convertible securities/options), less any shares issued during the financial year in question (including the number of any shares that may be issued in future as a result of the issue of any convertible securities/options in terms of this authority), plus any shares of that class to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, plus any shares of that class to be issued pursuant to an acquisition that has been announced, is irrevocable and is fully underwritten;

   10.2.4 for the purposes of 10.2.3, shares of a particular class, will be aggregated with any shares that are compulsorily convertible into shares of that class, and, in the case of the issue of compulsorily convertible shares, aggregated with the shares of that class into which they are compulsorily convertible;

   10.2.5 may not be issued at a price less than a 10% discount to the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party/ies subscribing for the shares.

NOTICE OF 2011 ANNUAL GENERAL MEETING >continued

11 April 2011

After the company has in terms of this authority issued shares for cash equivalent to 5% or more of the number of shares of that class in issue prior to that issue, the company shall publish an announcement containing full details of such issue/s (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the shares and the effects of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share).

By order of the Board,

C.E. Cassell
Company secretary
11 APRIL 2011

Notes to Notice of Annual General Meeting dated 11 April 2011

1 A member of the Company who is entitled to attend the Company's Annual General Meeting and vote thereat is entitled to appoint one or more proxies to attend and, on a poll, vote instead of that member.

2 A proxy of a member need not be a member of the Company.

3 A form of proxy is included with this notice and instructions for its use are shown on the form.

4 A duly completed and signed form of proxy must be received by the Company's registrar, Sabre Fiduciary Limited, at the Company's registered office (which is detailed in this notice) by no later than forty eight hours before the time that the meeting is due to commence.

5 Completion and return of a form of proxy does not preclude a member of the Company from attending the Annual General Meeting and voting in person.

6 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 10:00 AM BST on 3 May 2011 ("the Register Time and Date"), being not more than two working days before the time fixed for the meeting to commence. Changes to entries on the register after the Register Time and Date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7 The Company's register of directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which the 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

Please insert the full name and address of the member in CAPITAL LETTERS and return this form to the Company's registered address at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man, IM1 4LN for attention of Eddie Cassell, Company secretary, or in electronic format to the e-mail address **eddie@sabre-iom.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 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on **3 May 2011 at 10:00 AM BST** and at any adjournment thereof.

If you wish to appoint your own proxy delete the words "the Chairman of the meeting" and insert the name of your proxy in the space provided in CAPITAL LETTERS. Please indicate with an X in the spaces provided below how you wish your votes to be cast. If you do not specify how you wish any vote to be cast you will be deemed to have authorised your proxy to vote or abstain from voting as he/she thinks fit.

	ORDINARY BUSINESS	FOR	AGAINST
1	To receive and adopt the reports of the directors and auditors of the Company and the consolidated financial statements of the Company for the year ended 31 December 2010.	○	○
2	To confirm that there shall be no dividend declaration by the Company to shareholders in relation to the 2010 financial year in addition to the interim dividends declared by the directors of the Company in August 2010 and February 2011.	○	○
3	To re-elect the following directors as directors of the Company in accordance with Article 86 of the Articles of Association of the Company:		
3.1	Corneliu Dan Pascariu	○	○
3.2	Dewald Lambertus Joubert	○	○
4	To re-elect Victor Semionov as a director of the Company in accordance with Article 81 of the Articles of Association of the Company.	○	○
5	To authorise the directors of the Company to fix their remuneration.	○	○
	SPECIAL BUSINESS	**FOR**	**AGAINST**
6	To adopt the NEPI plc Share Purchase Scheme.	○	○
7	To re-appoint Ernst & Young as auditors of the Company and to authorise the directors of the Company to fix their remuneration.	○	○
8	That Article 129 of the Articles of Association of the Company be amended as proposed in the notice of the Annual General Meeting.	○	○
9	That Article 95 of the Articles of Association of the Company be amended as proposed in the notice of the Annual General Meeting.	○	○
10	That Article 5.3 of the Articles of Association of the Company be replaced as proposed in the notice of the Annual General Meeting.	○	○

______________________ SIGNATURE

______________________ DATE

www.nepi.uk.com

Company	**New Europe Property Investments plc** Registration number 001211V (share code: NEPI) Lord Street, Douglas, Isle of Man, IM1 4LN 2nd Floor, Anglo International House	
Company Administrator and Registrar	**Sabre Fiduciary Limited** 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN Phone +44 (0) 2031 801 547 Fax +44 1624 629282	
Company Subsidiaries and Joint Venture Investments	**New Europe Property (BVI) Limited** Midocean Chambers Road Town, Tortola, British Virgin Islands	**Nepi Bucharest Two SRL** 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania
	New Europe Property NV 123 Pietermaai, Curacao Netherlands Antilles	**Nepi Bucharest Three SRL** 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania
	NE Property Cooperatief UA 231 Schiphol Boulevard Toren B, 5de 1118BH, Luchthaven Schiphol Amsterdam, Netherlands	**Nepi Bucharest One SRL** 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania
	CIREF NEPI Holdings Limited 17 Grigoriou Xenopoulou P.C. 3106, Limassol, Cyprus	**General Investment SRL** 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania
	General Building Management SRL 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania	**Premium Portfolio Ltd & Co KG** 9 Rossertstrasse 60323 Frankfurt am Main, Germany
	Floreasca Business Park SRL 71–73 Nicolae G. Caramfil, 4th floor, office 10 Bucharest, District 1, Romania	**Premium Portfolio 2 Ltd & Co KG** 9 Rossertstrasse 60323 Frankfurt am Main, Germany
	Connect Investment SRL 71–73 Nicolae G. Caramfil, 4th floor, office 9 Bucharest, District 1, Romania	**Unique Delamode SRL** 71–73 Nicolae G. Caramfil, 4th floor, office 1 Bucharest, District 1, Romania
	NEPI Investment Management Limited Midocean Chambers PO Box 805, Road Town Tortola, British Virgin Islands	**NEPI Investment Management SA** 71–73 Nicolae G. Caramfil 4th floor, office no. 1, Bucharest, District 1 Romania
Auditors and Reporting Accountants	**Ernst & Young** Rose House, 51-59 Circular Road, Douglas IM1 1AZ, Isle of Man	
Nominated Advisor and Broker	**Smith & Williamson Corporate Finance Limited** 25 Moorgate London EC2R 6AY, UK	
South African Sponsor	**Java Capital** 2 Arnold Road, Rosebank 2196, South Africa	